



**EDP RENOVÁVEIS, S.A.  
AND ITS SUBSIDIARIES**

Report on limited review of condensed  
interim consolidated financial statements  
and interim consolidated management's report  
at June 30, 2019



## REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of EDP Renováveis S.A., at the request of Board of directors:

### Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of EDP Renováveis, S.A. (hereinafter, “the parent company”) and its subsidiaries (hereinafter, “the group”), which comprise the statement of financial position as at June 30, 2019, and the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company’s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, “Interim Financial Reporting”, as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

### Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

### Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements for the six months period ended June 30, 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, “Interim Financial Reporting”, as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

### Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2018. Our conclusion is not modified in respect of this matter.

.....  
*PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España*  
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

1



## Other Matters

### *Interim consolidated management's report*

The accompanying interim consolidated management's report for the six months period ended June 30, 2019 contains the explanations which the parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this management's report is in agreement with that of the interim condensed consolidated financial statements for the six months period ended June 30, 2019. Our work is limited to checking the interim consolidated management's report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from EDP Renováveis, S.A. and its subsidiaries' accounting records.

### *Preparation of this review report*

This report has been prepared at the request of the Board of directors in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Iñaki Goirienu Basualdu

July 24, 2019







# INDEX

## **CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

Condensed Consolidated Income Statement	3
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash-Flows	7
Notes to the Condensed Consolidated Financial Statements	8

**WE  
LOVE  
ENERGY**

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 AND 2018**

THOUSAND EUROS	NOTES	2019	2018
Revenues	7	910,460	822,980
Income from institutional partnerships in U.S. wind farms	8	94,653	100,404
		<b>1,005,113</b>	<b>923,384</b>
Other income	9	253,046	55,121
Supplies and services	10	-147,497	-159,646
Personnel costs and employee benefits	11	-63,005	-56,978
Other expenses	12	-86,402	-76,508
Impairment losses on trade receivables and debtors		-65	457
		<b>-43,923</b>	<b>-237,554</b>
		<b>961,190</b>	<b>685,830</b>
Provisions		-269	-278
Amortisation and impairment	13	-293,474	-259,042
<b>Operating profit</b>		<b>667,447</b>	<b>426,510</b>
Financial income	14	24,704	37,756
Financial expenses	14	-213,333	-170,596
<b>Financial expenses – net</b>		<b>-188,629</b>	<b>-132,840</b>
Share of net profit in joint ventures and associates	20	3,850	1,038
<b>Profit before tax and CESE</b>		<b>482,668</b>	<b>294,708</b>
Income tax expense	15	-45,542	-54,550
Extraordinary contribution to the energy sector (CESE)	15	-3,503	-
<b>NET PROFIT FOR THE PERIOD</b>		<b>433,623</b>	<b>240,158</b>
<b>ATTRIBUTABLE TO</b>			
Equity holders of EDP Renováveis	29	343,080	138,848
Non-controlling interests	30	90,543	101,310
<b>NET PROFIT FOR THE PERIOD</b>		<b>433,623</b>	<b>240,158</b>
<b>Earnings per share basic and diluted – Euros</b>	<b>28</b>	<b>0.39</b>	<b>0.16</b>



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

THOUSAND EUROS	2019		2018	
	EQUITY HOLDERS OF THE PARENT	NON- CONTROLLING INTERESTS	EQUITY HOLDERS OF THE PARENT	NON- CONTROLLING INTERESTS
Net profit for the period	343,080	90,543	138,848	101,310
<b>ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS</b>				
Actuarial gains/(losses)	-49	-4	2	-
Tax effect of actuarial gains/(losses)	11	1	-1	-
	<b>-38</b>	<b>-3</b>	<b>1</b>	<b>-</b>
<b>ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS</b>				
Fair value reserve (Equity instruments at fair value)	-	-	-	-
Tax effect of fair value reserve (Equity instruments at fair value)	-	-	-	-
Fair value reserve (cash flow hedge)	28,608	-1,593	-27,207	1,649
Tax effect from the fair value reserve (cash flow hedge)	-6,445	375	7,081	-371
Fair value reserve (cash flow hedge) net of taxes of non-current assets held for sale	-	-	-	-
Share of other comprehensive income of joint ventures and associates, net of taxes	-8,683	-	-5,401	-
Reclassification to profit and loss due to changes in control	208	-	-	-
Exchange differences arising on consolidation	-10	8,042	3,192	13,801
	<b>13,678</b>	<b>6,824</b>	<b>-22,335</b>	<b>15,079</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>	<b>13,640</b>	<b>6,821</b>	<b>-22,334</b>	<b>15,079</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>356,720</b>	<b>97,364</b>	<b>116,514</b>	<b>116,389</b>

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

THOUSAND EUROS	NOTES	2019	2018
<b>ASSETS</b>			
Property, plant and equipment	16	12,773,692	13,921,794
Right-of-use assets	17	614,304	-
Intangible assets	18	255,352	250,646
Goodwill	19	1,191,996	1,326,563
Investments in joint ventures and associates	20	323,577	348,725
Equity instruments at fair value		8,434	8,438
Deferred tax assets	21	153,962	174,490
Debtors and other assets from commercial activities	23	10,666	20,499
Other debtors and other assets	24	98,458	110,049
Collateral deposits associated to financial debt	31	19,827	25,466
<b>Total Non-Current Assets</b>		<b>15,450,268</b>	<b>16,186,670</b>
Inventories	22	35,863	35,634
Debtors and other assets from commercial activities	23	279,184	313,789
Other debtors and other assets	24	1,165,265	370,817
Current tax assets	25	47,761	59,526
Collateral deposits associated to financial debt	31	10,154	13,185
Cash and cash equivalents	26	267,676	551,543
Assets held for sale	27	366,864	7,546
<b>Total Current Assets</b>		<b>2,172,767</b>	<b>1,352,040</b>
<b>TOTAL ASSETS</b>		<b>17,623,035</b>	<b>17,538,710</b>
<b>EQUITY</b>			
Share capital	28	4,361,541	4,361,541
Share premium	28	552,035	552,035
Reserves	29	-158,847	-172,525
Other reserves and Retained earnings	29	1,695,533	1,454,598
Consolidated net profit attributable to equity holders of the parent		343,080	313,365
<b>Total Equity attributable to equity holders of the parent</b>		<b>6,793,342</b>	<b>6,509,014</b>
Non-controlling interests	30	1,354,090	1,613,390
<b>TOTAL EQUITY</b>		<b>8,147,432</b>	<b>8,122,404</b>
<b>Liabilities</b>			
Medium / Long term financial debt	31	2,928,170	3,207,855
Provisions	32	261,531	290,070
Deferred tax liabilities	21	345,077	463,062
Institutional partnerships in U.S. wind farms	33	2,134,863	2,231,249
Trade and other payables from commercial activities	34	450,461	419,430
Other liabilities and other payables	35	952,107	554,150
<b>Total Non-Current Liabilities</b>		<b>7,072,209</b>	<b>7,165,816</b>
Short term financial debt	31	1,097,129	442,130
Provisions	32	5,322	5,248
Trade and other payables from commercial activities	34	684,280	1,176,238
Other liabilities and other payables	35	334,169	540,078
Current tax liabilities	36	116,602	86,796
Liabilities held for sale	27	165,892	-
<b>Total Current Liabilities</b>		<b>2,403,394</b>	<b>2,250,490</b>
<b>TOTAL LIABILITIES</b>		<b>9,475,603</b>	<b>9,416,306</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,623,035</b>	<b>17,538,710</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 AND 2018

THOUSAND EUROS	TOTAL EQUITY	SHARE CAPITAL	SHARE PREMIUM	RESERVES AND RETAINED EARNINGS	EXCHANGE DIFFERENCES	HEDGING RESERVE	FAIR VALUE RESERVE	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF EDP RENOVAVEIS	NON-CONTROLLING INTERESTS
<b>BALANCE AS AT 31 DECEMBER 2017</b>	7,895,152	4,361,541	552,035	1,546,139	-82,672	-48,565	6,499	6,334,977	1,560,175
<b>COMPREHENSIVE INCOME</b>									
- Fair value reserve (cash flow hedge) net of taxes	-18,848	-	-	-	-	-20,126	-	-20,126	1,278
- Share of other comprehensive Income in joint ventures and associates, net of taxes	-5,401	-	-	-	-628	-4,773	-	-5,401	-
- Actuarial gains/(losses) net of taxes	1	-	-	1	-	-	-	1	-
Exchange differences arising on consolidation	16,993	-	-	-	3,192	-	-	3,192	13,801
- Net profit for the period	240,158	-	-	138,848	-	-	-	138,848	101,310
<b>Total comprehensive income for the period</b>	<b>232,903</b>	<b>-</b>	<b>-</b>	<b>138,849</b>	<b>2,564</b>	<b>-24,899</b>	<b>-</b>	<b>116,514</b>	<b>116,389</b>
Dividends paid	-52,338	-	-	-52,338	-	-	-	-52,338	-
Dividends attributable to non-controlling interests	-37,154	-	-	-	-	-	-	-	-37,154
IFRS 9 transition adjustments	-17,267	-	-	-17,267	-	-	-	-17,267	-
Other changes resulting from acquisitions/sales and equity increases	-27,239	-	-	-1,463	-	-	-	-1,463	-25,776
Other	-385	-	-	-2,950	-	1,188	-	-1,762	1,377
<b>BALANCE AS AT 30 JUNE 2018</b>	<b>7,993,672</b>	<b>4,361,541</b>	<b>552,035</b>	<b>1,610,970</b>	<b>-80,108</b>	<b>-72,276</b>	<b>6,499</b>	<b>6,378,661</b>	<b>1,615,011</b>
<b>BALANCE AS AT 31 DECEMBER 2018</b>	<b>8,122,404</b>	<b>4,361,541</b>	<b>552,035</b>	<b>1,767,963</b>	<b>-68,927</b>	<b>-109,962</b>	<b>6,364</b>	<b>6,509,014</b>	<b>1,613,390</b>
<b>COMPREHENSIVE INCOME</b>									
- Fair value reserve (cash flow hedge) net of taxes	20,945	-	-	-	-	22,163	-	22,163	-1,218
- Share of other comprehensive Income in joint ventures and associates, net of taxes	-8,683	-	-	-	1,647	-10,330	-	-8,683	-
- Reclassification to profit and loss due to changes in control	208	-	-	-	-	208	-	208	-
- Actuarial gains/(losses) net of taxes	-41	-	-	-38	-	-	-	-38	-3
- Exchange differences arising on consolidation	8,032	-	-	-	-10	-	-	-10	8,042
- Net profit for the period	433,623	-	-	343,080	-	-	-	343,080	90,543
<b>Total comprehensive income for the period</b>	<b>454,084</b>	<b>-</b>	<b>-</b>	<b>343,042</b>	<b>1,637</b>	<b>12,041</b>	<b>-</b>	<b>356,720</b>	<b>97,364</b>
Dividends paid	-61,061	-	-	-61,061	-	-	-	-61,061	-
Dividends attributable to non-controlling interests	-33,163	-	-	-	-	-	-	-	-33,163
Sale with loss of control of EDPR Europe subsidiaries	-289,345	-	-	-	-	-	-	-	-289,345
Other changes resulting from acquisitions/sales and equity increases	-45,779	-	-	-11,331	-	-	-	-11,331	-34,448
Other	292	-	-	-	-	-	-	-	292
<b>BALANCE AS AT 30 JUNE 2019</b>	<b>8,147,432</b>	<b>4,361,541</b>	<b>552,035</b>	<b>2,038,613</b>	<b>-67,290</b>	<b>-97,921</b>	<b>6,364</b>	<b>6,793,342</b>	<b>1,354,090</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 AND 2018**

THOUSAND EUROS	2019	2018
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	933,469	891,843
Payments to suppliers	-183,818	-207,314
Payments to personnel	-74,546	-66,030
Other receipts / (payments) relating to operating activities	-9,268	-18,914
<b>Net cash from operations</b>	<b>665,837</b>	<b>599,585</b>
Income tax received / (paid)	-20,383	-18,712
<b>Net cash flows from operating activities</b>	<b>645,454</b>	<b>580,873</b>
<b>INVESTING ACTIVITIES</b>		
Cash receipts relating to:		
Property, plant and equipment and intangible assets	705	3,354
Interest and similar income	9,268	3,749
Dividends	14,780	6,547
Loans to related parties	4,214	19,958
Sale of subsidiaries with loss of control	2	-
Other receipts from investing activities	-	20,183
	<b>28,969</b>	<b>53,791</b>
Cash payments relating to:		
Changes in cash resulting from perimeter variations (*)	-93,075	-
Acquisition of subsidiaries	-5,456	-
Property, plant and equipment and intangible assets	-774,410	-503,199
Loans to related parties	-38,293	-32,379
Other payments in investing activities	-212,748	-
	<b>-1,123,982</b>	<b>-535,578</b>
<b>Net cash flows from investing activities</b>	<b>-1,095,013</b>	<b>-481,787</b>
<b>FINANCING ACTIVITIES</b>		
Payments/receipts related with transactions with non-controlling interest without change of control (**)	-15,053	-
Receipts / (payments) relating to loans from third parties	-3,409	-61,340
Receipts / (payments) relating to loans from non-controlling interests	-17,026	-54,288
Receipts / (payments) relating to loans from Group companies	517,016	410,473
Interest and similar costs including hedge derivatives from third parties	-25,528	-25,228
Interest and similar costs from non-controlling interests	-2,921	-13,763
Interest and similar costs including hedge derivatives from Group companies	-84,570	-67,592
Payment of lease liabilities	-23,909	-
Dividends paid	-88,751	-60,338
Receipts/ (payments) from derivative financial instruments	1,971	-119,188
Receipts / (payments) from wind activity institutional partnerships - USA	-64,258	-74,749
Share capital increases/(decreases) by non-controlling interests	-34,496	-28,674
<b>Net cash flows from financing activities</b>	<b>159,066</b>	<b>-94,687</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>-290,493</b>	<b>4,399</b>
Effect of exchange rate fluctuations on cash held	6,626	3,186
Cash and cash equivalents at the beginning of the period	551,543	388,061
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (***)</b>	<b>267,676</b>	<b>389,274</b>

(\*) Mainly includes (i) -89,309 thousand Euros related to the sale of EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries (see note 6); -2,688 thousand Euros and -1,075 thousand Euros related to the reclassification of the Babilonia portfolio and certain offshore companies respectively, to held for sale (see note 27);

(\*\*) Refer to the pre-flip acquisition of Class B shares in Vento II portfolio (see note 33);

(\*\*\*) See note 26 of the consolidated financial statements for a detailed breakdown of Cash and cash equivalents.

Variations in the following financing captions, including cash flow variations, during the period ending June 30, 2019 are as follows:

THOUSAND EUROS	BANK LOANS (*)	GROUP LOANS	NON- CONTROLLING INTERESTS LOANS	U.S. INSTITUTIONAL PARTNERSHIPS	DERIVATIVES (**)	TOTAL
<b>BALANCE AS OF DECEMBER 31, 2018</b>	<b>845,330</b>	<b>2,766,004</b>	<b>563,406</b>	<b>2,231,249</b>	<b>95,672</b>	<b>6,501,661</b>
Cash flows						
• Receipts/(payments) relating to loans from third parties	-3,409	-	-	-	-	-3,409
• Receipts/(payments) relating to loans from non-controlling interests	-	-	-17,026	-	-	-17,026
• Receipts/(payments) relating to loans from Group companies	-	517,016	-	-	-	517,016
• Interest and similar costs including hedge derivatives from third parties	-21,046	-	-	-	-4,482	-25,528
• Interest and similar costs from non-controlling interests	-	-	-2,921	-	-	-2,921
• Interest and similar costs including hedge derivatives from Group companies	-	-43,161	-	-	-41,409	-84,570
• Receipts/ (payments) from derivative financial instruments	-	-	-	-	1,971	1,971
• Receipts / (Payments) from institutional partnership in US wind farms	-	-	-	-64,258	-	-64,258
Changes of perimeter (**)	-30,385	-	-283,457	-	-933	-314,775
Reclassification to held-for-sale (****)	-136,675	-	-	-	-	-136,675
Exchange differences	8,733	5,617	1,387	14,503	4,212	34,452
Fair value changes	-	-	-	-	22,958	22,958
Accrued expenses	29,156	58,138	11,097	4,240	45,149	147,780
Unwinding	-	-	-	43,782	-	43,782
Changes in U.S. Institutional Partnerships related to ITC/PTC	-	-	-	-94,653	-	-94,653
<b>BALANCE AS OF JUNE 30, 2019</b>	<b>691,704</b>	<b>3,303,614</b>	<b>272,486</b>	<b>2,134,863</b>	<b>123,138</b>	<b>6,525,805</b>

(\*) Net of collateral deposits;

(\*\*) The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities;

(\*\*\*\*) Refers to the sale of EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries (see note 6);

(\*\*\*\*\*) Mainly refers to the reclassification of bank loans related to the Babilonia portfolio to liabilities held for sale (see note 27).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

---

01. THE BUSINESS OPERATIONS OF THE EDP RENOVÁVEIS GROUP	9
02. ACCOUNTING POLICIES	11
03. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED	13
04. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES	15
05. FINANCIAL RISK MANAGEMENT POLICIES	16
06. CONSOLIDATION PERIMETER	19
07. REVENUES	20
08. INCOME FROM INSTITUTIONAL PARTNERSHIPS IN U.S. WIND FARMS	20
09. OTHER INCOME	20
10. SUPPLIES AND SERVICES	20
11. PERSONNEL COSTS AND EMPLOYEE BENEFITS	21
12. OTHER EXPENSES	21
13. AMORTISATION AND IMPAIRMENT	21
14. FINANCIAL INCOME AND FINANCIAL EXPENSES	22
15. INCOME TAX EXPENSE AND EXTRAORDINARY CONTRIBUTION TO THE ENERGY SECTOR (CESE)	22
16. PROPERTY, PLANT AND EQUIPMENT	25
17. RIGHT OF USE ASSET	26
18. INTANGIBLE ASSETS	27
19. GOODWILL	28
20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	28
21. DEFERRED TAX ASSETS AND LIABILITIES	28
22. INVENTORIES	29
23. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES	29
24. OTHER DEBTORS AND OTHER ASSETS	29
25. CURRENT TAX ASSETS	30
26. CASH AND CASH EQUIVALENTS	30
27. ASSETS AND LIABILITIES HELD FOR SALE	31
28. SHARE CAPITAL	32
29. RESERVES AND RETAINED EARNINGS	33
30. NON-CONTROLLING INTERESTS	34
31. FINANCIAL DEBT	34
32. PROVISIONS	35
33. INSTITUTIONAL PARTNERSHIPS IN U.S. WIND FARMS	36
34. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES	36
35. OTHER LIABILITIES AND OTHER PAYABLES	37
36. CURRENT TAX LIABILITIES	38
37. DERIVATIVE FINANCIAL INSTRUMENTS	38
38. COMMITMENTS	39
39. RELATED PARTIES	40
40. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES	42
41. RELEVANT SUBSEQUENT EVENTS	44
42. OPERATING SEGMENTS REPORT	44
ANNEX 1	45

## 01. THE BUSINESS OPERATIONS OF THE EDP RENOVÁVEIS GROUP

EDP Renováveis, Sociedad Anónima (hereinafter referred to as "EDP Renováveis" or "EDPR") was incorporated on 4 December 2007. Its main corporate objective is to engage in activities related to the electricity sector, namely the planning, construction, operation and maintenance of electricity generating power stations, using renewable energy sources, mainly wind. The registered offices of the company are located in Oviedo, Spain. On 18 March 2008 EDP Renováveis was converted into a company incorporated by shares (Sociedad Anónima).

