


**THE  
LIVING ENERGY  
BOOK**



*by* *edp* renováveis



MANAGEMENT REPORT  
1H 2018



**THE**

**LIVING**

**ENERGY**

**BOOK**



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# **THE LIVING ENERGY BOOK**



by *edp* renováveis 

We are energy at every stage of our daily journey. Energy that transforms itself, reinvents itself and takes on different forms.

An energy that lives within us, a universal language, a force that moves us and drives us ever further.

A living energy that envelops us, that innovates and with which – through small actions – we can bring about change together.

The energy that resides in every one of us is contagious and is all around us: in an embrace, when we turn on a light, in our homes, in the street, everywhere.

A living energy that we continuously harness to tell a story of the present, all while building the foundations of the future.

*The Living Energy Book.*



# **01. THE COMPANY**

## **1.1. EDP RENOVÁVEIS IN BRIEF**

### **1.1.1. VISION, MISSION, VALUES AND COMMITMENTS**



A global energy, renewable company, leader in value, creation, innovation and sustainability.



Aim to be a long-term market leader in the renewable energy sector, pursuing credibility through safety, value creation, social responsibility, innovation, and respect for the environment.

## **VALUES**



## **COMMITMENTS**

### **INITIATIVE**

- through behaviour and attitude of our people.

### **TRUST**

- of shareholders, employees, customers, suppliers and other stakeholders.

### **EXCELLENCE**

- in the way we perform.

### **INNOVATION**

- to create value in our areas of operation.

### **SUSTAINABILITY**

- aimed at the quality of life for current and future generations.

- We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work.
- We listen to our stakeholders and answer in a simple and clear manner.
- We surprise our stakeholders by anticipating their needs.

- We ensure the participatory, competent and honest governance of our business.
- We believe that the balance between private and professional life is fundamental in order to be successful.

- We fulfil the commitments that we embraced in the presence of our shareholders.
- We place ourselves in our stakeholder's shoes whenever a decision has to be made.
- We promote the development of skills and merit.

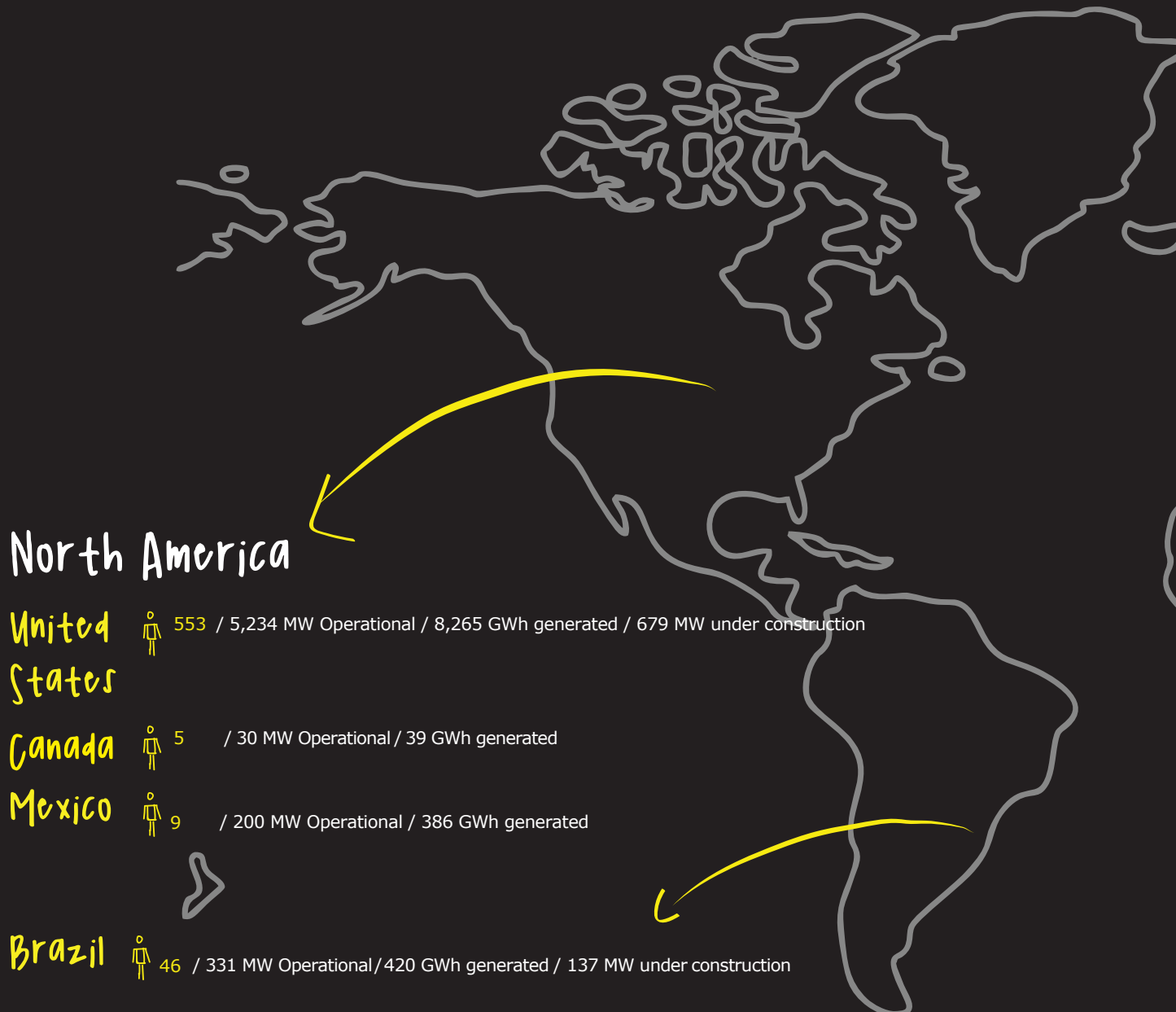
- We are leaders due to our capacity of anticipating and implementing.
- We avoid specific greenhouse gas emissions with the energy we produce.
- We demand excellence in everything that we do.

- We assume the social and environmental responsibilities that result from our performance thus contributing toward the development of the regions in which we are operating.









### 1.1.2. EDPR IN THE WORLD

In the 1H18 EDP Renováveis generated 15.5 TWh, avoiding the emissions of 12.4 mt of CO2.

EDPR is a market leader with a portfolio of projects in 13 countries, its operating assets base totals 11.0 GW, in addition to 1.1 GW under construction and much more in pipeline development, employing 1,326 employees.



# Europe

Portugal		77	/ 1,253 MW Operational / 1,676 GWh generated / 102 MW under construction
Spain		418	/ 2,395 MW Operational / 2,866 GWh generated / 68 MW under construction
France		71	/ 410 MW Operational / 481 GWh generated / 26 MW under construction
Belgium		2	/ 71 MW Operational / 71 GWh generated
Poland		33	/ 418 MW Operational / 469 GWh generated
Romania		29	/ 521 MW Operational / 588 GWh generated
Italy		29	/ 181 MW Operational / 190 GWh generated / 74 MW under construction
United Kingdom		54	/ 0.9 GW of offshore in pipeline

In July EDPR secured a 20 year Contract for Difference at the Greek energy auction to sell electricity produced by Livadi 45 MW wind farm, located in Central Greece and with expected commercial operation in 2020. With this new contract, EDPR increases its European footprint.



1.2. 1H 2018 IN REVIEW

1.2.1. KEY METRICS SUMMARY

CAPEX  
**€465m**  
+10% YoY

Installed Capacity  
**11,044 MW**

EBITDA + Net Equity

NEW  
ADDITIONS  
+0.6 GW YoY

EBITDA + Net Equity

TECHNICAL  
AVAILABILITY

**97.0%**

vs 97.8% in 1H17

NET INCOME  
**€139m**  
vs €134m in 1H18

NET DEBT  
**€3.2 billion**

+€0.4bn vs Dec-17

LOAD FACTOR

**34%**

vs 34% in 1H17

EBITDA

**€686m**

vs €719m in 1H17





**1,326**

EMPLOYEES  
+12% YoY

EMISSIONS AVOIDED

**12.4 mt CO<sub>2</sub>**

+3% YoY

CORE OPEX/  
AVERAGE MW

**€20/MW**

-1% YoY

GENERATION

**15,451 GWh**

+6% YoY

**91%**

CAPACITY  
CERTIFIED OHSAS  
18001 AND ISO 14001

TRAINING

**17.8**

hours per employee

OPERATING  
CASH-FLOW

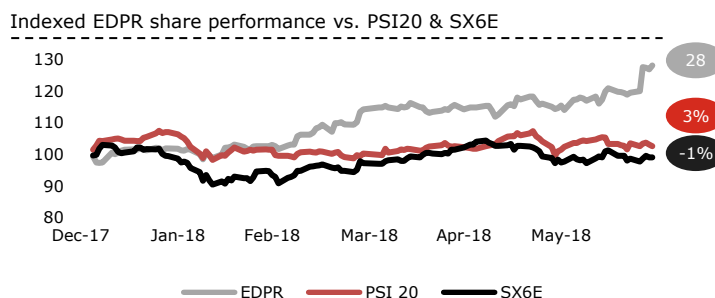
**€581m**

+9% YoY

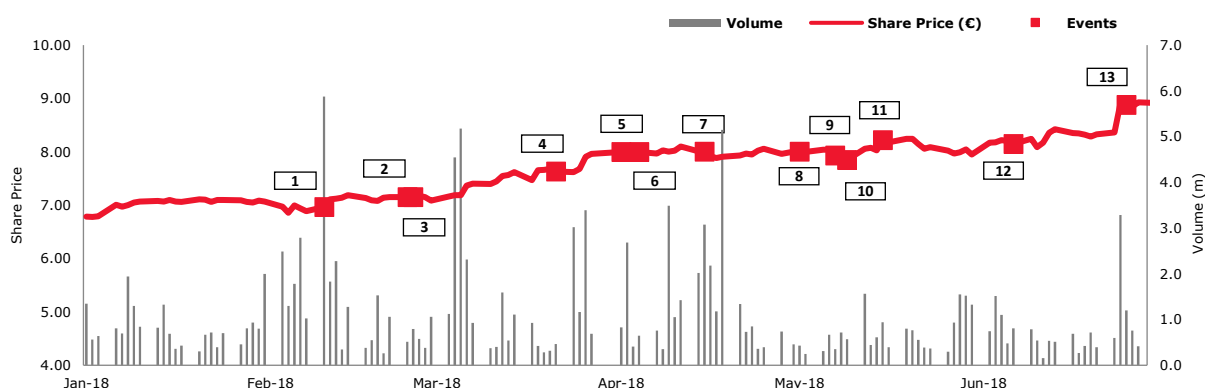
## 1.2.2. SHARE PERFORMANCE

**In the 1H18, EDPR share price closed at €8.93 with an average daily volume of 1.08 million shares.**

EDPR has 872.3 million shares listed and admitted to trading in NYSE Euronext Lisbon. On June 29<sup>th</sup>, 2018 EDPR had a market capitalization of 7.8 billion euro, above the 6.1 billion euro at previous year-end, and equivalent to €8.93 per share. In the 1H18 total shareholder return was +29%, considering the dividend paid on May 3<sup>rd</sup> of €0.06 per share.



EDPR IN CAPITAL MARKETS	1H18	2017	2016	2015	2014
Opening price (€)	6.97	6.04	7.25	5.404	3.86
Minimum price (€)	6.78	5.71	5.70	5.3	3.87
Maximum price (€)	8.93	7.20	7.28	7.25	5.7
<b>Closing price (€)</b>	<b>8.93</b>	<b>6.97</b>	<b>6.04</b>	<b>7.25</b>	<b>5.4</b>
<b>Market capitalization (€ million)</b>	<b>7,790</b>	<b>6,077</b>	<b>5,265</b>	<b>6,324</b>	<b>4,714</b>
Total traded volume: Listed & OTC (million)	138.70	421.94	291.07	289.22	396.84
...of which in Euronext Lisbon (million)	30.07	101.63	103.50	109.67	149.48
Average daily volume (million)	1.08	1.65	1.13	1.13	1.56
Turnover (€ million)	1,054.15	2,744.04	1,828.34	1,824.08	1,976.41
Average daily turnover (€ million)	8.37	10.76	7.11	7.13	7.75
Rotation of capital (% of total shares)	16%	48%	32%	33%	46%
Rotation of capital (% of floating shares)	91%	215%	141%	148%	205%
Share price performance	28%	15%	-17%	34%	40%
<b>Total shareholder return</b>	<b>29%</b>	<b>16%</b>	<b>-16%</b>	<b>35%</b>	<b>41%</b>
<b>PSI 20</b>	<b>3%</b>	<b>15%</b>	<b>-12%</b>	<b>+11%</b>	<b>-27%</b>
<b>Eurostoxx Utilities</b>	<b>-1%</b>	<b>16%</b>	<b>-8%</b>	<b>-5%</b>	<b>+12%</b>



Source: Bloomberg / EDPR

- |   |   |
|---|---|
| 1 EDPR secures 50 MW long-term contract in Indiana, US, 12-Feb    | 8 EDPR payment of dividend (€0.06 per share), 3-May                 |
| 2 EDPR secures a 200 MW PPA for a new wind farm in the US, 26-Feb | 9 EDPR announces 1Q18 Results, 9-May                                |
| 3 EDPR announces FY17 results, 27-Feb                             | 10 CTG announces tender offer over shares issued by EDPR, 11-May    |
| 4 EDPR announces sale of 20% stake in UK offshore project, 23-Mar | 11 EDPR secures 50 MW PPA for a new wind farm in Texas (US), 17-May |
| 5 EDPR Annual Shareholders' Meeting, 3-Apr                        | 12 EDPR Board of Directors report on CTG Tender offer, 8-Jun        |
| 6 EDPR secures 200 MW PPA for a new solar project (US), 6-Apr     | 13 EDPR Extraordinary Shareholders' Meeting, 27-Jun                 |
| 7 EDPR 1Q18 Volumes and Capacity Statement release, 17-Apr        |   |

## 1.3. ORGANIZATION

### 1.3.1. SHAREHOLDERS

**EDPR shareholders are spread across 21 countries. EDP (“Energias de Portugal”) is the major one holding 82.6% of the share capital since the General and Voluntary Public Tender Offer closed in August 2017**

EDPR total share capital is, since its initial public offering (IPO) in June 2008, composed of 872,308,162 shares issued with a nominal value of five euros each, fully paid. All these shares are part of a single class and series and are admitted to trading on the Euronext Lisbon regulated market.

