



THE LIVING ENERGY BOOK

by *edp*



INTERIM REPORT
9M18



THE
LIVING ENERGY
BOOK

by *edp*





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

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

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

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

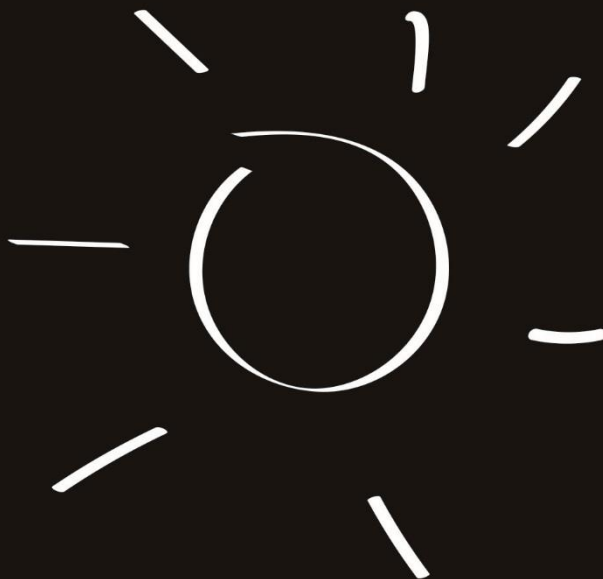
A living energy that together we continue to write in a book that reveals the present and which is also a building block for the future.

The Living Energy Book.

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EDP

OUR YEAR

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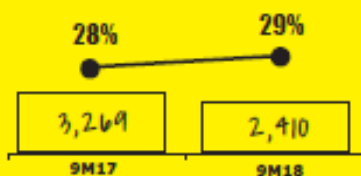
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1.1.1. KEY METRICS

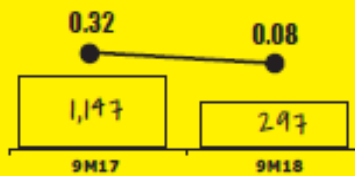
FINANCIAL DATA

EBITDA



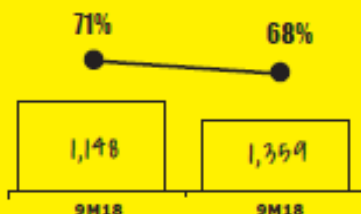
EBITDA (M€)
OPEX/Recurrent Gross Profit (%)⁴

NET PROFIT¹



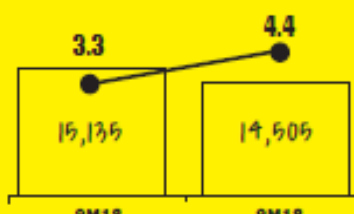
Net Profit (M€)
Net Profit per share (euros)

NET INVESTMENTS²



Net Investments (M€)
Net Investments in Renewables (%)

NET DEBT



Net Debt (M€)
Adjusted Net Debt/EBITDA (x)

OPERATIONAL DATA

GENERATION

26,974 MW **+2%** vs 9M17
Installed capacity

54,068 GWh **+5%** vs 9M17
Net generation

913 MW **+35%** vs 9M17
Installed capacity - equity

900 MW **+42%** vs 9M17
Capacity under construction

DISTRIBUTION³

60,114 GWh **+3%** vs 9M17
Electricity distributed

10,301 ('000) **+1%** vs 9M17
Electricity supply points

SUPPLY

48,982 GWh **+1%** vs 9M17
Electricity supplied

9,837 ('000) **0%** vs 9M17
Electricity customers

13,959 GWh **+12%** vs 9M17
Gas supplied

1,591 ('000) **+2%** vs 9M17
Gas customers

¹ Net Profit attributable to EDP Equity shareholders.

² Considers CAPEX of EDP Group, organic financial investments (€3M (30 Sep 2017: €94M) and financial divestments (asset rotation) -€40M (30 Sep 2017: €24M).

³ Excludes gas distribution business discontinued in 2017.

⁴ 2018 excludes retroactive 2017 final CMEC compensation (€18.3M).



1.1.2 RECOGNITION

Group

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

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

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

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

Sep: EDP elected world leader in the social dimension of sustainability

The Group is in the top 2 of energy companies on the Dow Jones Sustainability Index and was considered the best in the world in criteria such as environmental policy management.

Portugal

Jan: 5 Star Award for services provided by EDP

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

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

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

Spain

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

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

Renewables

Feb: EDP Renováveis named Top Employer in Spain

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

Brazil

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

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

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

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

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

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

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

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

Mar: EDP is among the best management companies in Brazil

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

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

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

Jul: Miguel Setas elected on of the best CEO in Brazil

Forbes magazine chose EDP Brasil's president, Miguel Setas, as one of the best CEO in Brazil in 2018. For the third time, the executive was recognized by the publication, one of the Brazil's and world's most influential.

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1.2. EDP GROUP PROFILE

1.2.1. WHO WE ARE

EDP IS A MULTINATIONAL, VERTICALLY INTEGRATED UTILITY COMPANY

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

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



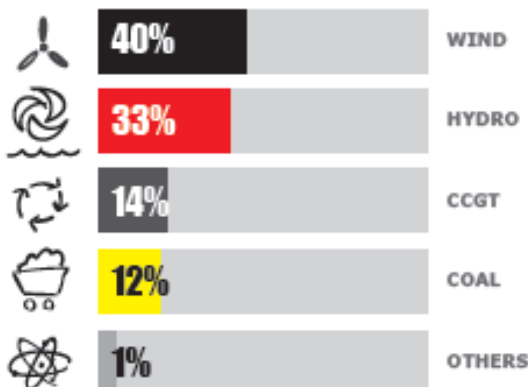
①

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

②

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

27 GW OF INSTALLED CAPACITY



1,297 km

of transport network under construction



54 TWH OF NET ELECTRICITY GENERATION





③

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.

④

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

338,822 KM OF NETWORK

284,825 km

of distribution overhead lines



53,998 km

of distribution underground lines



60 TWh OF ELECTRICITY DISTRIBUTED

ELECTRICITY CUSTOMERS 9,832,992



Customers in liberalized market 5,056,192

Customers in last resort 4,780,800

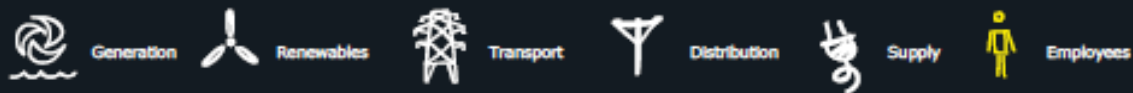
GAS CUSTOMERS 1,590,563



Customers in liberalized market 1,497,832

Customers in last resort 92,731

1.2.2. WHERE WE ARE



Canada 人 2 5

USA 人 570

Mexico 人 9

Brazil 人 2,996



Portugal ☉ 人 丫 号 0,049

Spain ☉ 人 丫 号 1,696

Poland 人 0 31

Romania 人 0 30

Italy 人 0 30

UK 人 0 58

Belgium 人 0 2

France 人 0 74



1.2.3. HOW WE ARE ORGANIZED

BUSINESS AREAS

01 IBERIAN GENERATION AND SUPPLY



#1 GENERATOR AND SUPPLIER
IN PORTUGAL

#3 IBERIAN GENERATOR

02 IBERIAN NETWORKS



#1 PORTUGUESE DISTRIBUTOR

03 BRAZIL



#4 PRIVATE SUPPLIER IN THE
FREE MARKET

#5 PRIVATE GENERATOR

04 RENEWABLES



renováveis



#4 GLOBAL WIND PLAYER

1.2.4. VISION, VALUES AND COMMITMENTS

VISION

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

edp



HUMANITY

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

VALUES

INNOVATION

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

SUSTAINABILITY

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

COMMITMENTS

RESULTS

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

SUSTAINABILITY

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

CLIENTS

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

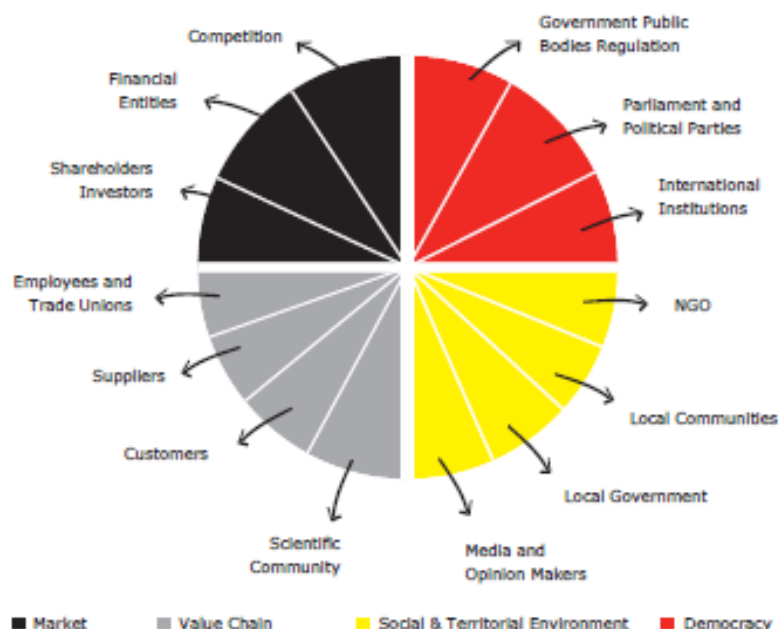
PEOPLE

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

1.2.5. STAKEHOLDERS

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

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



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

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

COMPREHEND

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

COMMUNICATE

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

TRUST

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

COLLABORATE

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

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PERFORMANCE

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02 PERFORMANCE

2.1 GROUP'S FINANCIAL ANALYSIS

INCOME STATEMENT

EUR MILLION	9M18	9M17	Δ %	Δ ABS.
Gross Profit	3,862	4,122	-6%	-260
Operating costs	1,149	1,207	-5%	-57
Other Income/(Costs)	-303	353	-	-656
EBITDA	2,410	3,269	-26%	-859
EBIT	1,078	2,213	-51%	-1,135
Net Profit for the period	529	1,386	-62%	-857
Net Profit attributable to EDP shareholders	297	1,147	-74%	-849
Non-controlling interests	231	239	-3%	-8

EBITDA
€2,410M
-26% VS. 9M17

EBITDA amounted to €2,410 million in the first nine months of 2018 (-26% vs. the first nine months of 2017). Nevertheless, if disregarded (i) the contribution from Iberian gas networks in the first nine months of 2017 (€140 million), following the sale of gas distribution assets in Iberia during 2017; (ii) the gain on the sale of Naturgás Energia Distribución in the first nine months of 2017 (+558 million); (iii) the €18 million negative impact in the first nine months of 2018 of a revision of the accounted in 2017 as CMEC final adjustment; and (iv) the €132 million negative impact in the first nine months of 2018 of the devaluation of the average USD and BRL against the EUR, EBITDA would have stayed flat vs. the nine months of 2017;

- In **Iberia**, results in distribution if disregarded the gas distribution in Iberia decreased 18% YoY, negatively impacted by the regulatory review in electricity distribution and by the lower 10-Y Portuguese government yields; while for generation the YoY negative impact came from the end of CMEC annual adjustment since July 2017 and higher costs with Clawback, coal levy and social tariff, which were outstood by the impact of better hydro conditions and led to an increase of 20% YoY;
- In **EDP Renováveis**, EBITDA reduced 9% YoY if disregarded the impact of devaluation of the average USD and BRL against the EUR, driven by weak wind resources, decrease in average selling price, expiration of some 10-year life PTCs, which were partly offset by capacity additions;
- In **EDP Brasil**, 2% YoY decrease in EBITDA, on unfavorable ForEx impact. In local currency, however, EBITDA increased 19% YoY on the back of a better operational performance in thermal generation but also in distribution, where grid losses have kept decreasing and supply prompted by higher volumes;
- **Opex costs** decreased €57 million, to €1,149 million in the first nine months of 2018, driven mostly by efficiency improvements and Forex impact;
- **Other net operating income/(costs)** changed by €656 million YoY, to a net cost of €303 million, mostly due to the gain on Naturgás disposal in the first nine months of 2017.

EBIT
€1,078M
-51% VS. 9M17

EBIT was 51% lower YoY, at €1,078 million in the first nine months of 2018, mainly impacted by EBITDA performance, and by the provision of €285m 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
EQUITY HOLDERS OF
EDP)

€297M

-74% VS. 9M17

- **Net financial results and Results with joint-ventures and associates** amounted to -€434 million in the first nine months of 2018 (€148 million better vs. the first nine months of 2017), benefitting from a 40bp YoY decline in average cost of debt (to 3.7% in the first nine months of 2018) and lower average net debt.
- **Income tax expense** decreased €125 million YoY to €50 million in the first nine months of 2018.
- **Non-controlling interests** reached to €231 million in the first nine months of 2018, decreasing 3% YoY, reflecting the lower share of non-controlling interests at EDP Renováveis, EDP Renováveis' lower contribution to net profit and net profit growth at EDP Brasil.
- **Net profit attributable to EDP shareholders** amounted to €297 million in the first nine months of 2018 (vs. €1,147 million in the first nine months of 2017).

CAPEX

CAPEX

€1,397M

+30% VS. 9M17

MAINTENANCE

€392M

-8% VS. 9M17

EXPANSION

€1,005M

+54% VS. 9M17

- Expansion capex was 72% of total capex and was mostly dedicated to the construction of renewables capacity and transmission lines in Brazil.
- Maintenance capex amounted to €392 million in the first nine months of 2018, mostly absorbed by regulated networks in Iberia and Brazil.

NET DEBT

NET DEBT

€14,505M

+4% VS. 2017

Net debt amounted to €14.5 billion in September 2018, up from €13.9 billion in December 2017, mainly impacted by the annual dividend payment to EDP shareholders, totalling €691 million, and by the net investments, which was partly offset by EDP's operational activity and by the sale of tariff deficit in Portugal.

2.2 OPERATIONAL INDICATORS

IBERIAN GENERATION AND SUPPLY		UN	9M18	9M17	9M16	9M15
INSTALLED CAPACITY						
Liberalised Electricity Generation	MW	13,626	13,703	12,705	12,566	
Portugal ¹	MW	10,098	10,175	9,177	8,798	
Hydro	MW	6,719	6,775	5,774	5,391	
CCGT	MW	2,031	2,039	2,039	2,039	
Coal	MW	1,180	1,180	1,180	1,180	
Mini-hydro	MW	143	157	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	-	-	1019	1,368	
Portugal ¹	MW	-	-	1019	1,368	
Equity Installed Capacity ²	MW	41	41	41	46	
Portugal ¹	MW	32	32	32	32	
Spain ¹	MW	10	10	10	15	
NET ELECTRICITY GENERATION		GWh				
Liberalised Electricity Generation	GWh	26,094	25,485	27,875	24,861	
Portugal ¹	GWh	19,253	17,542	21,629	16,189	
Hydro	GWh	9,873	5,418	13,165	6,855	
CCGT	GWh	3,099	4,659	2,016	1,746	
Coal	GWh	5,800	7,176	5,809	7,199	
Mini-hydro	GWh	339	211	499	243	
Cogeneration	GWh	142	79	139	145	
Spain ¹	GWh	6,841	7,942	6,247	8,672	
Hydro	GWh	885	321	839	680	
CCGT	GWh	851	1,290	910	674	
Coal	GWh	4,154	5,341	3,513	6,329	
Nuclear	GWh	856	895	898	885	
Cogeneration and Waste	GWh	96	95	88	105	
Steam Generation	GWh	514	441	231	341	
TECHNICAL AVAILABILITY						
Portugal ¹	%	91	91	93	97	
Hydro	%	92	89	94	98	
CCGT	%	83	96	92	96	
Coal	%	93	97	93	99	
Mini-hydro	%	95	96	96	90	
Cogeneration	%	97	59	94	97	
Spain ¹	%	96	95	91	96	
Hydro	%	100	100	100	100	
CCGT	%	99	99	97	100	
Coal	%	91	89	81	91	
Nuclear	%	86	89	90	89	
Cogeneration	%	100	96	98	98	
Waste	%	90	100	93	95	

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

IBERIAN GENERATION AND SUPPLY		UN	9 M 18	9 M 17	9 M 16	9 M 15
ELECTRICITY CUSTOMERS		'000	6,419	6,503	6,493	6,445
Portugal		'000	5,267	5,387	5,437	5,446
Last Resort		'000	1,147	1,251	1,468	1,869
Liberalised Market		'000	4,121	4,135	3,969	3,577
Market Share EDP - Liberalised Market		%	n.d.	84	85	85
Spain		'000	1,151	1,116	1,056	998
Last Resort		'000	216	220	230	241
Liberalised Market		'000	935	896	827	758
Social Tariff		'000	707	734	643	132
Portugal		'000	637	675	584	72
Spain		'000	71	59	59	60
Special Needs		'000	n.d.	0.6	0.5	0.5
Portugal		'000	n.d.	0.6	0.5	0.5
Green Tariff		'000	1,026	932	829	771
Portugal		'000	3	3	4	4
Spain		'000	1,023	929	825	767
ELECTRICITY SUPPLIED		GWh	25,149	26,532	29,559	28,954
Portugal		GWh	15,718	15,909	16,879	17,288
Last Resort		GWh	2,149	2,362	3,245	4,446
Liberalised Market		GWh	13,569	13,547	13,634	12,842
Market Share EDP - Liberalised Market		%	n.d.	43	46	44
Spain		GWh	9,431	10,623	12,680	11,666
Last Resort		GWh	325	331	352	373
Liberalised Market		GWh	9,106	10,292	12,328	11,293
Market Share EDP - Liberalised Market		%	6	7	9	8
Social Tariff		GWh	136	251	128	126
Portugal		GWh	45	162	36	33
Spain		GWh	91	89	92	94
Green Tariff		GWh	4,159	5,551	4,808	4,470
Portugal		GWh	7	7	40	8
Spain		GWh	4,152	5,544	4,768	4,463
GAS CUSTOMERS		'000	1,591	1,561	1,480	1,378
Portugal		'000	699	692	632	547
Last Resort		'000	42	46	54	66
Liberalised Market		'000	658	646	579	481
Spain		'000	891	869	847	831
Last Resort		'000	51	53	56	59
Liberalised Market		'000	840	817	791	772
GAS SUPPLIED		GWh	13,959	12,454	19,085	23,067
Portugal		GWh	3,339	2,881	3,415	3,692
Last Resort		GWh	185	194	244	310
Liberalised Market		GWh	3,154	2,687	3,171	3,382
Market Share EDP - Liberalised Market		%	n.d.	7	n.d.	n.d.
Spain		GWh	10,621	9,573	15,670	19,375
Last Resort		GWh	189	172	174	215
Liberalised Market		GWh	10,432	9,401	15,496	19,160
Market Share EDP - Liberalised Market		%	3	3	3	3



IBERIAN NETWORKS		UN	9M18	9M17	9M16	9M15
ELECTRICITY DISTRIBUTED		GWh	41,478	40,161	40,328	40,266
Portugal		GWh	34,480	33,221	33,412	33,393
Spain		GWh	6,998	6,940	6,915	6,873
ELECTRICITY SUPPLY POINTS		'000	6,883	6,840	6,799	6,761
Portugal		'000	6,217	6,177	6,137	6,102
Spain		'000	666	663	661	660
GRID EXTENSION		Km	246,902	246,630	245,814	245,064
Portugal		Km	226,240	226,076	225,366	224,672
Overhead lines		Km	177,445	177,339	176,826	176,397
Underground lines		Km	48,795	48,737	48,540	48,275
Spain		Km	20,662	20,555	20,448	20,392
Overhead lines		Km	15,707	15,679	15,661	15,642
Underground lines		Km	4,955	4,875	4,787	4,749
GRID LOSSES						
Portugal		%	9.7	10.6	9.5	9.4
Spain		%	3.4	3.4	4.0	4.1
SERVICE QUALITY						
Portugal						
Installed Capacity Equivalent Interruption Time ¹		M in	44	37	36	40
Spain						
Installed Capacity Equivalent Interruption Time ¹		M in	14	19	19	27

¹ ICEIT in MV grid, excluding extraordinary effects

EDP BRASIL	UN	9M18	9M17	9M16	9M15
GENERATION					
EBITDA Installed Capacity	MW	2,451	2,466	2,466	2,517
Hydro	MW	1,731	1,746	1,745	1,797
Coal	MW	720	720	720	720
Equity Installed Capacity ¹	MW	539	306	296	187
Equity Capacity under Construction ¹	MW	-	231	231	341
Net Electricity Generation	GWh	7,307	6,116	6,729	6,114
Hydro	GWh	4,109	2,844	3,390	4,369
Coal	GWh	3,197	3,272	3,339	1,745
Technical Availability	%	94	94	95	92
Hydro	%	93	94	96	97
Coal	%	89	91	87	87
ENERGY SUPPLY					
Electricity Supplied	GWh	23,833	22,174	20,200	19,403
Last Resort ²	GWh	10,265	10,194	11,236	11,410
Liberalised Market	GWh	13,568	11,980	8,964	7,993
Social Tariff	GWh	214	201	285	250
Number of Customers	'000	3,418	3,359	3,299	3,218
Last Resort ²	'000	3,418	3,359	3,299	3,217
Liberalised Market	'000	0.4	0.3	0.2	0.4
Social Tariff	'000	158	151	177	177
Special Needs	'000	1	1	0	0
ENERGY DISTRIBUTION					
Electricity Distributed	GWh	18,636	18,346	18,308	19,330
Electricity Supply Points	'000	3,419	3,359	3,299	3,217
Grid Extension	Km	91,920	91,370	91,342	90,216
Overhead lines	Km	91,673	91,127	91,106	89,989
Underground lines	Km	247	243	236	226
Grid Losses	%	10	11	11	11
Average Interruption Duration per Consumer					
EDP São Paulo	Hours	7.6	8.2	9.3	7.6
EDP Espírito Santo	Hours	8.2	8.8	9.2	8.7
Frequency of Interruptions per Consumer					
EDP São Paulo	#	4.9	5.2	5.6	5.0
EDP Espírito Santo	#	5.0	5.2	5.6	5.0
TRANSMISSION					
Grid extension Under Construction	Km	1,297	1,297	-	-

¹ Share of the MW installed in plants owned by companies equity consolidated | ² Regulated Customers supplied by Distribution



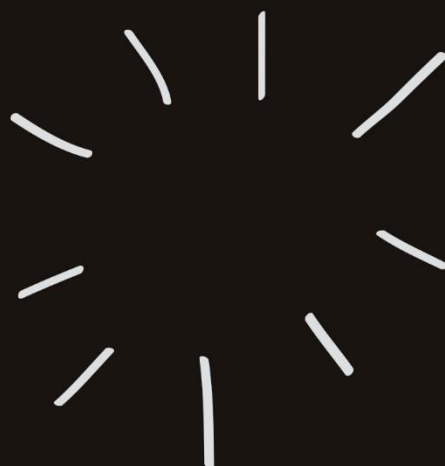
EDP RENOVÁVEIS	UN	9M18	9M17	9M16	9M15
INSTALLED CAPACITY					
EBITDA Installed Capacity	MW	10,897	10,321	9,379	8,878
Portugal	MW	1,280	1,253	1,251	1,243
Spain	MW	2,312	2,244	2,194	2,194
Rest of Europe	MW	1,612	1,560	1,497	1,423
North America	MW	5,363	5,060	4,233	3,934
Brazil	MW	331	204	204	84
Capacity under Construction	MW	900	675	788	549
Portugal	MW	76	-	-	4
Spain	MW	-	68	-	2
Rest of Europe	MW	89	41	232	125
North America	MW	598	303	429	299
Brazil	MW	137	263	127	120
Equity Installed Capacity ¹	MW	332	331	356	353
Portugal	MW	1	-	-	-
Spain	MW	152	152	177	174
Rest of Europe	MW	0	0	0	-
North America	MW	179	179	179	179
Brazil	MW	-	-	-	-
NET ELECTRICITY GENERATION					
Portugal	GWh	2,133	2,208	2,317	1,218
Spain	GWh	3,760	3,730	3,982	3,705
Rest of Europe	GWh	2,363	2,575	2,282	2,279
North America	GWh	11,575	10,739	9,033	7,638
Brazil	GWh	836	564	440	156
TECHNICAL AVAILABILITY					
	%	97	98	98	97
Portugal	%	98	99	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