The Company belongs to the EDP Group, of which the parent company is EDP Energias de Portugal, S.A., with registered offices at Avenida 24 de Julho, 12, Lisbon. As at 30 June 2019 and 31 December 2018 EDP Energias de Portugal, S.A through its Spanish branch EDP S.A. - Sucursal en España ("EDP Branch") held a qualified shareholding of 82.6% of the share capital and voting rights of EDPR and 17.44% of the share capital was free floated in the Euronext Lisbon.

In December 2011, China Three Gorges Corporation (CTG) signed an agreement to acquire 780,633,782 ordinary shares in EDP from Parpública - Participações Públicas SGPS, S.A., representing 21.35% of the share capital and voting rights of EDP Energias de Portugal S.A., a majority shareholder of the Company. This operation was concluded in May 2012.

The terms of the above mentioned agreement through which CTG became a shareholder of the EDP Group stipulate that CTG would make minority investments totaling 2,000 million of Euros in operating and ready-to-build renewable energy generation projects (including co-funding capex).

Within the agreement mentioned above, the following transactions have taken place:

- In June 2013, EDPR completed the sale of 49% equity shareholding in EDPR Portugal to CTG through CITIC CWEI Renewables S.C.A.
- In May 2015, EDPR closed the sale of 49% of the following EDPR Brasil subsidiaries to CTG through CWEI Brasil participações LTDA: Elebrás Projetos S.A, Central Nacional de Energia Eólica S.A, Central Eólica Baixa do Feijão I S.A, Central Eólica Baixa do Feijão II S.A, Central Eólica Baixa do Feijão III S.A, Central Eólica Baixa do Feijão IV S.A, Central Eólica Jau S.A. and Central Eólica Aventura S.A.
- In October 2016, EDPR completed the sale of 49% equity shareholding in EDP Renewables Polska SP.Zo.o. to CTG through ACE Poland S.Á.R.L. and the sale of 49% equity shareholding in EDP Renewables Italia S.r.l. to CTG through ACE Italy S.Á.R.L. (see note 5).
- In June 2017, EDPR Group closed the sale of 49% equity shareholding in EDPR PT - Parques Eólicos, S.A. to CTG through ACE Portugal S.Á.R.L. (see note 6).
- In December 2018, EDPR completed the sale of 10% equity shareholding in the equity consolidated offshore company Moray East Holdings Limited to CTG through China Three Gorges (UK) Limited (see note 6).

As at 30 June 2019, EDP Renováveis S.A. directly holds a 100% stake in the share capital of the following companies: EDP Renewables Europe, S.L. (EDPR EU), EDP Renewables North America, LLC (EDPR NA), EDP Renewables Canada, Ltd. (EDPR Canada), EDP Renováveis Brasil, S.A. (EDPR BR), EDPR Offshore España, S.L. and EDPR Offshore France, S.A.S., Eolos Energía S.A.S. E.S.P. and Vientos del Norte S.A.S. E.S.P.

EDPR EU operates through its subsidiaries located in Spain, Portugal, France, Belgium, Netherlands, Poland, Romania, Italy, United Kingdom and Greece. EDPR EU's main subsidiaries are: EDP Renovables España, S.L. and EDPR Participaciones S.L. (wind farms in Spain), EDP Renováveis Portugal, S.A. and EDPR PT – Parques Eólicos, S.A. (wind farms in Portugal), EDPR France Holding S.A.S. (wind farms in France), EDP Renewables Belgium (wind farms in Belgium), EDP Renewables Polska, SP.ZO.O and EDPR Renewables Polska HoldCo, S.A. (wind farms in Poland), EDPR România S.r.l. and EDPR RO PV S.r.l. (wind and photovoltaic solar farms in Romania), EDP Renewables Italy, S.r.l. and EDP Renewables Italia Holding, S.r.l. (wind farms in Italy) and EDPR UK Limited (development of projects in UK).

EDPR NA's main activities consist of the development, management and operation of wind and solar farms in the United States of America and providing management services for EDPR Canada and EDPR Mexico. EDPR Canada and EDPR Mexico's main activities consist of the development, management and operation of wind farms in Canada and Mexico.

EDPR BR's main activities consist of the development, management and operation of wind farms in Brazil.

EDPR Group is currently developing wind onshore projects in Colombia through the companies Eolos Energía S.A.S. E.S.P. and Vientos del Norte S.A.S. E.S.P. Additionally, EDPR Group is also developing wind offshore projects in the UK, France, USA, Portugal, Poland and Japan mainly through different joint venture structures (see note 27).

**REGULATORY FRAMEWORK**

During the six-month period ended 30 June 2019, we emphasize the following changes:

*Regulatory framework for the activities in Spain*

On 22 February 2019, MITECO (The Ministry for Environmental Transition) put for public consultation the "Strategic Framework for Energy and Climate" (Marco Estratégico de Energía y Clima) including: (i) a new version of the Draft Project Law on Energy Transition, (ii) the draft National Energy and Climate Plan 2021-2030 ("NECP"), and (iii) Draft Strategy for a fair energy transition. With regards to the Spanish NECP, Spain has submitted a draft version to the European Commission targeting a share of 42% of renewables (74% of renewable electricity) by 2030.

Additionally, on October 5, 2018, Spanish Minister for Energy Transition announced the approval of a Royal Decree-Law with extraordinary measures on the energy sector. One of these measures was a temporary suspension of the 7% generation tax from October 2018 to March 2019. That suspension would not drive a direct extra revenues of 7% since the Royal Decree states that the incentive ("Rinv") has to be revisited to account for that suspension. According to the Royal Decree provisions, Government had 3 months to adjust the Rinv, however nothing was disclosed yet in this respect. The CNMC sent on June 2019 for public consultation a draft Ministerial Order setting the adjusted Rinv to be in place in 2018 and 2019 to account for the 7% temporary suspension, which is in consultation until July 10<sup>th</sup> 2019.

*Regulatory framework for the activities in Portugal*

The Portuguese government 2019 Budget included an extension of the special energy tax (so-called CESE) to renewables. However, there is an exemption for facilities with licenses that had been granted through public tenders. On 31 January 2019 was published Ordinance 43/2019, of the Ministry of the Environment and Energy Transition, which changes the criteria for granting authorization for the installation of over-equipment of wind farms. With the publication of this Ordinance, ERSE consultation is dismissed if the owner of the power plant chooses to apply the energy of the overequipment to a tariff of 45€/MWh, without update, for a period of 15 years. This Ordinance also applies to requests for authorization that, at the date of its entry into force, are still pending from the decision of the Portuguese Authority of Energy and Geology (DGEG).

Additionally, on June 3<sup>rd</sup> the DL 76/2019 was published. This DL is a comprehensive review of the legal basis of the Portuguese electricity sector. Regarding new renewable capacity, the Decree changes the order in which grid capacity reservation and production license are obtained. New projects will need to obtain the title of grid capacity reservation prior to applying for the production license. The Decree also introduces three ways to obtain grid capacity reservation, being one of them competitive tenders.

The Portuguese government will allocate 1,4 GW of solar power in an auction to be held in July 2019. The auction responds to the objective of reaching 80% of electricity from renewables' sources by 2030, which translates in 7,8-9,3 GW of solar PV installed capacity. The auction will award titles of grid connection capacity reservation (título de reserva de capacidade de injeção) which according to the new DL 76/2019 is a necessary condition to get the production license.

*Regulatory framework for the activities in Romania*

In December 2018, the Emergency Government Ordinance (EGO) 114/2018 introducing several measures affecting the Romanian electricity sector was approved. The EGO will charge companies holding licenses in the electricity sector with a tax of 2% of the annual turnover (as opposed to former charge of 0,1%). Also, the EGO sets the obligation for electricity producers to sell at regulated prices to the suppliers of last resort the quantities needed to cover the consumption of household consumers (for which regulated tariffs will apply) from 1 March 2019 to 28 February 2022.

*Regulatory framework for the activities in Poland*

On 3 January 2019, the Polish Energy Exchange published the official weighted average price of Green Certificates: 103.82 PLN/MWh. As the substitution fee should be 125% of the previous year price, its value for 2019 should be 129.8 PLN/MWh.

On June 25, 2019, the government approved a set of amendments to the Renewable Energy Sources Act, which were originally published and submitted for public consultation on February 28. The main objective pursued by the Act was to allow auctions for new renewable energy projects in 2019 (including some changes to the CfD scheme to be granted therein). The main changes regarding upcoming auctions are:

- Confirmation of the celebration of auctions for new assets in 2019 including proposed budget, volumes and reference prices (for onshore wind >1 MW around 2,5 GW with a reference price of 286 PLN/MWh);
- Introduction of changes to the CfD scheme to be granted by the tenders (only applicable from 2019 tenders onwards), namely a shift in the CfD settlement structure which de facto transforms it into a "floor" scheme.

*Regulatory framework for the activities in France*

On 29 November 2018, the government approved the Decree-Law 2018-1054 aimed at accelerating legal procedures following claims against the administrative authorizations of wind farms, by removing the two-level court system in the event of litigation.

The third offshore auction took place in March 2019 with all major players participating (grouped in 10 consortiums). François de Rugy, France's minister for ecologic and solidary transition, has confirmed that France will double its offshore wind tender schedule to 1 GW yearly between 2020 and 2023 (and potentially beyond) after bids in the latest round confirmed steep cost reductions in the sector. The country's original multi-year energy program ("PPE") envisaged tenders for about 5 GW out to 2028 or about 500 MW annually.

Next onshore round will start in July 2019 and 500 MW will be tendered. A new specification clause has been added in case that participation is low. In case that there are only 400 MW participating (or less), then the 20% less competitive projects will be automatically discarded.

#### *Regulatory framework for the activities in the United States Of America*

On 3 January 2019, the 116th United States Congress convened with a Republican-majority Senate and a Democratic-majority House of Representatives. In the prior Congress, Republicans held majorities in both the Senate and the House of Representatives. With this change, a shift in governing philosophy is expected. Democratic representatives have informally proposed a range of potential legislative actions having to do with climate change. One of these proposals is a "Green New Deal" which features a 100% United States RPS standard. Such a standard, if implemented, would increase demand for renewable electricity in the U.S. However, new legislation regarding climate change and renewable energy has yet to be formally proposed and the details of such legislation, if proposed at all, are unclear. Additionally, any legislation passing the Democratic-majority House of Representatives would also have to pass the Republican-majority Senate and be signed by President Trump before becoming law. While this "Green New Deal" is not currently a likely success, it is an indicator that Green goals are becoming bolder and seeking greater results such as, in this case, a 100% renewable mandate. On June 26, 2019, a new bill was introduced to the Senate targeting a national 50% renewable energy standard (RES) by 2035. While the bill has not been passed and currently has only a handful of sponsors, it supports the growing bipartisan trend towards climate action.

Further, House Democrats introduced in 2019 legislation supporting energy storage and offshore wind technology's eligibility for the investment tax credit (ITC) that is currently available to solar and some solar-plus-storage projects. Although there is considerable uncertainty now, the potential for adoption, given proper legislative action, could incentivize rapid energy storage and offshore wind development in the near future. A more distant, yet considerable development is the extension of wind and solar ITC/PTCs. This will continue to be discussed through the House and Senate and will need further partisan support for the progression of these credits.

Additionally, the Affordable Clean Energy (ACE) rule was issued by the Environmental Protection Agency ("EPA") June 19, 2019. This rule will replace the prior administration's Clean Power Plan in efforts to support energy diversity. Environmental advocates and state attorneys general signaled they would file lawsuits to block the EPA's ACE rule, which they say will be significantly less effective than the Obama-era Clean Power Plan.

## **02. ACCOUNTING POLICIES**

### **BASIS OF PRESENTATION**

The condensed consolidated financial statements presented reflect EDP Renováveis S.A. and its subsidiaries financial position as at 30 June 2019 and the results from operations and Group's interest in joint ventures and associated companies, consolidated cash flows and changes in consolidated equity for the six-month period ended at 30 June 2019. The Board of Directors approved these condensed consolidated financial statements on July 23, 2019. The consolidated annual accounts for 2018 were approved by the shareholders at the annual general meeting held on April 11, 2019. The condensed consolidated financial statements are presented in thousand Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) no. 1606/2002 of the European Council and Parliament, of 19 July 2002, the Group's condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies.

The EDPR Group's condensed consolidated financial statements for the six-month period ended 30 June 2018 were prepared in accordance with IFRS as adopted by the E.U. until 30 June 2019 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 2018.

As at 1 January 2019, IFRS 16 - Leases came into force, being adopted for the first time by EDPR Group in these financial statements. Also, as at 1 January 2019, EDPR Group adopted the hedge accounting requirements of IFRS 9 and IFRIC 23.

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 2018. The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, are detailed in note 3.

As at 30 June 2019, EDP Group has not identified any significant changes in key assumptions used in impairment tests performed in the end of 2018, which could indicate that an asset may be impaired.

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



*Change in line items on the Consolidated Income Statement*

As at 30 June 2019, EDPR Group has separated the line "Impairment losses on trade receivables and debtors", which previously was included in "Other expenses" and "Other income" (impairment reversals).

**ACCOUNTING POLICIES CHANGED DUE TO THE APPLICATION OF IFRS 16 AND OF THE HEDGE ACCOUNTING REQUIREMENTS OF IFRS 9****Derivative financial instruments and hedge accounting***Hedge accounting*

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting under IFRS 9 are accounted for as trading instruments.

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model applied by the Group. Hedge relationship exists when:

- (i) The hedging relationship consists only hedging instruments and hedged items that are eligible as per determined in IFRS 9;
- (ii) At the inception of the hedge there is formal documentation of the hedging relationship and the Group's risk management objective and strategy for the hedge;
- (iii) There is an economic relationship between the hedged item and the hedging instrument;
- (iv) The effect of credit risk does not dominate the value changes that result from that economic relationship;
- (v) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

*Effectiveness*

For a hedge relationship to be classified as such, in accordance with IFRS 9, its effectiveness must be demonstrated. Therefore, the Group performs prospective tests at the inception date and at each balance sheet date, in order to demonstrate its effectiveness, showing that any adjustments to the fair value of the hedged item attributable to the risk being hedged are offset by adjustments to the fair value of the hedging instrument. Any ineffectiveness is recognised in the income statement when it occurs.

**Trade payables and other liabilities***Initial measurement of the liabilities regarding the rents due from lease contracts*

As provided by IFRS 16, EDPR Group measures the liability regarding the rents due from lease contracts on the commencement date based on the present value of the future payments of that lease contracts, discounted using EDPR Group's incremental borrowing rate for each portfolio of leases identified.

After the commencement date, the liability regarding the rents due from lease contracts is increased to reflect interest on the liability and reduced to reflect the lease payments made.

*Remeasurement of the liabilities regarding the rents due from lease contracts*

EDPR Group remeasures the liability regarding the rents due from lease contracts (and adjusts the corresponding right-of-use assets) by discounting the revised lease payments, using an unchanged discount rate, if either:

- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or
- there is a change in the amounts expected to be payable under a residual value guarantee

If there is a lease modification that do not qualifies to be accounted as a separate lease, EDPR Group remeasures the liability regarding the rents due from lease contracts (and adjusts the corresponding right-of-use assets) by discounting the revised lease payments, using a revised discount rate at the effective date of the modification.

The variable lease payments that do not depend in an index or a rate are not included in the measurement of the liability regarding the rents due from lease contracts, nor the right-of-use asset. Those payments are recognised as cost in the period in which the event or condition that gives rise to the payments occurs.

**Financial results**

Considering the accounting model provided by IFRS 16, the financial results start to include the interest expenses (unwinding) calculated on the liabilities regarding the rents due from lease contracts.

### Right-of-use assets

As allowed by IFRS 16, EDPR Group presents the information related to lease contracts in the caption Right-of-use assets, creating a separate line in the Statement of Financial Position. These assets are accounted for at cost less accumulated depreciation and impairment losses. The cost of these assets comprises the initial costs and the initial measurement of the liabilities regarding the rents due from lease contracts, deducted from the prepaid amounts and any incentives received.

Depreciation of right-of-use assets is calculated on a straight-line basis over their estimated useful lives, considering the lease contract terms.

## 03. 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 16 - Leases**

IFRS 16 - Leases has been issued by International Accounting Standards Board (IASB) in January 2016 and endorsed by the EU on October 31, 2017 and has become effective as of January 1, 2019.

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. The most significant impact resulting from the initial application of IFRS 16 is the recognition of right of use (ROU) assets and liabilities regarding the rents due from lease contracts for the operating leases, unless the lease term is 12 months or less, or the lease is for a low-value asset. Lessor accounting remains similar to the current standard, IAS 17.

Based on the inventory of the existing lease contracts carried out, EDPR Group has recognised, as at 1 January 2019, new assets and liabilities for its operating leases, as detailed below. As provided by the standard, EDPR Group has elected to measure the ROU asset at the amount of the liability regarding the rents due from lease contracts on the initial application date (adjusted for any prepaid amount or accrued lease expenses), which corresponds to the payments of that lease contracts discounted using EDPR Group's incremental borrowing rate for each portfolio of leases identified. The discount rates used, on initial application date, were the following:

CURRENCY	MINIMUM RATE	MAXIMUM RATE
Euro (EUR)	0.52%	5.15%
US Dollar (USD)	4.75%	5.77%
Brazilian Real (BRL)	8.95%	11.96%
Polish Zloty (PLN)	2.19%	5.68%

The ROU asset is depreciated over the asset's useful life, which in most cases corresponds to the lease term and the lease payments are broken down into interest and repayment of the liability. The change in presentation of operating lease expenses also results in a corresponding increase in cash flows operating activities and a decline in cash flows obtained from financing activities.

In this sense, it has been made an assessment of the qualitative and quantitative impacts, in EDPR Group financial statements, resulting from the adoption of IFRS 16. Accordingly, qualitative changes are presented in note 2 and quantitative impacts resulting from its adoption are below summarized.