#### MAJOR SHAREHOLDERS, THE EDP GROUP

The majority of the company’s share capital is owned by EDP Group, holding 82.6% of the share capital and voting rights, since the General and Voluntary Public Tender Offer closed in August 2017, where EDP Group acquired 5.03% of EDPR’s share capital and voting rights. EDP Group is a vertically integrated utility company, the largest generator, distributor and supplier of electricity in Portugal, has significant operations in electricity and gas in Spain and is one of the largest private generation group in Brazil through its stake in Energias do Brasil. In the Iberian Peninsula, EDP is the third largest electricity generation company and one of the largest distributors of gas. EDP has a relevant presence in the world energy outlook, being present in 14 countries and close to 12,000 employees around the world. In 2017, EDP had an installed capacity of 26.8 GW, generating 70 TWh, of which 39% come from wind. EDP is part of sustainability indexes (DJSI World and Europe), following its performance in the economic, social and environmental dimensions. Its holding company, EDP SA, is a listed company whose ordinary shares are traded in the Euronext Lisbon since its privatization in 1997.

#### OTHER QUALIFIED SHAREHOLDERS

Besides the qualified shareholding of EDP Group, MFS Investment Management - an American-based global investment manager formerly known as Massachusetts Financial Services - communicated to CNMV in September 2013 an indirect qualified position, as collective investment institution, of 3.1% in EDPR share capital and voting rights.

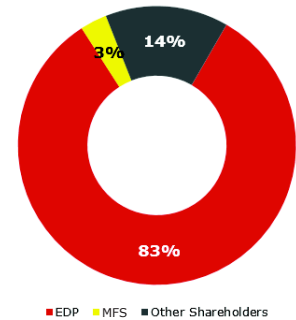
#### BROAD BASE OF INVESTORS

EDPR has an international base of investors. Excluding EDP Group, EDPR shareholders comprise more than 33,500 institutional and private investors spread worldwide. Institutional investors represent about 99% of EDPR investor base (ex-EDP Group), while the remaining 1% stand private investors, most of whom are resident in Portugal. Within institutional investors, investment funds are the major type of investor, followed by sustainable and responsible funds (SRI). EDPR is a member of several financial indexes that aggregate top performing companies for sustainability and corporate social responsibility.

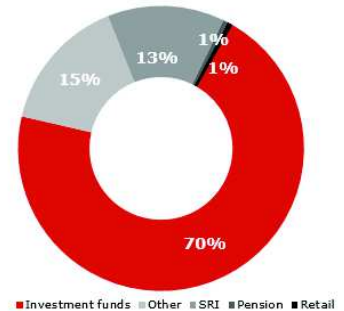
#### WORLDWIDE SHAREHOLDERS

EDPR shareholders are spread across 21 countries, being United States the most representative country, accounting for 32% of EDPR shareholder base (ex-EDP Group), followed by United Kingdom, Australia, France, Netherlands, Norway and Portugal. In Rest of Europe the most representative countries are Belgium, Switzerland and Sweden.

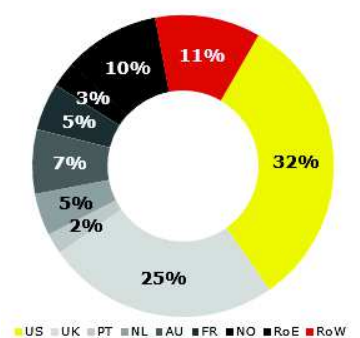
EDPR SHAREHOLDERS



SHAREHOLDERS (Ex-EDP) BY TYPE



SHAREHOLDERS (Ex-EDP) BY COUNTRY



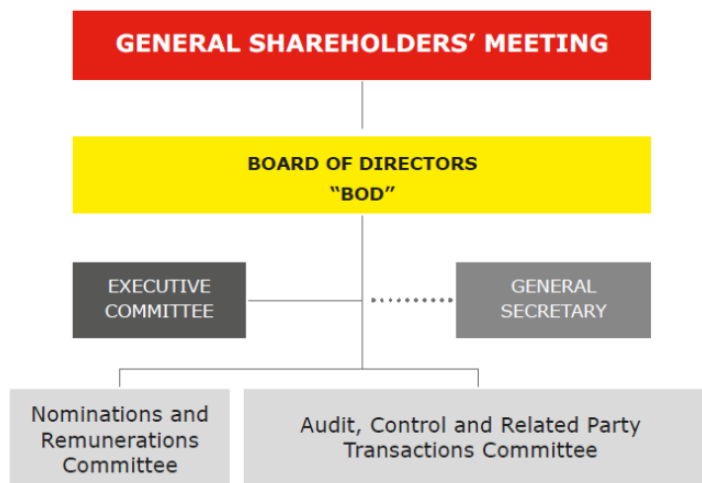
EDPR analysis as of December 2017

### 1.3.2. GOVERNANCE MODEL

**EDPR's corporate governance model is designed to ensure transparency and accountability through a clear separation of duties between management and supervision of the company's activities.**

Corporate governance is about promoting corporate fairness, transparency and accountability. EDPR's corporate governance structure specifies the shareholders, board of directors, managers and other stakeholders' rights and responsibilities and spells out the rules and procedures for making decisions on corporate affairs. It also incorporates the organization's strategic response to risk management.

EDPR has adopted the governance structure currently applicable in Spain. It comprises a General Meeting of Shareholders and a Board of Directors that represents and manages the company. As required by the law and established in the company's articles of association, the Board of Directors has set up three specialized committees. These are the Executive Committee, the Audit, Control and Related Party Transactions Committee and the Nominations and Remunerations Committee.



#### GENERAL SHAREHOLDERS' MEETING

General Shareholders' Meeting is the body where the shareholders participate, it has the power to deliberate and adopt decisions, by majority, on matters reserved by the law or the articles of association.



**BOARD OF DIRECTORS**



**António Mexia**  
Chairman



**Emilio Garcia-Conde**  
General Secretary



**João Manso Neto**  
Vice-Chairman and CEO



**Duarte Bello**  
COO Europe & Brazil



**João Paulo Costeira**  
COO Offshore & CDO



**Miguel Angel Prado**  
COO North America



**Conceição Lucas**



**Francisco da Costa**



**António Nogueira Leite**



**Francisca Guedes de Oliveira**



**Maria Teresa Costa Campi**



**Acácio Piloto**



**Allan J. Katz**



**Manuel Menéndez**



**Gilles August**



**Alejandro Fernandez de Araoz**

- Executive Committee
- Nominations and Remunerations Committee
- Chairman of EDPR Committee
- Audit, Control and Related Party Transactions Committee
- Independent Member

## **BOARD OF DIRECTORS**

EDPR's BoD shall consist of no less than 5 and no more than 17 Directors, including a Chairman. Currently it is composed by 15 board members, out of which 8 are independent. BoD members are elected for 3 years period and may be re-elected for equal periods.

EDPR's BoD is vested with the broad-ranging powers of administration, management and governance of the company, with no limitations other than the responsibilities expressly assigned to the General Shareholders Meeting, in the company's articles of association or in the applicable law. EDPR's Board of Directors meetings take place at least once every quarter. Nonetheless, the Chairman, on his own initiative or that of 3 Directors, may convene a meeting whenever deems fit for the company's interests.

## **EXECUTIVE COMMITTEE**

EDPR's Executive Committee (EC) is composed by four members, including the Chief Executive Officer (CEO). The CEO, João Manso Neto, is empowered to ensure the daily management of the business and to coordinate the implementation of the BoD decisions and the Corporate and General Management functions, partially assigning those to the other executive officers.

In 2017, EDPR approved the new composition and areas of responsibility of the Executive Committee in order to address the challenges faced by the Company, namely the fulfillment of the Business Plan targets and the increased importance of Offshore Wind business. As part of these organizational restructuring, it was agreed to appoint João Paulo Costeira as Chief Operating Officer Offshore ("COO Offshore") and Chief Development Officer ("CDO") of EDPR.

Likewise, the Board of Directors approved the proposal from the Nominations and Remunerations Committee for the appointment of both Duarte Bello and Miguel Angel Prado as members of EDPR's Executive Committee, and for their appointments as Joint Directors and as Chief Operating Officer of Europe & Brazil and Chief Operating Officer of North America respectively.

The COOs coordinate their platforms by developing, establishing and implementing the strategic plan for the renewable energy business in their respective platforms, in accordance with the guidelines set by the BoD. They are also responsible for planning, organizing and managing resources, controlling, measuring and improving the management of projects and subsidiary companies to achieve expected results to make EDPR a leader in the renewable energy sector in their respective platforms.

## **AUDIT, CONTROL AND RELATED-PARTY TRANSACTIONS, AND NOMINATIONS AND REMUNERATIONS COMMITTEES**

In addition to EC referred above, EDPR governance model contemplates the constitution of other delegated and permanent bodies, integrated all by independent members, with an informative, advisory and supervisory tasks, such as:

### **NOMINATIONS AND REMUNERATIONS COMMITTEE (Independent members)**

Assist and report to the BoD about appointments, re-elections, dismissals and remunerations of:

- Members of the BoD
- Senior management personnel

### **AUDIT, CONTROL AND RELATED-PARTY TRANSACTIONS COMMITTEE (Independent members)**

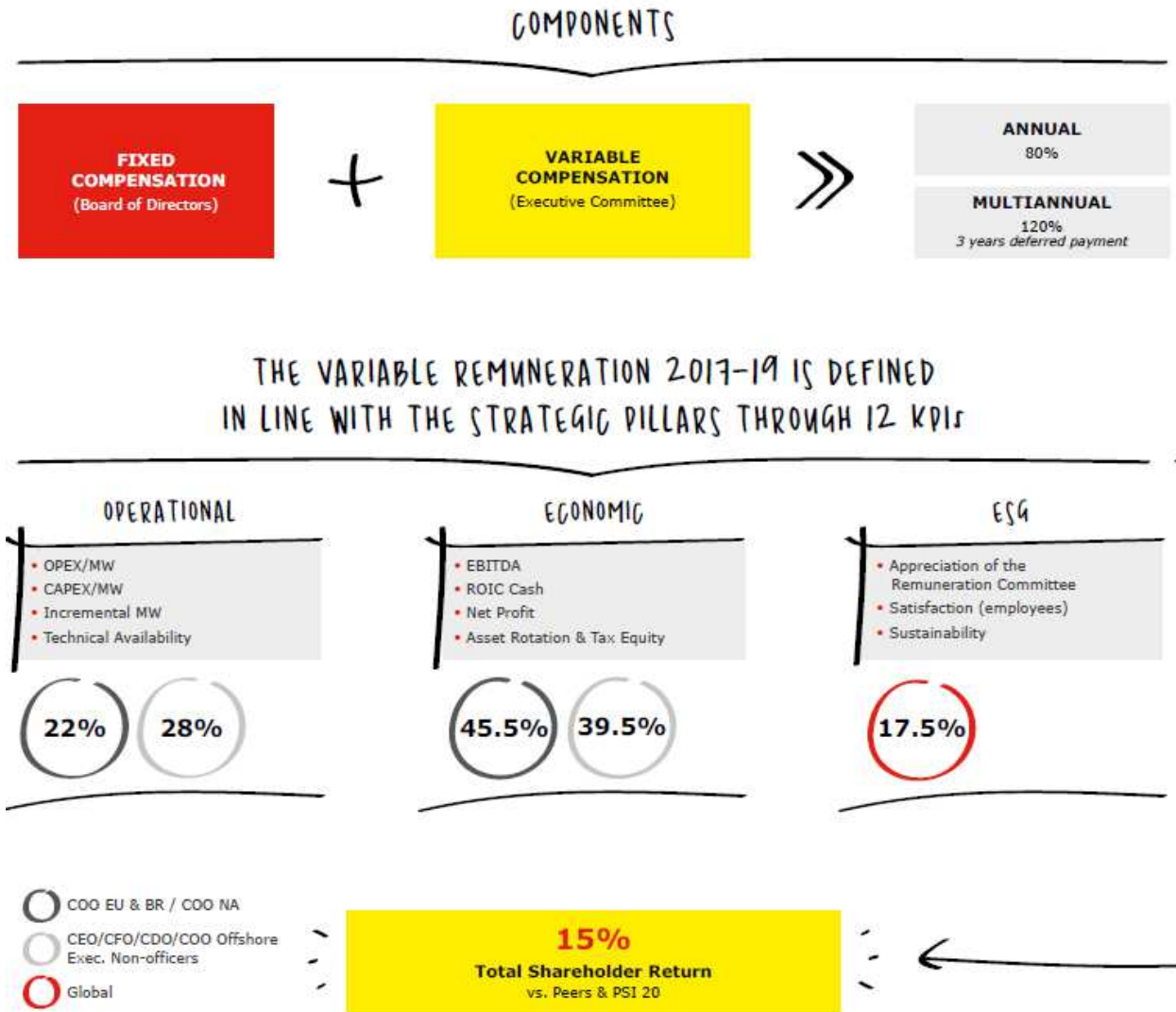
- Propose the appointment of the company's auditors and the internal risk management and control systems
- Supervise internal audits and compliance
- Prepare an annual report on its supervisory activities
- Ratify transactions between EDPR and EDP and its related parties, qualified shareholders, directors, key employees or relatives



**REMUNERATION POLICY**

EDPR governance model is reinforced by an incentive structure with transparent remuneration through variable remuneration based on key performance indicators.