THE
LIVING ENERGY
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03

FINANCIAL STATEMENTS

THE
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**Condensed Financial Statements
30 September 2018**

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EDP - Energias de Portugal

**Condensed Consolidated Income Statement
for the nine-month periods ended at 30 September 2018 and 2017**

Thousand Euros	Notes	2018	2017
Revenues from energy sales and services and other	7	11,311,279	11,653,929
Cost of energy sales and other	7	-7,448,783	-7,531,552
		3,862,496	4,122,377
Other income	8	265,423	896,647
Supplies and services	9	-677,154	-707,141
Personnel costs and employee benefits	10	-471,981	-499,407
Other expenses	11	-568,640	-543,439
		-1,452,352	-853,340
		2,410,144	3,269,037
Provisions	34	-282,884	-1,383
Amortisation and impairment	12	-1,048,871	-1,054,589
		1,078,389	2,213,065
Financial income	13	414,686	340,913
Financial expenses	13	-858,138	-933,876
Share of net profit in joint ventures and associates	20	8,977	10,731
Profit before income tax and CESE		643,914	1,630,833
Income tax expense	14	-50,184	-175,482
Extraordinary contribution to the energy sector (CESE)	15	-65,002	-69,421
		-115,186	-244,903
Net profit for the period		528,728	1,385,930
Attributable to:			
Equity holders of EDP		297,270	1,146,568
Non-controlling Interests	30	231,458	239,362
Net profit for the period		528,728	1,385,930
Earnings per share (Basic and Diluted) - Euros	27	0.08	0.32

LISBON, 8 NOVEMBER 2018

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated Statements of Comprehensive Income
for the nine-month periods ended at 30 September 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	297,270	231,458	1,146,568	239,362
Items that will never be reclassified to profit or loss (i)				
Actuarial gains/(losses)	3,971	886	46,829	-1,915
Tax effect from the actuarial gains/(losses)	-1,268	-301	-13,713	651
Fair value reserve with no recycling (financial assets) (ii)	-621	-	-	-
Tax effect from the fair value reserve with no recycling (financial assets) (ii)	160	-	-	-
	2,242	585	33,116	-1,264
Items that may be reclassified to profit or loss (i)				
Exchange differences arising on consolidation	-164,359	-164,843	-143,730	-259,131
Fair value reserve (cash flow hedge) (ii)	-314,760	-7,367	-102,742	1,790
Tax effect from the fair value reserve (cash flow hedge) (ii)	77,306	1,549	26,995	-1,219
Fair value reserve with recycling (financial assets) (ii)	-1,634	-	-22,950	-
Tax effect from the fair value reserve with recycling (financial assets) (ii)	515	-	-2,223	-
Share of other comprehensive income of joint ventures and associates, net of taxes	-4,976	28	-1,561	3,374
	-407,908	-170,633	-246,211	-255,186
Other comprehensive income for the period (net of income tax)	-405,666	-170,048	-213,095	-256,450
Total comprehensive income for the period	-108,396	61,410	933,473	-17,088

(i) See Condensed Consolidated Statement of Changes in Equity

(ii) See Note 29

LISBON, 8 NOVEMBER 2018

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

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

Thousand Euros	Notes	2018	2017
Assets			
Property, plant and equipment	16	23,050,011	22,730,615
Intangible assets	17	4,444,083	4,747,360
Goodwill	18	2,243,767	2,232,668
Investments in joint ventures and associates	20	851,524	843,082
Available for sale investments		-	124,016
Equity instruments at fair value	21	124,028	-
Investment property		26,694	39,199
Deferred tax assets	22	1,096,261	808,521
Debtors and other assets from commercial activities	23	2,492,728	2,839,379
Other debtors and other assets	24	561,447	518,772
Non-Current tax assets	25	49,758	60,793
Collateral deposits associated to financial debt	32	31,231	34,874
Total Non-Current Assets		34,971,532	34,979,279
Inventories		356,356	265,775
Debtors and other assets from commercial activities	23	3,240,303	3,325,730
Other debtors and other assets	24	381,111	304,628
Current tax assets	25	430,440	520,500
Financial assets at fair value through profit or loss		-	37,544
Collateral deposits associated to financial debt	32	7,495	10,381
Cash and cash equivalents	26	919,971	2,400,077
Non-Current Assets held for sale	39	321,935	231,135
Total Current Assets		5,657,611	7,095,770
Total Assets		40,629,143	42,075,049
Equity			
Share capital	27	3,656,538	3,656,538
Treasury stock	28	-62,410	-62,957
Share premium	27	503,923	503,923
Reserves and retained earnings	29	4,266,640	4,335,265
Consolidated net profit attributable to equity holders of EDP		297,270	1,113,169
Total Equity attributable to equity holders of EDP		8,661,961	9,545,938
Non-controlling Interests	30	3,854,867	3,934,322
Total Equity		12,516,828	13,480,260
Liabilities			
Financial debt	32	13,951,930	15,469,636
Employee benefits	33	1,080,274	1,198,362
Provisions	34	1,094,758	726,771
Deferred tax liabilities	22	558,406	466,532
Institutional partnerships in USA	35	2,081,697	2,163,722
Trade and other liabilities from commercial activities	36	1,287,471	1,343,171
Other liabilities and other payables	37	946,292	874,984
Non-current tax liabilities	38	91,517	91,551
Total Non-Current Liabilities		21,092,345	22,334,729
Financial debt	32	2,095,192	1,448,129
Employee benefits	33	263,365	323,891
Provisions	34	17,030	26,058
Hydrological correction account	31	394	1,574
Trade and other liabilities from commercial activities	36	3,396,231	3,498,131
Other liabilities and other payables	37	529,410	284,140
Current tax liabilities	38	610,015	563,456
Non-Current Liabilities held for sale	39	108,333	114,681
Total Current Liabilities		7,019,970	6,260,060
Total Liabilities		28,112,315	28,594,789
Total Equity and Liabilities		40,629,143	42,075,049

LISBON, 8 NOVEMBER 2018

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

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

Thousand Euros	2018	2017
Revenues from energy sales and services and other	3,752,289	3,778,519
Cost of energy sales and other	-2,582,279	-2,549,197
	1,170,010	1,229,322
Other income	79,111	697,627
Supplies and services	-234,434	-234,780
Personnel costs and employee benefits	-147,088	-158,619
Other expenses	-179,181	-166,997
	-481,592	137,231
	688,418	1,366,553
Provisions	-285,972	264
Amortisation and impairment	-349,910	-345,925
	52,536	1,020,892
Financial income	123,658	100,659
Financial expenses	-290,011	-323,676
Share of net profit in joint ventures and associates	5,519	3,503
Profit before income tax	-108,298	801,378
Income tax expense	66,734	-56,329
Extraordinary contribution to the energy sector (CESE)	-945	-2,006
	65,789	-58,335
Net profit for the period	-42,509	743,043
Attributable to:		
Equity holders of EDP	-82,719	696,138
Non-controlling Interests	40,210	46,905
Net profit for the period	-42,509	743,043
Earnings per share (Basic and Diluted) - Euros	-0.02	0.19

LISBON, 8 NOVEMBER 2018

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

**Condensed Consolidated Statements of Comprehensive Income
for the three-month periods from 1 July to 30 September 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	-82,719	40,210	696,138	46,905
Items that will never be reclassified to profit or loss				
Actuarial gains/(losses)	-32	-30	64	61
Tax effect from the actuarial gains/(losses)	11	10	-22	-21
Fair value reserve with no recycling (financial assets)	999	-	-	-
Tax effect from the fair value reserve with no recycling (financial assets)	-239	-	-	-
	739	-20	42	40
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-39,469	-36,268	-15,423	-34,935
Fair value reserve (cash flow hedge)	-212,814	-5,099	-49,362	-1,796
Tax effect from the fair value reserve (cash flow hedge)	52,885	1,188	13,728	476
Fair value reserve with recycling (financial assets)	-524	-	541	-
Tax effect from the fair value reserve with recycling (financial assets)	165	-	-141	-
Share of other comprehensive income of joint ventures and associates, net of taxes	-2,166	-216	-2,165	-448
	-201,923	-40,395	-52,822	-36,703
Other comprehensive income for the period (net of income tax)	-201,184	-40,415	-52,780	-36,663
Total comprehensive income for the period	-283,903	-205	643,358	10,242

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EDP - Energias de Portugal

Condensed Consolidated Statements of Changes in Equity
for the nine-month periods ended at 30 September 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	1,385,930	-	-	-	1,146,568	-	-	-	-	1,146,568	239,362
Changes in the fair value reserve (cash flow hedge) net of taxes	-75,176	-	-	-	-	-75,747	-	-	-	-75,747	571
Changes in the fair value reserve (available for sale investments) net of taxes	-25,173	-	-	-	-	-	-25,173	-	-	-25,173	-
Share of other comprehensive income of joint ventures and associates net of taxes	1,813	-	-	-	-	-	-	-1,561	-	-1,561	3,374
Actuarial gains/(losses) net of taxes	31,852	-	-	-	33,116	-	-	-	-	33,116	-1,264
Exchange differences arising on consolidation	-402,861	-	-	-	-	-	-	-143,730	-	-143,730	-259,131
Total comprehensive income for the period	916,385	-	-	-	1,179,684	-75,747	-25,173	-145,291	-	933,473	-17,088
Dividends paid	-690,637	-	-	-	-690,637	-	-	-	-	-690,637	-
Dividends attributable to non-controlling interests	-66,801	-	-	-	-	-	-	-	-	-	-66,801
Share-based payments	1,364	-	-	-	-76	-	-	-	1,440	1,364	-
Public Offer for the Acquisition of EDP Renováveis S.A.	-299,130	-	-	-	21,582	-1,608	315	26	-	20,315	-319,445
Sale without loss of control of windfarms in Europe	210,111	-	-	-	127,846	1,940	-	-	-	129,786	80,325
Changes resulting from acquisitions/sales, equity increases/decreases and other	-7,967	-	-	-	-2,269	-	-	-	-	-2,269	-5,698
Balance as at 30 September 2017	13,799,697	3,656,538	503,923	739,024	5,271,694	-45,929	25,240	-290,083	-62,088	9,798,319	4,001,378
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	528,728	-	-	-	297,270	-	-	-	-	297,270	231,458
Changes in the fair value reserve (cash flow hedge) net of taxes	-243,272	-	-	-	-	-237,454	-	-	-	-237,454	-5,818
Changes in the fair value reserve (financial assets), net of taxes	-1,580	-	-	-	-	-	-1,580	-	-	-1,580	-
Share of other comprehensive income of joint ventures and associates net of taxes	-4,948	-	-	-	-	-6,761	-	1,785	-	-4,976	28
Actuarial gains/(losses) net of taxes	3,288	-	-	-	2,703	-	-	-	-	2,703	585
Exchange differences arising on consolidation	-329,202	-	-	-	-	-	-	-164,359	-	-164,359	-164,843
Total comprehensive income for the period	-46,986	-	-	-	299,973	-244,215	-1,580	-162,574	-	-108,396	61,410
Dividends paid	-690,517	-	-	-	-690,517	-	-	-	-	-690,517	-
Dividends attributable to non-controlling interests	-95,742	-	-	-	-	-	-	-	-	-	-95,742
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	-49,134	-	-	-	-8,473	-	-	-	-	-8,473	-40,661
Balance as at 30 September 2018	12,516,828	3,656,538	503,923	739,024	4,656,521	-320,357	13,252	-524,530	-62,410	8,661,961	3,854,867

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

LISBON, 8 NOVEMBER 2018

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

**Condensed Consolidated and Company Statements of Cash Flows
for the nine-month periods ended at 30 September 2018 and 2017**

Thousand Euros	Group		Company	
	2018	2017	2018	2017
Operating activities				
Cash receipts from customers	10,243,599	10,341,047	2,318,182	2,085,028
Proceeds from tariff adjustments sales	904,601	592,916	-	-
Payments to suppliers	-7,946,807	-7,774,361	-2,127,814	-2,095,907
Payments to personnel	-657,173	-621,463	-57,893	-54,008
Concession rents paid	-211,705	-209,842	-	-
Other receipts/(payments) relating to operating activities	-144,728	-499,445	-52,824	21,141
Net cash flows from operations	2,187,787	1,828,852	79,651	-43,746
Income tax received/(paid)	-65,677	-607,887	41,617	13,357
Net cash flows from operating activities	2,122,110	1,220,965	121,268	-30,389
Investing activities				
Cash receipts relating to:				
Sale of assets/subsidiaries with loss of control (i)	49,661	2,227,870	-	-
Other financial assets and investments	34,029	53,943	132	50,719
Held to maturity financial investments	-	-	400,945	25,699
Changes in cash resulting from consolidation perimeter variations	1,560	28,342	-	-
Property, plant and equipment and intangible assets	10,474	7,035	482	120,361
Other receipts relating to tangible fixed assets	3,885	11,491	21	-
Interest and similar income	24,304	60,566	159,390	218,453
Dividends	26,062	32,075	606,517	350,399
Loans to related parties	51,969	21,482	4,708,087	21,989
	201,944	2,442,804	5,875,574	787,620
Cash payments relating to:				
Acquisition of assets/subsidiaries	-1,717	-305,676	-	-309,388
Other financial assets and investments (ii)	-154,293	-103,144	-3,600,312	-
Changes in cash resulting from consolidation perimeter variations	-10,422	-22,690	-	-
Property, plant and equipment and intangible assets	-1,327,367	-1,407,222	-39,459	-21,526
Loans to related parties	-144,668	-11,082	-667,634	-262,791
	-1,638,467	-1,849,814	-4,307,405	-593,705
Net cash flows from investing activities	-1,436,523	592,990	1,568,169	193,915
Financing activities				
Receipts/(payments) relating to financial debt (include Collateral Deposits)	-672,768	-487,954	-727,203	1,325,781
Interest and similar costs of financial debt including hedge derivatives	-446,779	-623,893	-221,098	-197,983
Receipts/(payments) relating to loans from non-controlling interests	-48,563	31,211	-	-
Interest and similar costs relating to loans from non-controlling interests	-19,955	-13,971	-	-
Receipts/(payments) relating to loans from related parties	-	-	-849,140	-447,011
Interest and similar costs of loans from related parties including hedge derivatives	-	-	-29,537	-93,547
Governmental grants received	-	-6	-	-
Share capital increases/(decreases) by non-controlling interests	-36,363	-21,663	-	-
Receipts/(payments) relating to derivative financial instruments	-9,024	-21,222	131,035	-18,461
Dividends paid to equity holders of EDP (iii)	-690,517	-690,637	-690,805	-690,924
Dividends paid to non-controlling interests	-133,800	-121,240	-	-
Treasury stock sold/(purchased) (iii)	-952	-	-952	1,364
Sale of assets/subsidiaries without loss of control	-	210,847	-	-
Receipts/(payments) from institutional partnerships - USA (iv)	-49,061	-73,321	-	-
Net cash flows from financing activities	-2,107,782	-1,811,849	-2,387,700	-120,781
Changes in cash and cash equivalents	-1,422,195	2,106	-698,263	42,745
Effect of exchange rate fluctuations on cash held	-57,911	-63,863	122	-464
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*	919,971	1,459,496	440,619	360,036

- (i) Relates to the amounts received of contingent prices associated with the sale of gas distribution activity in Spain (see note 24) and to the receivment of the sale price of Costa Rica Energética, Ltda. (see note 6);
- (ii) Relates to payments made for the acquisition of Celesc, capital increase in São Manoel and the acquisition of Investment Funds (see notes 20 and 24);
- (iii) See Consolidated and Company Statement of Changes in Equity;
- (iv) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 35).

* See details of Cash and cash equivalents in note 26 and the Consolidated and Company Reconciliation of Changes in the responsibilities of Financing activities in note 48 of the Financial Statements.

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Condensed Company Income Statements
for the nine-month periods ended at 30 September 2018 and 2017

Thousand Euros	Notes	2018	2017
Revenues from energy sales and services and other	7	2,271,416	1,983,000
Cost of energy sales and other	7	-2,121,356	-1,845,866
		150,060	137,134
Other income		13,169	32,097
Supplies and services	9	-113,613	-122,938
Personnel costs and employee benefits	10	-55,892	-52,419
Other expenses		-10,264	-10,241
		-166,600	-153,501
		-16,540	-16,367
Provisions	34	7,617	71
Amortisation and impairment	12	-24,584	-16,659
		-33,507	-32,955
Financial income	13	1,590,196	1,279,811
Financial expenses	13	-1,113,839	-939,523
Profit before income tax		442,850	307,333
Income tax expense	14	69,798	36,608
Net profit for the period		512,648	343,941

LISBON, 8 NOVEMBER 2018

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

**Condensed Company Statements of Comprehensive Income
for the nine-month periods ended at 30 September 2018 and 2017**

Thousand Euros	2018	2017
Net profit for the period	512,648	343,941
Items that will never be reclassified to profit or loss (i)		
Actuarial gains/(losses)	-	94
Tax effect from the actuarial gains/(losses)	-	-26
	-	68
Items that may be reclassified to profit or loss (i)		
Fair value reserve (cash flow hedge)	-124,019	-10,678
Tax effect from the fair value reserve (cash flow hedge)	27,904	3,150
Fair value reserve (financial assets)	-	-20,190
Tax effect from the fair value reserve (financial assets)	-	-2,741
	-96,115	-30,459
Other comprehensive income for the period (net of income tax)	-96,115	-30,391
Total comprehensive income for the period	416,533	313,550

(i) See Condensed Company Statement of Changes in Equity

LISBON, 8 NOVEMBER 2018

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

Thousand Euros	Notes	2018	2017
Assets			
Property, plant and equipment	16	163,020	156,347
Intangible assets		10,837	12,311
Investments in subsidiaries	19	15,102,014	11,501,702
Held to maturity financial investments		-	451,257
Investments in joint ventures and associates	20	2	6,597
Available for sale investments		-	1,556
Equity instruments at fair value	21	1,537	-
Investment property		49,178	51,496
Deferred tax assets	22	161,001	78,258
Debtors and other assets from commercial activities		602	586
Other debtors and other assets	24	3,455,537	6,623,831
Total Non-Current Assets		18,943,728	18,883,941
Held to maturity financial investments		-	419,946
Debtors and other assets from commercial activities	23	568,378	609,630
Other debtors and other assets	24	3,289,514	2,907,222
Current tax assets	25	210,494	185,256
Cash and cash equivalents	26	440,619	1,138,760
Non-current assets held for sale	39	21,389	-
Total Current Assets		4,530,394	5,260,814
Total Assets		23,474,122	24,144,755
Equity			
Share capital	27	3,656,538	3,656,538
Treasury stock	28	-56,315	-56,862
Share premium	27	503,923	503,923
Reserves and retained earnings	29	2,553,944	2,575,543
Net profit for the period		512,648	765,427
Total Equity		7,170,738	7,444,569
Liabilities			
Financial debt	32	8,528,508	5,785,760
Employee benefits	33	5,054	5,763
Provisions	34	1,645	8,902
Trade and other liabilities from commercial activities		1,398	2,048
Other liabilities and other payables	37	566,756	391,408
Total Non-Current Liabilities		9,103,361	6,193,881
Financial debt	32	4,222,516	7,702,537
Employee benefits	33	297	376
Provisions	34	1,193	1,553
Hydrological correction account	31	394	1,574
Trade and other liabilities from commercial activities	36	870,946	686,463
Other liabilities and other payables	37	2,028,715	2,094,629
Current tax liabilities	38	75,962	19,173
Total Current Liabilities		7,200,023	10,506,305
Total Liabilities		16,303,384	16,700,186
Total Equity and Liabilities		23,474,122	24,144,755

LISBON, 8 NOVEMBER 2018

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N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

Thousand Euros	2018	2017
Revenues from energy sales and services and other	788,107	638,920
Cost of energy sales and other	-746,456	-580,135
	41,651	58,785
Other income	4,232	23,235
Supplies and services	-37,183	-41,353
Personnel costs and employee benefits	-18,085	-17,188
Other expenses	-930	-571
	-51,966	-35,877
	-10,315	22,908
Provisions	-110	-8
Amortisation and impairment	-5,690	-5,420
	-16,115	17,480
Financial income	398,894	322,174
Financial expenses	-433,658	-298,588
Profit before income tax	-50,879	41,066
Income tax expense	14,578	4,685
Net profit for the period	-36,301	45,751

LISBON, 8 NOVEMBER 2018

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

Thousand Euros	2018	2017
Net profit for the period	-36,301	45,751
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	-99,316	-4,669
Tax effect from the fair value reserve (cash flow hedge)	22,346	1,377
	-76,970	-3,292
Other comprehensive income for the period (net of income tax)	-76,970	-3,292
Total comprehensive income for the period	-113,271	42,459

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
Condensed Company Statements of Changes in Equity
for the nine-month periods ended at 30 September 2018 and 2017

Thousand Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (cash flow hedge) (ii)	Fair value reserve (financial assets) (ii)	Treasury stock (iii)
Balance as at 31 December 2016	7,425,007	3,656,538	503,923	739,024	2,521,841	38,183	22,931	-57,433
Comprehensive income:								
Net profit for the period	343,941	-	-	-	343,941	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-7,528	-	-	-	-	-7,528	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-22,931	-	-	-	-	-	-22,931	-
Actuarial gains / (losses) net of taxes	68	-	-	-	68	-	-	-
Total comprehensive income for the period	313,550	-	-	-	344,009	-7,528	-22,931	-
Dividends paid	-690,924	-	-	-	-690,924	-	-	-
Share-based payments	1,364	-	-	-	-76	-	-	1,440
Balance as at 30 September 2017	7,048,997	3,656,538	503,923	739,024	2,174,850	30,655	-	-55,993
Balance as at 31 December 2017	7,444,569	3,656,538	503,923	739,024	2,596,176	5,770	-	-56,862
Comprehensive income:								
Net profit for the period	512,648	-	-	-	512,648	-	-	-
Changes in the fair value reserve (cash flow hedge), net of taxes	-96,115	-	-	-	-	-96,115	-	-
Total comprehensive income for the period	416,533	-	-	-	512,648	-96,115	-	-
Dividends paid	-690,805	-	-	-	-690,805	-	-	-
Purchase and sale of treasury stock	-952	-	-	-	-	-	-	-952
Share-based payments	1,393	-	-	-	-106	-	-	1,499
Balance as at 30 September 2018	7,170,738	3,656,538	503,923	739,024	2,417,913	-90,345	-	-56,315

(i) See note 27

(ii) See note 29

(iii) See note 28

LISBON, 8 NOVEMBER 2018

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THE EXECUTIVE BOARD OF DIRECTORS

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EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 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.