### Summary of the impacts of the adoption of IFRS 16 in Condensed Consolidated Statement of Financial Position on 01 January 2019

THOUSAND EUROS	01-JAN-2019	IMPACT OF IFRS 16	31-DEC-2018
<b>ASSETS</b>			
Right-of-use assets	608,525	608,525	-
Debtors and other assets from commercial activities - Non-current	10,185	-10,314	20,499
Others	17,518,211	-	17,518,211
<b>TOTAL ASSETS</b>	<b>18,136,921</b>	<b>598,211</b>	<b>17,538,710</b>
<b>EQUITY</b>			
Other reserves and Retained earnings	1,454,598	-	1,454,598
Consolidated net profit attributable to equity holders of the parent	313,365	-	313,365
Non-controlling interests	1,613,390	-	1,613,390
Others	4,741,051	-	4,741,051
<b>TOTAL EQUITY</b>	<b>8,122,404</b>	<b>-</b>	<b>8,122,404</b>
<b>LIABILITIES</b>			
Other liabilities and other payables - Non-current	1,107,488	553,338	554,150
Other liabilities and other payables - Current	584,951	44,873	540,078
Others	8,322,078	-	8,322,078
<b>TOTAL LIABILITIES</b>	<b>10,014,517</b>	<b>598,211</b>	<b>9,416,306</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,136,921</b>	<b>598,211</b>	<b>17,538,710</b>

Detail of right-of-use assets recognised with the adoption of IFRS 16 on 1 January 2019

THOUSAND EUROS	
RIGHT OF USE OF ASSETS	
Land and natural resources	585,989
Buildings and other constructions	19,763
Plant and machinery	172
Others	2,601
	<b>608,525</b>

The difference between the total of the right-of-use assets and the total of the liabilities regarding the rents due from lease contracts recognised on the adoption of IFRS 16, amounting 10,314 thousand Euros, relates to lease contracts whose payments were fully made at the inception date of that contracts. The amounts were reclassified from the caption Debtors and other assets from commercial activities - Non- Current to the caption Right-of-use assets.

Reconciliation of payable amounts regarding the rents due from lease contracts recognised with the adoption of IFRS 16 on 1 January 2019

THOUSAND EUROS	
<b>Operating lease commitments as at 31 december 2018</b>	<b>1,148,626</b>
Recognition exemptions	
- for leases with a lease term of 12 months or less (short-term leases)	-112,257
Effect from discounting rate the incremental borrowing rate as at 1 January 2019	-463,892
Other	25,734
<b>Rents due from lease contracts as at 1 January 2019</b>	<b>598,211</b>

- **IFRS 9 – Hedge accounting**

From its operational and financing activities, EDPR Group is exposed to interest rate, foreign exchange and price risks. These risks are mitigated through the use of hedging instruments, which are designated within hedge accounting.

As permitted by IFRS 9, EDPR Group decided to apply the hedge accounting requirements of IFRS 9 as at 1 January 2019. EDPR Group has assessed the changes resulting from the adoption of these requirements, through a detailed analysis of the existing hedging relationships as at 31 December 2018. EDPR Group decided to keep the existing hedge ratios as at 31 December 2018, while still within IAS 39. From the analysis performed, no rebalancing was necessary as at 1 January 2019.

As at 1 January 2019 there are no material quantitative impacts resulting from the adoption of IFRS 9 hedge accounting requirements by EDPR Group. Hedge accounting has been applied prospectively, without restating comparative information. The mandatory exceptions provided for the prospective application, forcing the application of hedge accounting retrospectively, do not apply to the hedge relationships designated by EDPR Group. For the situations in which retrospective application is allowed but not mandatory, EDPR Group opted for no retrospective application.

- **IFRIC 23 – Uncertainty over Income Tax Treatments**

Regarding the new interpretation to IAS 12 – Income tax, IFRIC 23, the Group has reassessed, as at 1 January 2019, all the pending litigations or disputes with tax authorities regarding income tax and no changes in the estimates made previously by management were identified.

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:

- IFRS 9 (Amended) - Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IAS 28 (Amended) - Long-term Interests in Associates and Joint Ventures;
- IAS 19 (Amended) - Plan Amendment, Curtailment or Settlement; and
- "Annual Improvement Project (2015-2017)".

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

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) are the following:

- IFRS 17 - Insurance Contracts;
- Amendments to References to the Conceptual Framework in IFRS;
- IFRS 3 (Amended) - Definition of a business; and;
- IAS 1 (Amended) and IAS 8 (Amended) - Definition of material

#### 04. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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 EDPR Group's accounting policies were the same as those applied to the consolidated financial statements as at 31 December 2018, with a special note for the following items.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDPR 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 dealer prices (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curves and volatility factors. These pricing models may require assumptions or judgments in estimating fair values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model may have produced different financial results for a particular period.

##### *Fair value measurement of contingent consideration*

The contingent consideration, from a business combination or a sale transaction 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 transaction. The contingent consideration is subsequently remeasured at fair value at balance sheet 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 balance sheet date. Changes in assumptions could have impact on the values of contingent assets and liabilities recognized in the financial statements.

##### *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 January 2018, the Group reviewed and extended the useful life of its solar renewable assets 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. The impact of this change was not significant.

##### *Rents due from lease contracts*

With the adoption, in January 2019, of IFRS 16, the Group recognises right-of-use assets (ROU assets) and liabilities regarding the rents due from lease contracts if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: i) the contract involves the use of an identified asset; ii) it has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and iii) it has the right to direct the use of the asset. EDPR Group uses estimates and judgement on its assessment, namely concerning the termination and extension contract options and the determination of the incremental borrowing rate to be applied for each each portfolio of leases identified.

##### *Impairment of non-financial assets*

Impairment test are performed whenever there is an indication that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of assets.

On an annual basis, the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The net interest in associates is reviewed when circumstances indicate the existence of impairment.

Considering that estimated recoverable amounts related to property, plant and equipment, intangible assets and goodwill are based on the best information available, changes in the estimates and judgments could change the impairment test results which could affect the Group's reported results.

##### *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the global amount for income taxes.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

Tax Authorities are entitled to review EDP Renováveis, and its subsidiaries' determination of its annual taxable earnings, for a determined period that may be extended in case there are tax losses carried forward. Therefore, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the EDP Renováveis and its subsidiaries, do not anticipate any significant changes to the income tax booked in the financial statements.

#### *Dismantling and decommissioning provisions*

The Board of Directors considers that Group has contractual obligations with the dismantling and decommissioning of property, plant and equipment related to wind electricity generation. For these responsibilities the Group has recorded provisions for the expected cost of restoring sites and land to its original condition. The provisions correspond to the present value of the expenditure expected to be required to settle the obligation.

In this sense, EDPR's technical department performed in 2018 an in-depth analysis taking into account the reality of the EDPR's fleet and there were no significant changes in the variables used for determining the best estimate of the settlement amount.

The use of different assumptions in estimates and judgments referred may have produced different results from those that have been considered.

#### *Entities included in the consolidation perimeter*

In order to determine which entities must be included in the consolidation perimeter, the Group evaluates whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

This evaluation requires judgement, assumptions and estimates in order to conclude whether the Group is in fact exposed to variable returns and has the ability to affect those returns through its power over the investee.

Other assumptions and estimates could lead to a different consolidation perimeter of the Group, with direct impact in the consolidated financial statements.

## **05. FINANCIAL RISK MANAGEMENT POLICIES**

The businesses of EDP Renováveis Group are exposed to a variety of financial risks, including the effects of changes in electricity market prices, foreign exchange and interest rates. The main financial risks arise from interest-rate and the exchange-rate exposures. The volatility of financial markets is analysed on an on-going basis in accordance with EDPR's risk management policies. Financial instruments are used to mitigate potential adverse effects on EDP Renováveis financial performance resulting from interest rates and foreign exchange rates changes.

The Board of Directors of EDP Renováveis is responsible for the definition of general risk-management policies and the establishment of exposure limits. Recommendations to manage financial risks of EDP Renováveis Group are proposed by EDPR's Finance and Global Risk Departments and discussed in the Financial Risk Committee of EDP Renováveis, which is held quarterly. The pre-agreed strategy is shared with the Finance Department of EDP - Energias de Portugal, S.A., to verify the accordance with the policies approved by the Board of Directors of EDP. The evaluation of appropriate hedging mechanisms and the execution is done by EDPR but may also be outsourced to the Finance Department of EDP.

All transactions undertaken using derivative financial instruments require the prior approval of the Board of Directors, which defines the parameters of each transaction and approves the formal documents describing their objectives.

#### *Exchange-rate risk management*

EDPR/EDP Group's Financial Department are responsible for managing the foreign exchange exposure of the Group, seeking to mitigate the impact of exchange rate fluctuations on the net assets and net profits of the Group. Instruments used for hedging are foreign exchange derivatives, foreign exchange debt and other hedging structures with offsetting exposure versus the item to be hedged. The effectiveness of these hedges is reassessed and monitored throughout their lives.

EDPR operates internationally and is exposed to the exchange-rate risk resulting from investments in foreign subsidiaries. With the objective of minimizing the impact of exchange rates fluctuations, EDP Renováveis general policy is to fund each project in the currency of the operating cash flows generated by the project.

Currently, the main currency exposure is the U.S. Dollar, resulting from the shareholding in EDPR NA. EDPR is also exposed to Polish Zloty, Romanian Leu, Brazilian Real, British Pound and Canadian Dollar.

To hedge the risk originated with net investment in EDPR NA, EDP Renováveis uses financial debt expressed in USD and also entered into a CIRS in USD/EUR with EDP Finance BV. Following the same strategy adopted to hedge these investments in USA, EDP Renováveis has also entered into CIRS in PLN/EUR, in RON/EUR, BRL/EUR, GBP/EUR and in CAD/EUR to hedge the investments in Poland, Romania, Brazil, United Kingdom and Canada (see note 37).

### Sensitivity analysis - Foreign exchange rate

As a consequence, a depreciation/appreciation of 10% in the foreign currency exchange rate, with reference to 30 June 2019 and 30 June 2018, would originate an increase/(decrease) in EDP Renováveis Group income statement and equity before taxes, as follows:

THOUSAND EUROS		30 JUN 2019			
	PROFIT OR LOSS		EQUITY		
	+10%	-10%	+10%	-10%	
USD/EUR	13,257	-16,203	202	-247	
	13,257	-16,203	202	-247	

THOUSAND EUROS		30 JUN 2018			
	PROFIT OR LOSS		EQUITY		
	+10%	-10%	+10%	-10%	
USD / EUR	8,752	-10,697	-1,254	1,533	
	8,752	-10,697	-1,254	1,533	

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

### Interest rate risk management

The Group's operating cash flows are substantially independent from the fluctuation in interest-rate markets.

The purpose of the interest-rate risk management strategy is to reduce the exposure of debt cash flows to market fluctuations. As such, whenever considered necessary and in accordance to the Group's policy, interest-rate financial instruments are contracted to hedge interest rate risks. These financial instruments hedge cash flows associated with future interest payments, converting floating rate loans into fixed rate loans.

All these hedges are undertaken on liabilities in the Group's debt portfolio and are mainly perfect hedges with a high correlation between changes in fair value of the hedging instrument and changes in fair value of the interest-rate risk or upcoming cash flows.

The EDP Renováveis Group has a portfolio of interest-rate derivatives with maturities up to 16,8 years. The Financial Department of EDP Group undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations or upcoming cash flows.

About 82% of EDP Renováveis Group financial debt bear interest at fixed rates, considering operations of hedge accounting with financial instruments.

### Sensitivity analysis - Interest rates

EDPR/EDP Group's Financial Department are responsible for managing the interest rate risk associated to activities developed by the Group, contracting derivative financial instruments to mitigate this risk.

Based on the EDPR Group debt portfolio and the related derivative financial instruments used to hedge associated interest rate risk, as well as on the shareholder loans received by EDP Renováveis, a change of 50 basis points in the interest rates with reference to 30 June 2019 and 2018 would increase/(decrease) in EDP Renováveis Group income statement and equity before taxes, as follows:

THOUSAND EUROS		30 JUN 2019			
	+ 50 BPS	- 50 BPS	+ 50 BPS	- 50 BPS	
	Cash flow hedge derivatives	-	-	5,745	-4,749
Unhedged debt (variable interest rates)	-3,648	3,648	-	-	
	-3,648	3,648	5,745	-4,749	

THOUSAND EUROS		30 JUN 2018			
	+ 50 BPS	- 50 BPS	+ 50 BPS	- 50 BPS	
	Cash flow hedge derivatives	-	-	6,336	-7,478
Unhedged debt (variable interest rates)	-1,449	1,449	-	-	
	-1,449	1,449	6,336	-7,478	

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

### Counter-party credit risk management in financial transactions

The EDP Renováveis Group counter-party risk exposure in financial and non-financial transactions is managed by an analysis of technical capacity, competitiveness and probability of default to the counter-party. EDP Renováveis has defined a counter-party risk policy inspired in Basel III, which is implemented across all departments in all EDP Renováveis geographies. EDP Renováveis Group is exposed to counter-party risk in financial derivatives transactions and in energy sales (electricity, GC and RECs).

Counterparties in derivatives and financial transactions are restricted to high-quality credit institutions or to the EDP Group.

Most relevant counterparties in derivatives and financial transactions are companies within EDP Group. Financial instruments contracted outside EDP Group are generally engaged under ISDA Master Agreements and credit quality of external counterparties is analysed and collaterals required when needed.

In the process of selling the energy (electricity, GCs and RECs produced), exposure arise from trade receivables, but also from mark-to-market of long term contracts:

- In the specific case of the energy sales of EDPR EU Group, the Group's main customers are utilities and regulated entities in the different countries (EDP and CNMC in the case of the Spanish market). Credit risk from trade receivables is not significant due to the limited average collection period for customer balances and the quality of its debtors. Additional counter-party risk comes from the countries with renewables incentives, which it is usually treated as regulatory risk.
- In the specific case of EDPR NA Group, the Group's main customers are regulated utility companies and regional market agents in the US. As it occurs in Europe, credit risk from trade receivables is not significant due to the limited average collection period for customer balances and the quality of the debtors. However, the exposure due to the mark-to-market of long term contracts may be significant. This exposure is managed by a detailed assessment of the counter-party before signing any long term agreement and by a requirement of collaterals when financial soundness of the counterparty deteriorates.

Regarding Trade receivables and other debtors, they are recognized net of the impairment losses. 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.

#### Liquidity risk

Liquidity risk is the possibility that the Group will not be able to meet its financial obligations as they fall due. The Group strategy to manage liquidity is to ensure, as far as possible, that it will always have significant liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The liquidity policy followed ensures compliance with payment obligations acquired, through maintaining sufficient credit facilities and having access to the EDP Group facilities.

The EDP Renováveis Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with its main shareholder, as well as directly in the market with national and international financial institutions, assuring the necessary funds to perform its activities.

The Directors have estimated cash flows that show that the Group will meet the commitments foreseen for 2019 and 2020.

The maturity analysis for financial debt (see note 31), including expected future interests, is as follows:

THOUSAND EUROS	JUN 2020	DEC 2020	DEC 2021	DEC 2022	DEC 2023	FOLLOWING YEARS	TOTAL
Bank loans	110,326	34,002	73,383	74,691	79,662	397,207	769,271
Loans received from EDP Group	987,981	386,348	417,399	536,719	479,046	457,982	3,265,475
Other loans	128	55	64	-	212	-	459
Expected future interests	119,013	62,077	98,060	77,885	62,299	122,608	541,942
	1,217,448	482,482	588,906	689,295	621,219	977,797	4,577,147

#### Market price risk

As of June 30, 2019, market price risk affecting the EDP Renováveis Group is not significant. In the case of EDPR NA, the great majority of the plants are under power purchase agreements, with fixed or escalating prices. In the case of EDPR EU, the electricity is sold in Spain, France, Italy and Portugal through regulated tariffs whether in Romania the green certificates have a floor and in Poland some plants sell their electricity and green certificates under power purchase agreements with fixed price.

For the small share of energy sold with merchant exposure (electricity, green certificates and RECs), market risk is managed through the execution of electricity, green certificate and REC forward contracts. EDPR EU and EDPR NA have electricity, green certificates and REC swaps that qualify for hedge accounting (cash flow hedge) that are related to sales for the years 2019 to 2024 (see note 37). The purpose of EDP Renováveis Group is to hedge in advance a significant volume of the merchant exposure to reduce the volatility of energy prices in each reporting year.

#### Capital management

The Group's goal in managing equity, in accordance with the policies established by its main shareholder, is to safeguard the Group's capacity to continue operating as a going concern, grow steadily to meet established growth targets and maintain an optimum equity structure to reduce equity cost.

In conformity with other sector groups, the Group controls its financing structure based on the leverage ratio. This ratio is calculated as net financial borrowings divided by total equity and net borrowings. Net financial borrowings are determined as the sum of financial debt, institutional equity liabilities corrected for non-current deferred revenues, less cash and cash equivalents.

## 06. CONSOLIDATION PERIMETER

During the six-month period ended in 30 June 2019, the changes in the consolidation perimeter of the EDP Renováveis Group were:

### Companies acquired:

- EDP Renováveis, S.A. acquired 100% of the Colombian companies Eolos Energías, S.A.S. E.S.P. and Vientos del Norte, S.A.S. E.S.P.;
- EDP Renováveis Brasil, S.A. acquired 100% of the companies Central Eólica Boqueirão I, S.A., Central Eólica Boqueirão II, S.A., Monte Verde Holding, S.A. and Jerusalém Holding, S.A.;
- EDP Renewables Europe, S.L.U. acquired 32% of the company Dunkerque Éoliennes en Mer, S.A.S.;
- EDPR Offshore España, S.A.S. acquired, directly or indirectly, 100% of the companies B-Wind Polska, Sp. z o.o., C-Wind Polska, Sp. z o.o., Vantum Ventures III Holding, B.V., Fluctus V, B.V., Fluctus VI, B.V., Fluctus VII, B.V. and 30% of the companies Frontier Beheer Nederland, B. V. and Frontier, C.V.;
- EDP Renewables Polska, Sp. z o.o., acquired 100% of the companies EDPR Polska Solar Sp. z o.o. and Lichnowy Windfarm Sp. Zo.o..

Most of the above acquisitions 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.

### Companies sold

- In the second quarter of 2019, EDPR Group, through the companies EDP Renewables Europe S.L.U. and EDPR Yield, S.A.U. sold to Beta Energy Investments S.A.R.L. and BETA II S.R.L. the EDPR's stake of 51% in the companies EDPR Participaciones, S.L.U. and EDP Renewables France, S.A.S. respectively, with a subsequent sale of the entire stake held by EDPR in following subsidiaries:
  - EDPR Participaciones' subsidiaries: Bon Vent de Vilalba, S.L.U., Bon Vent de L'Ebre, S.L.U., Eólica Don Quijote, S.L.U., Eólica Dulcinea, S.L.U., Eólica de Radona, S.L.U., Eólica del Alfoz, S.L.U., Eólica La Navica, S.L.U., Parc Éolien de Dammarie, S.A.R.L., Parc Éolien de Preuseville, S.A.R.L., Parc Éolien d'Escardes, S.A.S., Parc Éolien de Montagne Fayel, S.A.S., Parc Éolien de Francourville, S.A.S., Green Wind, S.A, Eólica do Castelo, S.A., Eólica da Lajeira, S.A., Eólica do Velão, S.A. and Eólica do Cachopo, S.A. Additionally, EDPR Group sold the stake held by the company EDPR Eólica de Radona, S.L.U. in the company Infraestructuras Medinaceli, S.L. (8.76%) and the stake held by the companies Bon Vent de l'Ebre S.L and Bon Vent de Vilalba S.L. in the company Aprofitament Energies Renovables Terra Alta, S.A. (9.70% and 10.42% respectively).
  - EDP Renewables France' subsidiaries: Neo Plouvien, S.A.S., Centrale Eolienne Gueltas Noyal-Pontivy, S.A.S., Centrale Eolienne Segur, S.A.S., Centrale Eolienne Saint Barnabé, S.A.S., Centrale Eolienne Patay, S.A.S., Centrale Eolienne Canet-Pont de Salars, S.A.S., Centrale Eolienne Neo Truc de L'Homme, S.A.S., SOCPÉ de Sauvageons, S.A.R.L., SOCPÉ Le Mee, S.A.R.L., SOCPÉ Petite Pièce, S.A.R.L., SOCPÉ de la Vallée du Moulin, S.A.R.L., SOCPÉ de la Mardelle, S.A.R.L., SOCPÉ des Quinze Mines, S.A.R.L., Parc Éolien de Tarzy, S.A.R.L., Eolienne de Saugueuse, S.A.S., Parc Éolien de Roman, S.A.R.L., Parc Éolien des Vatines, S.A.S., Parc Éolien de Varimpre, S.A.S. and Parc Éolien du Clos Bataille, S.A.S.