The graphic below describes the remuneration policy. For further information on the remuneration policy refer to the Corporate Governance section.



**Note:** For COOs, KPIS have a weight of 80% and 68% for the calculation of the annual and multiannual variable compensation respectively. The remaining 20% and 32% are calculated based on a qualitative evaluation of the CEO about the annual performance.

For further detailed information regarding the responsibilities and roles of the different social bodies, as well as 2017 activity, please refer to the Corporate Governance section, at the end of this report. The company also posts its up-to-date articles of association and regulations at [www.edpr.com](http://www.edpr.com).

### 1.3.3. ORGANIZATION STRUCTURE

**The organization structure is designed to accomplish the strategic management of the company but also a transversal operation of all the business units, ensuring alignment with the defined strategy, optimizing support processes and creating synergies.**

EDPR is organized around four main elements: a corporate center at the Holding and three business areas – Onshore Europe & Brazil, Onshore North America and Offshore platform.

Within EDPR Europe & Brazil platform, there are different business units, one for each of the countries where the company operates, namely Spain, Portugal, France/Belgium, Italy, Poland, Romania and finally Brazil.

Similarly, in the EDPR North America platform, there are three business units, that represent the operational regions in the continent: West, Central (includes Mexico) and East (includes Canada).

Finally, EDPR’s Offshore business area is dedicated to Wind Offshore projects, namely projects in UK and France.



## HOLDING CORPORATIVA

EUROPE & BRAZIL				NORTH AMERICA			OFFSHORE
Spain	Portugal	France/ Belgium	Brazil	US West	US Central & Mexico	US East & Canada	
Poland	Romania	Italy					

### ORGANIZATIONAL MODEL PRINCIPLES

The model is designed with several principles in mind to ensure optimal efficiency and value creation.

Accountability alignment	Critical KPIs and span of control are aligned at project, country, platform and holding level to ensure accountability tracking and to take advantage of complementarities derived from end-to-end process vision.
Client-service	Corporate areas function as competence support centers and are internal service providers to all business units for all geographical non-specific needs. Business priorities and needs are defined by local businesses and best practices are defined and distributed by corporate units.
Lean organization	Execution of activities at holding level are held only when significant value is derived, coherently with defined EDPR holding role.
Collegial decision-making	Ensures proper counter-balance dynamics to ensure multiple-perspective challenge across functions.
Clear and transparent	Platforms organizational models remain similar to allow for: <ul style="list-style-type: none"> <li>· Easy coordination, vertically (holding-platforms) and horizontally (across platforms);</li> <li>· Scalability and replicability to ensure efficient integration of future growth.</li> </ul>



## **EDPR HOLDING ROLE**

EDPR Holding seizes value creation, through the dissemination of best practices in the organization and the standardization of corporate processes to the platforms and the business units to improve efficiency. Its internal coordination model and interface with EDP group impacts both the company's processes (activities performed, processes steps, inputs and outputs, and decision-making mechanisms) and the company's structure, with an alignment of functions and responsibilities with the processes configuration.

The EDPR Holding structure was designed to accomplish two fundamental roles: **Strategic Management** and **Transversal Operation**.

Strategic Management covers to a) adopt a coordination model within the group, supporting the Executive Committee in the definition and control of the strategy policies and objectives; b) define specific strategic initiatives; c) review the accomplishment of the company's business plan; d) define transversal policies, rules and procedures; e) control key performance indicators.

Transversal Operation deals to i) ensure the alignment of all the platforms with the defined strategy; ii) capture synergies and optimize support processes; and iii) systematically and progressively concentrate supporting activities in shared service business units with the group.









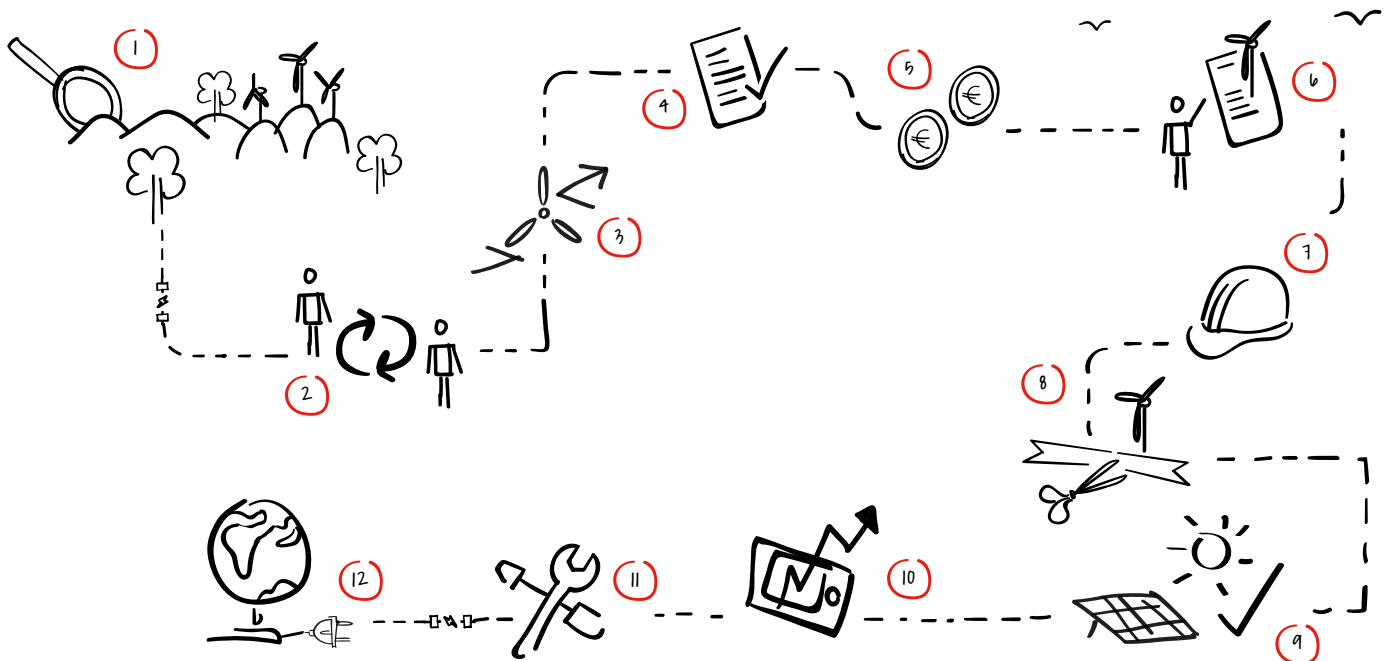
**LIVING WIND**



# 02. STRATEGY

## 2.1. BUSINESS DESCRIPTION

EDPR renewable energy business grossly comprises the development, construction and operation of wind farms and solar plants to generate and deliver clean electricity.



- |   |  |  |
|---|--|--|
| <p><b>1 SITE IDENTIFICATION</b><br/>Search for sites with top-class wind conditions or irradiance resource and analyse grid connection feasibility.</p>   | <p><b>2 LANDOWNER AGREEMENT</b><br/>Contact local landowners and negotiate leasing agreement.</p>  | <p><b>3 RENEWABLE RESOURCE ANALYSIS</b><br/>Install meteorological equipment to collect and study wind profile and solar radiance.</p>                               |
| <p><b>4 OBTAIN CONSENTS AND PERMITS</b><br/>Engage with local public authorities to secure environmental, construction, operating and other licenses.</p> | <p><b>5 PROJECT EVALUATION AND FUNDING</b><br/>Evaluate potential operational and financial risks and find appropriate finance to the project.</p> | <p><b>6 LAYOUT DESIGN AND EQUIPMENT CHOICE</b><br/>Optimize the layout of the farm and select the best fit of equipment model based on the site characteristics.</p> |
| <p><b>7 CONSTRUCTION</b><br/>Build access roads, prepare foundations, assemble wind turbines or solar panels, construct substation.</p>                   | <p><b>8 OPENING CEREMONY</b><br/>Celebrate the benefits of renewable energy with local communities, authorities and other stakeholders.</p>        | <p><b>9 WIND AND SOLAR PLANT OPERATION</b><br/>Complete grid connection and start to generate renewable electricity.</p>   |
| <p><b>10 DATA ANALYSIS</b><br/>Monitor real-time operational data, analyse performance and identify opportunities for improvement.</p>                    | <p><b>11 ONGOING MAINTENANCE SERVICE</b><br/>Keep availability figures at the highest level possible and minimise failure rates.</p>               | <p><b>12 GENERATE AND DELIVER CLEAN ENERGY</b><br/>A better energy, a better future, a better world!</p>   |

## 2.2. BUSINESS PLAN

### EDPR'S STRATEGIC PLAN THROUGH 2020 IS SUPPORTED BY THREE PILLARS; SELECTIVE GROWTH, OPERATIONAL EXCELLENCE AND SELF-FUNDING MODEL

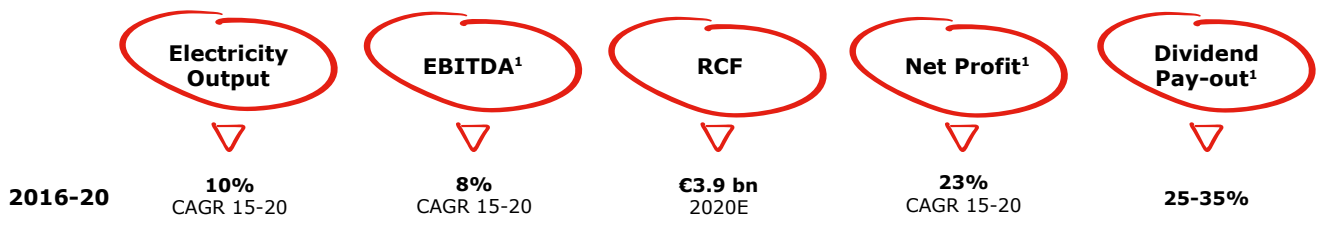
In May 2016, EDPR presented to the financial community its Business Plan for 2016-20 at the EDP Group Investor Day held in London. Several financial markets participants were present at the event, including press, online participants, investors, analysts and rating agencies, demonstrating a great interest in the group's equity story and strategy.

EDPR increased its 2014-17 Business Plan growth targets in the new Business Plan with stronger capacity additions and technological mix. Since its inception, EDPR has been performing a strategy focused on selective growth, by investing in quality projects with predictable future cash-flows, and seamless execution, supported by core competences that yield superior profitability, all embedded within a distinctive and self-funding model designed to accelerate value creation. As a result of undertaking such strategy, at the same time flexible enough to accommodate to changing business and economic environments, EDPR remains today a leading company in the renewable energy industry.

EDPR 2020 investment case will continue to be supported by a distinctive strategic agenda which is being successfully delivered in order to outperform its 2016-20 goals.

SELECTIVE GROWTH		OPERATIONAL EXCELLENCE		SELF-FUNDING BUSINESS	
Solid value creation, investing in quality projects with predictable cash-flow stream		Profitable growth supported by distinctive core competences and unique know-how		Enhanced growth by an asset rotation program designed to accelerate value creation	
Prioritize quality investments in EDPR core markets	> c. 700 MW/year	Technical expertise to maximize production	> >97.5% availability	Investing in visible growth opportunities	> €4.8bn investments
More than 3.5 GW of projects w/ LT contracts awarded	> 3.7 GW <sup>2</sup> 2016-20	Competitive projects leading to a superior load factor	> 33% in 2020	Profitable assets generating robust retained cash-flow (RCF)	> €3.9bn RCF
Technological mix initiatives	> Solar & Offshore	Unique O&M strategy to keep lowering Core Opex /Avg. MW	> -1% CAGR 2015-20	Asset Rotation strategy to keep enhancing value growth	> up to € 1.1bn €550m executed c.€600m new

EDPR business model set to deliver predictable and solid growth targets in core markets...