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

Activity in the energy sector in Portugal

Electricity

Generation

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

On 27 January 2017, Ordinance 41/2017 established a new regime for the payment of the security reserve provided to the National Electricity System (SEN) through the availability services provided by electric producers and other market agents. Under this scheme, the remuneration of the security reserve is established through an annual competitive auction mechanism that pays exclusively for the availability services provided, favoring low carbon technologies. However, Law 114/2017 of 29 December 2017, that approves the State Budget for 2018, determined the postponement of the annual auction until the Portuguese State receives the unequivocal pronouncement of the European Commission regarding the compatibility of the mechanism of the SEN security reserve with the Community provisions regarding State support for the energy sector. On 3 April, Ordinance 93/2018 was published, which maintains the postponement of the auction and clarifies that if the European Commission's pronouncement is favourable and approved during the year 2018, the allocation of SEN's security reserve resulting from the auction will have effects for the entire number of months outstanding since the call of the auction until the end of 2018.

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%.

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

Resolution 126/2018 of the National Assembly of 17 May established the Parliamentary Committee of Inquiry for the payment of excessive rent to electricity producers, 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 bodies, like ERSE and the Competition Authority (AdC), or other acts and documents of other entities with regulatory attributions;

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- 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.

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.

The Dispatch of the Secretary of State for Energy (SEE) of 29 August 2018, notified to 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.

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-tension electricity distribution networks.

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

Supply

Ordinances 39/2017, of 26 January 2017 and 364-A/2017 of 4 December 2017 for electricity and Ordinance 144/2017, of 24 April 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 105/2017 established the electricity domestic consumers' right to choose the regulated tariff regime and eliminated aggravation factors in Low Voltage (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.

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.

Natural Gas

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

Also on 16 April, ERSE published Regulation 224/2018, which 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 made in Law 114/2017, which approves the State Budget for 2018, for the social tariff framework:

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

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

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Activity in the energy sector in Brazil

Electricity

Regulatory Changes

On 09 February 2018, the Ministry of Mines and Energy (MME) published a proposal for a Decree-Law 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 Distribuição de Energia, S.A. maintained its efficiency level at 82% and EDP Espírito Santo Distribuição de Energia, S.A. increased its efficiency from 72% to 82%. The distributors' overall efficiency increased from 76% to 79%. ANEEL accepted the request to 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).

Provisional Measure (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.

Generation

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 allowed the change in the installed capacity of Swiss Hydroelectric Plant from 33,900 kW to 35,337 kW.

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

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

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 reevaluated 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 passed on to consumers will be +15.87%, +14.99% for high and medium voltage consumer units and +16.30% for low voltage consumers units.

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 Brazilian Reais and for EDP Espírito Santo it is 294,974,684 Brazilian Reais (<http://www2.aneel.gov.br/cedoc/reh20182446ti.pdf>).

Transmission

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.

Activity in the renewable energy sector

Electricity

Regulatory framework for the activities in Spain

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 2020 of the connection rights for the renewable plants awarded in last year's auctions.

Regulatory framework for the activities in Romania

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.

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Regulatory framework for the activities in the United States of America

On 8 January 2018, the Federal Energy Regulatory Commission (FERC) rejected a proposal from the Department of Energy to 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.

Regulatory framework for the activities in Poland

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.

2. Accounting Policies

Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for the nine-month periods ended 30 September 2018 and 2017 and EDP S.A.'s Executive Board of Directors approved them on 8 November 2018. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 158/2009 of 13 July with changes updated by the Decree-law 98/2015 of 2 June, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (E.U.). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP S.A.'s consolidated and company condensed financial statements for the nine-month period ended 30 September 2018 were prepared in accordance with IFRS as adopted by the E.U. until 1 January 2018 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group for the year ended 31 December 2017.

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

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

Unless otherwise disclosed, namely because of these standards adoption, the Group has followed the same accounting policies and methods of computation as compared with the consolidated financial statements of the Group for the year ended 31 December 2017. The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, are detailed in note 3.

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

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

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

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

d) Derivative financial instruments and hedge accounting

Hedge accounting

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

e) Other financial assets

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

Debt instruments

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

A financial asset is measured at fair value through other comprehensive income if (i) the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and (ii) the asset's contractual cash flows represent solely payments of principal and interest. Financial assets included within 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.

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

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

Equity instruments at fair value

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

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

Impairment

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

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

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

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

h) Property, plant and equipment

Transfers of assets from customers

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

m) Accounts receivable

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

p) Revenue from contracts with customers

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.

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

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

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

Incremental costs of obtaining a contract

EDP Group establishes certain contracts with third parties for the promotion (sale) of energy and related services. These third parties act as sales agents and are paid through sales commissions. Previously 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.

q) Financial results

Due the changes occurred on classification and measurement of the financial assets previously classified as available-for-sale financial assets under IAS 39, financial results no longer include the impairment losses related to 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.

x) Tariff adjustments and deficits

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

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

On the other hand, deviations or deficits that can be recovered, either through electricity rates (receipt of capital and interest) or through sales with recourse to third parties (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.

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. With regard to hedge accounting, EDP Group has decided to continue to apply IAS 39 until there is greater visibility on the project on the accounting for macro hedging. Therefore, EDP Group will maintain its accounting policy, as described in note 2 d).

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

• **IFRS 15 - Revenue from 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.

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

EDP Group has 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 Condensed Consolidated Statements of Financial Position presented below.

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- Summary of the impacts of the adoption of IFRS 9 and IFRS 15 in Condensed Consolidated Statements 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 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 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

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- i) Under IFRS 9, the category of "Available for sale investments" previously provided for in IAS 39 ceases to exist. Accordingly, the amounts recorded under this caption as at 31 December 2017 were reclassified according to their nature to Equity instruments at fair value (123,997 thousand Euros) and to Other debtors and other assets - Non-current (19 thousand Euros).
- ii) As at 1 January 2018, the caption Equity instruments at fair value includes instruments held by the Group in the amount of 123,997 thousand Euros, measured at fair value through comprehensive income (96,290 thousand Euros) and equity instruments at fair value through profit or loss (27,707 thousand Euros) (see note 21).
- iii) Within the implementation of IFRS 9 and IFRS 15 by EDP Group, were accounted for deferred tax assets and liabilities 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 23).
The caption Debtors and other assets from commercial activities - Non Current includes, as at 1 January 2018, the amount of 65,491 thousand Euros corresponding to the recognition of a set of incremental costs to obtain a contract, which are eligible for capitalization under IFRS 15. Additionally, as at 31 December 2017, the same caption included the amount of 47,657 thousand Euros corresponding to income receivable that do not meet the requirements for revenue recognition under IFRS 15, for being variable consideration, according to the accounting policy 2 p).
As at 1 January 2018, the caption Debtors and other commercial assets - Current includes a negative amount of 53,213 thousand Euros, which resulted from the increase of impairment losses in accordance with the new expected credit losses model provided by IFRS 9 (see note 23).
- v) As at 1 January 2018, the caption Other debtors and other assets - Non Current and Current includes instruments that under IFRS 9, by their nature, should be classified and measured at amortised cost. Therefore, EDP Group has reclassified to this caption the instruments recognised under the caption Financial assets at fair value through profit or loss (27,554 thousand Euros - Non Current and 9,990 thousand Euros - Current) and of instruments recognised under the caption Available for sale investments (19 thousand Euros - Non Current) (see note 24).
- vi) In the scope of IFRS 9, EDP Group has reclassified 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.
- ix) As at 1 January 2018, the caption Trade and other liabilities from commercial activities - Non Current includes the amount of 97,646 thousand Euros corresponding to income previously recognised under IFRIC 18 - Transfer of Assets from Customers, which have now been classified as income to be recognised, due to the performance obligation, as envisaged in IFRS 15, has not yet been met. In addition, as at 31 December 2017, this caption included a negative amount of 3,780 thousand Euros that do not meet the requirements for revenue recognition under IFRS 15, for being variable consideration, according to the accounting policy 2 p).

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- Summary of the impacts of the adoption of IFRS 9 and IFRS 15 in Condensed 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 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 and other liabilities from commercial activities	686,463	-	-	686,463
Other liabilities and other payables	2,094,629	-	-	2,094,629
Current tax liabilities	19,173	-	-	19,173
Total Current Liabilities	10,506,305	-	-	10,506,305
Total Liabilities	16,700,186	-	-	16,700,186
Total Equity and Liabilities	24,144,755	-	-	24,144,755

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

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

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

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

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

• **IFRS 16 - Leases**

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

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

The main issues considered are as follows:

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

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

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

- IFRS 9 (Amended) - Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRS 17 - Insurance Contracts;
- IAS 28 (Amended) - Long-term Interests in Associates and Joint Ventures;
- IFRIC 23 - Uncertainty over Income Tax Treatments;
- "Annual Improvement Project (2015-2017)";
- IAS 19 (Amended) - Plan Amendment, Curtailment or Settlement;
- Amendments to References to the Conceptual Framework in IFRS; and
- IFRS 3 (Amended) - Definition of a business.

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

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

The critical accounting estimates and judgements made by management in applying EDP Group's accounting policies were the same as those applied to the consolidated financial statements as at 31 December 2017, with a special note for the following items.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the reported results could differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements present fairly the Group operations in all material respects.

Fair value and classification of financial instruments

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

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

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

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Review of the useful life of the assets

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

In the first quarter of 2018, the EDPR Group reviewed and extended the useful life of its solar farms from 30 to 35 years based on a technical study conducted by an independent entity that considered the technical and economic availability for an additional period of 5 years.

Fair value measurement of contingent consideration

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.

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 revisibility 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, 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.

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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 Decree-Law 240/2004 and on the document done jointly by EDP and REN and the legal opinions obtained on this subject.

On 3 May, 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 30 September 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.

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

The amount payable by generators located in Portugal should consider an estimate of the impact that the off-market events in the EU (such as the above-mentioned tax changes in Spain) would have in pool prices, as well as off-market events in Portugal that would affect the competitiveness of electricity generators operating in Portugal. 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, the partial nullity of Dispatch 11566-A/2015, of 3 October 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 improperly included in previous years' tariffs (2016 and 2017). Dispatch 9955/2017, of 17 November, defines a new amount for the estimate of the off-market events' impact in EU, which is 4.75 €/MWh, with retroactive effects as at August 24. Following these Dispatches, the document of prices and tariffs for 2018 has included a clawback amount of around 90 million Euros to be returned to tariffs, which includes power plants operating under CMEC and estimated generation.

Based on its interpretation of the Law, as well as on legal opinions obtained in the meantime, EDP Group considers that the Decree-Law 74/2013 aims to reestablish a situation of competition balance between generators operating in Portugal and their peers operating in other European countries, 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.

In the Financial statements as at 30 September 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.

Accordingly, EDP Produção requested ERSE, by letter, to instructed REN to ensure that in the six-month period, the producers covered by the regulatory mechanism created by Decree-Law 74/2013, were not invoiced by any clawback amount, namely EDP Produção.

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Finally, and in consistency, the State Budget Law Proposal for 2019 provides that "the Government shall, by the end of the first quarter of 2019, review the regulatory mechanism to ensure the fair competition in the wholesale electricity market in Portugal, established under Decree-Law 74/2013 of 4 June, adapting it to the new rules of the Iberian Electricity Market, with the aim of creating coordinated regulatory mechanisms that strengthen competition and protection of 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 pursues 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 statement 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 30 September 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 30 September 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 2016 and is still in course. At the present stage of the process, 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 3 May, EDP Group has also acknowledged that the final adjustment, in the amount of 154 million Euros, may be subject to a downward revision, depending on the results of the current procedures in place related to the possibility of innovative features from the change from CAE to CMEC to have been or may be considered in the annual revisibility and in the CMEC final adjustment. This downward revision's possibility comes into light following the Opinion 23/2017 of the Consulting Council of Attorney General's Office.

Meanwhile, on 9 July 2018, EDP has been notified, within the scope of a stakeholder hearing promoted by the DGEG, to present its opinion on the possibility of DGEG proposing to the Secretary of State for Energy an amount associated with the alleged "innovative features" of up to a maximum amount of 357.9 million Euros. According to the DGEG, this amount shall be associated with the lack of legal scope for tests on the availability of the CMEC plants (285 million Euros) and the above mentioned ancillary services (72.9 million Euros).

On 26 September 2018, EDP Produção was notified by the Dispatch of the Secretary of State for Energy (SSE) of 29 August on the financial impact of the "innovative features" of the PPA Cessation Agreements, in particular the related to "procedures for calculation of verified coefficient of availability", valued at 285 million Euros. This Dispatch therefore refers to the alleged lack of legal provision for availability tests of CMEC plants.

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Considering that the Dispatch in question lacks technical, economic and legal basis, on 8 October EDP Produção has submitted an administrative appeal.

Although the EDP Group considers that there were no innovative features weighted in CMEC annual adjustments or in CMEC final adjustment, this aspect was reflected in these financial statements as of 30 September 2018, by recognising a provision of 285 million Euros.

In the event that a position contrary to EDP's position prevails, even after the statements that EDP has produced in the above-mentioned administrative appeal, it is EDP Group's intention to evaluate all means within its power to defend the best interests of EDP and its shareholders.

Following the referred Dispatch, EDP's General and Supervisory Board, in which strategic shareholders take part, has unanimously declared that the adequate protection of shareholders' interests justifies the resort to International Arbitration under treaties in force regarding the protection of foreign investment.

5. Financial Risk Management Policies

Financial risk management

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

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

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

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

EDP Group is exposed to exchange rate risk in US 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 in the USA, Poland, Romania, Canada and United Kingdom, respectively. The majority of these investments were financed with debt contracted in the respective local currency which allows to mitigate the exchange rate risk related to these assets, and such financing is complemented in certain cases with derivatives to hedge exchange-rate risk on net investment.

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries of EDP Energias do Brasil, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate.

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

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Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the EUR/USD exchange rate, as at 30 September 2018 and 2017, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousand Euros	Sep 2018			
	Profit or loss		Equity	
	+10 %	-10 %	+10 %	-10 %
USD	16,398	-20,042	-95,576	116,815
	16,398	-20,042	-95,576	116,815

Thousand Euros	Sep 2017			
	Profit or loss		Equity	
	+10 %	-10 %	+10 %	-10 %
USD	11,978	-14,640	-22,913	28,004
	11,978	-14,640	-22,913	28,004

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

Interest rate risk management

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

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

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

All the operations are undertaken on liabilities in the EDP Group's debt portfolio and mainly involve perfect hedges, resulting in a high level of correlation between 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 15 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. As at 30 September 2018, after the hedging effect of the derivatives, 58% of the Group's liabilities are at fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

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

Thousand Euros	Sep 2018			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-14,821	14,821	-	-
Unhedged debt	-9,072	9,072	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	4,889	-10,607
Trading derivatives (accounting perspective)	-992	-3,856	-	-
	-24,885	20,037	4,889	-10,607

Thousand Euros	Sep 2017			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-14,821	14,821	-	-
Unhedged debt	-15,486	15,486	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	13,388	-13,294
Trading derivatives (accounting perspective)	-119	-5,868	-	-
	-30,426	24,439	13,388	-13,294

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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

Thousand Euros	Sep 2018	
	+ 25 %	- 25 %
USD	857	-677
	857	-677

Thousand Euros	Dec 2017	
	+ 25 %	- 25 %
USD	-	-
	-	-

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

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

Brazil - Sensitivity analysis - Interest rates

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

Thousand Euros	Sep 2018	
	+ 25 %	- 25 %
Financial instruments - assets	3,158	-3,158
Financial instruments - liabilities	-49,113	49,680
Derivative financial instruments	-1,692	1,769
	-50,805	51,449

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

Counterparty credit risk management

EDP Group's policy in terms of counterparty risk on financial transactions is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial instruments are institutions with high credit rating so the risk of counterparty default is not considered to be significant. Therefore, guarantees and other collaterals are not typically required for these transactions.

EDP Group has documented its financial operations in accordance with international standards. Derivative financial instruments are mainly contracted under ISDA Master Agreements.

Regarding third-party receivables generated by the Group's day-to-day business, credit risk arises essentially from customers default, to which the exposure is limited to the energy supplied until the supply interruption occurs. The very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

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

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Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with international reliable financial institutions as well as term deposits, allowing immediate access to funds. These credit lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 32).

Energy market risk management

In its operations in the Iberian electricity market, EDP Group purchases fuel to generate electric energy and sells the electric energy generated by its plants in the organised market (OMIE and OMIP) as well as to third parties. Given this, the Group is exposed, since July 2017, to energy market risks. Previously, some electricity generating plants, despite operating in the market, were subject to the CMEC legislation, and the changes in the operating margins were determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

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

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:

Thousand Euros	P@R Distribution by risk factor	
	Sep 2018	Dec 2017
Risk factor		
Trading	5,000	3,800
Fuel	87,000	64,000
CO ₂	39,000	19,000
Electricity	198,000	39,000
Hydrological	374,000	153,000
Diversification effect	-479,000	-146,000
	224,000	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:

	Sep 2018	Dec 2017
Credit risk rating (S&P)		
A+ to A-	41.46%	63.68%
BBB+ to BBB-	57.35%	31.54%
BB+ to B-	0.29%	0.93%
No rating assigned	0.90%	3.85%
	100.00%	100.00%

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Capital management

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

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

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

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

6. Consolidation Perimeter

During the nine-month period ended 30 September 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 Brevia 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, and 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. 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. During the second quarter of 2018, with the Voluntary Public Tender Offer's Auction for the acquisition of preferred shares in Centrais Elétricas De Santa Catarina, S.A. - Celesc, EDP now holds 2,427,820 preferred shares that, added to the 5,140,868 ordinary shares, are equivalent to 19.62% of the total share capital of Celesc.

With reference to the date of acquisition by EDP - Energias do Brasil, S.A., EDP Group has determined the fair value of the assets acquired and liabilities assumed, based on a preliminary valuation performed by an independent entity. This preliminary valuation determined a fair value of the assets and liabilities as follows:

Thousands of Reais	
Amount paid (14.46% of participation)	244,004
Amount paid (5.16% of participation)	53,730
Total paid	297,734
Fair value of the net assets of Celesc on 31/03/2018	1,896,448
Fair value of the net assets acquired (19.62%)	372,129
Cost of acquisition	-10,701
Net gain on the acquisition	63,694
Net gain on the acquisition in thousand Euros (see note 13)	15,385

- The acquisition, by EDP Renewables Europe, S.L.U., of 100% of the companies Energiaki Arvanikou M.epe and Wind Park Aerorrachi A.E., in the second quarter of 2018, was classified as an asset purchase, out of 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.
- EDP Renováveis, S.A. acquired 20.19% of the share capital of the company Solar Works! B.V., in the third quarter of 2018.

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Disposal of non-controlling interests 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 generated a gain on a consolidated basis of 314 thousand Euros, which was recorded in the income statement.

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 Hidroelétrica, 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).

Companies merged:

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

Companies incorporated:

- 2018 Vento XIX LLC *;
- 2018 Vento XVIII LLC;
- Bayou Bend Solar Park LLC *;
- Blue Bridge Solar Park GP Ltd *;
- Blue Bridge Solar Park LP;
- Bromhead Solar Park GP Ltd *;
- Bromhead Solar Park LP;
- Casa Grande Carmel Solar LLC *;
- Cielo Solar Park LLC *;
- EDP Energia Italia S.R.L.;
- 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 *;
- Indiana Crossroads Wind Farm III 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 *;
- Moray East Holdings Limited;
- Moray West Holdings Limited;
- Parque Eólico Cañete, S.L.;
- Parque Eólico La Estancia, S.L.;
- Parque Eólico Valdelugo, S.L.;
- Quilt Block Wind Farm II LLC *;
- San Clemente Solar Park LLC *;
- Shullsburg Wind Farm LLC *;
- Wrangler Solar Park LLC *.

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

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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 Pound) generated a gain of 14,688 thousand Euros (see note 13).
- In the second quarter of 2018, EDP Renewables SGPS, S.A. has acquired 60% of shareholding in 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.
- 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.

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

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

Thousand Euros	Group		Company	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Electricity and network access	10,386,634	10,575,539	2,112,051	1,807,032
Gas and network access	517,631	658,819	-	33,159
Sales of CO2 Licenses	-	-	34,369	12,696
Revenue from assets assigned to concessions	277,739	273,127	-	-
Other	129,275	146,444	124,996	130,113
	11,311,279	11,653,929	2,271,416	1,983,000

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

Thousand Euros	Sep 2018					
	Portugal	Spain	Brazil	USA	Other	Group
Electricity and network access	5,416,680	2,089,596	2,275,069	406,956	198,333	10,386,634
Gas and network access	112,626	405,005	-	-	-	517,631
Revenue from assets assigned to concessions	122,578	-	155,161	-	-	277,739
Other	38,506	28,744	61,786	-	239	129,275
	5,690,390	2,523,345	2,492,016	406,956	198,572	11,311,279

Thousand Euros	Sep 2017					
	Portugal	Spain	Brazil	USA	Other	Group
Electricity and network access	5,446,075	2,192,560	2,268,392	425,361	243,151	10,575,539
Gas and network access	254,475	404,344	-	-	-	658,819
Revenue from assets assigned to concessions	156,293	-	116,834	-	-	273,127
Other	32,476	22,776	90,536	20	636	146,444
	5,889,319	2,619,680	2,475,762	425,381	243,787	11,653,929

The caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 692,447 thousand Euros (revenue in 30 September 2017: 1,144,488 thousand Euros) regarding tariff adjustments of the period (see notes 23 and 36). This caption also includes a net revenue of 85,041 thousand Euros (30 September 2017: net profit of 13,005 thousand Euros) related to recognition of tariff adjustments for the period in Brazil (see notes 23 and 36).

Additionally, the caption Electricity and network access includes, on a consolidated basis, a positive amount of 60,806 thousand Euros (30 September 2017: positive amount of 174,809 thousand Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination, including a cost of 3,901 thousand Euros related to the CMEC final adjustment (30 September 2017: positive amount of 4,775 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 851,237 thousand Euros (30 September 2017: 704,979 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 47 - Operating Segments).

Thousand Euros	Sep 2018					
	Reported Operating Segments				Other Segm / Adjustm	Group
	Iberia	EDP R	EDP Brasil	Total		
Electricity and network access	7,437,049	716,973	2,240,802	10,394,824	-8,190	10,386,634
Gas and network access	517,631	-	-	517,631	-	517,631
Revenue from assets assigned to concessions	122,578	-	155,161	277,739	-	277,739
Other	65,797	1,594	61,786	129,177	98	129,275
	8,143,055	718,567	2,457,749	11,319,371	-8,092	11,311,279

Thousand Euros	Sep 2017					
	Operating Segments				Other Segm / Adjustm	Group
	Iberia	EDP R	EDP Brasil	Total		
Electricity and network access	7,354,215	986,703	2,234,713	10,575,631	-92	10,575,539
Gas and network access	658,819	-	-	658,819	-	658,819
Revenue from assets assigned to concessions	156,293	-	116,834	273,127	-	273,127
Other	53,863	1,944	90,536	146,343	101	146,444
	8,223,190	988,647	2,442,083	11,653,920	9	11,653,929

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:

Thousand Euros	Group		Company	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Cost of electricity	5,828,650	5,811,638	2,086,990	1,800,006
Cost of gas	652,523	664,420	-	-
Expenditure with assets assigned to concessions	277,739	273,127	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	431,917	492,686	-	-
Gas	30,811	91,458	-	33,159
CO2 Licenses	99,581	79,692	34,354	12,696
Own work capitalised	-2,577	-62,075	-	-
Other	130,139	180,606	12	5
	689,871	782,367	34,366	45,860
	7,448,783	7,531,552	2,121,356	1,845,866

Cost of electricity includes, on a Company basis, costs of 1,095,873 thousand Euros (30 September 2017: 918,415 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

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

Thousand Euros	Group	
	Sep 2018	Sep 2017
Revenue from assets assigned to concessions	277,739	273,127
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-207,137	-201,424
Personnel costs capitalised (see note 10)	-64,860	-65,479
Capitalised borrowing costs (see note 13)	-5,742	-6,224
	-277,739	-273,127
	-	-

Revenue from assets assigned to concessions include 225,878 thousand Euros (see note 17) relative to electricity distribution concessions in Portugal and in Brazil resulting from the application of the mixed model. Additionally, it also includes the revenue related to the financial asset to be received by EDP Group under the transmission concessions in Brazil, resulting from the application of the financial asset model (see note 23).