Estimated total proceeds for the transaction amount to 806,090 thousand Euros from which an amount of 304,732 thousand Euros refer to shareholders loans. This transaction has generated a gain, net of transaction costs, amounting to 218,931 thousand Euros, which has been registered within the "Other income" caption of the condensed consolidated income statement.

### Companies incorporated:

- Little Brook Solar Park LLC \*;
- Bright Stalk Solar Park LLC \*;
- Crossing Trails Wind Power Project II LLC \*;
- Headwaters Wind Farm IV LLC\*;
- North River Wind LLC\*;
- EDPR Japan GK.;
- Custolito, S.R.L.;
- EDPR Hellas 1 M.A.E.;
- EDPR Hellas 2 M.A.E.;
- EDPR Terral S.L.U.;
- EDPR Amaris S.L.U.;
- EDPR Suvan S.L.U.

\* EDPR Group holds, through its subsidiary EDPR NA, a set of subsidiaries legally established in the United States without share capital and that, as at 30 June 2019, do not have any assets, liabilities, or any operating activity.



## 07. REVENUES

Revenues are analysed as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
<b>REVENUES BY BUSINESS AND GEOGRAPHY</b>		
Electricity in Europe	512,960	479,161
Electricity in North America	346,140	314,049
Electricity in Brazil	30,557	19,071
	<b>889,657</b>	<b>812,281</b>
Other revenues	5,770	420
	<b>895,427</b>	<b>812,701</b>
<b>Services rendered</b>	<b>1,559</b>	<b>612</b>
<b>CHANGES IN INVENTORIES AND COST OF RAW MATERIAL AND CONSUMABLES USED</b>		
Cost of consumables used	5,565	9,130
Changes in inventories	7,909	537
	<b>13,474</b>	<b>9,667</b>
<b>TOTAL REVENUES</b>	<b>910,460</b>	<b>822,980</b>

The breakdown of revenues by segment is presented in the segmental reporting (see note 42).

## 08. INCOME FROM INSTITUTIONAL PARTNERSHIPS IN U.S. WIND FARMS

Income from institutional partnership in U.S. Wind Farms in the amount of 94,653 thousand Euros (30 June 2018: 100,404 thousand Euros), includes revenue recognition related to production tax credits (PTC), investments tax credits (ITC) and other tax benefits, mostly from accelerated tax depreciation related to projects Sol I and II, Blue Canyon I and Vento I to XVIII (see note 33).

## 09. OTHER INCOME

Other income is analysed as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
Amortisation of deferred income related to power purchase agreements	1,277	1,343
Contract and insurance compensations	7,427	11,676
Other income	244,342	42,102
	<b>253,046</b>	<b>55,121</b>

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date of the business combination, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousand of USD and booked as a non-current liability (see note 34). This liability is amortised over the period of the agreements against other income. As at 30 June 2019, the amortisation for the period amounts to 1,277 thousand Euros (30 June 2018: 1,343 thousand Euros) and the non-current liability amounts to 10,477 thousand Euros (31 December 2018: 11,496 thousand Euros).

Other income caption mainly includes: (i) gain related to the sale of the EDPR's stake of 51% in the companies EDPR Participaciones, S.L.U. and EDP Renewables France, S.A.S. (see note 6) in the amount of 218,931 thousand Euros and (ii) management and cost re-invoicing for offshore projects in the UK amounting to 4,643 thousand Euros.

Other income caption mainly reflected insurance, liquidated damages and other business compensations in 2018.

## 10. SUPPLIES AND SERVICES

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
Rents and leases	11,428	29,647
Maintenance and repairs	98,208	90,686
<b>SPECIALISED WORKS:</b>		
- IT Services, legal and advisory fees	3,896	7,675
- Shared services	4,259	4,851
- Other services	7,568	5,306
Other supplies and services	22,138	21,481
	<b>147,497</b>	<b>159,646</b>

The decrease in Rents and leases results from the adoption of IFRS 16 on 1 January 2019 (see note 3). As at 30 June 2019 this caption includes mainly costs for variable lease payments and rental costs for short-term leases.

## 11. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits is analysed as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
<b>PERSONNEL COSTS</b>		
Board remuneration (see note 38)	307	369
Remunerations	49,322	42,469
Social charges on remunerations	8,667	7,062
Employee's variable remuneration	10,659	10,350
Other costs	2,342	1,273
Own work capitalised (see note 16)	-15,362	-10,959
	<b>55,935</b>	<b>50,564</b>
<b>EMPLOYEE BENEFITS</b>		
Costs with pension plans	2,873	2,358
Costs with medical care plans and other benefits	4,197	4,056
	<b>7,070</b>	<b>6,414</b>
	<b>63,005</b>	<b>56,978</b>

As at 30 June 2019, Costs with pension plans relates essentially to defined contribution plans in the amount of 2,816 thousand Euros (30 June 2018: 2,299 thousands of Euros) and defined benefit plans amounting to 7 thousand Euros (5 thousand Euros as at 30 June 2018).

The breakdown by gender of the permanent staff as of 30 June 2019 and 2018 is as follows:

	30 JUN 2019	30 JUN 2018
Male	1,006	875
Female	454	399
	<b>1,460</b>	<b>1,274</b>

## 12. OTHER EXPENSES

Other expenses are analysed as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
Taxes	58,530	55,629
Losses on fixed assets	300	609
Other costs and losses	27,572	20,270
	<b>86,402</b>	<b>76,508</b>

The caption Taxes, on 30 June 2019, includes the amount of 7,391 thousand Euros (30 June 2018: 16,024 thousand Euros) related to taxes for energy generators in Spain, affecting all the wind farms in operation, amounting to 7% of revenues for each wind farm. The decrease with respect to the first half of 2018 is related to the entry into force of the Spanish Royal Decree 15/2018 by which the electricity produced and incorporated into the electricity system is exonerated from said tax for a period of six months, i.e. the last quarter of 2018 and the first quarter of 2019.

## 13. AMORTISATION AND IMPAIRMENT

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Buildings and other constructions	649	557
Plant and machinery	277,720	261,134
Other	5,190	4,639
	<b>283,559</b>	<b>266,330</b>
<b>RIGHT OF USE ASSETS</b>		
Right of use assets	16,593	-
	<b>16,593</b>	<b>-</b>
<b>INTANGIBLE ASSETS</b>		
Industrial property, other rights and other intangibles	2,026	599
	<b>2,026</b>	<b>599</b>
	<b>302,178</b>	<b>266,929</b>
Amortisation of deferred income (Government grants)	-8,704	-7,887
	<b>293,474</b>	<b>259,042</b>

Right of use assets includes depreciation of related assets due to the implementation of IFRS 16 on 1 January 2019 (see note 3).

Amortisation of deferred income (Government grants) refers to grants for fixed assets received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States that are amortised through the recognition of revenue in the income statement over the useful life of the related assets (see note 33).

## 14. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and financial expenses are analysed as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
<b>FINANCIAL INCOME</b>		
Interest income	9,407	6,328
Derivative financial instruments:		
Interest	862	163
Fair value	4,867	11,119
Foreign exchange gains	9,233	5,011
Other financial income	335	15,135
	<b>24,704</b>	<b>37,756</b>
<b>FINANCIAL EXPENSES</b>		
Interest expense	94,399	81,596
Derivative financial instruments:		
Interest	44,621	39,684
Fair value	3,101	4,171
Foreign exchange losses	10,386	5,274
Own work capitalised	-7,657	-10,160
Unwinding	60,721	42,913
Other financial expenses	7,762	7,118
	<b>213,333</b>	<b>170,596</b>
<b>NET FINANCIAL INCOME / (EXPENSES)</b>	<b>-188,629</b>	<b>-132,840</b>

Other financial income included in 2018 the gain on the sale of 20% of the share capital of the equity consolidated company Moray Offshore Windfarm (East) Ltd to International Power Consolidated Holdings Ltd in the amount of 14,688 thousand Euros.

Derivative financial instruments include interest liquidations on the derivative financial instrument established between EDP Renováveis and EDP Branch, EDP Finance BV and EDP - Energias de Portugal, S.A. (see notes 37 and 39).

In accordance with the corresponding accounting policy, the borrowing costs (interest) capitalised in tangible fixed assets in progress as at 30 June 2019 amounted to 7,657 thousand Euros (at 30 June 2018 amounted to 10,160 thousand Euros) (see note 16), which are included under Own work capitalised (financial interest). The interest rates used for this capitalisation vary in accordance with the related loans' Interest expense refers to interest on loans bearing interest at contracted and market rates.

Unwinding expenses refers essentially to: (ii) the implied return in institutional partnerships in U.S. wind farms amounting to 43,782 thousand Euros (30 June 2018: 40,441 thousand Euros) (see note 33); (ii) financial update of lease liabilities in the amount of 14,141 thousand Euros due to the implementation of IFRS 16 on 1 January 2019 (see note 3); and (iii) financial update of provisions for dismantling and decommissioning of wind farms in the amount of 2,795 thousand Euros (30 June 2018: 2,469 thousand Euros) (see note 32).

## 15. INCOME TAX EXPENSE AND EXTRAORDINARY CONTRIBUTION TO THE ENERGY SECTOR (CESE)

The following note includes an analysis on the reconciliation between the theoretical and the effective income tax rate applicable at the level of the EDPR Group, on a consolidated basis. In general terms, the analysis on the reconciliation between the theoretical and the effective income tax rate aims at quantifying the impact of the income tax, recognised in the income statement, which includes both current and deferred tax. The note also includes an analysis on the extraordinary contribution to the energy sector (CESE).

As the EDPR Group prepares and discloses its financial statements in accordance with IFRS, an alignment between the accounting of income tax expense or income and the corresponding cash flow is not mandatory. Accordingly, this analysis does not represent the income tax paid or received by the EDPR Group for the corresponding reporting period.

Notwithstanding the above, the income tax paid by the EDPR Group on a country-by-country basis is disclosed in the Annual Report, which is available on EDPR's website ([www.edpr.com](http://www.edpr.com)). This website also includes the details on the general principles concerning EDPR Group's mission and tax policy and the overall tax contribution to public finance in 2018.

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

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

COUNTRY	30 JUN 2019	30 JUN 2018
<b>EUROPE:</b>		
Belgium	29,58%	29,58%
France	28% - 32,02%	28% - 34,43%
Italy	24% - 28,8%	24% - 28,8%
Poland	19%	19%
Portugal	21% - 31,5%	22,5% - 31,5%
Romania	16%	16%
Spain	25%	25%
United Kingdom	19%	19%
Greece	28%	29%
<b>AMERICA:</b>		
Brazil	34%	34%
Canada	26,50%	26,5%
Mexico	30%	30%
United States of America	24,9%	24,9%

EDP Renováveis S.A. and its subsidiaries file individual tax returns in accordance with the applicable tax legislation. Nevertheless, the company and the majority of its Spanish subsidiaries are taxed under the tax consolidation group regime foreseen in the Spanish law. EDP - Energias de Portugal, S.A. - Sucursal en España (Branch) is the dominant company of this Group, which includes other subsidiaries that are not within the renewables energy industry. Furthermore, effective as from January 1st, 2017, there is a second tax group comprised by EDP Participaciones, S.A., as the dominant company, and its 7 Spanish subsidiaries.

As per the applicable tax legislation, tax periods may be subject to inspection by the various Tax Administrations during a limited number of years. Statutes of limitation differ from country to country as follows: USA, Belgium and France: 3 years; Spain, United Kingdom and Portugal: 4 years; Brazil, Romania, Poland, Italy, Greece and Mexico: 5 years; and Canada: 10 years. Notwithstanding this, it is important to note that, in case of Portugal and France, if tax losses/credits being carried-forward are utilized, the statute of limitation is extended to the years when such tax losses/credits were generated. In Spain, tax losses may be subject to the Tax Authorities' verification up to 10 years after they are generated; once this period has expired, taxpayers must prove the origin of the tax losses whose utilization is intended.

Tax losses generated each year are also subject to Tax Administrations' review and reassessment. As per the legislation currently in force, losses may be used to offset yearly taxable income assessed in the subsequent periods as follows: 5 years in Portugal, Greece and Poland; 7 in Romania; 10 in Mexico; 20 in Canada; and indefinitely in the United States, Spain, France, Italy, Belgium, Brazil and the United Kingdom. Notwithstanding this, it is important to note that, in some geographies, tax losses generated in previous years might be subject to the limitation period that was applicable at the moment when they were generated (e.g., Portugal and the United States). Moreover, in France and the UK tax losses in a given year may be carried back against the taxable base assessed in the previous tax year, and in Canada in the 3 previous years. Notwithstanding this, the deduction of tax losses in the USA, Portugal, Spain, Brazil, France, Italy, the United Kingdom and Poland is limited to a percentage of the taxable income of each period, or subject to other limitations.

EDP Renováveis Group companies may, in accordance with the law, benefit from certain tax benefits or incentives under specific conditions. Most importantly, Production Tax Credits in the US, which are the dominant form of wind remuneration in that country, and represent an extra source of revenue per unit of electricity over the first 10 years of the asset's life. A detailed explanation of the Production Tax Credits regime is provided below in note 33, Institutional Partnerships in U.S. Wind Farms.

Transfer pricing legislation is duly complied with by EDP Renováveis Group. Its policy follows the rules, guidelines and best international practices applicable across all geographies where the Group operates, in due compliance with the spirit and letter of the Law.

### Changes in the tax law with relevance to the EDP Renewables Group in 2018

As from 2019, the statutory CIT rates applicable in France and Greece are reduced as follows:

- In France, the Finance Bill 2018 voted on December 30th, 2017 (LOI n° 2017-1837 du 30 décembre 2017 de finances pour 2018) approved a progressive reduction of the general CIT rate to 25% by 2022. For fiscal years starting in 2019, the CIT rate amounts to 28% on taxable income lower than € 500,000 and the excess is subject to a 31% rate.
- In Greece, the CIT rate is lowered from 29% to 28%. A further progressive reduction of 1% per year is expected until year 2022, dropping the final CIT rate to 25%. *Tax losses carried forward*

### Corporate income tax provision.

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
Current tax	-31,855	-35,541
Deferred tax	-13,687	-19,009
<b>INCOME TAX EXPENSE</b>	<b>-45,542</b>	<b>-54,550</b>

The effective income tax rate as at 30 June 2019 and 2018 is analysed as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
Profit before tax	482,668	294,708
Income tax expense	-45,542	-54,550
Effective Income Tax Rate	9.44%	18.51%

The difference between the theoretical and the effective income tax expense, results from the application of the law provisions in the determination of the tax base, as demonstrated below.

The reconciliation between the nominal and the effective income tax rate for the Group during the period ended 30 June 2019 and 2018 is analysed as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
Profit before taxes	482,668	294,708
Nominal income tax rate (*)	25.00%	25.00%
<b>THEORETICAL INCOME TAX EXPENSE</b>	<b>-120,667</b>	<b>-73,677</b>
Fiscal revaluations, amortization, depreciation and provisions	-2,059	-610
Tax losses and tax credits	369	7,543
Financial investments in associates	821	736
Difference between tax and accounting gains and losses	70,780	3,687
Effect of tax rates in foreign jurisdictions and CIT rate changes	581	-4,230
Taxable differences attributable to non-controlling interests (USA)	8,786	12,156
Other	-4,153	-155
<b>EFFECTIVE INCOME TAX EXPENSE AS PER THE CONSOLIDATED INCOME STATEMENT</b>	<b>-45,542</b>	<b>-54,550</b>

(\*) Statutory corporate income tax rate applicable in Spain

The main captions are the following:

The caption "Difference between tax and accounting gains and losses" refers to changes in the Group's perimeter not subject to income taxes.

The caption "Taxable differences attributable to non-controlling interests (USA)" essentially includes the effect inherent to the attribution of taxable income to non-controllable interests in the subgroup EDPR NA, as determined by the tax legislation of that geography.

During 2019, the EDPR Group has various tax audits regarding different topics. The most relevant ones are the general tax audit in Spain; and the tax audits on local taxes in Romania. Most of those processes are still ongoing; however, EDPR does not expect any further liability than the ones already recorded in the companies' accounts at 30 June 2019.

#### **Extraordinary Contribution to the Energy Sector (CESE)**

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

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

The CESE system has been successively extended and is now valid for 2019 through Law n° 71/2018 of 31 December. As mentioned in note 1, Portuguese government has extended the CESE to renewables.

As at 30 June 2019, EDPR Group recorded in caption Tax Liabilities a value for this contribution of 3,503 thousand Euros.

## 16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>COST</b>		
Land and natural resources	30,523	32,589
Buildings and other constructions	22,206	21,905
Plant and machinery:		
- Renewables generation	16,944,471	18,488,573
- Other plant and machinery	8,017	473
Other	133,891	128,252
Assets under construction	1,104,331	923,436
	<b>18,243,439</b>	<b>19,595,228</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>		
Depreciation charge	-283,559	-554,013
Accumulated depreciation in previous years	-5,044,121	-4,974,082
Impairment losses	-	-6,809
Impairment losses in previous years	-142,067	-138,530
	<b>-5,469,747</b>	<b>-5,673,434</b>
<b>CARRYING AMOUNT</b>	<b>12,773,692</b>	<b>13,921,794</b>

The movement in Property, plant and equipment for the six-month period ended 30 June 2019, is analysed as follows:

THOUSAND EUROS	BALANCE AT 01 JAN	ADDITIONS	DISPOSALS/ WRITE-OFF	TRANSFERS	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER / OTHER	BALANCE AT 30 JUN
<b>COST</b>							
Land and natural resources	32,589	63	-	-	-106	-2,023	30,523
Buildings and other constructions	21,905	177	-	10	114	-	22,206
Plant and machinery	18,489,046	-2,625	-30,361	144,025	69,650	-1,717,247	16,952,488
Other	128,252	4,211	-571	3,633	411	-2,045	133,891
Assets under construction	923,436	371,529	-557	-147,668	3,801	-46,210	1,104,331
	<b>19,595,228</b>	<b>373,355</b>	<b>-31,489</b>	<b>-</b>	<b>73,870</b>	<b>-1,767,525</b>	<b>18,243,439</b>

THOUSAND EUROS	BALANCE AT 01 JAN	CHARGE FOR THE PERIOD	IMPAIRMENT LOSSES/ REVERSES	DISPOSALS/ WRITE-OFF	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER / OTHER	BALANCE AT 30 JUN
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>							
Buildings and other constructions	13,462	649	-	-	60	-	14,171
Plant and machinery	5,491,951	277,702	-	-30,535	15,109	-471,098	5,283,129
Assets under construction	70,021	-	-	-	518	-	70,539
Other	98,000	5,208	-	-558	335	-1,077	101,908
	<b>5,673,434</b>	<b>283,559</b>	<b>-</b>	<b>-31,093</b>	<b>16,022</b>	<b>-472,175</b>	<b>5,469,747</b>

Plant and machinery includes the cost of the wind farms and solar plants under operation.