...positioning to successfully lead a sector with increased worldwide relevance

<sup>1</sup> Adj. Target Net Profit CAGR would be equivalent to 16% without asset life extension adjustment effective since January 2017; (2) Includes 45 MW from Greek auction announced in July 2018.

**SUSTAINABILITY ROADMAP**

At a global level, Sustainability is framed by 17 Sustainable Development Goals defined by the United Nations for the 2015-2030 horizon. In the development of its commitments, EDPR will guide its contributions by 2030 in eight of the seventeen Sustainable Development Goals.

EDPR, as a renewable energy company, creates great expectations in its stakeholders about Sustainability. Responding to these expectations and aligned with EDPR’s contribution to the SDGs, the company keeps committed to excel in all three pillars of Sustainability namely the economic, the environmental and the social - defining a strategy of best practices. Following a culture of continuous improvement, 10 Sustainability goals were defined within the 2016-2020 Business Plan.

United Nations Sustainable Development Goals (SDGs)	Sustainability Roadmap Strategic Lines (2016-20)	Sustainability Roadmap Indicators (2016-20)
 <p><b>Affordable and Clean Energy</b></p>  <p><b>Climate Action</b></p>	<p>Maintain leadership position in RENEWABLE ENERGY PRODUCTION</p>	<ul style="list-style-type: none"> <li>• Installed capacity: 700 MW / year</li> <li>• Avoided CO<sub>2</sub>: +10% (CAGR vs. 2015-20)</li> <li>• &lt;1% emitted / avoided CO<sub>2</sub></li> </ul>
 <p><b>Decent Work and Economic Growth</b></p>	<p>CREATE VALUE while maintaining a LOW RISK profile</p>	<ul style="list-style-type: none"> <li>• EBITDA: +8% (CAGR vs. 2015-20)</li> <li>• Net Profit: +16% (CAGR vs. 2015-20)</li> <li>• Core Opex / Avg. MW: -1% (CAGR vs. 2015-20)</li> </ul>
 <p><b>Life on Land</b></p>	<p>Optimize ENVIRONMENTAL MANAGEMENT</p>	<ul style="list-style-type: none"> <li>• 100% Certified MWs (ISO 14001)</li> <li>• 100% of critical suppliers with environmental management system (EMS)</li> </ul>
 <p><b>Responsible Consumption and Production</b></p>	<p>Maintain CIRCULAR ECONOMY in the internal management of the operations</p> <p>Ensure a high SAFETY STANDARDS for employees and contractors</p>	<ul style="list-style-type: none"> <li>• Maintain hazardous wastes and used water per GWh ratios aligned with previous years</li> <li>• &gt;90% hazardous wastes recovered</li> </ul>
 <p><b>Gender Equality</b></p>	<p>Ensure a high standard ETHICAL PROCESS</p>	<ul style="list-style-type: none"> <li>• 100% Certified MWs (OHSAS 18001)</li> <li>• 100% of critical suppliers with H&amp;S management system</li> <li>• Zero accidents mind-set</li> </ul>
 <p><b>Sustainable Cities and Communities</b></p>	<p>Broaden and harmonize the mechanisms of periodic consultation of STAKEHOLDERS</p> <p>Support SOCIAL AND EDUCATIONAL INITIATIVES through Fundación EDP</p> <p>Invest in employees DEVELOPMENT and ensure continued compromise with society through VOLUNTEERING</p>	<ul style="list-style-type: none"> <li>• Zero tolerance for unethical behaviors</li> <li>• Stakeholders Plan development in all geographies</li> <li>• c. €10 million investment (incl. energy storage and offshore structures)</li> </ul>
 <p><b>Industry, Innovation and Infrastructure</b></p>	<p>Promote INNOVATION in operation and construction phases</p>	<ul style="list-style-type: none"> <li>• &gt;80% of employees in training activities</li> <li>• &gt;40% of employees in volunteering activities</li> <li>• c. €2.5 million investment</li> </ul>

## **2.3. RISK MANAGEMENT**

**In line with EDPR's controlled risk profile, Risk Management process defines the mechanisms for evaluation and management of risks and opportunities impacting the business, increasing the likelihood of the company in achieving its financial targets, while minimizing fluctuations of results.**

### **RISK MANAGEMENT PROCESS**

EDPR's Enterprise Risk Management Process is an integrated and transversal management model that ensures the minimization of the effects of risk on EDPR's capital and earnings, as well as the implementation of best practices of Corporate Governance and transparency. The process aligns EDPR's risk exposure with the company's desired risk profile. Risk management policies are aimed to mitigate risks, without ignoring potential opportunities, thus, optimizing return versus risk exposure.

The process is closely followed and supervised by the Audit and Control Committee, an independent supervisory body composed of non-executive members.

Risk management is endorsed by the Executive Committee, supported by the Risk Committee and implemented in day-to-day decisions by all managers of the company.

EDPR created three distinct meetings of the Risk Committee in order to help decision-making, separating discussions on execution of mitigation strategies, from those on the definition of new policies:

- **RESTRICTED RISK COMMITTEE:** Held every month, it is mainly focused on development risk and market risk from electricity price (market, basis, profile, GCs and RECs). It is the forum to discuss the evolution of projects under development and construction and the execution of mitigation strategies to reduce merchant exposure. It also monitors the limits of defined risk policies, with regards to counterparty risk, operational risk and country risk.
- **FINANCIAL RISK COMMITTEE:** Held every quarter, it is held to review main financial risks and discuss the execution of mitigation strategies. Exchange rate risk, interest rate risk and credit risk from financial counterparties are most relevant risk reviewed in this committee.
- **RISK COMMITTEE:** Held every quarter, it is the forum where new strategic analyses are discussed and new policies are proposed for approval to the Executive Committee. Additionally, EDPR's overall risk position is reviewed, together with EBITDA@Risk and Net Income@Risk.

### **RISK MAP AT EDPR**

Risk Management at EDPR is focused on covering all risks of the company. In order to have a holistic view, they are classified in five Risk Categories.

Within each Risk Category, risks are classified in Risk Groups. The full description of the risks and how they are managed can be found in the Corporate Governance chapter. The graph below summarizes the Risk Categories, the Risk Groups and the Risk Management mitigation strategies at EDPR.

<p><b>MARKET RISKS</b></p>	<p>It refers to the risk to EDPR resulting from movements in market prices. Due to the relationship between wind production and electricity price production risk is considered within market risk.</p> <p>In particular, market risks are changes in electricity prices, production risk, interest rates, foreign exchange rates and other commodity prices.</p>	<ul style="list-style-type: none"> <li>• Electricity Price Risk</li> <li>• Electricity Production Risk</li> <li>• Commodity Price Risk</li> <li>• Liquidity Risk</li> <li>• Inflation Risk</li> <li>• Exchange Rate Risk</li> <li>• Interest Price</li> </ul>
<p><b>COUNTERPARTY RISK</b></p>	<p>Risk that counterparty to a transaction could default before final settlement of the transaction's cash flows. A direct economic loss would occur if transactions with the counterparty had positive economic value at the time of default. Even in the case of not defaulting, it may not comply with its contract obligations (timing, quality, etc.), implying additional higher costs due to its replacement or to delays in fulfilling the contract.</p>	<ul style="list-style-type: none"> <li>• Counterparty Credit Risk</li> <li>• Counterparty Operational Risk</li> </ul>
<p><b>OPERATIONAL RISK</b></p>	<p>Defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (such as an increase in equipment default rates, increasing O&amp;M, or natural disasters).</p>	<ul style="list-style-type: none"> <li>• Development Risk</li> <li>• Legal Claims Risk (Compliance)</li> <li>• Execution Risk</li> <li>• Personnel Risk</li> <li>• Operation Risk (Damage to Physical Assets and Equip. Performance)</li> <li>• Processes Risk</li> <li>• Information Technologies Risk</li> </ul>
<p><b>BUSINESS RISK</b></p>	<p>Potential loss in the company's earnings due to adverse changes in business margins. Such losses can result, above all, from a serious increase in equipment prices or changes in the regulatory environment. Changes in electricity prices and wind production are considered market risks.</p>	<ul style="list-style-type: none"> <li>• Energy Production Risk</li> <li>• Equipment Performance Risk</li> <li>• Regulatory Risk (renewables)</li> <li>• Wind Turbine Price Risk</li> <li>• Wind Turbine Supply Risk</li> </ul>
<p><b>STRATEGIC RISK</b></p>	<p>It refers to risks coming from macroeconomic, political, social or environmental situation in countries where EDPR is present, as well as those coming from a change in competitive landscape, from technology disruptions, from changes in energy markets or from governance decisions (investment decisions criteria, Corporate Governance and Reputational issues).</p>	<ul style="list-style-type: none"> <li>• Country Risk</li> <li>• Competitive Landscape Risk</li> <li>• Technology Disruptions Risk</li> <li>• Invest. Decisions Criteria Risk</li> <li>• Reputational Risk</li> <li>• Meteorological Changes</li> <li>• Corp. Organization and Governance</li> <li>• Energy Planning</li> </ul>



## MITIGATION STRATEGIES

- »
  - Close analysis of natural hedges to define best alternatives
  - Hedge of market exposure through long term power purchase agreements (PPA) or short-term financial hedges
  - Natural FX hedging, with debt and revenues in same currency
  - Execution of FX hedging for net investment (after deducting local debt)
  - Execution of FX hedging to eliminate FX transaction risk, mainly in Capex
  - Execution of interest rate hedging
  - Execution of inflation hedging
  - Alternative funding sources such as Tax equity structures and Multilateral/Project Finance agreements

- »
  - Counterparty exposure limits by counterparty and at EDPR level
  - Collateral requirement if limits are exceeded
  - Monitoring of compliance with internal policy

- »
  - Supervision of suppliers by EDPR's engineering team
  - Flexible CODs in PPAs to avoid penalties
  - Partnerships with strong local teams
  - Monitor recurrent operational risks during construction and development
  - Close follow-up of O&M costs, turbine availability and failure rates
  - Insurance against physical damage and business interruption
  - Strict compliance with legal requirements and zero tolerance for unethical behavior or fraud
  - Attractive remuneration packages and training for personnel
  - Revision of all regulations that affect EDPR activity (environmental, taxes...)
  - Control of internal procedures
  - Redundancy of servers and control centers of wind farms

- »
  - Careful selection of energy markets based on country risk and energy market fundamentals
  - Diversification in markets and remuneration schemes
  - Follow-up of regulation changes in markets where EDPR is present to adjust strategy if needed
  - Active involvement in all major wind associations in all EDPR markets
  - Signing of medium-term agreements with turbine manufacturers to ensure visibility of turbine prices and supply
  - Relying on a large base of turbine suppliers to ensure supply

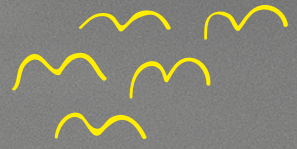
- »
  - Careful selection of countries
  - Worst case profitability analysis of every new investment considering all risks factors
  - Risk-return metrics at project and equity level
  - Consideration of stress case scenarios in the evolution of energy markets for new investment decisions
  - Follow-up of cost effectiveness of renewable technologies and potential market disruptions











**LIVING WIND**





# 03 EXECUTION

## 3.1. ECONOMIC

### 3.1.1. OPERATIONAL PERFORMANCE

#### INSTALLED CAPACITY INCREASED 616 MW IN 2017

	MW			NCF			GWh		
	Jun-18	YoY	YTD	1H18	1H17	Var.	1H18	1H17	Var.
Spain	2,244	+50	-	30%	28%	+1pp	2,866	2,665	+8%
Portugal	1,253	-	-	31%	28%	+2pp	1,676	1,536	+9%
Rest of Europe	1,601	+41	+37	26%	27%	-1pp	1,799	1,840	(2%)
France	410	+4	-	27%	24%	+3pp	481	402	+20%
Belgium	71	-	-	23%	20%	+3pp	71	62	+14%
Italy	181	+37	+37	29%	28%	+1pp	190	167	+14%
Poland	418	-	-	26%	29%	-3pp	469	531	(12%)
Romania	521	-	-	26%	30%	-4pp	588	677	(13%)
<b>Europe</b>	<b>5,098</b>	<b>+91</b>	<b>+37</b>	<b>29%</b>	<b>28%</b>	<b>+1pp</b>	<b>6,341</b>	<b>6,041</b>	<b>+5%</b>
US	5,055	+423	-	38%	39%	-1pp	8,265	7,863	+5%
Canada	30	-	-	30%	34%	-3pp	39	44	(10%)
Mexico	200	-	-	45%	44%	+1pp	386	284	+36%
<b>North America</b>	<b>5,284</b>	<b>+423</b>	<b>-</b>	<b>38%</b>	<b>39%</b>	<b>-1pp</b>	<b>8,690</b>	<b>8,191</b>	<b>+6%</b>
Brazil	331	+127	-	30%	36%	-6pp	420	314	+34%
<b>TOTAL</b>	<b>10,713</b>	<b>+641</b>	<b>+37</b>	<b>34%</b>	<b>34%</b>	<b>-</b>	<b>15,451</b>	<b>14,546</b>	<b>+6%</b>
Other equity consolidated	331	(25)	-						
Spain	152	(25)	-						
US	179	-	-						
<b>EBITDA MW + Equity consol.</b>	<b>11,044</b>	<b>+616</b>	<b>+37</b>						

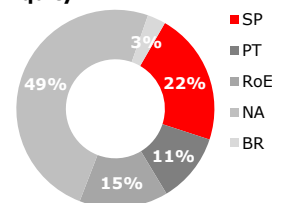
#### EDPR CONTINUES TO DELIVER SOLID SELECTIVE GROWTH

With a top-quality portfolio, EDPR has a strong track record and proven capability to execute superior projects and deliver on targets. The installed asset base of 11 GW is not only young, on average 8 years, it is also mostly certified in terms of environmental and health and safety standards. As of year-end 1H18, EDPR had installed 5,250 MW in Europe, 5,464 MW in North America and 331 MW in Brazil.