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8. Other Income

Other income, for the Group, are as follows:

Thousand Euros	Group	
	Sep 2018	Sep 2017
Income arising from institutional partnerships - EDPR NA (see note 35)	138,312	166,400
Gains on disposals - electricity and gas business assets	5,760	587,071
Gains from contractual indemnities and insurance companies	15,804	17,288
Other	105,547	125,888
	265,423	896,647

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

As at 30 September 2018, the caption gains on disposals - electricity and gas business assets are related with the sale of 51% of Costa Rica Energética, Ltda., by an amount of 10,130 thousand Euros, which generated a gain of 5,447 thousand Euros (see note 6).

As at 30 September 2017, the caption gains on disposals - electricity and gas business assets are 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 558,317 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 also includes gains on the reinsurance activity and recovery of doubtful debts.

9. Supplies and Services

Supplies and services are as follows:

Thousand Euros	Group		Company	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Consumables and communications	36,912	37,668	5,954	6,099
Rents and leases	98,515	98,035	37,498	38,126
Maintenance and repairs	270,506	273,424	24,565	25,862
Specialised works:				
- Commercial activity	108,106	128,677	577	431
- IT services, legal and advisory fees	37,989	39,300	7,196	5,691
- Other services	31,554	32,702	16,614	18,542
Provided personnel	-	-	5,482	9,569
Other supplies and services	93,572	97,335	15,727	18,618
	677,154	707,141	113,613	122,938

10. Personnel Costs and Employee Benefits

Personnel costs and employee benefits are as follows:

Thousand Euros	Group		Company	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Personnel costs				
Board of Directors remuneration	12,047	12,669	5,119	4,904
Employees' remuneration	352,930	374,026	29,071	26,730
Social charges on remuneration	86,360	92,036	7,321	6,680
Performance, assiduity and seniority bonus	55,679	57,136	10,341	9,804
Other costs	16,645	19,649	222	475
Own work capitalised:				
- Assigned to concessions (see note 7)	-64,860	-65,479	-	-
- Other (see note 16)	-31,625	-40,135	-	-
	427,176	449,902	52,074	48,593
Employee benefits				
Pension plans costs	17,497	19,894	1,739	2,096
Medical plans costs and other benefits (see note 33)	5,232	5,764	305	339
Other	22,076	23,847	1,774	1,391
	44,805	49,505	3,818	3,826
	471,981	499,407	55,892	52,419

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Pension plans costs include 6,207 thousand Euros (30 September 2017: 7,924 thousand Euros) related to defined benefit plans (see note 33) and 11,290 thousand Euros (30 September 2017: 11,970 thousand Euros) related with defined contribution plans.

During the nine-month period ended 30 September 2018, EDP Group distributed treasury stocks to employees (464,358 shares) totalling 1,393 thousand Euros.

11. Other Expenses

Other expenses are as follows:

Thousand Euros	Group	
	Sep 2018	Sep 2017
Concession rents paid to local authorities and others	213,190	210,593
Direct and indirect taxes	247,950	217,068
Donations	15,454	13,721
Impairment losses:		
- Trade receivables	23,813	39,047
- Debtors	316	-275
Other	67,917	63,285
	568,640	543,439

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

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

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

12. Amortisation and Impairment

Amortisation and impairment are as follows:

Thousand Euros	Group		Company	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Amortisation/impairment of Property, plant and equipment (see note 16)	776,280	790,422	21,023	16,241
Amortisation/impairment of Intangible assets (see note 17)	272,332	285,400	1,260	61
	1,048,612	1,075,822	22,283	16,302
Amortisation/impairment of Investment property	1,868	187	2,301	801
	1,050,480	1,076,009	24,584	17,103
Compensation of amortisation				
Partially-funded property, plant and equipment (see note 36)	-16,935	-21,420	-	-444
Amortisation of Incremental costs of obtaining contracts with customers	15,326	-	-	-
	1,048,871	1,054,589	24,584	16,659

The partially-funded property, plant and equipment is depreciated on the same basis and at the same rates as the Group's remaining assets, being the corresponding cost compensated through the amortisation of the amounts received (booked under Trade and other liabilities from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

With 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 2. p) (see notes 2 p), 3 and 23).

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13. Financial Income and Expenses

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

Thousand Euros	Group	
	Sep 2018	Sep 2017
Financial income		
Interest income from bank deposits and other investments	24,357	47,089
Interest from derivative financial instruments	21,860	18,112
Interest income on tariff deficit:		
- Portugal - Electricity (see note 23)	8,119	11,121
- Brazil - Electricity (see notes 23 and 36)	5,699	4,722
Other interest income	44,201	33,544
Derivative financial instruments	179,641	81,680
Foreign exchange gains	28,457	33,651
CMEC:		
- Interest on the initial CMEC	27,621	20,153
- Financial effect considered in the calculation	5,906	9,756
Gains on the sale of financial investments	19,304	24,632
Gains on the sale of the electricity tariff deficit - Portugal (see note 23)	3,795	11,982
Other financial income	45,726	44,471
	414,686	340,913
Financial expenses		
Interest expense on financial debt	470,643	573,330
Capitalised borrowing costs:		
- Assigned to concessions (see note 7)	-5,742	-6,224
- Other (see note 16)	-17,757	-18,033
Interest from derivative financial instruments	15,209	2,497
Interest expense on tariff deficit:		
- Portugal - Electricity (see note 36)	259	264
- Brazil - Electricity (see notes 23 and 36)	2,413	3,600
Other interest expense	29,899	30,174
Derivative financial instruments	152,691	116,579
Impairment of available-for-sale investments	-	695
Foreign exchange losses	47,804	43,209
CMEC	12,213	9,762
Unwinding of discounted liabilities	94,787	94,354
Net interest on the net pensions plan liability (see note 33)	8,328	8,729
Net interest on the medical liabilities and other benefits (see note 33)	21,070	25,077
Other financial expenses	26,321	49,863
	858,138	933,876
Financial income / (expenses)	-443,452	-592,963

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

Capitalised borrowing costs includes the interest capitalised in assets under construction according to Group accounting policy. Regarding the rate applicable to borrowing costs related with tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalisation (see notes 16 and 17), it varies depending on the country and currency, since EDP Group incorporates in its scope of consolidation a significant number of subsidiaries in several geographies with different currencies.

The Unwinding of discounted liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 4,551 thousand Euros (30 September 2017: 4,391 thousand Euros) (see note 34); (ii) the implied financial return in institutional partnership in USA of 60,515 thousand Euros (30 September 2017: 69,441 thousand Euros) (see note 35); and (iii) the financial expenses related to the discount of the liability associated to the concessions of Alqueva/Pedrogão, Investco and Enerpeixe of 16,485 thousand Euros (30 September 2017: 10,497 thousand Euros).

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

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

Thousand Euros	Company	
	Sep 2018	Sep 2017
Financial income		
Interest income from loans to subsidiaries and related parties (see note 42)	132,486	260,828
Interest from derivative financial instruments	121,862	140,380
Derivative financial instruments	732,723	466,616
Income from equity investments (see note 42)	556,516	350,399
Gains on the sale of financial investments	-	20,271
Other financial income	46,609	41,317
	1,590,196	1,279,811
Financial expenses		
Interest expense on financial debt	248,495	316,266
Interest from derivative financial instruments	102,077	109,573
Derivative financial instruments	751,562	456,991
Other financial expenses	11,705	56,693
	1,113,839	939,523
Financial income / (expenses)	476,357	340,288

The caption Other financial income includes 17,504 thousand Euros related to nominal interests from bonds issued by EDP Finance B.V., repurchased by EDP S.A. in 2016 and 2017 (see notes 24 and 42). The effective interest of these instruments amounts to 7,806 thousand Euros (includes the recognition of premium and transaction costs associated with the buyback transaction by the effective interest rate method).

14. Income Tax

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

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

	Sep 2018	Sep 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.

Changes in the law with relevance to EDP Group in the nine-month period ended 30 September 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 beginning 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).

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Corporate income tax provision

Income tax expense is as follows:

Thousand Euros	Group		Company	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Current tax	-157,696	-90,331	72,748	18,082
Deferred tax	107,512	-85,151	-2,950	18,526
	-50,184	-175,482	69,798	36,608

Reconciliation between the theoretical and the effective income tax expense

The effective income tax rate is as follows:

Thousand Euros	Group		Company	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Profit before tax	643,914	1,630,833	442,850	307,333
Income tax expense	-50,184	-175,482	69,798	36,608
Effective income tax rate	7.8%	10.8%	-15.8%	-11.9%

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 September 2018, is as follows:

Thousand Euros	Sep 2018
Profit before income tax and CESE	643,914
Theoretical income tax rate *	29.5%
Theoretical income tax expense	189,955
Tax losses and tax credits	-64,559
Tax benefits	-23,324
Differences between accounting and fiscal provisions/depreciations	15,865
Accounting/fiscal temporary differences on the recognition/derecognition of assets	-37,060
Taxable differences attributable to non-controlling interests (USA)	-14,025
Other adjustments and changes in estimates	-16,668
Effective income tax expense as per the Consolidated Income Statement	50,184

* 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 September 2017, is as follows:

Thousand Euros	Sep 2017
Profit before income tax and CESE	1,630,833
Theoretical income tax rate *	29.5%
Theoretical income tax expense	481,096
Different tax rates (includes state surcharge)	-15,252
Tax benefits	-17,206
Differences between accounting and fiscal provisions/depreciations	-4,753
Accounting/fiscal temporary differences on the recognition / derecognition of assets	-225,742
Taxable differences attributable to non-controlling interests (USA)	-27,657
Other adjustments and changes in estimates	-15,004
Effective income tax expense as per the Consolidated Income Statement	175,482

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

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, transport or distribution of electricity; (ii) transport, distribution, storage or wholesale supply of natural gas; and (iii) refining, treatment, storage, transport, distribution and wholesale supply of crude oil and oil products.

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

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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%. Nevertheless, this rate could be 0.285% in case the annual utilization of installed capacity is lower than 1,500 hours.

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

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

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

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

As at 30 September 2018, the EDP Group booked under the caption Extraordinary contribution to the energy sector (CESE) in the Consolidated Income Statement, the estimated amount of 65,002 thousand Euros (30 September 2017: 69,421 thousand Euros) concerning to CESE for the period 2018. The liability is booked in Provision for other liabilities and charges - Non-Current (see note 34).

16. Property, Plant and Equipment

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Cost				
Land and natural resources	93,579	94,961	7,863	7,863
Buildings and other constructions	466,619	500,052	80,229	80,488
Plant and machinery:				
- Hydroelectric generation	10,606,739	10,742,276	254	254
- Thermoelectric generation	8,573,712	8,700,510	-	-
- Renewable generation	17,619,782	17,026,048	-	-
- Electricity distribution	1,585,481	1,602,404	-	-
- Other plant and machinery	35,150	34,865	196	196
Other	1,027,179	1,004,888	178,679	172,712
Assets under construction	2,107,579	1,373,994	58,993	37,647
	42,115,820	41,079,998	326,214	299,160
Accumulated amortisation and impairment losses				
Amortisation charge of the period (see note 12)	-761,986	-1,067,814	-14,735	-21,404
Accumulated amortisation in previous periods	-17,930,498	-16,921,858	-137,390	-116,627
Impairment losses of the period (see note 12)	-14,294	-248,743	-6,288	-
Impairment losses in previous periods	-359,031	-110,968	-4,781	-4,782
	-19,065,809	-18,349,383	-163,194	-142,813
Carrying amount	23,050,011	22,730,615	163,020	156,347

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

Thousand Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regularisations	Balance at 30 September
Cost							
Land and natural resources	94,961	468	-3	-	-6,043	4,196	93,579
Buildings and other constructions	500,052	-231	-633	368	-37,298	4,361	466,619
Plant and machinery	38,106,103	8,091	-49,689	354,880	-39,364	40,843	38,420,864
Other	1,004,888	15,155	-8,141	13,084	1,377	816	1,027,179
Assets under construction	1,373,994	1,137,462	-4,390	-368,332	-9,966	-21,189	2,107,579
	41,079,998	1,160,945	-62,856	-	-91,294	29,027	42,115,820

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Thousand Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regulari- sations	Balance at 30 September
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-750	-	-	-	3,929	7,211
Buildings and other constructions	156,354	10,073	-383	-	-10,032	-4,122	151,890
Plant and machinery	17,378,628	703,562	-47,101	-	-1,228	3,024	18,036,885
Other	746,078	55,607	-7,804	-	1,390	-73	795,198
Assets under construction	64,291	7,788	-	-	-886	3,432	74,625
	18,349,383	776,280	-55,288	-	-10,756	6,190	19,065,809

Assets under construction are as follows:

Thousand Euros	Sep 2018	Dec 2017
Wind and solar farms in North America	878,584	513,269
Wind and solar farms in Europe	507,219	321,080
Hydric Portugal	251,993	195,873
Other assets under construction	469,782	343,772
	2,107,579	1,373,994

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

Thousand Euros	Sep 2018
Subcontracts and other materials	1,003,410
Purchase price allocation	104,134
Dismantling and decommissioning costs (see note 34)	3,551
Personnel costs (see note 10)	31,625
Borrowing costs (see note 13)	17,757
	1,160,477

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 to thermoelectric power plants (Lares, Ribatejo e Sines).

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

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

As at 30 September 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 15,712 thousand Euros (31 December 2017: 16,764 thousand Euros).

As at 30 September 2018, future lease payments from Property, plant and equipment financed through lease contracts, are detailed as follows: (i) less than 1 year: 2,654 thousand Euros; (ii) from 1 to 3 years: 2,749 thousand Euros; and (iii) from 3 to 5 years: 86 thousand Euros.

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17. Intangible Assets

This caption is as follows:

Thousand Euros	Group	
	Sep 2018	Dec 2017
Cost		
Concession rights	12,937,955	13,408,547
CO2 Licenses	31,762	110,887
Other intangibles	291,231	311,679
Intangible assets in progress	577,510	495,562
	13,838,458	14,326,675
Accumulated amortisation and impairment losses		
Amortisation of concession rights of the period	-269,336	-377,303
Amortisation of other intangibles of the period	-2,996	-7,661
Accumulated amortisation in previous periods	-9,095,000	-9,167,294
Impairment losses of the period	-	-1,397
Impairment losses in previous periods	-27,043	-25,660
	-9,394,375	-9,579,315
Carrying amount	4,444,083	4,747,360

The concession rights over the electricity distribution networks in Brazil, namely EDP São Paulo Distribuição de Energia S.A. and EDP Espírito Santo Distribuição de Energia S.A. are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the public hydric domain for hydroelectric generation (EDP Produção and Hidroelétrica 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 30 September 2018, for the Group, are as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Cost							
Concession rights:							
- Distribution and generation Brazil	1,034,556	-	-	-	-49,771	10,604	995,389
- Hydric Portugal	1,418,592	-	-	42	-	-	1,418,634
CO2 licenses	110,887	85,270	-164,395	-	-	-	31,762
Assigned to concessions (IFRIC 12):							
- Intangible assets	10,955,399	26,512	-261,876	32,725	-231,868	3,040	10,523,932
- Intangible assets in progress	153,516	199,366	778	-109,236	-12,388	-901	231,135
Other intangibles	311,679	13,309	-120	14	-1,441	-32,210	291,231
Other intangible in progress	342,046	6,665	-21	-56	-1,856	-403	346,375
	14,326,675	331,122	-425,634	-76,511	-297,324	-19,870	13,838,458

Thousand Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	640,294	28,982	-	-	-20,852	-	648,424
- Hydric Portugal	391,225	29,555	-	-	-	-	420,780
Assigned to concessions (IFRIC 12)	8,468,604	210,799	-255,106	-	-173,641	96	8,250,752
Other intangibles	79,192	2,996	-11	-	-1,477	-6,281	74,419
	9,579,315	272,332	-255,117	-	-195,970	-6,185	9,394,375

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

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Additions of CO2 Licenses includes 50,901 thousand Euros refer to CO2 Licenses granted free of charge to EDP Group plants operating in Portugal and Spain and 34,369 thousand Euros of licenses purchased in the market for own consumption. The disposals/write-off of CO2 licenses correspond, essentially, to the licenses consumed during 2017 and delivered to regulatory authorities.

Disposals/Write-offs of intangible assets assigned to concessions (IFRIC 12) include essentially 239,863 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 76,511 thousand Euros related to increases of the financial assets under IFRIC 12, transferred to Debtors and other assets from commercial activities (see note 23).

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

18. Goodwill

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

Thousand Euros	Group	
	Sep 2018	Dec 2017
EDP España Group	884,574	884,574
EDP Renováveis Group	1,318,478	1,295,515
EDP Brasil Group	33,828	45,644
Other	6,887	6,935
	2,243,767	2,232,668

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

Thousand Euros	Balance at 1 January	Increases	Decreases / Regulariz.	Impairment	Exchange differences	Balance at 30 September
EDP España Group	884,574	-	-	-	-	884,574
EDP Renováveis Group	1,295,515	-	-	-	22,963	1,318,478
EDP Brasil Group	45,644	-	-10,604	-	-1,212	33,828
Other	6,935	-	-48	-	-	6,887
	2,232,668	-	-10,652	-	21,751	2,243,767

19. Investments in Subsidiaries (Company Basis)

This caption is as follows:

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

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

Investments in subsidiaries are as follows:

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

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

20. Investments in Joint Ventures and Associates

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Investments in joint ventures	705,149	781,327	2	6,597
Investments in associates	146,375	61,755	-	-
	851,524	843,082	2	6,597

The movement in Investments in joint ventures is mainly explained by the transfer of the investment in EDP Produção Bioelétrica, S.A. to assets held for sale in the amount of 16,952 thousand Euros for the Group and in the amount of 6,595 thousand Euros for the Company, corresponding to its historical acquisition cost (see note 39) and the negative exchange differences in the amount of 56,306 thousand Euros.

The movement in Investments in associates is mainly explained by the acquisition of Centrais Elétricas de Santa Catarina, S.A. - Celesc in the amount of 92,549 thousand Euros (see note 6).

As at 30 September 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 10,991 thousand Euros (31 December 2017: 9,154 thousand Euros).

21. Equity Instruments at Fair Value

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

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

Thousand Euros	Available-for-sale financial assets	Equity Instruments at Fair Value		
		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 24)	-19	-	-	-
Equity Instruments at Fair Value at 1 January 2018	-	96,290	27,707	123,997

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

Thousand Euros	Group		Company	
	Sep 2018	1 Jan 2018	Sep 2018	1 Jan 2018
Equity Instruments at Fair Value through OCI (see note 21.1)	96,321	96,290	1,537	1,537
Equity Instruments at Fair Value through PL (see note 21.2)	27,707	27,707	-	-
	124,028	123,997	1,537	1,537

Under IFRS 13 (note 43), equity instruments at fair value are classified into three levels of fair value: level 1 includes essentially financial investments that are indexed to quoted market prices; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other equity instruments at fair value. As at 30 September 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.

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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 million 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 599 thousand Euros (see note 29).

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

Thousand Euros	Balance at 1 Jan	Acquisitions	Disposals	Change in fair value	Other variations	Balance at 30 Sep
Zephyr Fund (Energia RE portfolio)	77,573	5,000	-4,289	-599	-	77,685
Other	18,717	535	-632	-23	39	18,636
	96,290	5,535	-4,921	-622	39	96,321

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

Thousand Euros	Sep 2018
Zephyr Fund (Energia RE portfolio)	9,604
Other	5,386
	14,990

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. During 2018, there were no changes in this caption, which includes the following instruments:

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

22. Deferred Tax Assets and Liabilities

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

Thousand Euros	Net deferred tax	
	Assets	Liabilities
Balance as at 31 December 2017	808,521	-466,532
Adjustments due to IFRS 9 and IFRS 15 adoption (see note 3)	22,146	5,241
Balance as at 1 January 2018	830,667	-461,291
Tariff adjustment for the period	-50,186	97,214
Provisions	63,747	-
Property, plant and equipment and intangible assets	16,331	-21,379
Tax losses and tax credits	76,711	-
Fair value of derivative financial instruments	75,901	6,175
Allocation of fair value adjustments to assets and liabilities acquired	-6,707	-50,444
Other temporary differences	-16,060	-22,824
Deferred tax assets and liabilities offset	105,857	-105,857
Balance as at 30 September 2018	1,096,261	-558,406

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	Liabilities
Balance as at 1 January 2018	78,258	-
Tax losses and tax credits	56,608	-
Fair value of derivative financial instruments	50,428	-22,524
Other temporary differences	-665	-1,104
Deferred tax assets and liabilities offset	-23,628	23,628
Balance as at 30 September 2018	161,001	-

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23. Debtors and Other Assets from Commercial Activities

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

Thousand Euros	Group	
	Sep 2018	Dec 2017
Assets measured at amortised cost:		
Trade receivables	114,807	141,517
Impairment losses on trade receivables	-53,217	-61,929
Contract assets	24,529	8,105
Amounts receivable from tariff adjustments - Electricity - Portugal	107,671	183,637
Amounts receivable from tariff adjustments - Electricity - Brazil	53,399	49,999
Amounts receivable relating to CMEC	668,032	806,014
Amounts receivable from concessions - IFRIC 12	815,173	747,630
Other assets measured at amortised cost	33,009	87,068
Impairment losses on other assets measured at amortised cost	-2,897	-3,182
Assets measured at fair value through comprehensive income:		
Amounts receivable from tariff adjustments - Electricity - Portugal	122,778	337,425
Assets measured at fair value through profit or loss:		
Amounts receivable from concessions - IFRIC 12	474,944	481,740
Other assets:		
Incremental costs of obtaining contracts with customers	67,960	-
Sundry debtors and other operations	66,540	61,355
	2,492,728	2,839,379

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

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Assets measured at amortised cost:				
Trade receivables	1,472,507	1,712,574	177,689	306,651
Impairment losses on trade receivables	-304,117	-305,909	-648	-9,699
Contract assets	1,203,829	1,007,007	333,500	226,500
Amounts receivable from tariff adjustments - Electricity - Portugal	224,362	243,879	-	-
Amounts receivable from tariff adjustments - Electricity - Brazil	96,145	27,384	-	-
Receivables relating to other goods and services	28,905	18,328	7,078	24,516
Amounts receivable relating to CMEC	195,546	218,748	-	-
Amounts receivable from concessions - IFRIC 12	59,792	60,978	-	-
Other assets measured at amortised cost	127,735	187,446	26,156	61,039
Impairment losses on other assets measured at amortised cost	-6,957	-12,416	-698	-788
Assets measured at fair value through comprehensive income:				
Amounts receivable from tariff adjustments - Electricity - Portugal	49,627	105,111	-	-
Other assets:				
Sundry debtors and other operations	92,929	62,600	25,301	1,411
	3,240,303	3,325,730	568,378	609,630

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

With the adoption of IFRS 15, on 1 January 2018, the caption of Debtors and other assets from commercial activities - Non-Current started to include incremental costs of obtaining contracts with customers in the amount of 65,491 thousand Euros. These costs are eligible to be capitalised under IFRS 15 (see notes 2 and 3). As at 30 September 2018, the caption Incremental costs of obtaining contracts, in the amount of 67,960 thousand Euros includes the costs identified in the transition as at 1 January 2018 and the nine-month period of 2018's capitalised costs, which are amortised under IFRS 15 (see note 12).