Additions include the investment in wind farms and solar plants under development and construction mainly in the United States, Spain, Italy, France, Poland and Portugal. This caption also includes the allocation of the acquisition cost of certain companies due to the nature of the transactions, the type of assets and the initial stage of completion of the projects acquired (see note 6). The most significant ones are: (i) the Colombian companies Eolos Energías, S.A.S. E.S.P. and Vientos del Norte, S.A.S. E.S.P. amounting to 26,994 thousand Euros and 9,132 thousand Euros respectively; (ii) the Polish companies B-Wind Polska, Sp. z o.o. and C-Wind Polska, Sp. z o.o. amounting to 3,956 thousand Euros and 5,537 thousand Euros respectively; and (iii) the Brazilian portfolio of companies Pereira Barreto amounting to Euro 5,619 thousand Euros.

Transfers from assets under construction into operation mainly refer to wind and solar farms that become operational in Portugal, United States, France and Spain.

Exchange differences are mainly generated by the variation in the exchange rate of the US Dollar, Brazilian Real and Polish Zloty.

The caption Changes in perimeter/Other mainly includes:

- Decrease due to the sale of the the companies EDPR Participaciones S.L., EDP Renewables France S.A.S. and their subsidiaries (see note 6), in the amount, net of accumulated depreciation, of 1,046,834 thousand Euros;
- Decrease due to the reclassification to held-for-sale of the assets related to the Brazilian portfolio of companies Babilonia (see note 27) in the amount, net of depreciation, of 197,657 thousand Euros; and
- Decrease due to the reclassification to held-for-sale of the assets related to the UK company EDPR UK and the Polish companies B-Wind Polska, Sp. z o.o. and C-Wind Polska, Sp. z o.o. (see note 27) in the amount, net of depreciation, of 613 thousand Euros and 9,492 thousand Euros respectively.

The Company has taken out an insurance global program to cover risks relating to property, plant and equipment. The coverage provided by these policies is considered to be sufficient.

Loans with credit institutions formalized as 'Project Finances' are secured by the shares of the corresponding wind farms and, ultimately, by the fixed assets of the wind farm to which the financing is related (see note 31). Additionally, the construction of certain assets has been partly financed by grants received from different Government Institutions.

Assets under construction as at 30 June 2019 and 31 December 2018 are analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
EDPR NA Group	715,492	521,361
EDPR EU Group	312,502	367,247
Others	76,337	34,828
	<b>1,104,331</b>	<b>923,436</b>

Assets under construction as at 30 June 2019 are essentially related to wind farms under construction and development in the United States of America, France, Poland, Spain, Italy, Brazil, Colombia and Canada.

Financial interests capitalized during the period amount to 7,657 thousand Euros as at 30 June 2019 (30 June 2018: 10,160 thousand Euros) (see note 14).

Personnel costs capitalised during the period amount to 15,362 thousand Euros as at 30 June 2019 (30 June 2018: 10,959 thousand Euros) (see note 11).

The EDP Renováveis Group has purchase obligations disclosed in Note 38 - Commitments.

## 17. RIGH OF USE ASSETS

In the context of the adoption of IFRS 16 as of 1 January 2019 (see note 3), the caption Right of use assets was created, which presents the following detail:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>COST</b>		
Land and natural resources	610,685	-
Buildings and other constructions	15,804	-
Plant and machinery:	172	-
Other	2,530	-
	<b>629,191</b>	<b>-</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>		
Depreciation charge	-14,887	-
Accumulated depreciation in previous years	-	-
	<b>-14,887</b>	<b>-</b>
<b>CARRYING AMOUNT</b>	<b>614,304</b>	<b>-</b>

The movements in Right of use assets, for the Group, for the period ended 30 June 2019, are as follows:

THOUSAND EUROS	BALANCE AT 01 JAN	ADDITIONS	DISPOSALS/ WRITE-OFF	TRANSFERS	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER / OTHER	BALANCE AT 30 JUN
<b>COST</b>							
Land and natural resources	585,989	82,148	-	-	-2,832	-54,620	610,685
Buildings and other constructions	19,763	-	-	-	-11	-3,948	15,804
Plant and machinery:	172	-	-	-	-	-	172
Other	2,601	-	-	-	1	-72	2,530
	<b>608,525</b>	<b>82,148</b>	<b>-</b>	<b>-</b>	<b>-2,842</b>	<b>-58,640</b>	<b>629,191</b>

THOUSAND EUROS	BALANCE AT 01 JAN	CHARGE FOR THE PERIOD	IMPAIRMENT LOSSES/ REVERSES	DISPOSALS/ WRITE-OFF	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER / OTHER	BALANCE AT 30 JUN
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>							
Land and natural resources	-	-13,768	-	-	46	1,425	-12,297
Buildings and other constructions	-	-2,275	-	-	4	216	-2,055
Plant and machinery:	-	-3	-	-	-	-	-3
Other	-	-547	-	-	-	15	-532
	<b>-</b>	<b>-16,593</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>1,656</b>	<b>-14,887</b>

The caption Changes in perimeter/Other mainly includes a decrease due to the sale of the the companies EDPR Participaciones S.L., EDP Renewables France S.A.S. and their subsidiaries (see note 6), in the amount, net of accumulated depreciation, of 53,295 thousand Euros and a decrease in the amount of 3,691 thousand Euros due to the reclassification to held for sale of certain offshore companies (see note 27);

## 18. INTANGIBLE ASSETS

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>COST</b>		
Industrial property, other rights and other intangible assets	246,675	264,361
Concession Rights	14,175	-
Intangible assets under development	42,778	48,260
	<b>303,628</b>	<b>312,621</b>
<b>ACCUMULATED AMORTISATION</b>		
Amortisation charge	-2,026	-1,218
Accumulated amortisation in previous years	-33,986	-48,493
Impairment losses in previous years	-12,264	-12,264
	<b>-48,276</b>	<b>-61,975</b>
<b>CARRYING AMOUNT</b>	<b>255,352</b>	<b>250,646</b>

Industrial property, other rights and other intangible assets mainly include:

- Wind generation licenses amounting to 69,257 thousand Euros in the EDPR NA Group (31 December 2018: 68,833 thousand Euros); and
- Generated green certificates pending to be sold amounting to 142,193 thousand Euros (31 December 2018: 129,149 thousand Euros) (see note 2 i)).

The movement in Intangible assets for the six-month period ended 30 June 2019, is analysed as follows:

THOUSAND EUROS	BALANCE AT 01 JAN	ADDITIONS	DISPOSALS / WRITE-OFFS	EXCHANGE DIFFERENCES	OTHERS	BALANCE AT 30 JUN
<b>COST</b>						
Industrial property, other rights and other intangible assets	264,361	14,853	-14,437	-1,230	-16,872	246,675
Concession rights	-	-	-	-	14,175	14,175
Intangible assets under development	48,260	3,918	-	-	-9,400	42,778
	<b>312,621</b>	<b>18,771</b>	<b>-14,437</b>	<b>-1,230</b>	<b>-12,097</b>	<b>303,628</b>

THOUSAND EUROS	BALANCE AT 01 JAN	CHARGE FOR THE YEAR	DISPOSALS / WRITE-OFFS	EXCHANGE DIFFERENCES	OTHERS	BALANCE AT 30 JUN
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>						
Industrial property, other rights and other intangible assets	61,975	2,026	-14,437	-118	-5,313	44,133
Concession rights	-	-	-	-	4,143	4,143
	<b>61,975</b>	<b>2,026</b>	<b>-14,437</b>	<b>-118</b>	<b>-1,170</b>	<b>48,276</b>

Additions include the recognition of green certificates rights in Romania in the amount of 11,260 thousand Euros.

The caption Others mainly include the decrease due to the sale of the the companies EDPR Participaciones S.L., EDP Renewables France S.A.S. and their subsidiaries (see note 6), in the amount, net of accumulated depreciation, of 10,927 thousand Euros. Additionally, after reviewing the nature of certain intangible assets, an amount, net of accumulated depreciation, of 11,558 thousand Euros has been reclassified from industrial property to Concession Rights.



## 19. GOODWILL

For the Group, the breakdown of Goodwill resulting from the difference between the cost of the investments and the corresponding share of the fair value of the net assets acquired, is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
Goodwill booked in EDPR EU Group:	497,123	635,875
- EDPR Spain Group	388,180	490,385
- EDPR France Group	25,904	61,460
- EDPR Portugal Group	43,712	43,712
- Other	39,327	40,318
Goodwill booked in EDPR NA Group	693,964	689,799
Goodwill booked in EDPR BR Group	909	889
	<b>1,191,996</b>	<b>1,326,563</b>

The movements in Goodwill, by subgroup during the six-month period ended 30 June 2019, are analysed as follows:

THOUSAND EUROS	BALANCE AT 01 JAN	INCREASES	DECREASES	EXCHANGE DIFFERENCES	CHANGES IN THE PERIMETER	BALANCE AT 30 JUN
EDPR EU Group:						
- EDPR Spain Group	490,385	-	-	-	-102,205	388,180
- EDPR France Group	61,460	-	-	-	-35,556	25,904
- EDPR Portugal Group	43,712	-	-	-	-	43,712
- Other	40,318	-	-	-48	-943	39,327
EDPR NA Group	689,799	-	-	4,165	-	693,964
EDPR BR Group	889	-	-	20	-	909
	<b>1,326,563</b>	<b>-</b>	<b>-</b>	<b>4,137</b>	<b>-138,704</b>	<b>1,191,996</b>

Changes in the perimeter includes the decrease in the amount of 138,704 thousand Euros due to the sale of the the companies EDPR Participaciones S.L., EDP Renewables France S.A.S. and their subsidiaries (see note 6).

## 20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>INVESTMENTS IN ASSOCIATES</b>		
Interests in joint ventures	293,894	320,423
Interests in associates	29,683	28,302
<b>CARRYING AMOUNT</b>	<b>323,577</b>	<b>348,725</b>

Main variations in interests in joint ventures refer to a decrease due to distribution of dividends in the amount of 14,240 thousand Euros and due to the reclassification of the offshore French companies Éoliennes en Mer Dieppe - Le Tréport, S.A.S. and Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S. to assets held-for-sale in the amount of 18,065 thousand Euros (see note 27).

## 21. DEFERRED TAX ASSETS AND LIABILITIES

The EDP Renováveis Group records the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis. During the six-month period ended at 30 June 2019, no significant changes occurred in relation to the nature, amounts and maturity of deferred taxes assets and liabilities referring to those reported in 31 December 2018 consolidated financial statements.

The main variations in deferred tax assets and liabilities for the Group during the six months ended at 30 June 2019 and 2018 are analysed as follows:

THOUSAND EUROS	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	30 JUN 2019	30 JUN 2018	30 JUN 2019	30 JUN 2018
<b>BALANCE AS AT 1 JANUARY</b>	<b>174,490</b>	<b>64,479</b>	<b>463,062</b>	<b>355,613</b>
Tax losses and tax credits	30,872	27,278	-	-
Fair value of financial instruments	-5,932	12,800	2,212	-1,573
Allocation of fair value adjustments to assets and liabilities acquired	-	-	-70,699	6,597
Property, plant and equipment	33	-2,630	-31,271	15,614
Income from institutional partnerships in US wind farms	-	-	37,276	22,631
Netting of deferred tax assets and liabilities	-57,437	45,695	-57,437	45,687
Other temporary differences	11,936	160	1,935	3,786
<b>BALANCE AS AT 30 JUNE</b>	<b>153,962</b>	<b>147,782</b>	<b>345,077</b>	<b>448,355</b>

## 22. INVENTORIES

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
Advances on account of purchases	954	1,000
Finished and intermediate products	13,735	13,084
Raw and subsidiary materials and consumables	21,174	21,550
	<b>35,863</b>	<b>35,634</b>

## 23. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities are analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES - NON-CURRENT</b>		
Trade receivables	254	2,094
Deferred costs	9,900	17,881
Sundry debtors and other operations	512	524
	<b>10,666</b>	<b>20,499</b>
<b>DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES - CURRENT</b>		
Trade receivables	219,015	260,643
Services rendered	12,294	8,698
Advances to suppliers	2,653	6,214
Sundry debtors and other operations	45,614	38,562
	<b>279,576</b>	<b>314,117</b>
Impairment losses	-392	-328
	<b>289,850</b>	<b>334,288</b>

Trade receivables - Non- Current, is related to the establishment of the pool boundaries adjustment in EDPR EU in Spain, as a result of the publication of Royal Decree-Law 413/2014 and Order IET/1045/2014.

Variation in deferred costs-non current is mainly explained by the reclassification to right of use assets caption of 10,314 thousand Euros related to prepayment of land leases, under the adoption of IFRS 16 in 1 January 2019 (see note 3).

Decrease of trade receivables-current, besides the normal course of the business, is mainly explained by the sale of EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries (see note 6) in the amount of 20,310 thousand Euros and the reclassification to held for sale of certain offshore companies (see note 27) in the amount of 6,542 thousand Euros. The amount as at 30 June 2019 principally refers to EDPR EU in the amount of 107,841 thousand Euros (157,558 thousand Euros as at 31 December 2018) and to EDPR NA in the amount of 96,155 thousand Euros (85,168 thousand Euros as at 31 December 2018), which mainly includes electricity generation invoicing.

Following the adoption of IFRS 9 on 1 January 2018, the caption of Debtors and other assets from commercial activities – Current includes 392 thousand Euros, which are the result of increases in impairment losses under the new expected credit loss model recommended in IFRS 9.

The credit risk analysis are disclosed in note 5, under the Counterparty credit risk management section.

## 24. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>OTHER DEBTORS AND OTHER ASSETS - NON-CURRENT</b>		
Loans to related parties	810	23,498
Derivative financial instruments	14,392	19,022
Sundry debtors and other operations	83,256	67,529
	<b>98,458</b>	<b>110,049</b>
<b>OTHER DEBTORS AND OTHER ASSETS - CURRENT</b>		
Loans to related parties	14,149	17,384
Derivative financial instruments	12,885	10,489
Sundry debtors and other operations	1,138,231	342,944
	<b>1,165,265</b>	<b>370,817</b>
	<b>1,263,723</b>	<b>480,866</b>

Variation in loans to related parties – Non current is mainly related to the reclassification of the loans granted to the French offshore companies Éoliennes en Mer Dieppe - Le Tréport, S.A.S. and Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S.; and to the Portuguese offshore company Windplus S.A. to assets held for sale (see note 27). Loans for these companies as at 31 December 2018 amounted to 15,086 thousand euros and 4,281 thousand Euros respectively.

Sundry debtors and other operations- non current mainly include: (i) 36,551 thousand Euros related to the fair value of the contingent consideration related to the sale in 2018 of 13,5% stake in the companies Éoliennes en Mer Dieppe - Le Tréport, S.A.S. and Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S., in accordance with the relevant agreements signed; (ii) 17,667 thousand Euros related to Interconnection and transmission deposits in EDPR NA; (iii) 13,056 thousand Euros as part of the price adjustment, according to the corresponding agreements, in the transaction of selling 49% of EDP Renováveis Portugal S.A to CTG that took place in 2013 which will be received in the long-term; and (iv) 5,450 thousand Euros as an advance payment for the acquisition of the Italian project Aria del Vento which completion is expected by the end of 2020-beginning of 2021.

Loans to related parties - Current mainly include loans to the following equity consolidated companies: (i) 10,677 thousand Euros related to the Spanish company Parque Eólico Sierra del Madero, S.A. as at 30 June 2019 (12,785 thousand Euros as at 31 December 2018); and (ii) 3,426 thousand Euros related to the Spanish company AERE as at 30 June 2019 and 31 December 2018.

Sundry debtors –Current mainly includes: (i) 806,090 thousand Euros related to estimated proceeds for the sale of the companies EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries(see note 6); (ii) 296,905 thousand Euros of financing proceeds for Vento XIX portfolio and Nation Rise project in which EDPR lost control in 2018 due to the sale of 80% and 75% shareholding respectively but EDPR retains the right to receive specified funds raised by those entities, upon successful completion of performance obligation (see note 35); and (iii) 12,531 thousand Euros as at 30 June 2019 (9,945 thousands of Euros as at 31 December 2018) related with the estimated corporate income tax due by EDP Energias de Portugal, S.A. Sucursal en España.

For derivatives, refer to note 37.

## 25. CURRENT TAX ASSETS

Current tax assets is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
Income tax	13,404	24,130
Value added tax (VAT)	32,432	30,570
Other taxes	1,925	4,826
	47,761	59,526

## 26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>Cash</b>	<b>38</b>	<b>17</b>
<b>BANK DEPOSITS</b>		
Current deposits	116,512	200,734
Term deposits	105,636	101,917
Specific demand deposits in relation to institutional partnerships	45,490	82,924
	267,638	385,575
<b>Other short term investments</b>	<b>-</b>	<b>165,951</b>
	267,676	551,543

Term deposits include temporary financial investments to place treasury surpluses.

Specific demand deposits in relation to institutional partnerships are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 33), under the corresponding accounting policy. The governing agreements of these partnerships and specific escrow agreements define the appropriate expenditure of these funds.

The caption "Other short term investments" included, as at 31 December 2018, the debit balance of the current account with EDP Servicios Financieros España S.A. in accordance with the terms and conditions of the contract signed between the parties. This current account has a credit balance as at 30 June 2019 and therefore it has been classified as a Financial Debt (see note 31 and 39).

Variation in cash and cash equivalent includes the impact of the sale of EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries (see note 6) in the amount of 89,309 thousand Euros and the impact of the reclassification of certain offshore companies to held for sale (see note 27) in the amount of 3,764 thousand Euros.

## 27. ASSETS AND LIABILITIES HELD FOR SALE

These captions are analysed as follows:

THOUSAND EUROS	30 JUN 2019		31 DEC 2018	
	ASSETS HELD FOR SALE	LIABILITIES HELD FOR SALE	ASSETS HELD FOR SALE	LIABILITIES HELD FOR SALE
Electricity generation assets – EDPR Brazil - Onshore	213,884	153,683	-	-
Electricity generation assets – EDPR NA - Offshore	59,315	0	-	-
Electricity generation assets – EDPR EU - Offshore	93,473	12,208	7,546	-
Electricity generation assets – Others - Offshore	192	1	-	-
<b>ASSETS HELD FOR SALE</b>	<b>366,864</b>	<b>165,892</b>	<b>7,546</b>	<b>-</b>

### Electricity generation assets – EDPR Brazil - Onshore

In the second quarter of 2019, EDPR Group committed to the plan of selling the entire stake held in the Brazilian portfolio of six companies Babilonia, thus, according to the analysis performed under IFRS 5, this sale is considered highly probable and their assets and liabilities have been classified as held for sale.