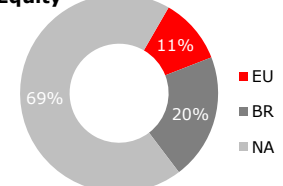
In the 1H18 EDPR installed 37 MW, all in Europe, namely in Italy following Dec-16 auction outcome.

In the last 12 months EDPR increased its global portfolio by 616 MW, of which 423 MW in North America, 127 MW in Brazil and 66 MW net in Europe. In Europe, 25 MW net were added in Spain (related to the acquisition of a 50% participation in a Spanish wind farm that was previously accounted as equity), 4 MW in France and 37 MW in Italy. In North America a total of 423 MW were added corresponding to Meadow Lake V (100 MW; Indiana), Redbed Plains (99 MW; Oklahoma), Quilt Block (98 MW; Wisconsin), Hog Creek (66 MW; Ohio) and the solar Cypress Creek (60 MW; South Carolina). In Brazil 127 MW were completed related to the JAU and Aventura wind farms.

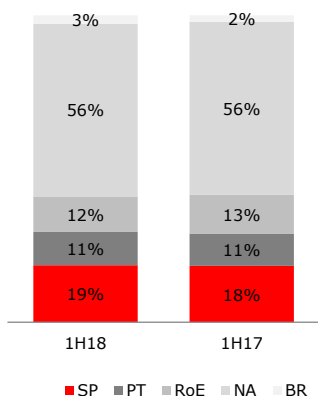
**11.0 GW EBITDA + Net Equity**



**+616 MW EBITDA + Net Equity**



**Output breakdown**



**6% INCREASE IN YOY GENERATION**

EDPR produced 15.5 TWh of clean energy in 1H18, +6% YoY. The YoY increase in production benefits from the capacity additions over the last 12 months (+0.6 GW YoY) along with stable YoY wind resource (34%).

In the 1H18, operations in Europe, North America and Brazil generated 41%, 56% and 3% of the total output, respectively. In Europe, EDPR generation increased 5% YoY, propelled by 1Q18 outstanding wind resource in Spain and Portugal, despite lower resource in the 2Q18. In North America, EDPR output in the period increased 6% YoY to 8.7 TWh, reflecting the growth in installed capacity and the higher load factor of such projects. In Brazil, production increased to 420 GWh (+34% YoY), driven by capacity additions and despite lower load factor in the period.

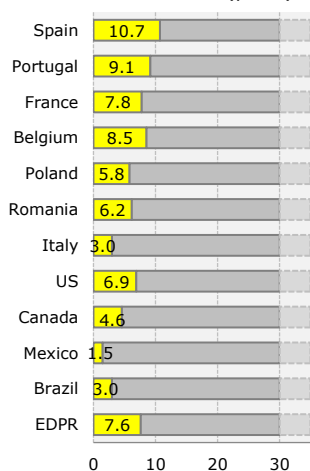
EDPR also achieved a 97% availability. The company continues to leverage on its competitive advantages to maximize wind farm output and on its diversified portfolio across different geographies to minimize the wind volatility risk.

**IN THE PERIOD EDPR ACHIEVED A 34% LOAD FACTOR**

Load factor in the period reflects 99% of P50 (long term average for 1H) along with capacity additions with higher load factors.

In Europe, EDPR reached a 29% load factor (+1pp vs 1H17), with YoY comparison explained by the outstanding wind resource in Spain and Portugal during 1Q18. During the period, EDPR accomplished a load factor of 30% in Spain (vs 28% in 1H17), above market average (+1pp). In Portugal, EDPR reached a load factor of 31% (vs 28% in 1H17) and higher than expected for an average 1H. In RoE, EDPR delivered a 26% load factor (-1pp YoY). In North America, EDPR achieved a 38% load factor (-1pp YoY). In Brazil, EDPR reached a 30% load factor during 1H18, impacted by the outstanding wind resource in the previous year vs below average resource in the 1H18.

Assets' Average Age and Useful Life (years)



**EDPR CONTINUES TO DELIVER GROWTH WITH MORE THAN 1 GW UNDER CONSTRUCTION**

As of Jun-18, EDPR had 1.1 GW of new capacity under construction. In Europe 270 MW were under construction, with 68 MW in Spain, 102 MW in Portugal, 26 MW in France and 74 MW in Italy. In the US 679 MW were under construction related to Turtle Creek (202 MW; Iowa), Meadow Lake VI (200 MW; Indiana), Prairie Queen (199 MW; Kansas) and Arkwright Summit (78 MW; New York). In Brazil 137 MW were under construction related to the Babilonia wind project.

As a result of continuous growth effort, EDPR also has a young portfolio with an average operating age of 8 years, with an estimate of over 22 years of useful life remaining to be captured.

### 3.1.2. FINANCIAL PERFORMANCE

**Revenues totaled €923 million and EBITDA summed €686 million.**

In 1H18, EDPR's revenues totaled €923 million, a decrease of 7% YoY, as a result of higher generation (+6% YoY; +€66 million YoY), lower average selling price (-11% YoY; -€45 million YoY), negative impact from forex translation and other (-€52 million YoY) and the 10-year life PTCs expiration of specific tax equity structures (-€34 million).

Consolidated Income Statement (€m)	1H18	1H17	Δ 18/17
Revenues	923	988	(7%)
EBITDA	686	719	(5%)
EBITDA/Revenues	74%	73%	+2pp
EBIT	427	459	(7%)
Net Financial Expenses	(133)	(148)	(10%)
Share of profit of associates	1	2	(58%)
Non-controlling interests	101	108	(7%)
<b>Net Profit (Equity holders of EDPR)</b>	<b>139</b>	<b>134</b>	<b>+4%</b>

Reported EBITDA summed €686m (-5% YoY; +1% YoY ex-fx), as a consequence, and given stable YoY depreciation and amortization costs, including provisions, impairments and net of government grants, EBIT decreased to €427 million (-7% YoY).

Cash-Flow (€m)	1H18	1H17	Δ 18/17
Operating Cash-Flow	581	535	+9%
Retained Cash-Flow	507	574	(12%)
Net Investments	422	425	(1%)

Net Financial Expenses decreased to €133 million (-€15 million YoY), benefitting from the gain (€15 million) from the sale of a stake in a UK offshore project (1Q18), along with both lower Institutional partnerships costs (-€8 million; -16% YoY in Euros) and Net interest costs (-€6 million; -9% YoY).

Balance Sheet (€m)	1H18	2017	Δ YTD
PP&E (net)	13,534	13,185	+3%
Equity	7,994	7,895	+1%
Net Debt	3,216	2,806	+15%
Institutional Partnership Liabilities	1,121	1,249	(10%)

**Net profit reached €139 million, increasing by 4% YoY.**

At the bottom line, Net Profit summed €139 million (+4% YoY). Non-controlling interests in the period totalled €101 million, decreasing by €7 million YoY as a result of top-line performance.

**Retained cash flow totaled €507 million, capturing assets' cash generation capabilities.**

Following EBITDA cash-generation, income tax of the period, interests, banking and derivatives expenses and minority dividends/interest payments, 1H18 Retained Cash-Flow ("RCF") totalled €507 million. RCF decreased by -€67 million vs reported in 1H17, while increasing +€16 million (+3%) vs adjusted 1H17.

Capital expenditures totaled €1,051 million reflecting the capacity added in the year, the capacity under construction and enhancements in capacity already in operation. Pursuing the strategic partnership between EDPR's main shareholder (EDP) and CTG, in 2017 occurred the settlement of CTG – ENEOP transaction for a total amount of €247 million.

As of Jun-18, Net Debt totalled €3,216 million (+€410 million vs December 2017) reflecting on one hand assets' cash generated and on the other hand investments in the period, a settlement of a cross interest rate swap in place to hedge the USD investment in the US against forex differences and forex translation. Institutional Partnership Liabilities decreased to €1,121 million (-€128 million vs December 2017), reflecting the benefits captured by the projects and tax equity partners despite forex translation (-\$191 million vs December 2017).

## INCOME STATEMENT

### NET INCOME INCREASING 4% YOY

In the period, EDPR revenues decreased 7% YoY to €923 million, mainly due to unfavorable price developments and forex translation (-€53 million YoY). Other operating income amounted to €55m (vs. €19m in 1H17), with YoY evolution reflecting mainly insurance, liquidated damages and other business compensations. Operating Costs (Opex) totaled €293 million.

In detail, Core Opex, defined by Supplies and services (including O&M activities) and personnel costs, totaled €217 million (+6% YoY).

Other operating costs (including taxes and rents to public authorities and non-recurring costs) decreased to €76 million (vs €84 million in 1H17; -9% YoY).

In the 1H18, EBITDA decreased 5% YoY to €686 million (74% EBITDA margin) and unitary EBITDA per MW in operation totaled €64 thousands (vs €72 thousands in 1H17).

Operating income (EBIT) decreased 7% YoY to €427 million, driven by EBITDA performance and stable depreciation and amortization (incl. government grants and provisions), due to forex translation despite higher capacity in operation.

At the financing level, net Financial Expenses decreased to €133 million (-10% YoY), mainly reflecting lower net interest cost of debt (€67 million; -9% YoY), and lower institutional partnership costs (-16% YoY).

In the period pre-tax profit summed €295 million, with income taxes totaling €55 million, reflecting an effective tax rate of 19%. Non-controlling interests amounted to €101 million (-7% YoY), as a result of top line performance.

All in all, Net Profit totaled €139 million, increasing 4% YoY, with top line performance offset by positive YoY evolution of financial results and lower tax rate.

<b>Consolidated Income Statement (€m)</b>	<b>1H18</b>	<b>1H17</b>	<b>Δ 18/17</b>
Electricity sales and other	823.0	856.1	(4%)
Income from Institutional Partnerships	100.4	132.1	(24%)
<b>Revenues</b>	<b>923.4</b>	<b>988.2</b>	<b>(7%)</b>
Other operating income	55.1	19.3	+186%
Operating Costs	(292.7)	(288.8)	+1%
Supplies and services	(159.6)	(155.4)	+3%
Personnel costs	(57.0)	(49.9)	+14%
Other operating costs	(76.1)	(83.5)	(9%)
<b>EBITDA</b>	<b>685.8</b>	<b>718.7</b>	<b>(5%)</b>
<i>EBITDA/Revenues</i>	<i>74%</i>	<i>73%</i>	<i>+2pp</i>
Provisions	(0.3)	(0.4)	(33%)
Depreciation and amortisation	(266.9)	(270.8)	(1%)
Amortisation of deferred income (government grants)	7.9	11.1	(29%)
<b>EBIT</b>	<b>426.5</b>	<b>458.6</b>	<b>(7%)</b>
Financial income/(expense)	(132.8)	(147.8)	(10%)
Share of profit of associates	1.0	2.5	(58%)
<b>Pre-Tax Profit</b>	<b>294.7</b>	<b>313.3</b>	<b>(6%)</b>
Income taxes	(54.5)	(70.7)	(23%)
Profit of the period	240.2	242.5	(1%)
<b>Net Profit (Equity holders of EDPR)</b>	<b>138.8</b>	<b>134.0</b>	<b>+4%</b>
Non-controlling interests	101.3	108.5	(7%)



## BALANCE SHEET

### **Total equity increases by €99 million.**

Total Equity of €8.0 billion increased by €99 million in the 1H18, of which €55 million attributable to non-controlling interests. The increased equity attributable to the shareholders of EDPR by €44 million is mainly due to €139 million of Net Profit, reduced by the €52 million in dividend payments and by €25 million in variation in fair value cash flow hedges.

Total liabilities increased by 4%, or €413 million, mainly due to an increase in financial debt (+€408 million), and deferred tax liabilities (+€93 million), which was partially offset by institutional partnerships (-€74 million; net of deferred revenues from institutional partnerships) and accounts pay (-€119 million).

With total liabilities of €8.6 billion, the debt-to-equity ratio of EDPR increase to 108% by the end of 1H 2018, which compares with 105% in 2017. Liabilities were mainly composed of financial debt (42%), liabilities related to institutional partnerships in the US (13%) and accounts payable/Other liabilities (25%).

Liabilities to tax equity partnerships in the US decreased 10% to €1,121 million. Deferred revenues related to institutional partnerships primarily represent the non-economic liability associated to the tax credits already realized by the institutional investor, arising from accelerated tax depreciation, and yet to be recognized as income by EDPR throughout the remaining useful lifetime of the respective assets.

Deferred tax liabilities reflect the liabilities arising from temporary differences between the accounting and the tax basis of assets and liabilities. Accounts payables include trade suppliers, PP&E suppliers, deferred income related to investment grants received and derivative financial instruments.