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

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

Thousand Euros	Current	Non-Current
Balance as at 31 December 2017	348,990	521,062
Impact of the tariff deficit measured at fair value through other comprehensive income (adoption of IFRS 9 - see note 3)	5,466	-2,727
Balance as at 1 January 2018	354,456	518,335
Receipts through the electric energy tariff	-174,205	-
Partial sale of 2017 over costs for the special regime generators	-247,120	-
Partial sale of 2018 over costs for the special regime generators	-641,069	-
Tariff adjustment for the period	660,303	37,579
Fair value of the tariff deficit measured at fair value through other comprehensive income (see note 29)	-4,668	3,035
Interest income (see note 13)	6,648	1,471
Transfer to/from tariff adjustment payable (see note 36)	-10,327	-
Transfer from Non-Current to Current	329,971	-329,971
Balance as at 30 September 2018	273,989	230,449

On 1 January 2018, with the adoption of IFRS 9, the EDP Serviço Universal, S.A tariff deficit included in the caption Debtors and other assets from commercial activities, in the amount of 439,797 thousand Euros, was classified and measured at fair value through other comprehensive income, which led to an increase of 2,739 thousand Euros associated with the difference between the fair value and the amortised cost (see notes 2 and 3). As at 30 September 2018, the caption Debtors and other assets from commercial activities includes the amount of 122,778 thousand Euros as non-current and the amount of 49,627 thousand Euros as current, all of which are classified and measured at fair value through other comprehensive income. According to IFRS 13, the tariff deficit fair value is classified as level 2 (see note 43).

During the first quarter of 2018, EDP SU sold, in two independent operations, a portion of the 2017 tariff deficit in the amount of 247,120 thousand Euros. The 2017 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2017 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2015 and 2016). In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 254,601 thousand Euros and generated a gain net of transaction costs of 2,591 thousand Euros (see note 13).

During the second quarter of 2018, EDP SU sold a portion of the 2018 tariff deficit in the amount of 641,069 thousand Euros. The 2018 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2018 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2016 and 2017). In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 650 million Euros and generated a gain net of transaction costs of 1,204 thousand Euros (see note 13).

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

Thousand Euros	Deficit	Tariff adj.	Sales	Total
Year:				
2014	24,374	1,505	-	25,879
2015	11,971	-31	-	11,940
2016	17,053	5,062	-	22,115
2017	399,466	234,438	-247,120	386,784
2018	661,127	37,662	-641,069	57,720
	1,113,991	278,636	-888,189	504,438

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments booked in EDP São Paulo - Distribuição de Energia S.A. and EDP Espírito Santo - Distribuição de Energia S.A. with the accumulated amount as at 30 September 2018 of 96,608 thousand Euros (31 December 2017: 52,807 thousand Euros) and 52,936 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 144,196 thousand Euros (see note 7), transfer from tariff adjustment payable of 16,056 thousand Euros (see note 36), amount received through the electricity tariff of 80,907 thousand Euros, unwinding in the amount of 11,102 thousand Euros (see note 13) and the exchange differences due to depreciation of Brazilian Real against Euro with a negative impact of 18,286 thousand Euros.

The caption Amounts receivable relating to CMEC amounts to 863,578 thousand Euros, and includes 668,032 thousand Euros as non-current and 195,546 thousand Euros as current. The amount receivable relating to the initial CMEC includes 452,602 thousand Euros as non-current and 44,144 thousand Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousand Euros) deducted from the annuities for the years 2007 to 2017 and 215,431 thousand Euros as non-current and 36,664 thousand Euros as current, relating with the final adjustment recognised in accordance with the result achieved by the EDP/REN working group. The remaining 114,738 thousand Euros as current correspond to the receivable amounts through the revisability calculation from 2014 to 2017. The revisability calculation for 2015 to 2017 is still waiting the official approval.

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The caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,349,909 thousand Euros relates to the financial asset to be received by the EDP Group regarding the electricity distribution concessions in Portugal and electricity distribution and transmission concessions in Brazil, resulting from the application of the mixed and financial model. The variation of the period includes: (i) the effect of the depreciation of Brazilian Real against Euro in the amount of 81,801 thousand Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 76,511 thousand Euros (see note 17); (iii) the re-measurement of IFRIC 12 indemnisation amount in Brasil concessions of 10,493 thousand Euros; and (iv) the increase of Brazilian transmission companies in the amount of 51,861 thousand Euros.

24. Other Debtors and Other Assets

Other debtors and other assets are as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Debtors and other assets - Non-Current				
Assets measured at amortised cost:				
Loans to subsidiaries	-	-	2,708,306	6,432,068
Loans to related parties	32,384	10,018	90	90
Guarantees rendered to third parties	58,235	51,041	-	-
Other financial assets at amortised cost (i)	50,567	-	459,176	-
Assets measured at fair value through profit or loss:				
Derivative financial instruments	195,050	163,874	287,893	191,610
Contingent price	122,065	154,979	-	-
Other assets:				
Excess of the pension fund financing (see note 33)	63,333	58,952	72	63
Sundry debtors and other operations	39,813	79,908	-	-
	561,447	518,772	3,455,537	6,623,831
Debtors and other assets - Current				
Assets measured at amortised cost:				
Loans to subsidiaries	-	-	1,230,019	1,573,553
Dividends attributed by subsidiaries	-	-	-	50,001
Loans to related parties	91,076	89,735	-	11,290
Receivables from the State and concessors	31,155	30,012	-	-
Deposits to third parties	59,555	24,606	31,770	6,727
Subsidiary companies	-	-	95,748	53,628
Group's financial system (see note 42)	-	-	1,208,955	688,078
Other financial assets at amortised cost (i)	14,729	-	19,739	-
Assets measured at fair value through profit or loss:				
Derivative financial instruments	131,563	129,350	703,283	523,931
Other financial investments measured at fair value	35,463	-	-	-
Other assets:				
Sundry debtors and other operations	17,570	30,925	-	14
	381,111	304,628	3,289,514	2,907,222
	942,558	823,400	6,745,051	9,531,053

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 1,591,899 thousand Euros (31 December 2017: 4,875,717 thousand Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 2,022,928 thousand Euros (31 December 2017: 1,921,941 thousand Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 42). Additionally, in the first quarter of 2018, EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España liquidated the loan granted to EDP Servicios Financieros España, S.A., in the amount 885,497 thousand Euros (see note 45).

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

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Derivative financial instruments – Current, for the Company, include 170,183 thousand Euros (31 December of 2017: 280,477 thousand Euros), related to a hedging instrument in USD and EUR with EDP Renováveis, S.A., contracted to hedge the foreign exchange rate risk of the debt in Dollars issued by EDP Finance B.V. and granted to EDP – Energias de Portugal – Sociedade Anónima, Sucursal en España (see note 37). This instrument is a Cross Currency Interest Rate Swap (CIRS) revalued at each balance sheet date at its market value, which is a spot foreign exchange rate valuation, resulting in a perfect fair value hedge (revaluation of fair value of the derivative instrument and the hedged liability). During the period, EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España did a partial repayment of the liability hedged in the amount of 109,475 thousand Euros, corresponding to a notional of 1,000 million Dollars. The remaining derivative financial instruments, assets and liabilities, are essentially related to derivatives contracted with external entities as a pass-through to hedge EDP Group companies business related risks.

The variation in the caption Contingent prices - Non Current refers, mainly, to the partial receipt of the fair value of the contingent price related to the Naturgás sale in 2017.

(i) Other financial assets at amortised cost

On a consolidated basis, this caption includes the securities issued by Tagus - Sociedade de Titularização de Créditos, S.A. (a limited liability company incorporated under the laws of Portugal for the purpose of carrying out securitization transactions through the acquisition, management and transmission of credits and the issuance of securitized bonds for the payment of the acquired credits, which share capital is fully owned by Deutsche Bank Aktiengesellschaft), in the context of the transmission of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, owned by EDP Distribuição, S.A. and EDP Serviço Universal, S.A. In accordance with the requirements of IFRS 9, after analysing their respective business model, 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 30 September 2018, the amortised cost of these Notes corresponds to 538 thousand Euros;
- In March 2015, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2014 overcost of the acquisition of electricity activity from special regime production, in the amount of 465,418 thousand Euros. The transaction was performed by the amount of 499,461 thousand Euros, generating a gain of 31,737 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 410 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,488 thousand Euros, both maturing in 2019. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account. As at 30 September 2018, the amortised cost of these Notes corresponds to 395 thousand Euros;
- In August 2016, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2016 overcost of the acquisition of electricity activity from special regime production, in the amount of 598,883 thousand Euros. The transaction was performed by the amount of 599,987 thousand Euros, generating a loss of 7,417 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 381 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 3,635 thousand Euros, both maturing in 2021. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account. As at 30 September 2018, the amortised cost of these Notes corresponds to 2,506 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 30 September 2018, the amortised cost of the Notes corresponds to 27,182 thousand Euros;

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• 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 30 September 2018, the amortised cost of the Notes corresponds to 34,656 thousand Euros.

On a Company basis, this caption, in the amount of 478,915 thousand Euros (459,176 in Non-Current and 19,739 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 Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, by the total amount of 500,624 thousand Euros. This amount includes a premium paid over the nominal debt of 21,101 thousand Euros and accrued interest as at the acquisition date. On 15 December 2017, EDP, S.A. has bought an amount of 500,000 thousand Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 446,802 thousand Euros. This amount includes a premium paid over the nominal debt of 18,016 thousand Euros and accrued interest as at the acquisition date.

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

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

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

As at 30 September 2018, the fair value of these assets amounted to 483,642 thousand Euros (31 December 2017: 863,930 thousand Euros, which included the amount of the issue reimbursed in February 2018).

25. Tax Assets

Current tax assets are as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Income tax	324,088	364,731	190,672	177,984
Value added tax (VAT)	72,231	83,415	18,945	6,395
Special taxes Brazil	78,932	130,977	-	-
Other taxes	4,947	2,170	877	877
	<u>480,198</u>	<u>581,293</u>	<u>210,494</u>	<u>185,256</u>

The detail of this item is analyzed as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Non-Current	49,758	60,793	-	-
Current	430,440	520,500	210,494	185,256
	<u>480,198</u>	<u>581,293</u>	<u>210,494</u>	<u>185,256</u>

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.

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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 154,460 thousand Euros (718,779 thousand Brazilian Reais) and tax payables totaling 110,652 thousand euros (514,917 thousand Brazilian Reais) (see note 38).

As at 30 September 2018, the captions Income tax and Special taxes Brazil include the amount of 44,848 thousand Euros (208,701 thousand Brazilian Reais), corresponding to the recognised asset of 154,460 thousand Euros net of compensations.

26. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Cash	231	217	30	14
Bank deposits				
Current deposits	513,320	781,853	140,589	348,746
Term deposits	364,970	1,516,533	-	675,000
Specific demand deposits in relation to institutional partnerships	41,450	101,474	-	-
	919,740	2,399,860	140,589	1,023,746
Operations pending cash settlement				
Current deposits	-	-	300,000	115,000
	919,971	2,400,077	440,619	1,138,760

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

As at 30 September 2018, on a Company basis, the caption Operations pending cash settlement represents commercial paper issued by EDP, S.A., which is booked as financial debt at the issuance trade date, under the Group accounting policy. This caption of 300,000 thousand Euros (31 December 2017: 115,000 thousand Euros) refers to commercial paper issued on 28 September 2018, acquired by EDP Finance B.V., which settlement date occurred on 2 October 2018.

27. Share Capital and Share Premium

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

On 11 May 2012, regarding EDP's eighth 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 this 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.

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EDP - Energias de Portugal S.A. shareholder structure as at 30 September 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	148,431,999	4.06%	4.06%
Capital Group Companies, Inc.	108,168,604	2.96%	2.96%
Grupo Millennium BCP e Fundo de Pensões	88,989,949	2.43%	2.43%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Norges Bank	78,097,245	2.13%	2.13%
EDP (Ações próprias)	21,771,966	0.60%	
Restantes Accionistas	1,562,563,550	42.73%	
	3,656,537,715	100.00 %	

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

	Group		Company	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Net profit attributable to the equity holders of EDP (in Euros)	297,270,460	1,146,567,611	512,648,244	343,940,508
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	297,270,460	1,146,567,611	512,648,244	343,940,508
Weighted average number of ordinary shares outstanding	3,634,610,963	3,634,731,340	3,636,123,963	3,636,244,340
Weighted average number of diluted ordinary shares outstanding	3,634,610,963	3,634,731,340	3,636,123,963	3,636,244,340
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.08	0.32		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.08	0.32		
Basic earnings per share from continuing operations (in Euros)	0.08	0.32		
Diluted earnings per share from continuing operations (in Euros)	0.08	0.32		

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

The average number of shares was determined as follows:

	Group		Company	
	Sep 2018	Sep 2017	Sep 2018	Sep 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	-21,926,752	-21,806,375	-20,413,752	-20,293,375
Average number and diluted average number of shares during the period	3,634,610,963	3,634,731,340	3,636,123,963	3,636,244,340

28. Treasury Stock

This caption is as follows:

	Group		Company	
	Sep 2018	Dec 2017	Sep 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)	3.178	2.885	3.178	2.885
Market value of EDP, S.A.'s treasury stock (thousand Euros)	69,191	63,200	64,383	58,835

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Shares' transactions occurred between 1 January and 30 September 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)	3.182	-

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

29. Reserves and Retained Earnings

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Legal reserve	739,024	739,024	739,024	739,024
Fair value reserve (cash flow hedge)	-426,484	-103,578	-116,523	7,496
Tax effect of fair value reserve (cash flow hedge)	106,127	27,436	26,178	-1,726
Fair value reserve (financial assets)	16,096	36,649	-	-
Tax effect of fair value reserve (financial assets)	-2,844	-5,394	-	-
Exchange differences arising on consolidation	-524,530	-361,956	-	-
Treasury stock reserve (EDP, S.A.)	56,315	56,862	56,315	56,862
Other reserves and retained earnings	4,302,936	3,946,222	1,848,950	1,773,887
	4,266,640	4,335,265	2,553,944	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 23).

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

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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	136
Negative changes in fair value	-2,391
Balance as at 30 September 2018	16,096

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

Thousand Euros	Increases	Decreases
Zephyr Fund (Energia RE portfolio) (see note 21)	118	-717
EDP Serviço Universal, S.A. tariff deficit (see note 23)	-	-1,633
Other (see note 21)	18	-41
	136	-2,391

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:

Currency		Exchange rates at Sep 2018		Exchange rates at Dec 2017		Exchange rates at Sep 2017	
		Closing	Average	Closing	Average	Closing	Average
US Dollar	USD	1.158	1.194	1.199	1.129	1.181	1.114
Brazilian Real	BRL	4.654	4.295	3.973	3.605	3.764	3.535
Macao Pataca	MOP	9.330	9.645	9.653	9.063	9.498	8.935
Canadian Dollar	CAD	1.506	1.537	1.504	1.465	1.469	1.454
Polish Zloty	PLN	4.277	4.248	4.177	4.258	4.304	4.266
Romanian Leu	RON	4.664	4.652	4.659	4.569	4.599	4.552
Pound Sterling	GBP	0.887	0.884	0.887	0.877	0.882	0.873
South African Rand	ZAR	16.445	15.389	14.805	15.047	15.944	14.704
Mexican Peso	MXN	21.780	22.743	23.661	21.330	21.461	21.012
Chinese Yuan	CNY	7.966	7.779	7.804	7.628	7.853	7.575

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 02 May 2018.

30. Non-Controlling Interests

This caption is as follows:

Thousand Euros	Group	
	Sep 2018	Dec 2017
Non-controlling interests in income statement	231,458	328,266
Non-controlling interests in equity and reserves	3,623,409	3,606,056
	3,854,867	3,934,322

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

Thousand Euros	Group	
	Sep 2018	Dec 2017
EDP Renováveis Group	2,700,848	2,653,911
EDP Brasil Group	1,184,024	1,308,065
Other	-30,005	-27,654
	3,854,867	3,934,322

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The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 129,750 thousand Euros; (ii) a negative impact of 55,731 thousand Euros related to dividends attributable to non-controlling interests; (iii) a positive impact of 18,740 thousand Euros resulting from exchange differences; (iv) a negative impact of 37,605 thousand Euros resulting from share capital increases/decreases and other acquisitions/sales without change of control; and (v) a negative impact of 5,790 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) 104,034 thousand Euros of profits attributable to non-controlling interests; (ii) a decrease of 183,583 thousand Euros resulting from exchange differences; (iii) a negative impact of 40,011 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; and (v) a negative impact of 2,004 thousand Euros resulting from the sale of Costa Rica Energética, Ltda (see note 6).

31. Hydrological Account

The movements in the Hydrological account are as follows:

Thousand Euros	Group and Company	
	Sep 2018	Sep 2017
Balance at the beginning of the period	1,574	1,574
Amounts received/(paid) during the period	-1,180	-
Balance at the end of the period	394	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.

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.

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32. Financial Debt

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Debt and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	239,340	288,137	239,340	288,137
- EDP Finance B.V.	777,296	1,942,285	-	-
- EDP Brasil Group	364,623	454,786	-	-
- EDP Renováveis Group	808,686	825,927	-	-
	2,189,945	3,511,135	239,340	288,137
Non-convertible bond loans:				
- EDP, S.A.	-	-	7,350,000	4,350,000
- EDP Finance B.V.	10,050,381	10,000,982	-	-
- EDP Brasil Group	705,746	679,445	-	-
	10,756,127	10,680,427	7,350,000	4,350,000
Hybrid bond:				
- EDP, S.A.	739,168	739,168	739,168	739,168
	739,168	739,168	739,168	739,168
Commercial paper:				
- EDP, S.A.	200,000	408,455	200,000	408,455
- EDP Brasil Group	-	32,722	-	-
	200,000	441,177	200,000	408,455
Other loans	13,517	16,923	-	-
	13,898,757	15,388,830	8,528,508	5,785,760
Accrued interest	2,921	1,249	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	50,252	79,557	-	-
Total Debt and Borrowings	13,951,930	15,469,636	8,528,508	5,785,760
Collateral Deposits - Non-current *	-31,231	-34,874	-	-
	13,920,699	15,434,762	8,528,508	5,785,760
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	71,593	64,984	71,591	76,433
- EDP Finance B.V.	-	29,990	-	-
- EDP Brasil Group	89,154	110,779	-	-
- EDP Renováveis Group	108,852	166,101	-	-
- Other	102	20	-	-
	269,701	371,874	71,591	76,433
Non-convertible bond loans:				
- EDP, S.A.	-	50,000	1,500,000	4,550,000
- EDP Finance B.V.	921,368	549,035	-	-
- EDP Brasil Group	119,642	205,561	-	-
	1,041,010	804,596	1,500,000	4,550,000
Commercial paper:				
- EDP, S.A.	215,964	6,000	2,542,464	2,961,519
- EDP Brasil Group	27,936	-	-	-
- EDP Finance B.V.	330,000	-	-	-
	573,900	6,000	2,542,464	2,961,519
Other loans	3,377	3,836	-	-
	1,887,988	1,186,306	4,114,055	7,587,952
Accrued interest	207,254	260,116	108,461	114,585
Other liabilities:				
- Fair value of the issued debt hedged risk	-50	1,707	-	-
Total Debt and Borrowings	2,095,192	1,448,129	4,222,516	7,702,537
Collateral Deposits - Current *	-7,495	-10,381	-	-
	2,087,697	1,437,748	4,222,516	7,702,537

* Deposits constituted as collateral for financial guarantee

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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.

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.

The nominal value of outstanding Bond loans placed with external counterparties, as at 30 September 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)	Jun-05	Fixed rate EUR 4.125%	n.a.	Jun-20	300 EUR	300,000	-
EDP Finance B.V.(i)	Nov-08	Fixed rate GBP 8.625%	Fair Value	Jan-24	325 GBP	410,314	-
EDP Finance B.V.	Nov-08	Zero coupon EUR (iii)	n.a.	Nov-23	160 EUR	160,000	-
EDP Finance B.V.(i)	Jun-09	Fixed rate JPY (iii)	n.a.	Jun-19	10,000 JPY	90,333	-
EDP Finance B.V.(ii)	Sep-09	Fixed rate USD 4.90%	Net Investment	Oct-19	637 USD	549,877	-
			Fair Value/ Cash Flow				
EDP Finance B.V.(i)	Nov-12	Fixed rate CHF 4.00%	Cash Flow	Nov-18	125 CHF	103,922	-
EDP Finance B.V.(i)	Sep-13	Fixed rate EUR 4.875%	Fair Value	Sep-20	750 EUR	750,000	-
EDP Finance B.V.	Nov-13	Fixed rate EUR 4.125%	n.a.	Jan-21	600 EUR	600,000	-
EDP Finance B.V.	Jan-14	Fixed rate USD 5.25%	Net Investment	Jan-21	750 USD	647,892	-
EDP Finance B.V.(i)	Apr-14	Fixed rate EUR 2.625%	Fair Value	Apr-19	650 EUR	650,000	-
EDP Finance B.V.	Jun-14	Variable rate (iii)	Net Investment	Jun-19	100 USD	86,386	-
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	503,563	-
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	863,856	-
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	-
						11,009,500	

(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	300 BRL	64,471	-
EDP São Paulo	Apr-14	CDI + 1.39%	n.a.	Apr-19	72 BRL	15,472	-
EDP Espírito Santo	Aug-14	CDI + 1.50%	n.a.	Aug-20	141 BRL	30,394	-
Energias do Brasil	Sep-15	IPCA + 8.3201%	n.a.	Sep-21	208 BRL	44,728	-
Energias do Brasil	Sep-15	IPCA + 8.2608%	n.a.	Sep-24	56 BRL	11,951	-
Energias do Brasil	Apr-16	IPCA + 8.3479%	n.a.	Apr-22	275 BRL	59,169	-
Energgest	Apr-16	CDI + 2.265%	n.a.	Apr-20	43 BRL	9,283	-
Enerpeixe	Nov-16	114.50% * CDI	n.a.	Nov-19	350 BRL	75,212	-
Pecém	Dec-16	CDI + 2.95%	n.a.	Nov-21	330 BRL	70,914	-
EDP São Paulo	Apr-17	108.75% * CDI	n.a.	Apr-22	150 BRL	32,234	-
EDP Espírito Santo	Apr-17	108.75% * CDI	n.a.	Apr-22	190 BRL	40,829	-
Enerpeixe	Nov-17	116.00% * CDI	n.a.	Dec-22	320 BRL	68,765	-
EDP São Paulo	Dec-17	107.50% * CDI	n.a.	Jan-21	100 BRL	21,489	-
EDP PCH	Dec-17	CDI + 1.30%	n.a.	Dec-22	150 BRL	32,234	-
EDP Espírito Santo	Dec-17	107.50% * CDI	n.a.	Jan-21	120 BRL	25,787	-
Lajeado Energia	Dec-17	109.00% * CDI	n.a.	Dec-20	100 BRL	21,489	-
Lajeado Energia	Dec-17	113.70% * CDI	n.a.	Dec-22	200 BRL	42,978	-
EDP São Paulo	Jan-18	107.50% * CDI	n.a.	Jan-21	100 BRL	21,489	-
EDP Espírito Santo	Jan-18	107.50% * CDI	n.a.	Jan-21	100 BRL	21,489	-
EDP Transmissão	May-18	IPCA + 7.0267%	n.a.	May-33	115 BRL	24,713	-
EDP Espírito Santo	Ago-18	IPCA + 5.91%	n.a.	Jul-25	190 BRL	40,793	-
EDP São Paulo	Ago-18	IPCA + 5.91%	n.a.	Aug-25	260 BRL	55,822	-
						831,705	-
						12,591,205	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 41). As at 30 September 2018 and 31 December 2017 these loans amounted to 904,756 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, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, which as at 30 September 2018 were totally available. EDP Group also has a Commercial Paper program of 50 million Euros with guaranteed placement, which as at 30 September 2018 was totally available. EDP Group has a medium term RCF of 3,300 million Euros, maturing in 2023 and a RCF of 75 million Euros, maturing in 2019 both with firm underwriting commitment and totally available at 30 September 2018. The Group also has a RCF of 2,240 million Euros, with a firm underwriting commitment and maturing in 2023, which as at 30 September 2018 are available in 1,613 million Euros.