Detail of assets and liabilities reclassified to held for sale are as follows:

THOUSAND EUROS	
<b>ASSETS</b>	
Property, plant and equipment	197,657
Collateral deposits associated to financial debt	8,213
<b>Total Non-Current Assets</b>	<b>205,870</b>
Debtors and other assets from commercial activities	5,326
Other debtors and other assets	5
Cash and cash equivalents	2,683
<b>Total Current Assets</b>	<b>8,014</b>
<b>TOTAL ASSETS</b>	<b>213,884</b>
<b>LIABILITIES</b>	
Medium / Long term financial debt	135,466
Provisions	609
Trade and other payables from commercial activities	4,934
<b>Total Non-Current Liabilities</b>	<b>141,009</b>
Short term financial debt	9,582
Trade and other payables from commercial activities	2,702
Other liabilities and other payables	1
Current tax liabilities	389
<b>Total Current Liabilities</b>	<b>12,674</b>
<b>TOTAL LIABILITIES</b>	<b>153,683</b>
<b>TOTAL NET ASSETS</b>	<b>60,201</b>

### Electricity generation assets – EDPR NA, EDPR EU, Others - Offshore

On May 2019, EDPR and Engie announced the signing of a strategic Memorandum of Understanding (MoU), to create a co-controlled 50/50 joint-venture in fixed and floating offshore wind. Under the terms of the MoU, EDPR and ENGIE, will combine their offshore wind assets and project pipeline in this joint-venture. Current EDPR offshore projects are located in the USA, UK, France, Portugal, Poland, Japan and in the Netherlands, with a holding company in Spain. As a consequence of such agreement, and according to the analysis performed under IFRS 5, the transaction is considered highly probable and related assets and liabilities for the companies developing the projects, principally joint ventures, have been classified as held for sale. Detail of assets and liabilities reclassified to held for sale, by country, are as follows:

- USA: Includes the value of the equity investment of the equity consolidated company Mayflower Wind Energy LLC in the amount of 59,315 thousand Euros.
- UK: Includes (i) net assets of the fully consolidated company Moray Offshore Renewable Power Limited in the net amount of 43,072 thousand Euros; (ii) net assets of the fully consolidated company EDPR UK Limited in the amount of 1,480 thousand Euros (iii) the value of the equity investment and shareholder loans in the equity consolidated company Moray East Holdings Limited in the net amount of -18,578 thousand Euros; and (iv) the value of the equity investment in the equity consolidated company Moray West Holdings Limited in the net amount of -62 thousand Euros.

- France: Includes (i) the value of the equity investment and shareholder loans in the equity consolidated company Éoliennes en Mer Dieppe - Le Tréport, S.A.S. in the net amount of 16,613 thousand Euros (ii) the value of the equity investment and shareholder loans in the equity consolidated company Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S. in the net amount of 14,957 thousand Euros; (iii) net assets of the fully consolidated company EDPR Offshore France, S.A.S. in the amount of 489 thousand Euros; (iv) the value of the equity investment in the equity consolidated company Dunkerque Éoliennes en Mer, S.A.S. in the net amount of 3 thousand Euros; (v) shareholder loans granted to the equity consolidated company Les Eoliennes Flottantes du Golfe du Lion in the amount of 356 thousand Euros; and (vi) the value of the equity investment in the equity consolidated company Les Eoliennes en Mer Services, S.A.S in the net amount of 400 thousand Euros;
- Portugal: Includes the shareholder loans granted to the equity consolidated company Windplus S.A. in the amount of 18,444 thousand Euros.
- Poland: Includes (i) net assets of the fully consolidated company B-Wind Polska, Sp. z o.o. in the net amount of 3,989 thousand Euros; (ii) net assets of the fully consolidated company C-Wind Polska, Sp. z o.o. in the amount of 5,569 thousand Euros.
- Japan: Includes the net assets of the fully consolidated company EDPR Japan GK in the net amount of 191 thousand Euros.
- Netherlands: Includes the net assets of the fully consolidated companies Fluctus V, B.V., Ventum Ventures III Holding, B.V. and Fluctus VII, B.V. and the value of the equity investment in the companies Frontier Beheer Nederland, B. V. and Frontier, C.V. in the net amount of 1 thousand Euros.
- Spain: Includes the net assets of the fully consolidated holding company EDPR Offshore España, S.L. in the net amount of -5,464 thousand Euros.

With respect to the balances as at 31 December 2018, EDPR Group committed in 2017 to the plan of selling certain stake of Moray Offshore Windfarm (East) Limited, thus, according to the analysis performed under IFRS 5, this sale was considered highly probable and its assets and liabilities were classified as held for sale.

In the third quarter of 2017 EDPR Group completed the first sale to Engie of 23.3% of the equity shareholding and shareholder loans which implied a loss of sole control over the company according to the agreements signed. In addition, on March, November and December 2018, EDPR Group sold an additional 20%, 13,4% and 10% respectively of the equity shareholding and shareholder loans of the company (see notes 6 and 14). As at 31 December 2018, the assets attributable to the value of the investment in the equity consolidated company and respective loans that would be disposed in subsequent transactions, i.e. 10% of shareholding and loans, were recognised in assets held for sale in the amount of 7,546 thousand Euros.

## 28. SHARE CAPITAL AND SHARE PREMIUM

At 30 June 2019 and 2018, the share capital of the Company is represented by 872,308,162 shares of Euros 5 par value each, all fully paid. The shares are in book-entry bearer form, the company is entitled to request the listing of its shares and all the shareholders are registered in the relevant book-entry records. These shares have the same voting and profit-sharing rights and are freely transferable.

EDP Renováveis, S.A. shareholder's structure as at 30 June 2019 is analysed as follows:

	NO. OF SHARES	% CAPITAL	% VOTING RIGHTS
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	720,191,372	82,56%	82,56%
Other (*)	152,116,790	17,44%	17,44%
	<b>872,308,162</b>	<b>100,00 %</b>	<b>100,00 %</b>

(\*) Shares quoted on the Lisbon stock exchange

There were no movements in Share capital and Share premium during the first half of 2019. The Share Premium is freely distributable.

Earnings per share attributable to the shareholders of EDPR are analysed as follows:

	30 JUN 2019	30 JUN 2018
Profit attributable to the equity holders of the parent (in thousand Euros)	343,080	138,848
Profit from continuing operations attributable to the equity holders of the parent (in thousand Euros)	343,080	138,848
Weighted average number of ordinary shares outstanding	872,308,162	872,308,162
Weighted average number of diluted ordinary shares outstanding	872,308,162	872,308,162
Earnings per share (basic) attributable to equity holders of the parent (in Euros)	0.39	0.16
Earnings per share (diluted) attributable to equity holders of the parent (in Euros)	0.39	0.16
Earnings per share (basic) from continuing operations attributable to the equity holders of the parent (in Euros)	0.39	0.16
Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent (in Euros)	0.39	0.16

The EDPR Group calculates its basic and diluted earnings per share attributable to equity holders of the parent using the weighted average number of ordinary shares outstanding during the period.

The company does not hold any treasury stock as at 30 June 2019 and 31 December 2018.

The average number of shares was determined as follows:

	30 JUN 2019	30 JUN 2018
Ordinary shares issued at the beginning of the period	872,308,162	872,308,162
Average number of realised shares	872,308,162	872,308,162
Average number of shares during the period	872,308,162	872,308,162
Diluted average number of shares during the period	872,308,162	872,308,162

## 29. OTHER COMPREHENSIVE INCOME, RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>OTHER COMPREHENSIVE INCOME</b>		
Fair value reserve (cash flow hedge)	-97,921	-109,962
Fair value reserve (equity instruments at fair value)	6,364	6,364
Exchange differences arising on consolidation	-67,290	-68,927
	-158,847	-172,525
<b>OTHER RESERVES AND RETAINED EARNINGS</b>		
Retained earnings and other reserves	1,558,896	1,320,887
Additional paid in capital	60,666	60,666
Legal reserve	75,971	73,045
	1,695,533	1,454,598
	1,536,686	1,282,073

### Additional paid in capital

The accounting for transactions among entities under common control is excluded from IFRS 3. Consequently, in the absence of specific guidance, within IFRSs, the Group EDPR has adopted an accounting policy for such transactions, judged appropriate. According to the Group's policy, business combinations among entities under common control are accounted for in the consolidated financial statements using the book values of the acquired company (subgroup) in the EDPR consolidated financial statements. The difference between the carrying amount of the net assets received and the consideration paid is recognised in equity.

### Legal reserve

The legal reserve has been appropriated in accordance with Article 274 of the Spanish Companies Act whereby companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset losses, if no other reserves are available, or to increase the share capital.

### Fair value reserve (cash flow hedge)

The Fair value reserve (cash flow hedge) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

### Exchange differences arising on consolidation

This caption reflects the amount arising on the translation of the financial statements of subsidiaries and associated companies from their functional currency into Euros. The exchange rates used in the preparation of the consolidated financial statements are as follows:

		EXCHANGE RATES AS AT 30 JUNE 2019		EXCHANGE RATES AS AT 30 JUNE 2018	
		CLOSING RATE	AVERAGE RATE	CLOSING RATE	AVERAGE RATE
US Dollar	USD	1.14	1.13	1.17	1.21
Zloty	PLN	4.25	4.29	4.37	4.22
Brazilian Real	BRL	4.35	4.34	4.49	4.14
New Leu	RON	4.73	4.74	4.66	4.65
Pound Sterling	GBP	0.90	0.87	0.89	0.88
Canadian Dollar	CAD	1.49	1.51	1.54	1.55
Mexican Peso	MXN	21.82	21.66	22.88	23.09
Colombian Peso	COP	3,638.45	3,603.72	-	-
Japanese Yen	JPY	122.60	124.30	-	-

**30. NON-CONTROLLING INTERESTS**

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
Non-controlling interests in income statement	90,543	158,804
Non-controlling interests in share capital and reserves	1,263,547	1,454,586
	<b>1,354,090</b>	<b>1,613,390</b>

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

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
EDPR NA Group	913,411	906,747
EDPR EU Group	377,168	644,455
EDPR BR Group	63,511	62,188
	<b>1,354,090</b>	<b>1,613,390</b>

The movement in non-controlling interests of EDP Renováveis Group is mainly related to:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
Balance as at 1 January	1,613,390	1,560,175
Dividends distribution	-33,163	-62,439
Net profit for the year	90,543	158,804
Exchange differences arising on consolidation	8,042	30,021
Acquisitions and sales without change of control	44	-9,860
Increases/(Decreases) of share capital	-34,492	-64,020
Other changes	-290,274	709
<b>BALANCE AS AT 31 DECEMBER</b>	<b>1,354,090</b>	<b>1,613,390</b>

Other changes mainly include a decrease amounting 289,345 thousand Euros related to the sale of the companies EDPR Participaciones S.L. , EDP Renewables France S.A.S. and subsidiaries (see note 6) where non-controlling interest held certain stake in these companies.

**31. FINANCIAL DEBT**

Financial debt current and Non-current is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>FINANCIAL DEBT - NON-CURRENT</b>		
Bank loans:		
- EDPR EU Group	309,985	335,659
- EDPR BR Group	122,932	211,147
- EDPR NA Group	218,354	221,015
Loans received from EDP group entities:		
- EDP Renováveis, S.A.	454,350	583,919
- EDP Renováveis Servicios Financieros, S.L.	1,822,218	1,855,942
Other loans:		
- EDPR EU Group	331	173
<b>TOTAL DEBT AND BORROWINGS - NON-CURRENT</b>	<b>2,928,170</b>	<b>3,207,855</b>

Collateral Deposits - Non-current (*)		
Collateral Deposit - Project Finance and others	- 19,827	- 25,466
<b>TOTAL COLLATERAL DEPOSITS - NON-CURRENT</b>	<b>-19,827</b>	<b>-25,466</b>

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>FINANCIAL DEBT - CURRENT</b>		
Bank loans:		
- EDPR EU Group	43,468	83,153
- EDPR BR Group	13,635	15,293
- EDPR NA Group	12,169	15,258
Loans received from EDP group entities:		
- EDP Renováveis S.A.	132,512	-
- EDP Renováveis Servicios Financieros, S.L.	854,258	300,244
Other loans:		
- EDPR EU Group	128	147
Interest payable	40,959	28,035
<b>TOTAL DEBT AND BORROWINGS - CURRENT</b>	<b>1,097,129</b>	<b>442,130</b>

Collateral Deposits - Current (*)		
Collateral Deposit - Project Finance and others	- 10,154	- 13,185
<b>TOTAL COLLATERAL DEPOSITS - CURRENT</b>	<b>- 10,154</b>	<b>- 13,185</b>

<b>TOTAL DEBT AND BORROWINGS - CURRENT AND NON-CURRENT</b>	<b>4,025,299</b>	<b>3,649,985</b>
<b>TOTAL DEBT AND BORROWINGS NET OF COLLATERALS - CURRENT AND NON-CURRENT</b>	<b>3,995,318</b>	<b>3,611,334</b>

(\*) Collateral deposits mainly refer to amounts held in bank accounts to comply with obligations under project finance agreements entered into by certain EDP Renewable subsidiaries.

Loans received from EDP group entities current and non-current as at 30 June 2019 mainly refer to a set of loans granted by EDP Finance BV amounting to 1,915,663 thousand Euros, including accrued interests and deducted of origination fees (1,447,485 thousand Euros non-current and 468,178 thousand Euros current) and by EDP Servicios Financieros España S.A. amounting to 1,131,422 thousand Euros (830,935 thousand Euros non-current and 561,287 thousand Euros current). The bundled average maturity regarding long-term loans is approximately 2 and a half years and bear interest at weighted average fixed market rates of 2.5% for EUR loans and 4.5% for USD loans. These loans amounted to 1,632,024 thousand Euros for loans granted by EDP Finance BV and 1,122,286 thousand Euros for loans granted by EDP Servicios Financieros España S.A. as at 31 December 2018. This caption also includes the credit balance of the EUR and USD current account with EDP Servicios Financieros España S.A. amounting to 260,800 thousand Euros as at 30 June 2019 (11,694 thousand Euros as at 31 December 2018).

The main events regarding financing and refinancing of the period refer to: i) reclassification to held-for-sale of the Brazilian portfolio of Babilonia companies (see note 27) that implies a decrease in non-current and current financial debt in the amount of 135,466 thousand Euros and 9,582 thousand Euros respectively; and ii) sale of EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries (see note 6) that implies a decrease in non-current and current financial debt in the amount of 22,905 thousand Euros and 13,246 thousand Euros respectively.

As at 30 June 2019, future debt and borrowings payments and accrued interest by type of loan and currency are analysed as follows:

THOUSAND EUROS	JUN 2020	DEC 2020	DEC 2021	DEC 2022	DEC 2023	FOLLOWING YEARS	TOTAL
<b>BANK LOANS</b>							
Euro	78,006	16,793	40,173	38,681	39,671	91,255	304,579
American Dollar	11,791	6,073	12,444	12,189	12,450	161,458	216,405
Brazilian Real	13,635	7,093	10,723	9,756	9,756	87,163	138,126
Others	6,894	4,043	10,043	14,065	17,785	57,331	110,161
	<b>110,326</b>	<b>34,002</b>	<b>73,383</b>	<b>74,691</b>	<b>79,662</b>	<b>397,207</b>	<b>769,271</b>
<b>LOANS RECEIVED FROM EDP GROUP</b>							
Euro	423,671	386,348	-	211,587	233,000	-	1,254,606
American Dollar	564,310	-	417,399	325,132	246,046	457,982	2,010,869
	<b>987,981</b>	<b>386,348</b>	<b>417,399</b>	<b>536,719</b>	<b>479,046</b>	<b>457,982</b>	<b>3,265,475</b>
<b>OTHER LOANS</b>							
Euro	128	55	64	-	212	-	459
	<b>128</b>	<b>55</b>	<b>64</b>	<b>-</b>	<b>212</b>	<b>-</b>	<b>459</b>
<b>Origination Fees</b>	-1,305	-499	-936	-983	-980	-5,203	-9,906
	<b>1,097,130</b>	<b>419,906</b>	<b>489,910</b>	<b>610,427</b>	<b>557,940</b>	<b>849,986</b>	<b>4,025,299</b>

The Group has project finance agreements that include the usual guarantees on this type of financings, namely the pledge or a promise of pledge of bank accounts and assets of the related projects. As at 30 June 2019, these financings amount to 874,096 thousand Euros (31 December 2018: 891,475 thousand Euros), of which an amount of 729,048 is included within the financial debt captions and 145,048 thousand Euros within the liabilities held for sale caption.

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

THOUSAND EUROS	30 JUN 2019		31 DEC 2018	
	CARRYING VALUE (*)	MARKET VALUE	CARRYING VALUE (*)	MARKET VALUE
Financial debt - Non-current	2,928,170	3,003,175	3,207,855	3,375,854
Financial debt - Current	1,097,129	1,097,129	442,130	442,130
	<b>4,025,299</b>	<b>4,100,304</b>	<b>3,649,985</b>	<b>3,817,984</b>

(\*) Net of origination fees

The market value of the medium/long-term (non-current) debt and borrowings that bear a fixed interest rate is calculated based on the discounted cash flows at the rates ruling at the balance sheet date. The market value of debt and borrowing that bear a floating interest rate is considered not to differ from its book value as these loans bear interest at a rate indexed to Euribor. The book value of the short-term (current) debt and borrowings is considered to be the market value.

## 32. PROVISIONS

Provisions are analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>Dismantling and decommission provisions</b>	<b>259,898</b>	<b>288,503</b>
<b>Provision for other liabilities and charges</b>	<b>6,546</b>	<b>6,467</b>
- Long-term provision for other liabilities and charges	1,224	1,219
- Short-term provision for other liabilities and charges	5,322	5,248
<b>Employee benefits</b>	<b>409</b>	<b>348</b>
	<b>266,853</b>	<b>295,318</b>



Dismantling and decommission provisions refer to the costs to be incurred for dismantling wind and solar farms and restoring sites and land to their original condition, in accordance with the corresponding accounting policy. The above amount respects to: (i) 136,194 thousand Euros for wind farms in Europe (31 December 2018: 166,810 thousand Euros); (ii) 121,483 thousand Euros for wind farms in North America (31 December 2018: 119,082 thousand Euros); and (iii) 2,221 thousand Euros for wind farms in Brazil (31 December 2018: 2,611 thousand Euros).

The variation in dismantling and decommission provisions mainly refers to a decrease in the amount of 35,240 thousand Euros due to the sale of EDPR Participaciones S.L, EDP Renewables France S.A.S. and subsidiaries (see note 6) and a decrease in the amount of 609 thousand Euros due to the reclassification to liabilities held for sale of the Brazilian portfolio of companies Babilonia (see note 27).

EDP Renováveis believes that the provisions booked on the consolidated statement of financial position adequately cover the foreseeable obligations described in this note. Therefore, it is not expected that they will give rise to liabilities in addition to those recorded.