As total assets totaled €16.2 billion in 2017, the equity ratio of EDPR reached 49%, versus 45% in 2016. Assets were 81% composed of net PP&E - property, plant and equipment, reflecting the cumulative net invested capital in renewable energy generation assets.

Total net PP&E of €13.5 billion changed to reflect €461 million of new additions during the year and €125 million from positive exchange differences, and reduced by €237 million from depreciation charges and others.

### **STATEMENT OF FINANCIAL POSITION (€ MILLION)**

<b>Assets (€m)</b>	<b>1H18</b>	<b>2017</b>	<b>▲ €m</b>	<b>Equity (€m)</b>	<b>1H18</b>	<b>2017</b>	<b>▲ €m</b>
Property, plant and equipment, net	13,534	13,185	+348	Share capital + share premium	4,914	4,914	-
Intangible assets and goodwill, net	1,555	1,546	9	Reserves and retained earnings	1,326	1,146	181
Financial investments, net	307	312	(5)	Net Profit (Equity holders of EDPR)	139	276	(137)
Deferred tax assets	148	64	83	Non-controlling interests	1,615	1,560	55
Inventories	35	29	6	<b>Total Equity</b>	<b>7,994</b>	<b>7,895</b>	<b>99</b>
Accounts receivable - trade, net	312	364	(52)				
Accounts receivable - other, net	269	235	34	<b>Liabilities (€m)</b>	<b>1H18</b>	<b>2017</b>	<b>▲ €m</b>
Assets held for sale	50	58	(8)	Financial debt	3,645	3,237	408
Collateral deposits	40	43	(3)	Institutional partnerships	1,121	1,249	(128)
Cash and cash equivalents	389	388	1	Provisions	283	276	7
<b>Total Assets</b>	<b>16,637</b>	<b>16,224</b>	<b>413</b>	Deferred tax liabilities	448	356	93
				Deferred revenues from institutional partnerships	969	915	54
				Other liabilities	2,177	2,297	(119)
				<b>Total Liabilities</b>	<b>8,643</b>	<b>8,329</b>	<b>315</b>
				<b>Total Equity and Liabilities</b>	<b>16,637</b>	<b>16,224</b>	<b>413</b>

**CASH FLOW STATEMENT**

**STRONG OPERATING CASH-FLOW**

In the 1H18, EDPR generated Operating Cash-flow of €581 million (+9% YoY), with income tax and income from institutional partnerships YoY evolution offsetting EBITDA performance..

The key items that explain 1H18 cash-flow evolution are the following:

- Funds from operations, resulting from EBITDA after net interests expenses, share of profits of associates and current taxes, were €585 million (vs €621 million in 1H17);
- Operating Cash-flow, which is the EBITDA net of income tax and adjusted by non-cash items (namely income from US institutional partnerships) and net of changes in working capital, was €581 million (+9% YoY);
- Capital expenditures with capacity additions, ongoing construction and development works totalled €465 million (+10% YoY). Other net investing activities amounted to €4 million, reflecting on the one hand the cash-in of £36 million from UK offshore stake sale down, and on the other hand invoice payments to equipment suppliers related to some investments made in the previous year;
- Payments to institutional partnerships totalled €84 million, contributing to the reduction of Institutional Partnership liabilities. Total net dividends and other capital distributions paid to minorities totalled €82 million (including €52 million to EDPR shareholders). In the period, forex & others had a negative impact increasing Net Debt by €317 million, mainly reflecting forex translation and the settlement of a cross interest rate swap in place to hedge the USD investment in the US against forex differences.

Retained Cash-flow, which captures the cash generated by operations to re-invest, distributed dividends & amortized debt, was €507 million (-12% YoY). RCF decreased by -€67 million vs reported in 1H17, while increasing +€16 million (+3%) vs adjusted 1H17. In Jun-18, Net Debt & Institutional Partnership liabilities increased by €282 million.

<b>Cash-Flow (€ million)</b>	<b>1H18</b>	<b>1H17</b>	<b>Δ 18/17</b>
<b>EBITDA</b>	<b>686</b>	<b>719</b>	<b>(5%)</b>
Current income tax	(36)	(27)	+32%
Net interest costs	(67)	(73)	(9%)
Share of profit of associates	1	3	(62%)
<b>FFO (Funds From Operations)</b>	<b>585</b>	<b>621</b>	<b>(6%)</b>
Net interest costs	67	73	(9%)
Share of profit of associates	(1)	(3)	+62%
Income from institutional partnerships	(96)	(132)	+27%
Non-cash items adjustments	4	(3)	-
Changes in working capital	23	(22)	-
<b>Operating Cash-Flow</b>	<b>581</b>	<b>535</b>	<b>+9%</b>
Capex	(465)	(424)	+10%
Financial (investments) divestments	43	(0.5)	-
Changes in working capital related to PP&E suppliers	(39)	(303)	(87%)
Government grants	-	(0.0)	-
<b>Net Operating Cash-Flow</b>	<b>120</b>	<b>(193)</b>	<b>(162%)</b>
Sale of non-controlling interests and shareholders' loans	-	248	-
Proceeds from institutional partnerships	9	(1)	-
Payments to institutional partnerships	(84)	(131)	(36%)
Net interest costs (post capitalisation)	(57)	(67)	(16%)
Dividends net and other capital distributions	(82)	(81)	+2%
Forex & others	(317)	(150)	+112%
<b>Decrease / (Increase) in Net Debt</b>	<b>(410)</b>	<b>(375)</b>	<b>+9%</b>



**FINANCIAL DEBT**

**NET DEBT AT €3.2 BILLION**

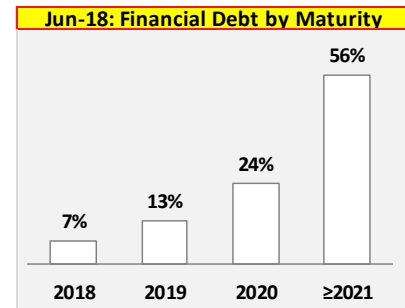
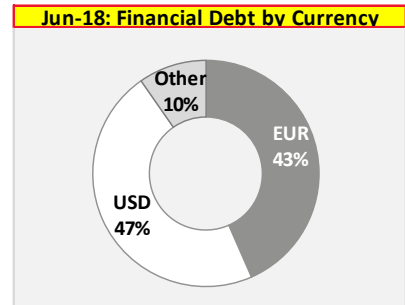
As of Jun-18, EDPR’s Net Debt totaled €3.2 billion, higher by €410 million from December 2017, reflecting on one hand the investments done in the period and forex translation and on the other hand the cash-flow generated by the assets.

By June 2018, 75% of EDPR’s financial debt was funded through long-term loans with EDP Group – EDPR’s main shareholder – while loans with financial institutions represented 25%.

As of June 2018, 43% of EDPR’s financial debt was Euro denominated, 47% was funded in US dollars, related to the company’s investment in the US, and the remaining was mostly related with debt in Canadian dollars, Polish Zloty and Brazilian Real.

EDPR continues to follow a long-term fixed rate funding strategy, matching the operating cash-flow profile with its financial costs and therefore mitigating interest rate risk. Accordingly, 83% of EDPR’s financial debt had a fixed interest rate. As of June 2018, 7% of EDPR’s financial debt had maturity in 2018, 13% of EDPR’s financial debt had maturity in 2019, 24% of EDPR’s financial debt had maturity in 2020 and 56% in 2021 and beyond.

In the 1H18, the average interest rate was 4.0% (+0.1pp YoY).



<b>Net Debt (€m)</b>	<b>1H18</b>	<b>2017</b>	<b>Δ €</b>
Nominal Financial Debt + Accrued interests on Debt	3,645	3,237	+408
Collateral deposits associated with Debt	(40)	(43)	+3
<b>Total Financial Debt</b>	<b>3,606</b>	<b>3,194</b>	<b>+411</b>
Cash and cash equivalents	389	388	+1
Loans to EDP Group related companies and cash pooling	0.01	0.02	-
<b>Cash &amp; Equivalents</b>	<b>389</b>	<b>388</b>	<b>+1</b>
<b>Net Debt</b>	<b>3,216</b>	<b>2,806</b>	<b>+410</b>

<b>Average Debt (€m)</b>	<b>1H18</b>	<b>2017</b>	<b>Δ %</b>
Average nominal financial debt	3,471	3,476	(0.2%)
Average net debt	3,002	3,048	(2%)

**INSTITUTIONAL PARTNERSHIPS<sup>1</sup>**

Liabilities referred to Institutional Partnerships totaled €1,121 million (-€128 million vs December 2017), reflecting the benefits captured by the projects and tax equity partners along with forex

<b>Institutional Partnership (€m)</b>	<b>1H18</b>	<b>2017</b>	<b>Δ €</b>
<b>Institutional Partnership Liability</b>	<b>1,121</b>	<b>1,249</b>	<b>(128)</b>

(1) Net of tax credits already benefited by the institutional investors and yet due to be recognised in the P&L

## EUROPE

### REVENUES

In 1H18, EDPR output in Europe increased by 5% to 6.3 TWh, with YoY comparison impacted by higher wind resource along with capacity additions. In 1H18, European generation accounted for 41% of EDPR's total output. The average selling price in Europe decreased by 6% to €78/MWh, mainly driven by the lower average selling price in Poland and Romania (-33% and -31% YoY, respectively), and to a lesser extent in Spain (-4% YoY), partially compensated by the positive price performance in Portugal (+2% YoY).

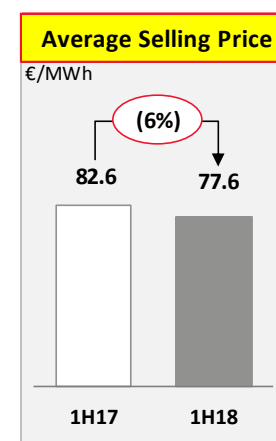
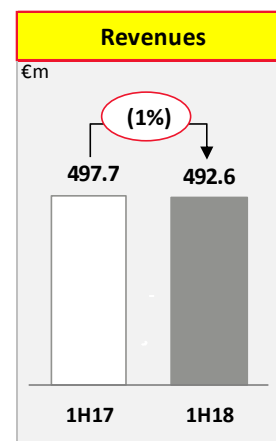
Revenues in 1H18 totalled €493 million (-1% YoY or -€5 million) with lower average selling price (-6% YoY) offsetting higher YoY output (+5%).

### NET OPERATING COSTS

In the 1H18, other operating income totaled €17m, mainly on the back of insurance on losses damages and others, and operating costs reached €141m (-3% YoY) due to the decrease in other operating costs (-11% YoY), while supplies and services increased by 3% YoY on the back of higher installed capacity.

### EBITDA

All in all, EBITDA totaled €369m (+3% YoY), reflecting an EBITDA margin of 75% (+3pp YoY). In the 1H18, depreciation and amortization (including provisions, impairments and net of amortization of government grants) was flat YoY, leading to an EBIT of €246m (+4% YoY).



Income Statement (€m)	1H18	1H17	Δ 18/17
<b>Revenues</b>	<b>492.6</b>	<b>497.7</b>	<b>(1%)</b>
Other operating income	17.3	4.7	+265%
Operating Costs	(141.2)	(145.0)	(3%)
Supplies and services (S&S)	(81.3)	(79.3)	+3%
Personnel costs (PC)	(14.2)	(14.4)	(1%)
Other operating costs	(45.7)	(51.4)	(11%)
<b>EBITDA</b>	<b>368.6</b>	<b>357.4</b>	<b>+3%</b>
EBITDA/Revenues	75%	72%	+3pp
Provisions	(0.3)	(0.3)	(20%)
Depreciation and amortisation	(122.2)	(123.7)	(1%)
Amortisation of deferred income (government grants)	0.3	2.7	(88%)
<b>EBIT</b>	<b>246.5</b>	<b>235.9</b>	<b>+4%</b>

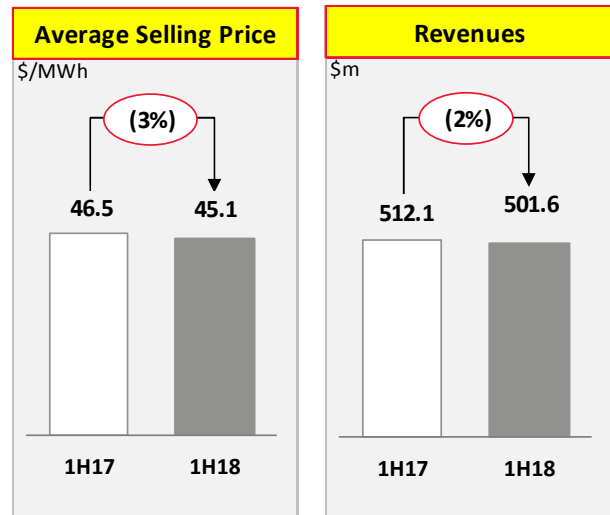
Note: From 2018 onwards Offshore is no longer reported under European platform.



**NORTH AMERICA**

**REVENUES**

In the 1H18, EDPR’s electricity sales in North America increased by 3% YoY to \$380 million, driven by the 6% YoY increase in electricity output and despite the lower average selling price in the period (-3% YoY). Income from institutional partnerships and the output from projects generating PTCs decreased to \$122 million, following PTCs expiration of specific tax equity structures, despite new tax equity partnerships. Following the top line performance, revenues decreased by 2% YoY, reaching a total of \$502 million.