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

Thousand Euros	Sep 2019	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Following years	Total
Bank loans:							
Euro	122,579	32,740	97,116	89,387	240,795	223,851	806,468
Brazilian Real	108,830	56,002	77,128	71,053	67,575	297,604	678,192
US Dollar	28,613	2,773	12,043	12,233	11,983	793,793	861,438
Other	21,387	8,451	19,538	21,244	18,141	38,648	127,409
	281,409	99,966	205,825	193,917	338,494	1,353,896	2,473,507
Bond loans:							
Euro	878,238	-	1,065,277	596,998	1,186,814	4,698,928	8,426,255
Brazilian Real	136,765	72,167	193,084	213,825	107,727	119,996	843,564
US Dollar	196,023	548,711	502,169	644,226	-	857,227	2,748,356
	1,211,026	620,878	1,760,530	1,455,049	1,294,541	5,676,151	12,018,175
Hybrid Bond:							
Euro	21,979	-	-	-	-	739,168	761,147
	21,979	-	-	-	-	739,168	761,147
Commercial paper:							
Euro	330,408	-	-	200,000	-	-	530,408
Brazilian Real	27,936	-	-	-	-	-	27,936
US Dollar	217,843	-	-	-	-	-	217,843
	576,187	-	-	200,000	-	-	776,187
Other loans:							
Euro	1,328	38	69	21	-	-	1,456
Brazilian Real	3,263	299	750	366	-	11,972	16,650
	4,591	337	819	387	-	11,972	18,106
	2,095,192	721,181	1,967,174	1,849,353	1,633,035	7,781,187	16,047,122

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:

Thousand Euros	Sep 2018		Dec 2017	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	13,951,930	14,794,685	15,469,636	16,747,971
Debt and borrowings - Current	2,095,192	1,815,701	1,448,129	1,094,003
	16,047,122	16,610,386	16,917,765	17,841,974



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

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

33. Employee Benefits

Employee benefits are as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Provisions for social liabilities and benefits	674,389	763,249	3,251	4,137
Provisions for medical liabilities and other benefits	669,250	759,004	2,100	2,002
	1,343,639	1,522,253	5,351	6,139

This caption is detailed as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Non-Current	1,080,274	1,198,362	5,054	5,763
Current	263,365	323,891	297	376
	1,343,639	1,522,253	5,351	6,139

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

Thousand Euros	Group
	Sep 2018
Balance at the beginning of the period	763,249
Charge for the period	14,535
Actuarial (gains)/losses	-4,417
Charge-off	-102,557
Surplus / (Deficit) pension funding (see note 24)	4,381
Transfers, reclassifications and exchange differences	-802
Balance at the end of the period	674,389

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

Thousand Euros	Sep 2018			
	Portugal	Spain	Brazil	Group
Current service cost	5,442	1,159	-394	6,207
Operational component (see note 10)	5,442	1,159	-394	6,207
Net interest on the net pensions plan liability	7,042	860	426	8,328
Financial component (see note 13)	7,042	860	426	8,328
	12,484	2,019	32	14,535

Thousand Euros	Sep 2017			
	Portugal	Spain	Brazil	Group
Current service cost	6,607	1,877	-560	7,924
Operational component (see note 10)	6,607	1,877	-560	7,924
Net interest on the net pensions plan liability	7,864	1,013	-148	8,729
Financial component (see note 13)	7,864	1,013	-148	8,729
	14,471	2,890	-708	16,653

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

Thousand Euros	Group
	Sep 2018
Balance at the beginning of the period	759,004
Charge for the period	26,302
Actuarial (gains)/losses	-440
Charge-off	-17,073
Fund contributions (see note 42)	-69,006
Transfers, reclassifications, exchange differences and "mútua"	-29,537
Balance at the end of the period	669,250

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

Thousand Euros	Sep 2018			Sep 2017		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	4,611	621	5,232	5,122	642	5,764
Operational component (see note 10)	4,611	621	5,232	5,122	642	5,764
Net interest on the medical liabilities and other benefits	7,150	13,920	21,070	9,291	15,786	25,077
Financial component (see note 13)	7,150	13,920	21,070	9,291	15,786	25,077
Net cost for the period	11,761	14,541	26,302	14,413	16,428	30,841

As at 30 September 2018, the net movement for the period in Provisions for social liabilities and benefits corresponds to a decrease of 88,860 thousand Euros (30 September 2017: 78,906 thousand Euros), from which 79,773 thousand Euros correspond to the negative net movement occurred in Portugal (30 September 2017: 74,830 thousand Euros) and 9,087 thousand Euros correspond to the negative net movement occurred in Spain and Brazil (30 September 2017: 4,076 thousand Euros). The variation in Portugal relates essentially to benefit payments.

The net movement for the period in Provisions for medical liabilities and other benefits corresponds to a decrease of 89,754 thousand Euros (30 September 2017: decrease of 133,375 thousand Euros), from which 68,079 thousand Euros correspond to the negative net movement occurred in Portugal (30 September 2017: 125,622 thousand Euros negative) and 21,675 thousand Euros correspond to the negative net movement occurred in Brazil (30 September 2017: negative net movement of 7,753 thousand Euros).

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

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

34. Provisions

Provisions are as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Provision for legal and labour matters and other contingencies	87,308	85,049	-	-
Provision for customer guarantees under current operation	2,553	6,235	-	-
Provision for dismantling and decommissioning	473,161	463,556	-	-
Provision for other liabilities and charges	548,766	197,989	2,838	10,455
	1,111,788	752,829	2,838	10,455

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Non-Current	1,094,758	726,771	1,645	8,902
Current	17,030	26,058	1,193	1,553
	1,111,788	752,829	2,838	10,455

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

Thousand Euros	Group
	Sep 2018
Balance at the beginning of the period	85,049
Charge for the period	13,939
Reversals	-5,820
Charge-off for the period	-7,668
Exchange differences and other	1,808
Balance at the end of the period	87,308

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.

During the nine-month period ended 30 September 2018, there were no significant changes in the Provisions for legal and labour matters and other contingencies.

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

Thousand Euros	Group Sep 2018
Balance at the beginning of the period	6,235
Charge-off for the period	-3,741
Exchange differences and other	59
Balance at the end of the period	2,553

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 Sep 2018
Balance at the beginning of the period	463,556
Unwinding (see note 13)	4,551
Increase of the responsibility (see note 16)	3,551
Exchange differences and other	1,503
Balance at the end of the period	473,161

During the nine-month period ended 30 September 2018, there were no significant changes in the Provision for dismantling and decommissioning.

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

Thousand Euros	Sep 2018	
	Group	Company
Balance as at 31 December 2017	197,989	10,455
Adjustment due to IFRS 15 adoption (see note 3)	-17,625	-
Balance as at 1 January 2018	180,364	10,455
Charge for the period	290,709	290
Reversals	-15,944	-7,907
Charge-off for the period	-2,584	-
CESE (see note 15)	65,002	-
CMEC	30,181	-
"Lesividad"	9,015	-
Exchange differences and other	-7,977	-
Balance as at 30 September 2018	548,766	2,838

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

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

The processes whose losses were considered as possible, do not require the recognition of provisions and are periodically reassessed. As at 30 September 2018, there were no significant changes in the losses considered as possible as of 31 December 2017, except for the following:

- i) Within EDP Distribuição there is a contingency established by Gás Natural Comercializador, S.A. (GNC), for the undue payment of tariffs for access to networks charged by EDP Distribuição and surplus consumption by Repsol Polimeros, S.A. The situation is related with the attribution of a proper consumption producer status to Repsol Polimeros, S.A. in June 2014, being this energy invoiced only from October 2015 onwards. Regarding the year 2015, GNC was reimbursed for the over paid amounts, therefore the claim is only on payments about the second half of 2014, in the amount of 5,724 thousand Euros;

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ii) Banco de Portugal (BdP) claimed for an alleged default of the Legal Framework of Credit Institutions and Financial Companies, by EDP Soluções Comerciais, for performing activities related with payment services (which are legally reserved to credit institutions and similar entities) and non-compliance with some BdP premises. The accusation was addressed to EDP Soluções Comerciais and EDP S.A., and the amount of the contingency was shared by the two companies, in a total that could reach 10,000 thousand Euros.

iii) 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. At the present stage of the process, 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.

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

i) On 27 October 2009 and 5 January 2010, the EDP Group received two tax settlements regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely EDP Espírito Santo and Enersul. As at 30 September 2018, the amount of this tax contingency amounts to 280 million Euros (31 December 2017: 273 million Euros).

Considering the analysis made, the technical advice received and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 no. 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (existing article 81).

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

35. Institutional Partnerships in USA

The caption Institutional partnerships in USA is as follows:

Thousand Euros	Group	
	Sep 2018	Dec 2017
Deferred income related to benefits provided	951,401	914,612
Liabilities arising from institutional partnerships in USA	1,130,296	1,249,110
	2,081,697	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
	Sep 2018
Balance at the beginning of the period	2,163,722
Proceeds received from institutional investors	71,619
Cash paid for deferred transaction costs	-1,050
Cash paid to institutional investors	-119,630
Other Income (see note 8)	-138,312
Unwinding (see note 13)	60,515
Exchange differences	73,037
Other	-28,204
Balance at the end of the period	2,081,697

During the third quarter of 2018, EDPR NA has received proceeds amounting to 62 million Euros (74,200 thousand US Dollars) related to institutional equity financing from a leading financial institution, in exchange for an interest in the Arkwright project located in the state of New York.

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The caption Others mainly refers to the acquisition by EDPR North America, before the expected flip date, of the 50% of the class B interests in the project Vento II, which tax equity partnership was formed in December 2007.

36. Trade and Other Liabilities from Commercial Activities

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

Thousand Euros	Group	
	Sep 2018	Dec 2017
Investment government grants	581,090	491,008
Amounts payable for tariff adjustments - Electricity - Portugal	5,447	10,632
Amounts payable for tariff adjustments - Electricity - Brazil	41,663	38,698
Energy sales contracts - EDPR NA	12,073	13,686
Deferred income - CMEC	286,688	364,428
Amounts payable for concessions	209,531	209,117
Property, plant and equipment suppliers and accruals	7,809	110,986
Other creditors and sundry operations	143,170	104,616
	1,287,471	1,343,171

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

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Suppliers	991,996	947,702	401,877	366,401
Accrued costs related with supplies	483,932	657,669	324,168	272,958
Property, plant and equipment suppliers and accruals	811,561	639,345	697	715
Holiday pay, bonus and other charges with employees	151,680	162,902	29,283	31,165
CO2 emission Licenses	100,045	101,693	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	62,375	249,914	-	-
Amounts payable for tariff adjustments - Electricity - Brazil	129	13,157	-	-
Deferred income - CMEC	81,768	83,012	-	-
Other creditors and sundry operations	712,745	642,737	114,921	15,224
	3,396,231	3,498,131	870,946	686,463

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

Thousand Euros	Current	Non-Current
Balance as at 31 December 2017	249,914	10,632
Payment through the electricity tariff	-188,091	-
Tariff adjustment of the period	-	5,435
Interest expense (see note 13)	247	12
Transfer to/from tariff adjustment receivable (see note 23)	-10,327	-
Transfer from Non-Current to Current	10,632	-10,632
Balance as at 30 September 2018	62,375	5,447

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments booked in EDP São Paulo and EDP Espírito Santo in the accumulated amount of 29,323 thousand Euros (31 December 2017: 35,127 thousand Euros) and 12,469 thousand Euros (31 December 2017: 16,728 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 59,155 thousand Euros (see note 7), the transfer to tariff adjustment receivable of 16,056 thousand Euros (see note 23), the unwinding in the amount of 7,816 thousand Euros (see note 13), the decrease in the amount received through the electricity tariff of 90,923 thousand Euros and the exchange differences due to depreciation of Brazilian Real with a negative impact of 7,376 thousand Euros. During August 2018, EDP Espírito Santo received cash, as financial component of the tariff readjustment of 2018, in the amount of 5,209 thousand Euros (22,369 thousand Brazilian Reais). This amount will be returned through the tariff of EDP Espírito Santo starting on the tariff readjustment of August 2018.

Investment government grants are amortised through the recognition of a revenue in the income statement over the useful life of the related assets, in the amount of 16,935 thousand Euros as at 30 September 2018 (see note 12). This caption includes grants received by EDPR NA subgroup under the "American Recovery and Reinvestment Act" promoted by the United States of America Government.

At the moment of 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.

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Deferred income - CMEC Current and Non-Current, in the amount of 368,456 thousand Euros (31 December 2017: 447,440 thousand Euros) refers to the initial CMEC amount (833,467 thousand Euros) net of the amortisation of initial CMEC during the years 2007 to 2017 and including unwinding (see note 13), in the amount of 167,327 thousand Euros. This caption also includes 201,129 thousand Euros relating with the final adjustment recognised in accordance with the result achieved by EDP/REN working group (256,539 thousand Euros), deducted of amortisation and unwinding charges of the period (see note 13).

Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 147,186 thousand Euros (31 December 2017: 139,809 thousand Euros) and the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 62,345 thousand Euros (31 December 2017: 69,072 thousand Euros).

The caption CO2 emission licenses includes the CO2 consumptions during 2018 in Portugal and Spain of 63,306 thousand Euros and 36,739 thousand Euros, respectively (31 December 2017: 58,789 thousand Euros and 42,904 thousand Euros). This variation relates to the delivery in 2018 of the 2017 licences consumption, which are returned to regulatory authorities until April of the year following its consumption.

In the energy distribution activity, the subsidiaries of EDP Group in Portugal and Spain recover the deficits and tariff adjustments assets through the tariffs charged to their customers. The caption Other creditors and sundry operations - Current, includes the amounts payable to entities that have acquired the right to receive these assets in securitisation or direct sales operations in Portugal and settlements to be made to the regulatory entity in Spain. As at 30 September 2018, due to the transfer to these entities of the assets recovered through the tariffs, the amounts to be paid are 130,598 thousand Euros and 7,076 thousand Euros in Portugal and Spain, respectively (31 December 2017: 133,107 thousand Euros and 13,092 thousand Euros). Additionally, this caption includes 14,317 thousand Euros related to tariff adjustment payable (31 December 2017: 14,317 thousand Euros).

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

37. Other Liabilities and Other Payables

Other liabilities and other payables are as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	421,655	591,779	-	-
Derivative financial instruments	361,729	91,092	394,979	112,714
Group companies	-	-	93,441	199,280
Amounts payable and contingent prices for acquisitions/sales	78,861	94,660	-	-
Lease contracts with EDP Pension and Medical and Death Subsidy Funds	78,336	79,414	78,336	79,414
Other creditors and sundry operations	5,711	18,039	-	-
	946,292	874,984	566,756	391,408
Other liabilities and other payables - Current				
Loans from non-controlling interests	239,742	121,023	-	-
Dividends attributed to related companies	10,696	42,207	-	-
Derivative financial instruments	203,860	94,522	399,355	190,643
Group companies	-	-	887,386	1,591,110
Group's financial system (see note 42)	-	-	671,439	197,174
Amounts payable and contingent prices for acquisitions/sales	63,693	14,525	-	-
Lease contracts with EDP Pension and Medical and Death Subsidy Funds	6,453	6,434	6,453	6,434
Other creditors and sundry operations	4,966	5,429	64,082	109,268
	529,410	284,140	2,028,715	2,094,629
	1,475,702	1,159,124	2,595,471	2,486,037

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

i) loans granted by ACE Portugal (CTG Group) due to the sale in 2017 of 49% of shareholding in EDPR PT – Parques Eólicos S.A and subsidiaries for a total amount of 30,902 thousand Euros, including accrued interests (31 December 2017: 37,362 thousand Euros), bearing interest at a fixed rate of 3.75% (see note 42);

ii) loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L. and subsidiaries for a total amount of 223,037 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 121,005 thousand Euros, including accrued interests (31 December 2017: 123,430 thousand Euros), bearing interest at a fixed rate of a range between 1.33% and 7.23% (see note 42);

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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 68,490 thousand Euros, including accrued interests (31 December 2017: 78,436 thousand Euros), bearing interest at a fixed rate of 4.5% (see note 42);

v) loans granted by Vortex Energy Investments I due to the sale in 2014 of 49% of shareholding in EDPR France and subsidiaries for a total amount of 53,924 thousand Euros, including accrued interests (31 December 2017: 58,388 thousand Euros), bearing interest at a fixed rate of a range between 3.1% and 7.18%;

vi) loans granted by CITIC CWEI Renewables (CTG Group) due to the sale in 2013 of 49% of shareholding in EDP Renováveis Portugal, S.A. for a total amount of 55,072 thousand Euros, including accrued interests (31 December 2017: 61,140 thousand Euros), bearing interest at a fixed rate of 5.5% (see note 42); and

vii) loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousand Euros (31 December 2017: 58,220 thousand Euros).

The Amounts payable and contingent prices for acquisitions/sales includes the amounts related with the contingent prices for the acquisition of several European projects (mainly in Italy) and Brazilian projects, as well as the contingent prices related to the sale of gas distribution business in Spain and Portugal, in the amount of 34,939 thousand Euros and 51,927 thousand Euros, respectively.

The caption Group companies Non-Current, on a Company basis, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group (see note 45). The component in foreign currency is covered by a hedging instrument (see note 24).

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

The caption Lease contracts with EDP Pension and Medical and Death Subsidy Funds corresponds to the lease contract regarding the building units of Porto headquarters acquired by EDP Pension Fund in December 2015 and the Lisbon headquarters building given as an 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 30 September 2018, it amounts to 30,372 thousand Euros (31 December 2017: 30,808 thousand Euros) (see note 42).

Regarding the Lisbon headquarters' building, the building component was booked as an asset of EDP, S.A. in Property, Plant and Equipment, at the present value of the minimum lease payments. The lease contract is for a period of 25 years, with a monthly expense of 494 thousand Euros and an implicit rate of 5.82%. As at 30 September 2018, it amounts to 54,417 thousand Euros (31 December 2017: 55,040 thousand Euros) (see note 42).

38. Tax Liabilities

Tax liabilities are as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Income tax	142,557	86,645	50,939	-
Withholding tax	16,912	36,269	1,421	1,176
Value Added Tax (VAT)	146,363	133,896	22,631	17,042
Special taxes Brazil	170,887	193,901	-	-
Other taxes	224,813	204,296	971	955
	701,532	655,007	75,962	19,173

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Non-Current	91,517	91,551	-	-
Current	610,015	563,456	75,962	19,173
	701,532	655,007	75,962	19,173

As at 30 September 2018, the captions Income tax and Special taxes Brazil include the amount of 84,121 thousand Euros (391,456 thousand Brazilian Reals), corresponding to the recognised liability value of 110,652 thousand Euros (514,917 thousand Brazilian Reals) net of payments (see note 25).

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39. 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:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Assets held for sale				
Electricity generation assets - United Kingdom	110,955	58,179	-	-
Electricity generation assets - Brazil	-	10,271	-	-
Electricity generation assets - Portugal	204,173	161,819	21,389	-
Other assets	6,807	866	-	-
	321,935	231,135	21,389	-
Liabilities held for sale				
Electricity generation liabilities - Brazil	-	3,262	-	-
Electricity generation liabilities - Portugal	108,333	111,419	-	-
	108,333	114,681	-	-
	213,602	116,454	21,389	-

In 2017, EDPR Group committed to the plan of selling and consequently loose 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 2017, EDPR Group finished the sale to Engie of 23.3% of the equity shareholding and shareholder loans and lost control of control of the company. In addition, on 23 March 2018, EDPR Group sold 20% of the equity shareholding and shareholder loans of the company to Diamond Generation Europe Limited (DGE) for an amount of 36 million Pounds (see notes 6 and 13). As at 30 September 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 110,955 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.

In 2018, the EDP Group started the sale process of EDP Produção Bioelétrica, 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 Bioelétrica, 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 Bioelétrica, S.A., were reclassified to non-current assets held for sale.

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

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40. Derivative Financial Instruments

In accordance with IAS 39, the Group classifies derivative financial instruments as fair value hedge of a recognised asset or liability (Fair value hedge), as cash flow hedge of recognised liabilities and highly probable future transactions (Cash flow hedge), 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 portfolio is as follows:

Thousand Euros	Group		Company	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Derivatives held for trading				
Interest rate swaps and Cross-currency interest rate swaps	15,372	-2,649	84,530	83,048
Commodities swaps, forwards and options	3,653	-2,743	71,464	40,175
Currency forwards	4,987	-3,929	-2,558	5,186
Fair value hedge				
Interest rate swaps and Cross-currency interest rate swaps	96,594	141,377	170,262	280,477
Cash flow hedge				
Commodities swaps	-401,420	-37,767	-161,634	3,298
Interest rate swaps	-15,060	-20,680	-	-
Currency forwards related with commodities	37,223	-8,187	34,778	-
Net Investment hedge				
Cross-currency interest rate swaps	19,675	42,188	-	-
	-238,976	107,610	196,842	412,184

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 24) and Other liabilities and other payables (see note 37), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, which are compared in each date of report to fair values available in common financial information platforms. Therefore, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of level 2 (see note 43) and no changes of level were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 5), however such instruments are not eligible for hedge accounting under IFRS.

During the nine-month period ended 30 September of 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.
Commodities swaps	Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas, Electricity, Henry Hub, TTF, Coal and CO2.

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41. 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	
	Sep 2018	Dec 2017	Sep 2018	Dec 2017
Financial guarantees				
EDP, S.A.	7,741	-	7,741	-
EDP Brasil Group	1,110,993	1,297,333	-	-
EDP Renováveis Group	12,112	6,955	-	-
	1,130,846	1,304,288	7,741	-
Operating guarantees				
EDP, S.A.	1,022,315	902,592	1,022,315	902,592
EDP España Group	262,525	303,101	-	-
EDP Brasil Group	544,336	604,285	-	-
EDP Renováveis Group	3,437,266	2,789,736	-	-
	5,266,442	4,599,714	1,022,315	902,592
Total	6,397,288	5,904,002	1,030,056	902,592
Real guarantees	9,032	7,762	-	-

The financial guarantees contracted as at 30 September 2018 and 31 December 2017 include 799,314 thousand Euros and 942,646 thousand Euros, respectively, related with loans obtained by Group companies and are already included in the consolidated debt.