### 33. INSTITUTIONAL PARTNERSHIPS IN U.S. WIND FARMS

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
Deferred income related to benefits provided	956,966	961,783
Liabilities arising from institutional partnerships in U.S. wind farms	1,177,897	1,269,466
	<b>2,134,863</b>	<b>2,231,249</b>

The movements in Institutional partnerships in U.S. wind farms are analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
Balance at the beginning of the period	2,231,249	2,163,722
Proceeds received from institutional investors	-	402,299
Cash paid for deferred transaction costs	-668	-3,548
Cash paid to institutional investors	-63,590	-173,398
Income (see note 8)	-94,653	-185,171
Unwinding (see note 14)	43,782	80,135
Loss of control of companies with institutional partnerships	-	-162,123
Exchange differences	14,503	102,067
Others	4,240	7,266
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>2,134,863</b>	<b>2,231,249</b>

The Group has entered in several partnerships with institutional investors in the United States, through limited liability companies operating agreements that apportions the cash flows generated by the wind farms between the investors and the Company and allocates the tax benefits, which include Production Tax Credits (PTC), Investment Tax Credits (ITC) and accelerated depreciation, largely to the investor.

Cash paid to institutional investors includes 24,594 thousand Euros related to the pre-flip acquisition by EDPR of class B interests that the institutional investor had in the project Vento II. EDPR additionally paid, in the context of this transaction, an amount of 15,053 thousand Euros that corresponds to the 5% residual interest that the institutional investor had in the Vento II portfolio.

Others mainly include proceeds received by EDPR during the first half of 2019 amounting to 4,719 thousand Euros related to PTC generated after flip date in the context of certain tax equity deals that are structured to include an option to allocate substantially all of the projects' generated PTCs to the tax equity investors after the Flip Date.

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.

### 34. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities are analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES - NON-CURRENT</b>		
Government grants / subsidies for investments in fixed assets	351,775	358,236
Electricity sale contracts - EDPR NA	10,477	11,496
Property, plant and equipment suppliers	37,050	8,071
Other creditors and sundry operations	51,159	41,627
	<b>450,461</b>	<b>419,430</b>
<b>TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES - CURRENT</b>		
Suppliers	75,375	99,452
Property, plant and equipment suppliers	542,347	1,004,958
Other creditors and sundry operations	66,558	71,828
	<b>684,280</b>	<b>1,176,238</b>
	<b>1,134,741</b>	<b>1,595,668</b>

Government grants for investments in fixed assets are essentially related to grants received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government.

At the moment of the EDPR North America 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 thousands of USD, being booked as a non-current liability under Electricity sale contracts - EDPR NA, which is depreciated over the useful life of the contracts under Other income (see note 9).

Property plant and equipment suppliers-non current mainly includes success fees payables in the long term for the acquisition of certain projects in Colombia for a total amount of 27,929 thousand Euros, that, due to the nature of such transactions, the type of assets acquired and the initial stage of completion of the projects, they have been considered asset acquisitions (see note 6).

Other creditors and sundry operations - non current mainly includes the pool boundaries adjustment due to the evolution of the energy pool prices in the Spanish market.

The caption suppliers-current has decreased, besides the ordinary course of business, due to the sale of EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries (see note 6) in the amount of 11,400 thousand Euros.

Property plant and equipment suppliers -current refer to wind and solar farms in construction mainly in the USA in the amount of 330,624 thousand Euros (701,846 thousand Euros as of December 31, 2018), Brazil in the amount of 51,560 thousand Euros (119,980 thousand Euros as of December 31, 2018), Portugal in the amount of 38,278 thousand Euros (42,924 thousand Euros as of December 31, 2018) and Italy in the amount of 28,675 thousand Euros (39,155 thousand Euros as of December 31, 2018). This caption also includes success fees payables for the acquisition of certain projects in Brazil, Italy and France for a total amount of 25,305 thousand Euros (38,015 thousand Euros as at 31 December 2018) that due to the nature of such transactions, the type of assets acquired and the initial stage of completion of the projects, they have been considered asset acquisitions. This caption also includes the impact of the sale of EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries, and the reclassification to held for sale of certain offshore companies in the total amount of 4,640 thousand Euros.

### 35. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>OTHER LIABILITIES AND OTHER PAYABLES - NON-CURRENT</b>		
Amount payable for the acquisition of subsidiaries	826	787
Loans from non-controlling interests	202,932	396,919
Derivative financial instruments	179,825	156,126
Rents due from lease contracts	568,276	-
Other creditors and sundry operations	248	318
	<b>952,107</b>	<b>554,150</b>
<b>OTHER LIABILITIES AND OTHER PAYABLES - CURRENT</b>		
Amount payable for the acquisition of subsidiaries	165,850	290,062
Loans from non-controlling interests	69,554	166,487
Derivative financial instruments	39,758	78,406
Rents due from lease contracts	42,149	-
Other creditors and sundry operations	16,858	5,123
	<b>334,169</b>	<b>540,078</b>
	<b>1,286,276</b>	<b>1,094,228</b>

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 (see note 5) for a total amount of 31,695 thousand Euros, including accrued interests (31,108 thousand Euros as of 31 December 2018), bearing interest at a fixed rate of 3.75%.
- ii) 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 115,387 thousand Euros including accrued interests (119,826 thousand Euros as at 31 December 2018), bearing interest at a fixed rate of a range between 2.95% and 7.23%;
- iii) 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 61,110 thousand Euros including accrued interests (63,304 thousand Euros as at 31 December 2018), bearing interest at a fixed rate of 4.50%.
- iv) 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 44,506 thousand Euros including accrued interests (31 December 2018: 50,202 thousand Euros), bearing interests at a fixed rate of 5.50%.

The significant decrease in loans from non-controlling interests is mainly related to the sale of EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries (see note 6). As at 31 December 2018, loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L. and subsidiaries amounted to 215,620 thousand Euros. Additionally, loans granted by Vortex Energy Investments I due to the sale in 2014 of 49% of shareholding in EDP Renewables France S.A.S. and subsidiaries amounted to 52,258 thousand Euros as at 31 December 2018.

The caption Rents due from lease contracts - Non-Current and Current includes lease liabilities as a consequence of the adoption of IFRS 16 on 1 January 2019 being the initial impact for such adoption an amount of 553,338 thousand Euros and 44,873 thousand Euros respectively (see note 3). Variation in both captions is as follows:

THOUSAND EUROS	30 JUN 2019
Balance as at 1 January	598,211
Increases due to new lease contracts	82,148
Unwinding (note 13)	14,141
Payment of leases	-23,909
Reclassification to held for sale	-3,833
Changes in the perimeter	-53,128
Exchange rates	-2,827
Other changes	-378
<b>BALANCE AS AT 30 JUNE</b>	<b>610,425</b>

Changes in the perimeter refers to the sale of EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries (see note 6). Reclassification to held for sale refer to certain offshore companies that have been reclassified to liabilities held for sale (see note 27).

As at 30 June 2019, the nominal value of the rents due from lease contracts is detailed as follows: (i) less than 5 years: 239,982 thousand Euros; (ii) from 5 to 10 years: 221,633 thousand Euros; (iii) from 10 to 15 years: 223,215 thousand Euros; and (iv) more than 15 years: 440,304 thousand Euros.

Variation in amount payable for the acquisition of subsidiaries – current is mainly related to costs actually incurred in the construction of the windfarm projects as foreseen in the context of the sale, in December 2018, of the Vento XIX portfolio and Nation Rise project in which EDPR lost control due to the sale of 80% and 75% shareholding respectively although EDPR retains the obligation to complete the construction of the related wind farm facilities at the EDPR's sole cost (see note 24).

Derivative financial instruments non-current includes 101,614 thousand Euros (88,731 thousand Euros as at 31 December 2018) related to a hedge instrument of USD and EUR with EDP Finance BV, which was formalised in order to hedge the foreign exchange risk of the net investment held in EDPR NA, expressed in USD (see note 37).

### 36. CURRENT TAX LIABILITIES

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
Income tax	41,680	39,325
Withholding tax	1,489	2,210
Value added tax (VAT)	15,680	16,722
Other taxes	57,753	28,539
	<b>116,602</b>	<b>86,796</b>

Other taxes include the effect of the Spanish Royal Decree 15/2018 by which the electricity produced and incorporated into the electricity system was exonerated from said tax for a period of six months, i.e. the last quarter of 2018 and the first quarter of 2019.

### 37. DERIVATIVE FINANCIAL INSTRUMENTS

As of 30 June 2019, the fair value of derivatives is analysed as follows:

THOUSAND EUROS	FAIR VALUE		
	ASSETS	LIABILITIES	NET
<b>NET INVESTMENT HEDGE</b>			
Cross currency rate swaps	6,560	-105,386	-98,826
Currency forwards	-	-1	-1
	<b>6,560</b>	<b>-105,387</b>	<b>-98,827</b>
<b>CASH FLOW HEDGE</b>			
Power price swaps	16,370	-86,325	-69,955
Interest rate swaps	774	-18,733	-17,959
Currency forwards	-	-4,626	-4,626
	<b>17,144</b>	<b>-109,684</b>	<b>-92,540</b>
<b>TRADING</b>			
Power price swaps	3,377	-2,591	786
Cross currency rate swaps	-	-1,921	-1,921
Currency forwards	195	-	195
	<b>3,572</b>	<b>-4,512</b>	<b>-940</b>
	<b>27,276</b>	<b>-219,583</b>	<b>-192,307</b>

As of 31 December 2018, the fair value and maturity of derivatives is analysed as follows:

THOUSAND EUROS	FAIR VALUE		
	ASSETS	LIABILITIES	NET
<b>NET INVESTMENT HEDGE</b>			
Cross currency rate swaps	7.540	-89.134	-81.594
Currency forwards	-	-	-
	<b>7.540</b>	<b>-89.134</b>	<b>-81.594</b>
<b>CASH FLOW HEDGE</b>			
Power price swaps	13.016	-121.370	-108.354
Interest rate swaps	3.626	-19.530	-15.904
Currency forwards	2.478	-69	2.409
	<b>19.120</b>	<b>-140.969</b>	<b>-121.849</b>
<b>TRADING</b>			
Power price swaps	2.642	-3.637	-995
Cross currency rate swaps	200	-379	-179
Currency forwards	9	-413	-404
	<b>2.851</b>	<b>-4.429</b>	<b>-1.578</b>
	<b>29.511</b>	<b>-234.532</b>	<b>-205.021</b>

The fair value of derivative financial instruments is recorded under other debtors and other assets (note 24) or other liabilities and other payables (note 35), if the fair value is positive or negative, respectively. The trading derivative financial instruments are derivatives contracted for economic hedging that are not eligible for hedge accounting.

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. These entities use discounted cash flows techniques usually accepted and data from public markets. The only exceptions are the CIRS in USD/EUR with EDP Finance, which fair values are determined by the Financial Department of EDP, using the same above-mentioned discounted cash flows techniques and data. As such, according to IFRS13 requirements, the fair value of the derivative financial instruments is classified as of level 2 (see note 39) and no changes of level were made during this period.

During 2019 and 2018 the following market inputs were considered for the fair value calculation:

INSTRUMENT	MARKET INPUT
Cross currency interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Libor 3M, daily brazilian CDI, CAD-BA-CDOR 3M, Wibor 3M; and exchange rates: EUR/BRL, EUR/PLN, EUR/CAD EUR/GBP and EUR/USD..
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 6M, Wibor 6M, Libor 3M and CAD-BA-CDOR 3M.
Foreign exchange forwards	Fair value indexed to the following exchange rates: EUR/PLN, EUR/GBP, BRL/CNY and BRL/EUR.
Power price swaps	Fair value indexed to the price of electricity.

## 38. COMMITMENTS

As at 30 June 2019 and 31 December 2018, the financial commitments not included in the statement of financial position or in the notes, are as follows:

THOUSAND EUROS	30 JUN 2019	31 DEC 2018
<b>GUARANTEES OF OPERATIONAL NATURE</b>		
EDP Renováveis, S.A.	435,307	228,308
EDPR NA Group	795,890	760,594
EDPR EU Group	1,207	-
EDPR BR Group	2,049	9,405
	<b>1,234,453</b>	<b>998,307</b>
<b>TOTAL</b>	<b>1,234,453</b>	<b>998,307</b>

The above operating guarantees, which are not included in the consolidated statement of financial position or in the Notes, as at 30 June 2019 and 31 December 2018, mainly refer to Power Purchase Agreements (PPA), interconnection and permits guarantees.

Additionally to the above guarantees, an amount of 10,147 thousand Euros refer to guarantees of operational nature related to the companies EDPR Participaciones S.L., EDP Renewables France S.A.S. and subsidiaries, that have been sold as at 30 June 2019 (see note 6) although EDPR assumes temporarily the responsibility under such guarantees until these are effectively replaced.

There are additional financial and operating guarantees granted by EDPR Group that have underlying liabilities already reflected in its Consolidated Statement of Financial Position and/or disclosed in the Notes.

EDPR does not expect any significant liability arising from the above commitments related to operational guarantees provided.

The EDPR Group purchase obligations by maturity date are as follows:

THOUSAND EUROS	30 JUN 2019				
	TOTAL	UP TO 1 YEAR	1 TO 3 YEARS	CAPITAL OUTSTANDING BY MATURITY	
				3 TO 5 YEARS	MORE THAN 5 YEARS
Purchase obligations	2,296,816	968,655	822,680	133,527	371,954
	2,296,816	968,655	822,680	133,527	371,954

Purchase obligations include debts related with long-term agreements of property, plant and equipment and operational and maintenance contracts product and services supply related to the Group operational activity. When prices are defined under forward contracts, these are used in estimating the amounts of the contractual commitments.

Some of the disposal of non-controlling interest transactions retaining control carried out in previous years incorporate contingent assets and liabilities according to the terms of the corresponding agreements. Additionally, some of the asset's acquisition transactions foresee contingent liabilities if certain milestones are met. EDPR Group has recognized the fair value of this liabilities in the financial statements, but changes in assumptions could have impact on the values booked.

### 39. RELATED PARTIES

The Members of the Board of Directors of the Company and its delegated Committees do not own directly or indirectly any shares from EDPR, as of 30 June 2019.

#### *Remuneration of the members of the Board of Directors*

In accordance with the Company's by-laws, the remuneration of the members of the Board of Directors is proposed by the Nominations and Remunerations Committee to the Board of Directors on the basis of the overall amount of remuneration authorized by the General Meeting of Shareholders. The Board of Directors approves the distribution and the exact amount to be paid to each Director on the basis of this proposal.

The remuneration paid to the members of the Board of Directors in 2019 and 2018 were as follows:

THOUSAND EUROS	30 JUN 2019	30 JUN 2018
CEO	-	-
Board members	307	369
	307	369

EDPR signed an Executive Management Services Agreement with EDP, under which EDP bears the cost for the services rendered by its Executive and Non-Executive Directors, which are João Manso Neto, Nuno Alves (until June 2018), António Mexia and Vera de Morais Pinto Pereira Carneiro (from March 2019). This corporate governance practice of remuneration is in line with the model adopted by the EDP Group, in which the executive Directors of EDP do not receive any remuneration directly from the group companies on whose governing bodies they serve, but rather through EDP.

Under this contract, EDPR is due to pay an amount to EDP, for the services rendered by the Executive Managers and the Non-executive Managers. The amount due under said Agreement for the management services rendered by EDP in the six-month period ended on 30 June 2019 is 431 thousand Euros (439 thousand Euros in as at 30 June 2018), of which 394 thousand Euros refers to the management services rendered by the Executive Members and 37 thousand Euros to the management services rendered by the non-executive Members.

The retirement savings plan for the members of the Executive Committee not including the Chief Executive Officer range between 3% to 6% of their annual salary.

In the case of the members of the Executive Committee that are also Directors (Duarte Melo de Castro Bello, COO EU&BR; João Paulo Costeira, COO Offshore & CDO (until February 2019); Spirydon Martinis Spetel, COO Offshore & CDO (from March 2019); and Miguel Ángel Prado Balboa, COO EDPR NA, there are contracts that were signed with other group companies, as follows: Duarte Melo de Castro Bello, João Paulo Costeira (until February 2019) and Spirydon Martinis Spetel (from March 2019) with EDP Energias de Portugal S.A. Sucursal en España; and Miguel Ángel Prado Balboa with EDP Renewables North America LLC.

#### *Relevant balances and transactions with subsidiaries and associates of China Three Gorges Group*

Within the context of the transactions with CTG related to the sale of 49% of EDPR Portugal, EDPR PT-PE, EDPR Italia and EDPR Polska equity shareholding to CTG Group, CTG has granted loans to the EDPR Group in the amount of 264,440 thousand Euros including accrued interests (70,755 thousand Euros as current and 193,684 thousand Euros as non-current) as at 30 June 2019. As at 31 December 2018, this balance amounted to 300,367 thousand Euros including accrued interests (47,651 thousand Euros as current and 252,716 thousand Euros as non-current). See note 35.

### Balances and transactions with EDP Group companies

As at 30 June 2019, assets and liabilities with related parties, are analysed as follows:

THOUSAND EUROS	ASSETS		
	LOANS AND INTERESTS TO RECEIVE	OTHERS	TOTAL
EDP Energias de Portugal, S.A.	-	6,994	6,994
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	12,474	12,474
Joint Ventures and Associated companies	15,014	1,770	16,784
EDP Serviço Universal, S.A.	-	22,841	22,841
EDP Comercializadora, S.A.U.	-	15,963	15,963
Other EDP Group companies	-	169	169
	15,014	60,211	75,225

THOUSAND EUROS	LIABILITIES		
	LOANS AND INTERESTS TO PAY	OTHERS	TOTAL
EDP Energias de Portugal, S.A.	-	36,460	36,460
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	4,524	4,524
Joint Ventures and Associated companies	-	304	304
EDP Finance B.V.	1,915,663	102,542	2,018,205
EDP Servicios Financieros España, S.A.	1,392,222	281	1,392,503
Other EDP Group companies	-	2,901	2,901
	3,307,885	147,012	3,454,897

Assets mainly refer to:

- Loans granted to companies consolidated by the equity method;
- Commercial receivables related to the sale of energy in EDPR Portugal and EDPR Spain through EDP Serviço Universal, S.A. (which is a last resource retailer due to regulatory legislation) and EDP Comercializadora, S.A.U. respectively.
- Estimated corporate income tax due by EDP Energias de Portugal, S.A. Sucursal en España amounting to 12,474 thousand Euros (see note 23);
- Derivatives contracted with EDP Energias de Portugal, S.A. which market value as at 30 June 2019 amounts to 6,755 thousand Euros (see note 37).