**NET OPERATING COSTS**

In the period, Other operating income totaled \$35 million (vs \$16 million in 1H17), mainly from liquidated damages and other business compensations. Operating costs summed \$160 million (+13% YoY), with the increase of \$10 million in supplies and services and of \$6 million in personnel costs derived from the higher capacity in operation.

Given the top line performance and stable YoY net operating costs, EBITDA decreased by 3% YoY to \$377 million, with a stable EBITDA margin of 75%.

**EBITDA**

Following the EBITDA performance and the increase of 9% in depreciation and amortization (including impairments and net of amortizations of government grants), on the back of higher capacity in operation, EBIT amounted to \$220 million (-10% YoY).

Income Statement (US\$m)	1H18	1H17	Δ 18/17
Electricity sales and other	380.1	369.0	+3%
Income from institutional partnerships	121.5	143.0	(15%)
<b>Revenues</b>	<b>501.6</b>	<b>512.1</b>	<b>(2%)</b>
Other operating income	34.5	15.7	+120%
Operating Costs	(159.6)	(141.2)	+13%
Supplies and services (S&S)	(89.8)	(79.5)	+13%
Personnel costs (PC)	(33.4)	(27.7)	+21%
Other operating costs	(36.4)	(34.0)	+7%
<b>EBITDA</b>	<b>376.5</b>	<b>386.5</b>	<b>(3%)</b>
EBITDA/Revenues	75%	75%	(0.4pp)
Provisions	-	(0.1)	-
Depreciation and amortisation	(166.1)	(152.2)	+9%
Amortisation of deferred income (government grants)	9.1	9.1	-
<b>EBIT</b>	<b>219.6</b>	<b>243.4</b>	<b>(10%)</b>

**INSTITUTIONAL PARTNERSHIPS AND GOVERNMENT GRANTS**

Income from institutional partnerships decreased to \$122 million (-15% YoY), reflecting the impact from PTC expiration in specific tax equity structures (10-year life).

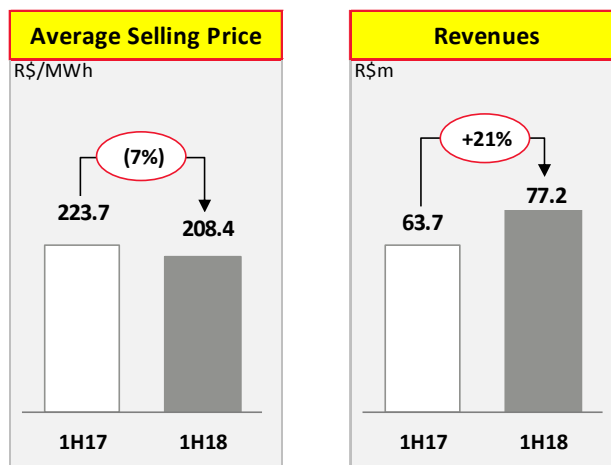
## BRAZIL

### REVENUES

In the 1H18, EDPR generated 420 GWh vs 314 GWh in 1H17 (+34% YoY), with increase in production mainly explained by capacity additions with stronger wind resource.

The average selling price in Brazil was R\$208/MWh during the period, reflecting mainly the different mix of a new wind farm in operation (production vs price).

In the period, EDPR's revenues in Brazil reached R\$77 million (+21% YoY), propelled by the increase in electricity generation and despite the lower average selling price.



### NET OPERATING COSTS

In 1H18, Other operating income reached R\$8 million and Operating costs totaled R\$29 million (+R\$8 million YoY), in line with higher installed capacity. Core Opex, defined by Supplies and Services (incl. O&M activities) and Personnel costs, totaled R\$27 million.

### EBITDA

All in all, EBITDA reached R\$56 million (+32% YoY) with an EBITDA margin of 72% (vs 66% in 1H17).

Following the EBITDA performance and the increase of R\$8 million YoY in depreciations and amortizations (including impairments and net of amortizations of government grants), EBIT reached a total amount of R\$31 million (+25% YoY). The YoY increase in depreciation and amortization reflects the higher capacity in operation in Brazil.

Income Statement (R\$m)	1H18	1H17	Δ 18/17
<b>Revenues</b>	<b>77.2</b>	<b>63.7</b>	<b>+21%</b>
Other operating income	7.8	-	-
Operating Costs	(29.0)	(21.4)	+36%
Supplies and services (S&S)	(22.4)	(14.7)	+52%
Personnel costs (PC)	(4.6)	(5.0)	(9%)
Other operating costs	(2.0)	(1.7)	+20%
<b>EBITDA</b>	<b>55.9</b>	<b>42.3</b>	<b>32%</b>
<i>EBITDA/Revenues</i>	<i>72%</i>	<i>66%</i>	<i>+6pp</i>
Provisions	(0.0)	-	-
Depreciation and amortisation	(25.1)	(17.6)	+43%
Amortisation of deferred income (government grants)	0.1	0.1	-
<b>EBIT</b>	<b>30.9</b>	<b>24.8</b>	<b>+25%</b>

### **3.1.3. OTHER REPORTING ITEMS**

#### **General and Mandatory Tender Offer over the shares issued by EDP RENOVÁVEIS, S.A. ("EDPR"), announced by China Three Gorges (Europe) S.A. ("CTG") and whose Preliminary Announcement was published on May 11th 2018 and amended on May 16th 2018**

All the information related to the Public Tender Offer launched by CTG for the acquisition of the entire share of capital of EDP Renováveis available here: <http://web3.cmvm.pt/sdi/emitentes/opas.cfm>

#### **EDPR secures PPAs for 405 MW in the US and exceeds its BP 2016-20 target capacity additions (Jul 3<sup>rd</sup>, 2018)**

EDP Renováveis, S.A. ("EDPR"), through its fully owned subsidiary EDP Renewables North America LLC, secured four 15-year Power Purchase Agreements ("PPA") with three Commercial and Industrial ("C&I") entities to sell the energy produced from two wind farm projects, with a total capacity of 405 MW.

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

With the execution of these agreements, EDPR has signed 2.1 GW of PPAs in the US, surpassing its goal of 1.8 GW of long-term wind energy agreements in the country for projects to be installed in 2016-2020. In addition, with these PPAs, EDPR has now contracted 3.6 GW of global capacity additions, exceeding the Business Plan target of 3.5 GW capacity additions for 2016-2020 period, as announced at EDP Group Capital Markets Day in May 2016.

#### **EDP Renováveis is awarded long-term CfD for 45 MW of wind at Greek energy auction (Jul 4<sup>th</sup>, 2018)**

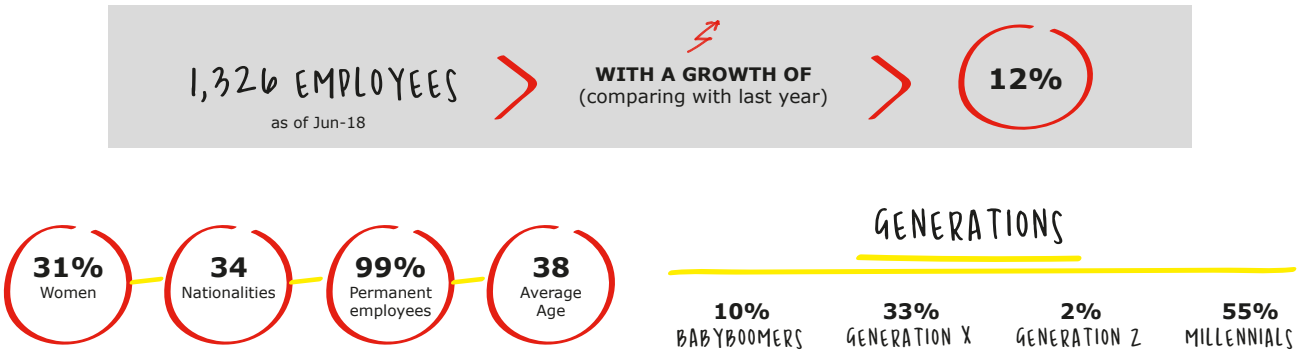
EDP Renováveis, S.A. ("EDPR") secured 20-year Contract-for-Difference ("CfD") at the Greek energy auction to sell electricity produced by Livadi 45 MW wind farm, located in Central Greece and with expected commercial operation in 2020.

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

As part of its growth strategy, EDPR continues to study worldwide opportunities while developing profitable projects focused in countries with low risk profile and regulatory stability.

## 3.2. SOCIAL

### 3.2.1. EXCELLING IN PERFORMANCE THROUGH OUR HUMAN CAPITAL



EDPR, which is home to three different generations, has currently presence in 13 markets and is constantly adapting to the changing business reality. Its HR policies are based on the Business Plan Achievements and actions focused on active listening its employees. EDPR is constantly launching different initiatives resulting on different tools to be a more human company.

A customized value proposition is offered to the employees throughout their employee journey, which allows them to join a multinational team and grow with it.



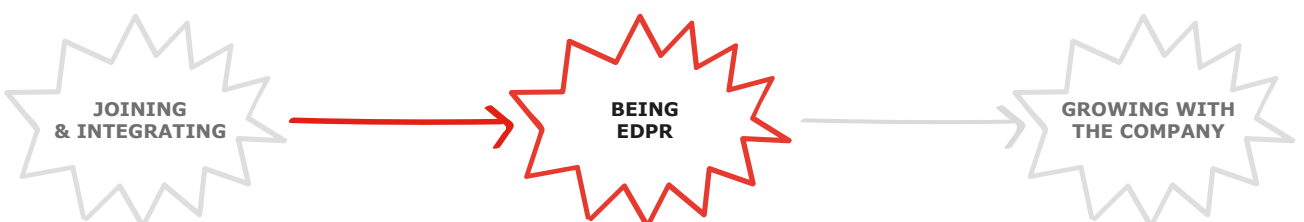
#### JOINING & INTEGRATING

##### ATTRACTING TALENT

At EDPR, we strive to attract and retain professionals who seek to excel in their work in order to position the company as the "the first choice for employees" in the labor market. In this sense, up to 30/06/2018, EDPR has participated in 5 Job Fairs in Universities and Business Schools to strengthen its image as a leading employer. During 1H2018, EDPR welcomed 185 employees. The average age of new hires was 33 years old. 66% of the total hires correspond to levels of Specialists and Technicians, of which 56% have University degree and above. 97% of the hires in 2018 were allocated in permanent positions and EDPR counted with 14 different nationalities among that group. Additionally, EDPR counts with 67 interns at 1H2018.

##### INTEGRATING NEW EMPLOYEES

Among the initiatives of Integration, during 1H2018, EDPR organized an Onshore and an Offshore Welcome Day to welcome all new hires, provide with fundamental knowledge about the culture and business, promote internal networking and contribute to make new employees feel the EDPR spirit.







**BEING EDPR**

**TRANSPARENCY**

Part of EDPR value proposition is a competitive remuneration package, aligned with the best practices in the market. EDPR Compensation Package includes (i) an Annual Base Salary and (ii) a Variable Pay depending on the achievements of individual, area and company KPIs, and also an (iii) above market practice benefits package such as Health Insurance or Pension Plan.

**FLEXIBILITY**

EDPR believes that Work Life Balance (WLB) must be a shared responsibility and its practices have been awarded for seven years now the Responsible Family Employer Certification (EFR – Empresa Familiarmente Responsable) by Spain’s Fundación MásFamilia. To continue this achievement, it is important to have a constant improvement on the measures in order to provide the most suitable and updated benefits to employees. The offered benefits include different areas, such as, Maternity/Paternity Leave, Kindergarten allowance, Dependent Allowance, Flexible working hours as well as several actions thinking about savings and future, mobility and communication.



**GROWING WITH THE COMPANY**



**DEVELOPMENT**

The knowledge and information gathered in an organization is a key factor directly linked to success and a sustainable business that allow achieve organizational objectives and boost the professional development of our people. For this reason, EDPR started a project focused on managing the existing knowledge by collecting, analyzing and classifying documents and making them available for being used and shared among our employees.

By mid-year EDPR launched an interactive digital platform named LINK to all the European (in the upcoming stages to Brazil and North America) EDPR employees that allows, in an agile and intuitive way, create, share and access to the core knowledge of EDPR, enhancing collaborative work and networking.

The knowledge areas available cover the entire EDPR value chain including main business areas mainly in technical aspects. For this purpose, business Experts have been appointed and worked in close collaboration with the HR team in charge of the project analyzing and classifying all the documents received in order to be properly uploaded to LINK and ready for use.

With this initiative we intend to develop a knowledge culture inside EDPR and foster a sharing framework where all employees (experts or new hires) can learn according with their needs, interests and development expectations.

**MOBILITY**

EDPR considers mobility, both functional and geographical, as a human resources management tool that contributes to the organizational development. It is considered internally as a way of stimulating employees’ motivation, skills, productivity and personal fulfilment.