The operating guarantees contracted as at 30 September 2018 and 31 December 2017, includes the amounts of 555,188 thousand Euros and 393,944 thousand Euros which, respectively, refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position. Additionally, EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation, distribution and supply activities. The total guarantees outstanding include, at 30 September 2018 and 31 December 2017, 853,407 thousand Euros and 784,049 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

In addition to the information disclosed above:

i) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, willful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 30 September 2018 and 31 December 2017, EDPR's obligations under the tax equity agreements, in the amount of 1,066,853 thousand Euros and 1,258,661 thousand Euros, respectively, are already reflected under the caption Institutional Partnerships in USA; and

ii) The Group has also project finance loans and deposits constituted as collateral for financial guarantee, which are disclosed in note 32.

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

Thousand Euros	Sep 2018				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	1,437,195	85,668	137,119	124,536	1,089,872
Purchase obligations	22,858,266	4,763,547	5,289,397	2,815,326	9,989,996
	24,295,461	4,849,215	5,426,516	2,939,862	11,079,868

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 11,109,057 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	Sep 2018	Dec 2017
Purchase obligation - Present value	11,109,057	14,481,883
Purchase obligation - Nominal amount	16,976,908	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.

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The nature of purchase obligations breaks down as follows:

Thousand Euros	Sep 2018	Dec 2017
Fuel acquisition	7,484,663	3,380,444
Electricity acquisition	10,232,256	12,900,272
O&M contracts	1,138,396	1,091,670
Fixed assets, equipment and miscellaneous materials acquisition	2,292,375	1,573,712
Supply and assembly contract	945,169	655,067
Other supplies and services	765,407	996,252
	22,858,266	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:

Thousand Euros	Sep 2018				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Fuel acquisition	7,484,663	1,099,875	1,332,442	997,945	4,054,401
Electricity acquisition	10,232,256	1,345,888	1,944,658	1,633,102	5,308,608
	17,716,919	2,445,763	3,277,100	2,631,047	9,363,009

As at 30 September 2018, purchase obligations of fixed assets, equipment and miscellaneous materials correspond to: (i) 1,980,046 thousand Euros relating to property, plant and equipment acquisition; (ii) 186,156 thousand Euros relating to intangible assets acquisition; and (iii) 126,173 thousand Euros relating to equipment and miscellaneous materials acquisition.

The commitments relating to future lease payments under finance leases and to short and medium-long term financial debt are disclosed in notes 16 and 32, respectively. The commitments relating to pension and medical plans and other benefits are disclosed in note 33.

EDP Group has the following liabilities arising from put options on investments, held by third parties:

- Put option related to 25% of the share capital of Tivano S.r.l., exercisable under certain conditions, between July 2016 and July 2020. The exercise price is 450 thousand Euros, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 30 September 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 30 September 2018 the put option amounts to 259 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 30 September 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:

Thousand Euros	Sep 2018				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	228,813	12,124	19,221	18,629	178,839
Purchase obligations	4,476,397	63,793	392,699	436,629	3,583,276
	4,705,210	75,917	411,920	455,258	3,762,115

The caption Purchase obligations relates to O&M contracts.

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42. Related Parties

Balances and transactions with companies of China Three Gorges Group

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

Following these transactions, CTG Group granted loans to the EDPR Group in the amount of 275,469 thousand Euros including accrued interests (31 December 2017: 300,368 thousand Euros) (see note 37), and interests were booked in the amount of 5,362 thousand Euros (31 December 2017: 7,167 thousand Euros).

During the nine-month period ended on 30 September 2018, EDPR Portugal distributed dividends to CTG in the amount of 23,520 thousand Euros.

Balances with EDP Pension and Medical and Death Subsidy Funds

In December 2015, EDP, S.A. signed a lease contract related with the building units of the Porto headquarters (sold to the EDP Pension Fund in December 2015) for a period of 25 years with an implicit rate of 6.42%. As at 30 September 2018, the present value of the contract amounts to 30,372 thousand Euros (31 December 2017: 30,808 thousand Euros) (see note 37).

In September 2017, EDP, S.A. signed a lease contract related with the building of the Lisbon headquarters (given as an in-kind contribution to the EDP Medical and Death Subsidy Funds) for a period of 25 years with an implicit rate of 5.82%. As at 30 September 2018, the present value of the contract amounts to 54,417 thousand Euros (31 December 2017: 55,040 thousand Euros) (see note 37).

Following the decision and implementation of the autonomisation 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 the nine-month period ended on 30 September 2018, a contribution of 69,006 thousand Euros was made (see note 33).

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

Thousand Euros	30 September 2018			
	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
EDP Comercial, S.A.	17,860	75,490	222,134	315,484
EDP Distribuição, S.A.	-	2,022,928	29,668	2,052,596
EDP España, S.A.U.	-	-	13,591	13,591
EDP Finance B.V.	-	467,241	47,716	514,957
EDP Produção, S.A.	-	1,591,899	214,845	1,806,744
EDP Imobiliária e Participações, S.A.	-	15,931	375	16,306
EDP IS, Lda.	-	190,953	56	191,009
EDP Renováveis, S.A.	-	-	175,648	175,648
EDP Servicios Financieros España, S.A.U.	1,157,543	-	1,383	1,158,926
EDP Serviço Universal, S.A.	-	-	51,570	51,570
EDP Renewables Europe, S.L.U.	-	-	76,612	76,612
EDP Comercializadora, S.A.U.	-	-	166,214	166,214
EDP GÁS.COM - Comércio de Gás Natural, S.A.	25,593	10,093	10,300	45,986
Other	7,959	31,121	45,132	84,212
	1,208,955	4,405,656	1,055,244	6,669,855

The amount of 467,241 thousand Euros refers to the repurchase in market by EDP, S.A. of two bond issues issued by EDP Finance B.V.

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Debits held

Thousand Euros	30 September 2018			
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Distribuição, S.A.	401,662	-	10,133	411,795
EDP Finance B.V.	-	12,199,960	78,785	12,278,745
EDP Produção, S.A.	215,087	-	655,932	871,019
EDP Renováveis Servicios Financieros, S.A.	-	-	34,037	34,037
EDP Serviço Universal, S.A.	-	-	49,320	49,320
EDP España, S.A.U.	-	-	30,320	30,320
Pebble Hydro, Lda.	-	41,500	586	42,086
EDP Comercializadora, S.A.	-	-	102,869	102,869
Other	54,690	-	59,933	114,623
	671,439	12,241,460	1,021,915	13,934,814

The amount of 12,199,960 thousand Euros includes 6 intragroup bonds issued by EDP S.A. and acquired by EDP Finance BV. As at 30 September 2018, in the total amount of 8,934,134 thousand Euros, with variable rate at medium-long term (5, 7 and 10 years).

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

Expenses

Thousand Euros	30 September 2018			
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	Total
EDP Finance B.V.	-	-206,992	-67,374	-274,366
EDP Produção, S.A.	-	-	-1,260,165	-1,260,165
EDP España, S.A.U.	-	-	-70,680	-70,680
EDP Comercializadora, S.A.U.	-	-	-62,121	-62,121
Other	-49	-2	-55,274	-55,325
	-49	-206,994	-1,515,614	-1,722,657

Income

Thousand Euros	30 September 2018			
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total
EDP Comercial, S.A.	23	1,848	869,439	871,310
EDP Distribuição, S.A.	61	50,316	40,882	91,259
EDP España, S.A.U.	-	-	568,715	568,715
EDP Produção, S.A.	141	67,555	156,968	224,664
EDP Soluções Comerciais	85	-	23,096	23,181
EDP Finance B.V.	-	17,504	73,194	90,698
Hidrocantábrico Distribución Eléctrica S.A.U.	-	-	14,814	14,814
EDP Comercializadora, S.A.	-	-	142,641	142,641
EDP Renováveis, S.A.	-	-	90,068	90,068
EDP Renewables Europe, S.L.U.	-	-	53,620	53,620
Other	169	12,288	55,490	67,947
	479	149,511	2,088,927	2,238,917

Other gains include income from equity investments of 556,516 thousand Euros (see note 13).

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

Assets and Liabilities

Thousand Euros	30 September 2018		
	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioelétrica, S.A.	400	4,389	-3,989
Empresa de Energia Cachoeira Caldeirão, S.A.	780	102	678
Empresa de Energia São Manoel, S.A.	470	765	-295
Cide HC Energia, S.A.	5,052	60	4,992
Moray East Holdings Limited	71,043	-	71,043
Moray West Holdings Limited	3,526	3	3,523
HC Tudela Cogeneración, S.L.	2,150	1,518	632
Other	6,269	1,660	4,609
	89,690	8,497	81,193
Associates			
Eoliennes en Mer Dieppe Le Tréport, S.A.S.	9,881	-	9,881
Eoliennes en Mer Iles d'Yeu et Noirmoutier, S.A.S.	7,896	-	7,896
MABE Construção e Administração de Projectos, Ltda.	4,813	-	4,813
Parque Eólico Sierra del Madero, S.A.	12,783	-	12,783
Other	12,090	2,509	9,581
	47,463	2,509	44,954
	137,153	11,006	126,147

Transactions

Thousand Euros	30 September 2018			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioelétrica, S.A.	1,194	137	-37,824	-
Cide HC Energia, S.A.	73,576	67	-98	-
Empresa de Energia Cachoeira Caldeirão, S.A.	2,793	-	-	-
Empresa de Energia São Manoel, S.A.	1,369	-	-9,724	-
Moray East Holdings Limited	-	512	-	-
Other	6,939	121	-11,982	-3
	85,871	837	-59,628	-3
Associates				
MABE Construção e Administração de Projectos, Ltda.	83	234	-	-
Desarrollos Eólicos de Canarias, S.A.	197	-	-16	-
Parque Eólico Sierra del Madero	6	341	-	-
Parque Eólico Belmonte, S.A.	506	21	-	-
Other	371	327	-15	-
	1,163	923	-31	-
	87,034	1,760	-59,659	-3

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43. Fair Value of Financial Assets and Liabilities

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

Thousand Euros	Sep 2018			Dec 2017		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	-	-	-	124,016	124,016	-
Equity instruments at fair value	124,028	124,028	-	-	-	-
Debtors/other assets from commercial activities	5,733,031	5,733,031	-	6,165,109	6,165,109	-
Other debtors and other assets	615,945	615,945	-	530,176	530,176	-
Derivative financial instruments	326,613	326,613	-	293,224	293,224	-
Financial assets at fair value through profit or loss	-	-	-	37,544	37,544	-
Collateral deposits/financial debt	38,726	38,726	-	45,255	45,255	-
Cash and cash equivalents	919,971	919,971	-	2,400,077	2,400,077	-
	7,758,314	7,758,314	-	9,595,401	9,595,401	-
Financial liabilities						
Financial debt	16,047,122	16,610,386	563,264	16,917,765	17,841,974	924,209
Suppliers and accruals	1,803,557	1,803,557	-	1,587,047	1,587,047	-
Institutional partnerships in USA	2,081,697	2,081,697	-	2,163,722	2,163,722	-
Trade/other payables from commercial activities	2,299,055	2,299,055	-	2,763,247	2,763,247	-
Other liabilities and other payables	910,113	910,113	-	973,510	973,510	-
Derivative financial instruments	565,589	565,589	-	185,614	185,614	-
	23,707,133	24,270,397	563,264	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.

Thousand Euros	Sep 2018			Dec 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	-	-	-	-	77,573	46,443
Equity instruments at fair value through other comprehensive income (note 21.1)	-	77,685	18,636	-	-	-
profit or loss (note 21.2)	-	-	27,707	-	-	-
Tariff deficit at fair value through other comprehensive income (see note 23)	-	172,405	-	-	-	-
Derivative financial instruments	-	326,613	-	-	293,224	-
Financial assets at fair value through profit or loss	-	-	-	-	-	37,544
	-	576,703	46,343	-	370,797	83,987
Financial liabilities						
Derivative financial instruments	-	565,589	-	-	185,614	-
	-	565,589	-	-	185,614	-

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

Thousand Euros	At fair value through	
	other comprehensive income	profit or loss
Balance at beginning of period	18,717	27,707
Change in fair value	-23	-
Acquisitions	535	-
Disposals	-632	-
Other changes	39	-
Balance at the end of the period	18,636	27,707

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

44. Relevant or Subsequent Events

Amendment of qualified shareholding - Capital Group

On 12 October 2018, the Capital Group notified EDP that, on 10 October 2018, Capital Group's ownership interest in EDP share capital and voting rights crossed the 2% minimum threshold for qualified shareholding positions and that on the same date it no longer held any position in EDP share capital and voting rights.

EDP issues "Green Bond" of 600 million Euros

On 9 October 2018, EDP Finance B.V. issued 600 million Euros of debt instruments maturing in October 2025 with a coupon of 1.875%.

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.

ERSE announces proposal for electricity tariffs in 2019

On 15 October 2018, the Portuguese Electricity Regulator (ERSE) announced its proposal for electricity tariffs in 2019, on which it is worth noting the following:

- For the activity of electricity distribution (operated by EDP Distribuição), ERSE proposed regulated gross profit of 1,060 million Euros in 2019;
- For the last resort electricity supply activity (operated by EDP Serviço Universal), ERSE proposed regulated gross profit in 2019 of 31 million Euros, considering a 0.1% average increase for normal low voltage (NLV) electricity tariffs.

In both cases, the expressed regulated gross profit excludes previous year adjustments.

According to ERSE's proposal, Portuguese electricity system's regulatory receivables are expected to decline by 0.6 billion Euros over 2019 to 3.2 billion Euros by December 2019 (including recovery of previous year's tariff deviations).

According to electricity regulation rules in Portugal, the Tariffs Advisory Board shall issue its nonbinding opinion until next 15 November 2018. Following that, ERSE will approve the final tariffs and parameters until 15 December 2018.

Amendment of qualified shareholding - Paul Elliott Singer

On 16 October 2018, Paul Elliott Singer notified EDP, that he holds a qualifying shareholding of 83,827,873 ordinary shares of EDP, which corresponds to 2.2925% of EDP's share capital and respective voting rights.

Paul Elliott Singer crossed the 2% threshold of shareholding in EDP on 10 October 2018.

EDP Brasil sells EDP PCH and Santa Fé

On 25 October 2018, EDP - Energias do Brasil, S.A signed a sale and purchase agreement with Statkraft Energias Renováveis S.A., for the sale of all the shares held by EDP Brasil at EDP Pequenas Centrais Hidroelétricas S.A. (EDP PCH), owner of seven mini-hydro plants, and Santa Fé Energia S.A. (Santa Fé), owner of one mini-hydro plant. These eight mini-hydro plants are located in the Espírito Santo state and hold an installed capacity of 131.9MW and physical guarantee of 68.8MW, with final concession maturity between 2025 and 2031.

The total amount of the transaction is 704 million Reais, including an estimated net debt of 113 million Reais. Therefore, the expected proceeds amount to 591 million Reais, subject to adjustment between the signing and closing dates, common to this type of transaction.

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The completion of this transaction is subject to the verification of precedent conditions, namely the approval of the Brazilian Antitrust Authority (CADE) and Brazilian Electricity Regulatory Agency (ANEEL).

EDP Brasil closes funding for new transmission line

On 29 October 2018, EDP - Energias do Brasil, S.A. announced that EDP Aliança SC, S.A. concluded the public offering for the distribution of bonds, with a proportional guarantee by its shareholders (EDP Brasil / Celesc), for the total amount of 1.2 billion Reais with a 10-year maturity and duration of 6.4 years. The issuance cost is IPCA + 6.72% totalling a post-tax debt cost to shareholders of IPCA + 3.34%.

EDP Aliança SC, S.A. is responsible for the development, construction and operation of the transmission line "Lot 21 of the Transmission Auction 05/2016", with an extension of 485km to be built in Santa Catarina State. This line received the preliminary environmental license 8965/2018 on 18 October 2018, and is pending the granting of installation licenses (request filed on 5 July 2018), to begin construction works.

45. EDP Branch in Spain

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

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

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed 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 Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Administration and Finance ("Direcção de Administração e Finanças"), Department of Human Resources ("Direcção de Recursos Humanos"), Department of Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of EDP Spain Foundation ("Direcção da Fundação EDP Espanha") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 182 human resources as at 30 September 2018, including 107 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.

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The condensed Statement of Financial Position of the Branch is as follows:

Thousand Euros	EDP Branch	
	Sep 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	129,096	72,487
Other debtors and others assets (see note 24)	8,421	894,059
Total Non-Current Assets	7,161,499	7,990,528
Debtors and other assets	1,349,676	733,390
Tax receivable	83,353	80,389
Cash and cash equivalents	67	1,454
Total Current Assets	1,433,096	815,233
Total Assets	8,594,595	8,805,761
Equity	7,526,593	6,933,048
Employee benefits	2,170	3,073
Trade and other payables	93,441	199,279
Provisions	-	260
Total Non-Current Liabilities	95,611	202,612
Trade and other payables (see note 37)	949,474	1,652,768
Tax payable	22,917	17,333
Total Current Liabilities	972,391	1,670,101
Total Liabilities	1,068,002	1,872,713
Total Equity and Liabilities	8,594,595	8,805,761

46. Investigation process about CMEC and DPH

In 2012, the European Commission ("EC") and the Portuguese authorities (Public Prosecution Services) received complaints concerning the early termination of the Power Purchase Agreements ("PPAs") and the costs for the 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 public hydro domain.

Following the complaint received, the EC requested clarifications from the Portuguese State in relation to the early termination of the PPAs and its replacement for the CMEC, having concluded in September 2013 that the compensation payments for early termination did not exceed what was necessary to repay the shortfall in investment costs repayable over the asset's lifetime, and determined that the implementation of the CMEC remains in keeping with the terms notified to and approved by the EC in 2004. Thus, the EC decided that no in depth investigation into the CMEC process was necessary.

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.

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EDP does not accept any accusations of wrongdoing on its part or on the part of any member of the EDP Group and believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length transactions. However, it is difficult to predict any outcome at this early stage in the process as well as any potential impacts in the financial statements.

47. Operating Segments

In accordance with IFRS 8, an operating segment is a Group component:

- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- (iii) for which discrete financial information is available.

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

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

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

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

The segments defined by the Group are the following:

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

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

- EDP - Gestão da Produção de Energia, S.A.;
- Fisigen – Empresa de Cogeração, S.A.;
- Pebble-Hydro – Consultoria, Investimentos e Serviços, Lda.;
- EDP Small-Hydro, S.A.;
- Empresa Hidroeléctrica do Guadiana, S.A.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- EDP Comercial - Comercialização de Energia, S.A.;
- EDP - España, S.A.U.;
- Naturgás Comercializadora, S.A. (until the closing date);
- EDP Gás.Com - Comércio de Gás Natural, S.A.;
- Greenvougá - 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 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.

EDP Group Operating Segments Information as at 30 September 2018

Thousand Euros	Iberia			EDP	Total
	Generation and Supply	Regulated Networks	Renováveis	Brasil	Segments
Revenues from energy sales and services and other					
Revenues inter-segments	6,030,001	3,649,638	1,110,375	2,458,611	13,248,625
Revenues from third parties	53,371	1,483,213	391,808	862	1,929,254
	5,976,630	2,166,425	718,567	2,457,749	11,319,371
Gross Profit	1,132,664	963,735	1,100,622	668,112	3,865,133
Other income	13,099	21,589	203,669	9,981	248,338
Supplies and services	-212,183	-210,889	-248,906	-104,357	-776,335
Personnel costs and employee benefits	-108,222	-93,265	-84,113	-81,711	-367,311
Other costs	-203,443	-204,531	-101,893	-37,059	-546,926
Gross Operating Profit	621,915	476,639	869,379	454,966	2,422,899
Provisions	-280,749	-1,953	-340	-7,363	-290,405
Amortisation and impairment	-290,849	-209,256	-398,406	-108,973	-1,007,484
Operating Profit	50,317	265,430	470,633	338,630	1,125,010
Equity method in joint ventures and associates	3,028	1	1,654	-523	4,160
Assets	11,037,550	5,250,185	16,044,960	3,968,813	36,301,508
Financial assets - Investments in joint ventures and associates	10,451	70	293,932	414,456	718,909
Liabilities	2,613,475	2,072,545	1,503,892	908,551	7,098,463
Operating Investment	108,502	150,027	925,829	175,864	1,360,222

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Reconciliation of information between Operating Segments and Financial Statements for September 2018

Thousand Euros	
Total Revenues from energy sales and services and other of Reported Segments	13,248,625
Revenues from energy sales and services and others from Other Segments	291,103
Adjustments and Inter-segments eliminations*	-2,228,449
Total Revenues from energy sales and services and other of EDP Group	11,311,279
Total Gross Profit of Reported Segments	3,865,133
Gross Profit from Other Segments	290,294
Adjustments and Inter-segments eliminations*	-292,931
Total Gross Profit of EDP Group	3,862,496
Total Gross Operating Profit of Reported Segments	2,422,899
Gross Operating Profit from Other Segments	-2,243
Adjustments and Inter-segments eliminations*	-10,512
Total Gross Operating Profit of EDP Group	2,410,144
Total Operating Profit of Reported Segments	1,125,010
Operating Profit from Other Segments	-25,533
Adjustments and Inter-segments eliminations*	-21,088
Total Operating Profit of EDP Group	1,078,389
Total Assets of Reported Segments	36,301,508
Assets Not Allocated	4,326,624
Financial Assets	1,404,660
Taxes Assets	1,576,459
Other Assets	1,345,505
Assets from Other Segments	738,667
Inter-segments assets eliminations*	-737,656
Total Assets of EDP Group	40,629,143
Total Equity accounted Investments in joint ventures and associates of Reported Segments	718,909
Equity accounted Investments in joint ventures and associates from Other Segments	132,615
Total Equity accounted Investments in joint ventures and associates of EDP Group	851,524
Total Liabilities of Reported Segments	7,098,463
Liabilities Not Allocated	21,412,307
Financial Liabilities	16,155,455
Institutional partnership in USA	2,081,697
Taxes Liabilities	1,259,938
Other payables	1,914,823
Hydrological correction account	394
Liabilities from Other Segments	819,668
Inter-segments Liabilities eliminations*	-1,218,123
Total Liabilities of EDP Group	28,112,315
Total Operating Investment of Reported Segments	1,360,222
Operating Investment from Other Segments	36,829
Total Operating Investment of EDP Group	1,397,051
Discomission of Tangible Assets	3,551
Emission of CO2 Licenses and Green Certificates	98,240
Investment Grants	-50,634
Other Investments	43,859
Total Fixed Assets additions of EDP Group (Notes 16 e 17)	1,492,067

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	248,338	42,288	-25,203	265,423
Supplies and services	-776,335	-198,488	297,669	-677,154
Personnel costs and employee benefits	-367,311	-113,056	8,386	-471,981
Other costs	-546,926	-23,281	1,567	-568,640
Provisions	-290,405	7,521	-	-282,884
Amortisation and impairment	-1,007,484	-30,811	-10,576	-1,048,871
Equity method in joint ventures and associates	4,160	4,817	-	8,977

* Mainly related with intragroup balances and transactions eliminations.

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EDP Group Operating Segments Information as at 30 September 2017

Thousand Euros	Iberia			EDP Renováveis	EDP Brasil	Total Segments
	Generation and Supply	Regulated Networks				
Revenues from energy sales and services and other						
Revenues inter-segments	5,832,360	4,062,035		1,202,881	2,443,094	13,540,370
Revenues from third parties	36,355	1,634,850		214,234	1,011	1,886,450
	5,796,005	2,427,185		988,647	2,442,083	11,653,920
Gross Profit						
	973,265	1,241,961		1,179,323	734,748	4,129,297
Other income						
Supplies and services	38,356	37,129		226,505	2,927	304,917
Personnel costs and employee benefits	-221,021	-247,178		-233,160	-129,968	-831,327
Other costs	-115,500	-105,981		-75,079	-98,201	-394,761
	-156,781	-208,466		-106,844	-45,537	-517,628
Gross Operating Profit						
	518,319	717,465		990,745	463,969	2,690,498
Provisions	558	2,369		-39	-4,293	-1,405
Amortisation and impairment	-285,685	-225,377		-384,959	-122,496	-1,018,517
Operating Profit						
	233,192	494,457		605,747	337,180	1,670,576
Equity method in joint ventures and associates						
	5,234	100		1,895	-2,090	5,139
Assets (31 December 2017)						
	11,301,024	5,728,072		15,347,912	4,214,591	36,591,599
Financial assets - Investments in joint ventures and associates (31 December 2017)						
	25,205	69		303,518	381,190	709,982
Liabilities (31 December 2017)						
	2,621,617	2,205,774		1,272,493	934,900	7,034,784
Operating Investment						
	101,756	216,752		714,512	138,157	1,171,177

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

Thousand Euros	
Total Revenues from energy sales and services and others of Reported Segments	13,540,370
Revenues from energy sales and services and others from Other Segments	302,128
Adjustments and Inter-segments eliminations*	-2,188,569
Total Revenues from energy sales and services and others of EDP Group	11,653,929
Total Gross Profit of Reported Segments	4,129,297
Gross Profit from Other Segments	301,875
Adjustments and Inter-segments eliminations*	-308,795
Total Gross Profit of EDP Group	4,122,377
Total Gross Operating Profit of Reported Segments	2,690,498
Gross Operating Profit from Other Segments **	574,263
Adjustments and Inter-segments eliminations*	4,276
Total Gross Operating Profit of EDP Group	3,269,037
Total Operating Profit of Reported Segments	1,670,576
Operating Profit from Other Segments	543,402
Adjustments and Inter-segments eliminations*	-913
Total Operating Profit of EDP Group	2,213,065
Total Assets of Reported Segments (31 December 2017)	36,591,599
Assets Not Allocated	5,442,234
Financial Assets	2,838,027
Taxes Assets	1,329,021
Other Assets	1,275,186
Assets from Other Segments	999,638
Inter-segments assets eliminations*	-958,422
Total Assets of EDP Group (31 December 2017)	42,075,049
Total Equity accounted Investments in joint ventures and associates of Reported Segments	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 (31 December 2017)	843,082
Total Liabilities of Reported Segments (31 December 2017)	7,034,784
Liabilities Not Allocated	22,040,914
Financial Liabilities	17,032,446
Institutional partnership in USA	2,163,722
Taxes Liabilities	1,029,988
Other payables	1,813,184
Hydrological correction account	1,574
Liabilities from Other Segments	753,046
Inter-segments Liabilities eliminations*	-1,233,955
Total Liabilities of EDP Group (31 December 2017)	28,594,789
Total Operating Investment of Reported Segments	1,171,177
Operating Investment from Other Segments	-93,168
Total Operating Investment of EDP Group	1,078,009
Discomission of Tangible Assets	9,361
Emission of CO2 Licenses and Green Certificates	17,196
Investment Grants	8,688
Other Investments ***	162,262
Total Fixed Assets additions of EDP Group	1,275,516

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	304,917	619,046	-27,316	896,647
Supplies and services	-831,327	-203,192	327,378	-707,141
Personnel costs and employee benefits	-394,761	-116,773	12,127	-499,407
Other costs	-517,628	-26,692	881	-543,439
Provisions	-1,405	-8,977	8,999	-1,383
Amortisation and impairment	-1,018,517	-21,884	-14,188	-1,054,589
Equity method in joint ventures and associates	5,139	5,592	-	10,731

* Mainly related with intragroup balances and transactions eliminations

** Includes 558 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 Portgás (-14 million Euros).

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48. Consolidated and Company Reconciliation of Changes in the responsibilities of Financing activities at 30 September 2018

Thousand Euros	Group				
	Financial debt and Derivative financial instruments (include Collateral Deposits)				
	Loans obtained (Note 32)	Collateral Deposits (Note 32)	Derivative financial instruments (Note 40) *	Institutional partnerships in USA (Note 35)	Loans from non-controlling interests (Note 37)
Balance as at 31 de December 2017	16,917,765	-45,255	-111,376	2,163,722	712,802
Cash flows:					
Receipts/(payments) relating to financial debt (include Collateral Deposits)	-676,926	4,158	-	-	-
Interest and similar costs of financial debt including hedge derivatives	-477,398	-	30,619	-	-
Receipts/(payments) relating to loans from non-controlling interests	-	-	-	-	-48,563
Interest and similar costs relating to loans from non-controlling interests	-	-	-	-	-19,955
Receipts/(payments) relating to derivative financial instruments	-	-	-9,024	-	-
Receipts/(payments) from institutional partnerships - USA	-	-	-	-49,061	-
Perimeter variations	-	-	-	-	-4,692
Exchange differences	-132,945	2,371	246	73,037	-2,457
Fair value changes	-32,026	-	-26,683	-	-
Interests and accrued and deferred costs	446,930	-	-6,651	-28,204	24,262
Unwinding	-	-	-	60,515	-
ITC/PTC recognition	-	-	-	-138,312	-
Reclassification to Liabilities held for sale	1,722	-	1,301	-	-
Balance as at 30 September 2018	16,047,122	-38,726	-121,568	2,081,697	661,397

* The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities.

Thousand Euros	Company			
	Financial debt and Derivative financial			
	Loans obtained (Note 32)	Derivative financial instruments (Note 40) *	Group's financial system (Note 24 and 37)	Group companies (Note 37)
Balance as at 31 de December 2017	13,488,297	-408,886	-490,904	1,790,390
Cash flows:				
Receipts/(payments) relating to financial debt (include Collateral Deposits)	-727,203	-	-	-
Interest and similar costs of financial debt including hedge derivatives	-221,534	436	-	-
Receipts/(payments) relating to loans from related parties	-	-	- 46 048	-803,092
Interest and similar costs of loans from related parties including hedge derivatives	-	20,831	-	-50,368
Receipts/(payments) relating to derivative financial instruments	-	131,035	-	-
Perimeter variations	-	-	- 564	-
Exchange differences	7,502	-	-	-633
Fair value changes	-	24,133	-	-
Interests and accrued and deferred costs	203,962	-19,783	-	44,530
Balance as at 30 September 2018	12,751,024	-252,234	-537,516	980,827

* The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities.

49. Explanation Added for Translation

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

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04

Annexes

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The Executive Board of Directors

António Luís Guerra Nunes Mexia (Chairman)

João Manuel Manso Neto

António Fernando Melo Martins da Costa

João Manuel Veríssimo Marques da Cruz

Miguel Stilwell de Andrade

Miguel Nuno Simões Nunes Ferreira Setas

Rui Manuel Rodrigues Lopes Teixeira

Maria Teresa Isabel Pereira

Vera de Moraes Pinto Pereira Carneiro

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Sustainability Indicators

Environmental Indicators	UN	9M18	9M17	9M16	9M15
ENVIRONMENTAL CERTIFICATION (ISO 14001)					
ISO 14001 Certification ¹	%	90	88	87	90
PRIMARY ENERGY CONSUMPTION					
Coal	TJ	124,654	148,255	122,966	148,450
Fuel oil	TJ	218	139	339	214
Natural gas	TJ	29,085	42,199	22,760	19,474
Residual gases	TJ	10,778	3,413	3,957	2,836
Diesel oil	TJ	118	179	185	149
Fuel for vehicle fleet	TJ	170	182	184	188
ENERGY INTENSITY¹	MJ/EUR	14.59	17.32	14.67	15.39
ELECTRICITY CONSUMPTION					
Generation self-consumption	MWh	2,561,797	3,257,034	2,506,618	2,510,013
Administrative service	MWh	28,177	27,619	26,220	24,447
Grid losses	%	9.0	9.6	9.4	9.3
GHG EMISSION					
Direct emissions (scope 1)	ktCO _{2eq}	13,937	16,972	11,153	15,427
Stationary combustion ²	ktCO _{2eq}	13,920	16,953	11,132	15,410
SF6 Emissions	ktCO _{2eq}	4.7	5.1	3.2	2.4
Company fleet	ktCO _{2eq}	11.9	11.9	12.7	10.5
Natural gas consumption	ktCO _{2eq}	0.1	0.2	0.4	0.4
Indirect emissions (scope 2) ³	ktCO _{2eq}	572	694	556	354
Electricity consumption in office buildings	ktCO _{2eq}	1.8	2.9	1.3	0.6
Electricity losses	ktCO _{2eq}	552	685	537	336
Renewable plants self-consumption	ktCO _{2eq}	19	6	18	18
GHG EMISSIONS INTENSITY⁴	kgCO₂/EUR	1.3	1.5	1.1	1.4
CO₂ AVOID EMISSIONS	ktCO₂	24,083	20,620	29,281	21,450
SPECIFIC OVERALL EMISSIONS					
CO ₂ ^{2,5}	g/kWh	258	332	253	321
NO _x	g/kWh	0.2	0.2	0.3	0.3
SO ₂	g/kWh	0.3	0.4	0.3	0.3
Particulate matter	g/kWh	0.03	0.02	0.02	0.01
WATER COLLECTED					
Salt (ocean)	10 ³ x m ³	1,111,275	1,331,671	1,012,182	1,292,080
Fresh	10 ³ x m ³	1,088,634	1,297,331	990,927	1,247,694
Surface	10 ³ x m ³	22,641	34,340	21,255	44,386
Groundwater	10 ³ x m ³	22,485	34,214	21,144	44,284
	10 ³ x m ³	156	125	112	102
WASTE SENT TO FINAL DISPOSAL					
Total waste	t	253,854	359,023	321,621	461,273
Total hazard waste	t	3,904	4,602	4,382	4,992
Recovered Waste	%	74	64	63	48

¹ Aggregated certification indicator due to assets with potential environmental impacts.

² Primary energy consumption by turnover.

³ The stationary emissions do not include those produced by the burning of ArcelorMittal steel gases in EDP's power plant in Spain.

⁴ Calculation according with GHG Protocol based location methodology.

⁵ Scope 1 and Scope 2 emissions by turnover.

⁶ Includes only stationary combustion emissions.

Social Indicators		UN	9M18	9M17	9M16	9M15
EMPLOYMENT						
Employees	#		11,555	11,716	11,975	12,019
Executive Board of Directors	#		9	8	8	8
Senior Management	#		799	757	739	700
Supervisors	#		754	754	779	767
Specialists	#		4,219	4,100	3,976	3,867
Technicians	#		5,774	6,098	6,474	6,678
Male employees	%		75	76	76	77
Female employees	%		25	24	24	23
Employees by types of contract	#		11,555	11,716	11,975	12,019
Executive bodies	#		57	54	52	54
Male	#		52	51	49	51
Female	#		5	3	3	3
Permanent workforce	#		11,429	11,582	11,836	11,858
Male	#		8,623	8,807	9,054	9,134
Female	#		2,806	2,775	2,782	2,724
Fixed-term contracts	#		69	80	87	107
Male	#		37	44	49	72
Female	#		32	36	38	35
Employees by occupational contract	#		11,555	11,716	11,975	12,019
Full-Time	#		11,515	11,678	11,938	11,989
Male	#		8,707	8,898	9,147	9,251
Female	#		2,808	2,780	2,791	2,738
Part-time	#		40	38	37	30
Male	#		5	4	5	6
Female	#		35	34	32	24
New employees	#		883	729	529	585
Male	#		626	503	368	418
Female	#		257	226	161	167
F/M new admissions rate	x		0.41	0.45	0.44	0.40
Employees leaving	#		985	1,005	645	613
Male	#		771	756	507	477
Female	#		214	249	138	136
Turnover	%		8.03	7.32	6.13	5.00
Average age of workforce	years		44	45	45	45
Absenteeism rate	%		2.99	3.20	3.62	3.39
Pay ratio by gender (F/M)	x		104	102	103	102
TRAINING						
Total hours of training	hours		253,625	265,558	212,443	254,617
Average training per employee (h/p)	h/p		219	22.7	17.7	21.2
Employees with training	%		92	86	82	83
HEALTH AND SAFETY (H&S)						
Employees						
Accidents ¹	#		22	21	22	32
Fatal accidents	#		1	0	0	1
Total lost days due to accidents	#		1,768	1,908	1,411	1,641
Frequency rate ²	Tf		145	132	139	2.08
Severity rate ³	Tg		112	120	89	103
Contractors						
Accidents ¹	#		75	89	124	102
Fatal accidents	#		3	2	2	3
Working days	#		4,517,771	4,112,817	4,075,996	3,505,212
Frequency rate ²	Tf		2.30	2.85	4.26	3.85
Severity rate ³	Tg		104	154	226	255
EDP employees and contractors						
Frequency rate ²	Tf_total		2.03	2.33	3.25	3.19
Severity rate ³	Tg_total		106	142	178	198
Fatal electrical accidents involving third parties ⁴	#		6	7	5	13
Near accidents	#		317	1075	306	163
VOLUNTEER INVESTMENT IN THE COMMUNITY (LBG METHODOLOGY)						
Volunteer investment/EBITDA	%		0.41	0.31	0.46	0.24

¹ Accidents at the workplace in worktime and accidents on the way to or from work, with an absence of one more calendar days and fatal accidents.

² Work accidents by a million worked hours.

³ Number of calendar days lost due to work accident by a million worked hours.

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

Economic Indicators	UN	9M18	9M17	9M16	9M15
ECONOMIC VALUE GENERATED	'000€	11,983,287	12,902,220	11,704,487	12,986,260
Economic value distributed	'000€	10,856,239	10,996,670	10,795,383	11,501,369
Economic value accumulated	'000€	1,127,049	1,905,550	909,104	1,484,891
ENERGY EFFICIENCY AND SUPPLEMENTARY ENERGY SERVICES REVENUES ¹	'000€	744,261	795,355	560,565	534,016
Energy efficiency services revenues	'000€	100,375	84,738	34,114	33,943
Supplementary energy services revenues ²	'000€	643,886	710,617	780,398	745,880
FINES AND PENALTIES	'000€	4,666	23,559	5,623	3,387
ENVIRONMENTAL MATTERS ³	'000€	179,470	76,773	95,154	57,459
Investments	'000€	39,621	38,720	52,754	26,862
Expenses	'000€	139,849	38,053	42,400	30,597
SOCIAL MATTERS					
Personal costs	'000€	293,005	449,903	435,307	427,605
Employee benefits	'000€	44,805	49,505	51,488	44,124
Direct training investment	'000€	2,817	3,619	2,796	5,738
Direct training investment per employee	€/p	0.24	0.31	0.23	0.48
HC ROI per employee	€/p	6.75	6.84	7.37	7.21

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

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

³ Following an analysis to the expenses of an environmental nature incurred by EDP Group, the environmental matters reporting procedures changed. Therefore, the consumptions CO2 emissions licenses were included in the 2018 report, as a environmental expenses, in the amount correspondent to Cost of energy sales booked in the Group consolidated accounts.

CONCEPTS AND DEFINITIONS

A

ADJUSTED NET DEBT

Net Debt adjusted by Regulatory Receivables.

ASSET ROTATION

Strategy aimed at crystallizing the value of a project by selling a minority stake in an asset and reinvesting the proceeds in another asset, targeting greater growth.

AVERAGE COST OF DEBT

Considers (Interest expense on financial debt +/- Income and Expenses with Interest from derivative financial instruments) / Average Financial Gross Debt in the period (Total debt and borrowings - Accrued Interest - Fair value of the issued debt hedged risk). Includes 50% of the interest expense and of the nominal amount of hybrid debt.

C

CAGR

Compound annual growth rate.

CAPEX

Capital Expenditure. Capex includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO₂ licenses and Green certificates, net of increases in Government grants, Customers contributions for investment and Sales of properties in the period.

CESE

Extraordinary Contribution to the Energy Sector. An extraordinary temporary property tax created in 2014, in Portugal, with the objective of promoting the energy sector systemic sustainability. This contribution applies generally to electricity, natural gas and oil assets.

COD

Commercial Operating Date. Date at which the project starts operating officially, after the testing and commissioning period.

D

DEC

The equivalent interruption time of energy per consumed unit. Refers only to medium voltage.

DIVIDEND PAY-OUT RATIO

Measures the percentage of a company's net income that is given to shareholders in the form of dividends (Total Dividends per Share of period "n"/ Earnings per Share of period "n-1").

DIVIDEND YIELD

Considers the ratio between gross dividend per share and share price.

E

EBIT

EBITDA deducted from provisions, amortisations and impairments.

EBITDA

Earnings before Interest, Tax, Depreciations and Amortizations: Gross Profit - Supplies and services - Personnel costs and employee benefits +/- Other income/expenses.

EBITDA@risk

Estimated loss of EBITDA, in a given period of time and for a given confidence interval. Usually it is used an horizon of 12 months and a level of confidence of 95%.

EOLICITY

Indicator that allows to quantify the deviation of the total value of energy produced by wind in a given period, in relation to the an average wind regime.

EPS

Earnings per share. The portion of a company's profit allocated to each outstanding share of common stock.

F

FEC

Equivalent interruption frequency of energy per consumed unit. Refers only to medium voltage.

FEED IN TARIFFS

Remuneration framework that guarantees that a company will receive a set price, applied to all of the electricity they generate and provide to the grid.

FFO

Funds from Operations: EBITDA – Interest on debt and on TEI liabilities – Current taxes +/- Income from equity investments.

FFO/NET DEBT

Funds From Operation (FFO) over Net Debt. For this purpose, Net Debt includes Nominal Debt of the company + Pension and Medical care liabilities post tax + Tax Equity financial liabilities + Present value of leasing and other financial commitments + Shareholder's Loans from minorities.

FOREX

Foreign Currency.

G

GC

Green certificate. Tradable commodity resulting from electricity generated using renewable energy sources.

GHG

Greenhouse gases. Gases that trap the heat of the sun in the Earth's atmosphere, producing the greenhouse effect. The two major greenhouse gases are water vapor and carbon dioxide. Lesser greenhouse gases include methane, ozone, chlorofluorocarbons, and nitrogen oxides.

GROSS PROFIT

Includes Revenues from energy sales and services and other minus Cost of energy sales and other.

GW

Unit of electric power equal to 1,000 MW.

GWh

Equal to 1,000 MW used continuously for one hour.

H

HEDGING

Risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, indexes or securities.

HYDRO COEFFICIENT

Indicator that allows to quantify the deviation of the total value of hydroelectric energy produced in a given period, in relation to an average hydro regime. Values above "1" translate a period with inflows and energy generated above the average ("wet" period) and below "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

Share of the MW installed in power plants owned by companies equity consolidated.

ITC

Investment tax credit. Tax incentive in the US in the form of a one shot tax credit that covers a percentage of the investment.

K

KEY RISK INDICATOR (KRI)

Risk indicator that follows a variable risk factor, allowing the early warning of changes in risk exposure and the identification of potential risks or opportunities.

M

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 company's total debt less cash on hand. From 2018 onwards it includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, other financial assets at amortized cost and fair value hedge and collateral deposits associated to financial debt and 50% of the amount related with the issuance of a subordinated debt instrument (hybrid).

NET DEBT ADJUSTED/EBITDA

Number of times/years needed to pay the Net Debt Adjusted with the EBITDA generated by the Company.

NET CAPACITY FACTOR (NCF)

The ratio of a plant's actual output over a period of time to its potential output if it were possible for it to operate at full nameplate capacity continuously, over the same period of time. Also known as Load Factor.

NET INVESTMENTS

Considers Capex + organic Financial Investments - Asset Rotations + granted and/or sold shareholder loans.

NET INVESTMENTS IN RENEWABLES

Includes the Net Investments in hydro, wind and solar technologies in generation activity.

O

OPEX

Includes Supplies and Services and Personnel and Employee Benefits costs.

OPEX PROGRAM: SAVINGS

Costs savings obtained from the OPEX Program. OPEX IV savings are measured by comparison between current operating costs and 2014's costs.

OPEX/GROSS PROFIT

Efficiency ratio computed by OPEX (excluding non-recurrent costs with Employee Benefits/ Restructuring costs) over Gross Profit (including income from institutional partnerships in EDPR-NA).

OPEX/RECURRENT GROSS PROFIT

Efficiency ratio computed by OPEX (excluding non-recurrent costs with Employee Benefits/ Restructuring costs) over Gross Profit adjusted from non recurrent events (including income from institutional partnerships in EDPR-NA).

ORGANIC CASH-FLOW

Cash generated from organic activities. Includes cash flows from operating activities (excluding changes in Regulatory Receivables), net of maintenance CAPEX, net interests payments associated with debt, payments to institutional partnerships in US, payments to minorities (such as dividends, capital distributions, payments of capital/interests on shareholder loans).

P

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

RCF

Retained Cash Flow. Equals FFO minus Dividends paid by EDP to its shareholders and to minorities.

RECURRING EBITDA/NET PROFIT

EBITDA or NET PROFIT adjusted for one-offs. It aims to normalize EBITDA into one more predictable and which can be counted on in the future with a high degree of certainty. One-offs include amounts materially relevant resulting from, for instance, impairments and capital gains/losses on assets, retroactive regulatory changes, HR and debt restructuring costs and CESE.

REGULATORY RECEIVABLES

Amounts pending to be received from the electricity system and related with tariff adjustments and tariff deficits from regulated activities in Iberia and Brazil (Generation in Portugal and Spain, Distribution and Last Resort Supply of electricity in Portugal and Distribution in Brazil).

RENEWABLE ENERGY

Energy that is derived from resources that are regenerative or that cannot be depleted including wind energy, solar, biomass, geothermal, and moving water.

REC

Renewable energy credit. Represents the property rights to the environmental, social, and other non-power qualities of renewable electricity generation. A REC can be sold separately from the electricity associated with a renewable energy generation source.

ROE

Return on equity. Earnings before non-controlling interests over average total equity of the period.

ROIC

Return on Invested Capital. EBIT Adjusted over average Invested Capital of the period. EBIT Adjusted is EBIT + share of net profits in joint ventures and associates + impairments + provisions +/- capital losses/gains + HR restructuring costs – Price Purchase Allocation amortizations. Invested Capital includes net fixed assets – assets under construction + working capital.

ROIC Cash

Cash Return on Invested Capital, ie, ignoring the age of assets and the time of investment. EBITDA Adjusted over average Invested Capital of the period. EBITDA adjusted is EBITDA – (nominal tax rate x EBITDA) + share of profits in associates. Invested Capital includes gross fixed assets.

RPS

Renewable Portfolio Standard. Regulation in the US that places an obligation in certain states on electricity supply companies to source a specific percentage of their energy from renewable sources.

S

SAIDI

System Average Interruption Duration Index. Is the average outage duration for each customer served.

**SELL-DOWN**

Strategy aimed at developing and selling a majority stake in an asset, crystallizing the value of a project, and reinvesting the proceeds in another asset, targeting greater growth. Typically, the developer may retain the role of O&M supplier.

SOLAR PV

Solar photovoltaic. Plant that generates electricity by means of solar power through photovoltaics, consisting on an arrangement of several components, including solar panels to absorb and convert sunlight into electricity, a solar inverter, cables and other electrical accessories.

SUPPLY POINTS

Number of electricity customers connected to the distribution grid.

T**TSR**

Total Shareholder Return. Measures the return that the stock provides to the shareholder, including dividends paid and the stock price appreciation.

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 a horizon of 12 months and a level of confidence of 95%.

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.

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