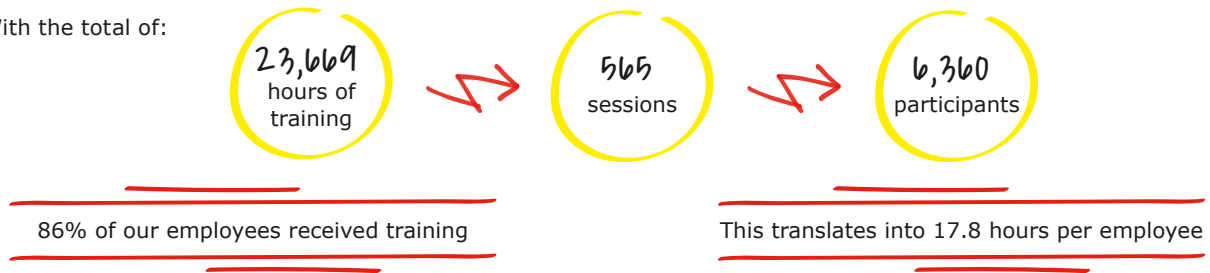
**TRAINING AND DEVELOPMENT PROGRAMS**

The employees’ development is a strategic target for EDPR. That is why a job-specific ongoing training opportunities are offer with the purpose of contributing towards the enhance of knowledge and skills, as well as specific development programs aligned with the company's strategy.

**2018 INTERNAL MOBILITY**

- 36** FUNCTIONAL
- 4** GEOGRAPHICAL
- 7** FUNCTIONAL AND GEOGRAPHICAL

With the total of:



### 3.2.2. RESPECTING HUMAN AND LABOUR RIGHTS



At EDPR, it is top priority to promote human rights and fair labour practices across the value chain. EDPR is therefore committed to integrate the social aspects in planning and decision-making and to guarantee responsible operations throughout the whole lifecycle of its business.

#### SAFETY FIRST

According to its Code of Ethics, EDPR undertakes to give priority to employees' safety, health and social welfare and to ensure the development of appropriate occupational health and safety management systems.

The efficacy of the Safety Policy and the continuous improvement of the Group in the area of health and safety at work require the involvement of all levels of management, as well as the support and contribution of all employees, contractors and other stakeholders.

As an integral part of the H&S strategy, employees actively engage in both behaviour-based safety and risk assessment activities based on the potential risks associated with their tasks. They rigorously follow the guidelines and always strive to achieve the safest workplace for all those who provide services in the facilities. H&S committees and subcommittees throughout EDPR pursue and support the implementation of H&S measures by collecting information from different operational levels and involving employees with the establishment and communication of the preventative plan. These committees, present on every working field, ensure that employees' and contractors' concerns are listened and resolved.

With the intention of promoting positive and healthy interactions, EDPR encourages employees and contractors to work as a team to improve safety performance. Moreover, to constantly keep improving the safety programs, EDPR promotes multiple safety campaigns throughout the year with several positive (safety) incentive programs for its employees.

To achieve the zero accidents goal, EDPR has implemented health and safety management systems based on the OHSAS 18001:2007 specifications. The standards and procedures of these systems are adapted to the specific geography of the sites where they are used, and are developed based on each country's regulations and industry's best practices.

EDPR takes a data-driven approach in order to identify and react to leading causes of injury. The implementation of these systems allows for better management and prevention of future accidents, with the objective of reaching the zero accident goal.

During 1H18, 14 work accidents occurred in EDPR considering all employees and contractors, including 1 fatal accident due to a fall. The frequency and the severity rate were 3.0 work accidents, per million hours worked and 128 days lost due to work accident, per million hours worked, in the period in question respectively.

#### HUMAN AND LABOUR RIGHTS

EDPR actively seeks to promote the values of integrity, responsibility and transparency in its value chain and in society in general.

This practice is reflected in the Code of Ethics, which contains specific clauses regarding non-discrimination and equal opportunities, in line with the company's culture of diversity and respect for human and labour rights.

A Code of Ethics channel is available for the communication of any breach of the Code related to matters of labour and human rights, including those in the context of the supply chain.



### 3.2.3. CONTRIBUTING TO LOCAL COMMUNITIES

As a part of the community where it operates, EDPR values and invests in a strong and lasting relation with the local communities. The company's activity provides benefits to the surrounding areas and EDPR manages to maximize them through good communication and collaboration with the local communities.

Communication channels play a key role in managing relationships with local communities. To ensure continuous dialogue and maintain close relationships, EDPR uses the most effective channels to identify and manage expectations, minimizing and ensuring better management of the risks associated with each community.

EDPR's Social Investment Policy establishes a framework that encompasses the corporate objectives and strategies related to this area, and also supports local communities in the development of their social priorities. Before investing in a local community, the company considers its specific characteristics when interacting with them and when making locally impactful decisions. This allows EDPR to guarantee that the community's interests are always taken into consideration and respected.

Considering all of the above, EDPR invests in activities that will impact positively the promotion and development of the following four main areas: Culture & Art; Social inclusion, Sustainable ways of living & Access to energy; Natural heritage & Biodiversity and Renewable Energy & Energy Efficiency.

In the first half of 2018, EDPR invested €581k in activities for local communities in 6 different countries, mainly developing the following areas:

#### **SOCIAL INCLUSION, SUSTAINABLE WAYS OF LIVING & ACCESS TO ENERGY**

- EDPR Rural – helps rural producers, families and communities to effectively produce and market their products in order to increase family incomes, better organize production and guarantee a diverse and secure supply. During 1H18, EDPR held two farmers' markets for citizens of the municipalities of Jandaíra and Parazinho. The farmers involved have already undergone the bulk of their training, new farming structures have been installed and they have now begun production.
- Closer2you – aims to help families in difficult economic circumstances who need improvements made to their homes. During 1H18, the initiative took place in Portugal. EDPR rebuilt the out and inner walls, replacing the roof and the floor and installed drinking water and plumbing systems.

#### **NATURAL HERITAGE & BIODIVERSITY**

- Environmental volunteering – allows EDPR's employees to reforest local regions in response to forest fires. These volunteering actions are part of a Forest Fire Prevention Plan in Spain and in Portugal that includes several activities that aim to reduce and prevent forest fires as well as to mitigate its impacts in order to reduce biodiversity loss.

#### **RENEWABLE ENERGY & ENERGY EFFICIENCY**

- Your Energy – explains to children the difference among the various types of energy generation technologies, focusing on the world of renewable energy through educational experiments, animations and stories. During the first half of 2018, this program reached 2500 students in Spain and Poland.
- Wind Experts – is an educational program for children aged 10 to 13 about renewable energy while developing their sense of creativity. During 1H18, 96 school groups and 380 children in Spain participated in the activity.

### 3.2.4. PROMOTING ACCESS TO ENERGY FOR ALL



As a responsible company and global leader in the renewable energy sector, EDPR defined a clear strategy for Access to Energy (A2E): to provide clean energy in developing countries based on energy efficiency and decentralized renewable energy solutions, that promote sustainable development of the communities involved.

Access to renewable energy makes the difference for people not connected to the electricity grid, not only by providing sustainable energy services but also by enabling improvement on health and education conditions, job creation and new economic activities. Moreover, the use of clean energies and the promotion of energy efficiency will have a positive impact on the environment. The A2E initiative strongly contributes to increase EDPR's vision of a sustainable, safe and healthy world a reality as it has a positive impact on people and on the environment as well.

### 3.2.5. IMPROVING OUR OPERATIONS TOGETHER WITH THE SUPPLY CHAIN

**The EDPR's market leadership, based in value creation capacity, innovation and relationship with its stakeholders, is much influenced by the performance of its suppliers with whom the relationship is based on trust and collaboration. This results in a joint capacity to innovate, strengthen sustainability policy and improve quality of operations.**

#### EDPR SUPPLY CHAIN

EDPR has defined **policies and procedures** to ensure the several aspects that fill in with the sustainability of the supply chain, as well as the management and mitigation of any type of environmental, social or ethical risks in the supply chain.

EDPR propelled all its suppliers to know and accept all the commitments involved in the EDP Group approved a Code of Conduct for all Suppliers (Compliance; Ethical; Environmental; Labor; Workplace, Safety and Health; Community and Human Rights and Management Commitments).

The rule "pass or fail" is applied to suppliers. If they do not meet the main requirements set by EDPR they will not be selected to provide services. Then, the suppliers are evaluated throughout an multi criteria matrix (annual value spend; supply frequency; access to customers; access to technical equipment or sensitive data; supplier substitutability; component substitutability; supply failure consequence; supplier segmentation; safety risks, environmental risks and obligations) to identify their criticality.

From the point of view of criticality for the business, EDPR's suppliers segments are:

- **Critical suppliers:** Turbines, BOP (Balance of Plant) and O&M (Operation and Maintenance), and;
- **Non-critical suppliers:** Indirect purchases.

EDPR monitors critical suppliers during their services delivery, taking into account aspects as quality, economical/financial solvency, safety, health and environment management (waste management, oil spills, etc.). EDPR also ensures the compliance with standards, commitments and procedures of EDPR in all value chain.

#### PROCUREMENT MANUAL

EDPR has a Procurement Manual, which includes sustainability principles to be taken into account when contracting products or services. These principles summarize the most relevant aspects for EDPR in terms of sustainability in the supply chain: health and safety, respect for the environment, ethics, local development and innovation.

#### EDPR'S CODE OF ETHICS AND UN GLOBAL COMPACT

EDPR is governed under a strong sense of ethics and is also a signatory of the UN Global Compact for Sustainable Development, committed to implement these principles as well as to promote the adoption of these principles on its area of influence.

EDPR's suppliers must know and accept by written the principles established in the Code of Ethics and accept to comply with the UN Global Compact's ten principles, on human rights, labor, environment and anti-corruption and provide the confirmation as signatories of the UN Global Compact directives or a written declaration of their acceptance.

#### HEALTH AND SAFETY AND ENVIRONMENTAL POLICIES

Health & Safety System, based on the OHSAS 18001:2007 specifications require EDPR's employees and all other individuals working on behalf of EDPR to follow best practices in those areas, as required in EDPR's OH&S Policy.

EDPR's suppliers shall adopt all necessary measures to ensure strict compliance with all applicable environmental regulations as well as EDPR's Environment and Biodiversity Policies, internal norms, procedures and systems in place as regards to environmental management into all phases of the business.

**Over 7870<sup>(1)</sup>  
suppliers  
already  
contributed to  
EDPR success  
during the first  
semester of  
2018**

<sup>1</sup> Based on purchase orders placed in 1H 2018



### 3.3. ENVIRONMENT

EDPR protects the environment complementing the strategy of fighting against climate change with its responsible management along the whole value chain.

Wind power is one of the most environmentally friendly ways of producing energy. Even though EDPR's business inherently implies a positive impact on the environment, the company continues to work on a daily basis to hold itself to a higher standard. EDPR believes that proactive environmental management generates value and constitutes the duty of any socially responsible company and therefore it is one of the pillars of EDPR's Environmental Policy.

#### Protecting the climate

EDPR produces competitive energy based on renewable sources that contribute to sustainable economic growth

By producing renewable energy, EDPR is reinforcing its commitment to the United Nation's SDG 13: Climate action

Wind and solar energy has zero carbon emissions and does not produce harmful SO<sub>x</sub>, NO<sub>x</sub> or mercury emissions, protecting valuable air and water resources and contributing to the world's fight against climate change. Besides, generation from wind and solar energy does not consume water in its operational processes.

Moreover, EDPR focuses on raising awareness of the society and of children in particular about climate change and actions to prevent it, such as the use of renewable energy. In order to do so, EDPR implements activities like Your Energy, Wind Experts and Global Wind Day.

#### Engaged with biodiversity

Fighting against climate change is the best contribution to tackle biodiversity loss

By minimising losses in biodiversity through its operations, EDPR contributes to the United Nation's SDG 15: Life on land

EDPR is aware of the sensitivity of natural ecosystems and the pressures affecting biodiversity. The main approach to contribute to the reduction of biodiversity loss is clear: produce clean energy to fight climate change, one of the greatest threats for biodiversity.

The environmental strategy of the company ensures the minimization of the impacts on biodiversity along the whole value chain and seeking an overall positive balance. Moreover, reinforcing the commitment to the local communities and biodiversity, EDPR has in place a Forest Fire Prevention Plan in order to reduce and prevent forest fires to tackle biodiversity loss in Spain and in Portugal.

#### Preserving natural resources

EDPR promotes the efficient use of natural resources in all activities, within the framework of a circular economy

Indorsing a rational use of resources, EDPR contributes to the United Nation's SDG 12: Responsible consumption and production

The wind turbine is around 80%-90%<sup>1</sup> made of recyclable material as the missing percentage is concerning the turbine's blades that are composed and manufactured by complex materials that make it hard to recycle. Through its collaboration agreement with TRC, EDPR has produced the first samples generated through a recycling process which will provide a second useful life for wind assets. The production of these new reinforced materials represents a considerable success in cutting CO<sub>2</sub> emissions and reducing the volume of waste.

The main contribution to the hazardous waste produced by wind farms is related to oil and oil-related wastes used mainly for lubrication of the turbines when operating. The consumption of this oil is based on certain pre-defined replacement time frequencies. During 1H18, hazardous wastes generated per GWh reduced by 17% YoY and the recovery rate was at 92%.

<sup>1</sup> According to Life Cycle Assessment of our main turbine suppliers



**THE**  
**LIVING ENERGY**  
**BOOK**

by *edp* renováveis