Liabilities mainly refer to:

- Loans obtained by EDP Renováveis S.A. and by EDP Renováveis Servicios Financieros S.L. from EDP Finance BV in the amount, including interests and deducted from debt arrangement expenses, of 1,915,663 thousand Euros (31 December 2018: 1,632,024 thousand Euros) and from EDP Servicios Financieros España S.A. in the amount of 1,131,422 thousand Euros (31 December 2018: 1,122,286 thousand Euros);
- Credit balance of the EUR and USD current accounts with EDP Servicios Financieros España S.A. amounting to 260,800 thousand Euros as at 30 June 2019 (11,693 thousand Euros as at 31 December 2018);
- Derivatives with the purpose of hedging the foreign exchange risk of EDP Renováveis and EDP Branch, having the EDP Group established a Cross-Currency Interest Rate Swap (CIRS) in USD and EUR between EDP Branch and EDP Renováveis. At each reporting date, this CIRS is revalued to its market value, which corresponds to a spot foreign exchange revaluation, resulting in a perfect hedge (revaluation of the investment in EDPR NA and of the USD external financing). As at 30 June 2019, the amount payable by EDP Renováveis to EDP Branch related to this CIRS amounts to 101,614 thousand Euros (31 December 2018: 88,731 thousand Euros) (see note 37).
- Derivatives contracted with EDP Energias de Portugal S.A. in the amount of 33,672 thousand Euros, including accrued interests.

Transactions with related parties, realized at market price, for the six-month period ended 30 June 2019 are analysed as follows:

THOUSAND EUROS	OPERATING INCOME	FINANCIAL INCOME	OPERATING EXPENSES	FINANCIAL EXPENSES
EDP Energias de Portugal, S.A.	10,952	5,686	-716	-11,722
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	-	-7,326	-1,342
EDP HC Energia Group companies (electric sector)	-	-	-22	-253
Joint Ventures and Associated companies	5,996	4,780	-48	-39
EDP Serviço Universal, S.A.	150,298	-	-2	-
EDP Comercializadora, S.A.U.,	150,040	-	-1,280	-
EDP Finance B.V.	-	-	-	-75,094
EDP Servicios Financieros España, S.A.	-	247	-	-15,828
Other EDP Group companies	270	-	-2,188	-
	317,556	10,713	-11,582	-104,278

Operating income mainly includes the electricity sales to EDP Serviço Universal, S.A. which is a supplier of last resource in Portugal due to regulatory legislation and to EDP Comercializadora, S.A.U. as the commercial agent in Spain and swap commodities transactions with EDP Energias de Portugal, S.A.

Financial income and financial expenses with EDP Energias de Portugal, S.A. and EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch) are mainly related to derivative financial instruments.

Financial expenses with EDP Finance B.V. and EDP Servicios Financieros España S.A., EDP Energias de Portugal, S.A., and EDP Branch are mainly related to derivative financial instruments and interests on the loans granted to EDP Renováveis S.A. and EDP Renováveis Servicios Financieros, S.A. referred above.

As part of its operational activities, the EDP Renováveis Group must present guarantees in favor of certain suppliers and in connection with renewable energy contracts. As at 30 June 2019, EDP España and EDP Energias de Portugal Sucursal en España granted operational guarantees to suppliers in favor of EDPR EU and EDPR NA in the amount of 333,006 thousand Euros (354,979 thousand Euros as at 31 December 2018). The operational guarantees are issued following the commitments assumed by EDPR EU and EDPR NA in relation to Power Purchase Agreements (PPA), interconnection and permits.

Assets and liabilities as at 31 December 2018 are as follows:

THOUSAND EUROS	ASSETS	
	LOANS AND INTERESTS TO RECEIVE	TOTAL
EDP Energias de Portugal, S.A.	-	8,578
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	19,932
Joint Ventures and Associated companies	43,149	560
EDP Serviço Universal, S.A.	-	30,372
Other EDP Group companies	-	6,975
	43,149	66,417
		109,566

THOUSAND EUROS	LIABILITIES	
	LOANS AND INTERESTS TO PAY	TOTAL
EDP Energias de Portugal, S.A.	-	53,656
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	283,858
Joint Ventures and Associated companies	-	57
EDP Finance B.V.	1,222,617	835
EDP Servicios Financieros España, S.A.	1,020,259	448
Other EDP Group companies	-	3,272
	2,242,876	342,126
		2,585,002

Transactions with related parties, realized at market price, for the six-month period ended 30 June 2018 are analysed as follows:

THOUSAND EUROS	OPERATING INCOME	FINANCIAL INCOME	OPERATING EXPENSES	FINANCIAL EXPENSES
EDP Energias de Portugal, S.A.	11,786	2,711	-757	-9,432
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	-	-6,670	-14,563
EDP HC Energia Group companies (electric sector)	-	-	-348	-271
Joint Ventures and Associated companies	792	322	-146	-
EDP Serviço Universal, S.A.	157,864	-	-	-
EDP Comercializadora, S.A.U.,	130,399	-	-	-
EDP Finance B.V.	-	-	-	-44,920
EDP Servicios Financieros España, S.A.	-	-	-	-16,998
Other EDP Group companies	1,727	-	-3,178	-243
	302,568	3,033	-11,099	-86,427

#### 40. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial instruments is based, whenever available, on quoted market prices. Otherwise, fair value is determined through internal models, which are based on generally accepted cash flow discounting techniques and option valuation models or through quotations supplied by third parties.

Non-standard instruments may require alternative techniques, which consider their characteristics and the generally accepted market practices applicable to such instruments. These models are developed considering the market variables that affect the underlying instrument, namely yield curves, exchange rates and volatility factors.

Market data is obtained from generally accepted suppliers of financial data (Bloomberg and Reuters).

Non-listed equity instruments, for which a reliable and consistent fair value estimate is not available either by internal models or external providers, are recognized at their historical cost.

*Equity instruments at fair value and financial assets at fair value through profit or loss*

Listed financial instruments are recognized at fair value based on market prices. The financial instruments for which reliable fair value estimates are not available, are recorded in the statement of financial position at their cost.

*Cash and cash equivalents, trade receivables and suppliers*

These financial instruments include mainly short term financial assets and liabilities. Given their short term nature at the reporting date, their book values are not significantly different from their fair values.

*Financial debt*

The fair value of the financial debt is estimated through internal models, which are based on generally accepted cash flow discounting techniques. At the reporting date, the carrying amount of floating rate loans is approximately their fair value. In case of fixed rate loans, mainly the intercompany loans granted by EDP Group, their fair value is obtained through internal models based on generally accepted discounting techniques.

*Derivative financial instruments*

All derivatives are accounted at their fair value. For those which are quoted in organized markets, the respective market price is used. For over-the-counter derivatives, fair value is estimated through the use of internal models based on cash flow discounting techniques and option valuation models generally accepted by the market, or by dealer price quotations.

*CIRS with EDP Finance BV (note 37)*

With the purpose of hedging the foreign exchange risk resulting from the net investment in EDPR NA, the Group entered into a CIRS in USD and EUR with EDP Finance BV. This financial derivative is presented in the statement of financial position at its fair value, which is estimated by discounting the projected USD and EUR cash flows.

The fair values of assets and liabilities as at 30 June 2019 and 31 December 2018 are analysed as follows:

THOUSAND EUROS	30 JUNE 2019			31 DECEMBER 2018		
	CARRYING AMOUNT	FAIR VALUE	DIFFERENCE	CARRYING AMOUNT	FAIR VALUE	DIFFERENCE
<b>Financial assets</b>						
Equity instruments at fair value	8,434	8,434	-	8,438	8,438	-
Debtors and other assets from commercial activities	289,850	289,850	-	334,288	334,288	-
Other debtors and other assets	1,269,934	1,269,934	-	451,355	451,355	-
Derivative financial instruments	27,277	27,277	-	29,511	29,511	-
Cash and cash equivalents	267,676	267,676	-	551,543	551,543	-
	<b>1,863,171</b>	<b>1,863,171</b>	<b>-</b>	<b>1,375,135</b>	<b>1,375,135</b>	<b>-</b>
<b>Financial liabilities</b>						
Financial debt	4,025,299	4,100,304	75,005	3,649,985	3,817,984	167,999
Suppliers	610,746	610,746	-	1,106,455	1,106,455	-
Institutional partnerships in U.S. wind farms	2,134,863	2,134,863	-	2,231,249	2,231,249	-
Trade and other payables from commercial activities	523,995	523,995	-	489,213	489,213	-
Other liabilities and other payables	1,063,461	1,063,461	-	859,696	859,696	-
Derivative financial instruments	219,582	219,582	-	234,532	234,532	-
	<b>8,577,946</b>	<b>8,652,951</b>	<b>75,005</b>	<b>8,571,130</b>	<b>8,739,129</b>	<b>167,999</b>

The fair value levels used to value EDP Renováveis Group financial assets and liabilities are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e., derived from prices);
- Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).



THOUSAND EUROS	30 JUNE 2018			31 DECEMBER 2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>Financial assets</b>						
Equity instruments at fair value	-	-	8,434	-	-	8,438
Derivative financial instruments	-	27,277	-	-	29,511	-
	-	27,277	8,434	-	29,511	8,438
<b>Financial liabilities</b>						
Liabilities arising from options with non-controlling interests	-	-	910	-	-	910
Derivative financial instruments	-	219,582	-	-	234,532	-
	-	219,582	910	-	234,532	910

The remaining assets and liabilities are valued within Level 1 or correspond to assets and liabilities which fair value is the same as its carrying amount. In the first half of 2019, there are no transfers between levels.

The Trade and other payables within level 3 are related to Liabilities with non-controlling interests.

## 41. RELEVANT SUBSEQUENT EVENTS

### *EDPR secures a PPA in Brazil*

EDPR, through its subsidiary EDP Renováveis Brasil, S.A., secured a 20-year private Power Purchase Agreement to sell the energy to be produced by Monte Verde VI and Boqueirão I-II. The wind onshore projects, both located in the Brazilian State of Rio Grande do Norte, have a total capacity of 126 MW and start of operations expected for 2022.

### *EDPR awarded 30 MW in Greece*

EDPR, secured 20-year Contract-for-Difference at the Greek energy auction to sell electricity produced by Chalkodonio 30 MW wind farm, located in Central Greece, and with expected commercial operation in 2022. In 2018 EDPR announced the entrance in Greece with the award of two 20-year CfD for a total of 60 MW wind farm. With this new contract EDPR reinforces its footprint in a new market with a sustainable development of its Renewable Energy Source.

## 42. OPERATING SEGMENTS REPORT

The Group generates energy from renewable resources and has three reportable segments which are the Group's business platforms, Europe, North America and Brazil. The strategic business units have operations in different geographic zones and are managed separately because their characteristics are quite different. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis.

Information regarding the results of each reportable segment is included in Annex 1. Performance is based on segment operating profit measures, as included in the internal management reports that are reviewed by the Management. Segment operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

A business segment is an identifiable component of the Group, aimed at providing a single product or service, or a group of related products or services, and it is subject to risks and returns that can be distinguished from those of other business segments.

The Group generates energy from renewable sources in several locations and its activity is managed based on the following business segments:

- Europe: refers to EDPR EU Group companies operating in Spain, Portugal, Belgium, France, Italy, Netherlands, Poland, Romania, United Kingdom and Greece;
- North America: refers to EDPR North America, EDPR Canada and EDPR Mexico Group companies that operate in United States of America, Canada and Mexico, respectively;
- Brazil: refers to EDPR Brasil Group companies that operate in this country.

### *Segment definition*

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter, including the intra-segment eliminations, without any inter-segment allocation adjustment.

The financial information disclosed by each business segment is determined based on the amounts booked directly in the subsidiaries that compose the segment, including the intra-segment eliminations, without any inter-segment allocation adjustment.

## ANNEX I

### GROUP ACTIVITY BY OPERATING SEGMENT

#### OPERATING SEGMENT INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

THOUSAND EUROS	EUROPE	NORTH AMERICA	BRAZIL	SEGMENTS TOTAL
Revenues	531,971	351,269	30,320	913,560
Income from institutional partnerships in U.S. wind farms	-	94,653	-	94,653
	<b>531,971</b>	<b>445,922</b>	<b>30,320</b>	<b>1,008,213</b>
Other operating income	229,853	16,600	1,171	247,624
Supplies and services	-77,063	-65,848	-8,071	-150,982
Personnel costs and Employee benefits expenses	-15,322	-30,621	-1,396	-47,339
Other operating expenses	-46,408	-38,786	-419	-85,613
	<b>91,060</b>	<b>-118,655</b>	<b>-8,715</b>	<b>-36,310</b>
<b>Gross operating profit</b>	<b>623,031</b>	<b>327,267</b>	<b>21,605</b>	<b>971,903</b>
Provisions	-269	-	-	-269
Amortisation and impairment	-125,241	-156,185	-9,708	-291,134
<b>Operating profit</b>	<b>497,521</b>	<b>171,082</b>	<b>11,897</b>	<b>680,500</b>
<b>Share of profit of associates</b>	<b>3,342</b>	<b>535</b>	<b>-</b>	<b>3,877</b>
<b>Assets</b>	<b>5,674,931</b>	<b>8,953,675</b>	<b>338,948</b>	<b>14,967,554</b>
<b>Liabilities</b>	<b>349,430</b>	<b>835,231</b>	<b>71,053</b>	<b>1,255,714</b>
<b>Operating Investment</b>	<b>110,696</b>	<b>220,767</b>	<b>5,722</b>	<b>337,185</b>

Note: The Segment "Europe" includes: i) revenues in the amount of 222,375 thousand Euros from Spanish companies; ii) assets from Spanish companies in the amount of 2,520 thousand Euros.

## RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND THE FINANCIAL STATEMENTS

THOUSAND EUROS	
Revenues of the Reported Segments	913,560
Revenues of Other Segments	18,692
Elimination of intra-segment transactions	-21,792
<b>Revenues of the EDPR Group</b>	<b>910,460</b>
Gross operating profit of the Reported Segments	971,903
Gross operating profit of Other Segments	-10,678
Elimination of intra-segment transactions	-35
<b>Gross operating profit of the EDPR Group</b>	<b>961,190</b>
Operating profit of the Reported Segments	680,500
Operating profit of Other Segments	-11,759
Elimination of intra-segment transactions	-1,294
<b>Operating profit of the EDPR Group</b>	<b>667,447</b>
Assets of the Reported Segments	14,967,554
Not Allocated Assets	2,931,758
Financial Assets	432,189
Tax assets	1,165,265
Debtors and other assets	1,334,304
Assets of Other Segments	55,361
Elimination of intra-segment transactions	-331,638
<b>Assets of the EDPR Group</b>	<b>17,623,035</b>
<b>Investments in joint ventures and associates</b>	<b>323,577</b>
Liabilities of the Reported Segments	1,255,714
Not Allocated Liabilities	6,965,840
Financial Liabilities	4,025,299
Institutional partnerships in U.S. wind farms	2,134,863
Tax liabilities	461,679
Payables and other liabilities	343,999
Liabilities of Other Segments	17,065
Elimination of intra-segment transactions	1,236,984
<b>Liabilities of the EDPR Group</b>	<b>9,475,603</b>
Operating Investment of the Reported Segments	337,185
Operating Investment of Other Segments	36,542
<b>Operating Investment of the EDPR Group</b>	<b>373,727</b>

THOUSAND EUROS	TOTAL OF THE REPORTED SEGMENTS	OTHER SEGMENTS	ELIMINATION OF INTRA-SEGMENT TRANSACTIONS	TOTAL OF THE EDPR GROUP
Income from institutional partnerships in U.S. wind farms	94,653	-	-	94,653
Other operating income	247,624	5,757	-335	253,046
Supplies and services	-150,982	-12,066	15,551	-147,497
Personnel costs and Employee benefits expenses	-47,339	-15,666	-	-63,005
Other operating expenses and impairment losses	-85,613	-7,330	6,476	-86,467
Provisions	-269	-	-	-269
Amortisation and impairment	-291,134	-1,054	-1,286	-293,474
Share of profit of associates	3,877	-27	-	3,850

## OPERATING SEGMENT INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

THOUSAND EUROS	EUROPE	NORTH AMERICA	BRAZIL	SEGMENTS TOTAL
Revenues	492,596	314,049	18,641	825,286
Income from institutional partnerships in U.S. wind farms	-	100,404	-	100,404
	<b>492,596</b>	<b>414,453</b>	<b>18,641</b>	<b>925,690</b>
Other operating income	17,280	28,528	1,875	47,683
Supplies and services	-81,336	-74,195	-5,413	-160,944
Personnel costs and Employee benefits expenses	-14,232	-27,594	-1,102	-42,928
Other operating expenses	-45,681	-30,091	-490	-76,262
	<b>-123,969</b>	<b>-103,352</b>	<b>-5,130</b>	<b>-232,451</b>
<b>Gross operating profit</b>	<b>368,627</b>	<b>311,101</b>	<b>13,511</b>	<b>693,239</b>
Provisions	-278	-	-1	-279
Amortisation and impairment	-121,866	-129,688	-6,049	-257,603
<b>Operating profit</b>	<b>246,483</b>	<b>181,413</b>	<b>7,461</b>	<b>435,357</b>
<b>Share of profit of associates</b>	<b>2,582</b>	<b>-2,686</b>	<b>-</b>	<b>-104</b>
<b>Assets</b>	<b>6,623,841</b>	<b>8,184,373</b>	<b>449,929</b>	<b>15,258,143</b>
<b>Liabilities</b>	<b>415,547</b>	<b>803,143</b>	<b>62,439</b>	<b>1,281,129</b>
<b>Operating Investment</b>	<b>145,107</b>	<b>230,489</b>	<b>87,914</b>	<b>463,510</b>

Note: The Segment "Europe" includes: i) revenues in the amount of 396,847 thousand Euros from Spanish companies; ii) assets from Spanish companies in the amount of 2,336,452 thousand Euros.

## RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND THE FINANCIAL STATEMENTS

THOUSAND EUROS	
Revenues of the Reported Segments	825,286
Revenues of Other Segments	11,630
Elimination of intra-segment transactions	-13,936
<b>Revenues of the EDPR Group</b>	<b>822,980</b>
Gross operating profit of the Reported Segments	693,239
Gross operating profit of Other Segments	-6,723
Elimination of intra-segment transactions	-686
<b>Gross operating profit of the EDPR Group</b>	<b>685,830</b>
Operating profit of the Reported Segments	435,357
Operating profit of Other Segments	-6,910
Elimination of intra-segment transactions	-1,937
<b>Operating profit of the EDPR Group</b>	<b>426,510</b>
Assets of the Reported Segments	15,258,143
Not Allocated Assets	1,241,496
Financial Assets	736,228
Tax assets	215,994
Debtors and other assets	289,274
Assets of Other Segments	19,297
Elimination of intra-segment transactions	118,143
<b>Assets of the EDPR Group</b>	<b>16,637,079</b>
<b>Investments in joint ventures and associates</b>	<b>298,793</b>
Liabilities of the Reported Segments	1,281,129
Not Allocated Liabilities	6,608,516
Financial Liabilities	3,645,095
Institutional partnerships in U.S. wind farms	2,090,103
Tax liabilities	579,735
Payables and other liabilities	293,583
Liabilities of Other Segments	12,865
Elimination of intra-segment transactions	740,897
<b>Liabilities of the EDPR Group</b>	<b>8,643,407</b>
Operating Investment of the Reported Segments	463,510
Operating Investment of Other Segments	1,043
<b>Operating Investment of the EDPR Group</b>	<b>464,553</b>

THOUSAND EUROS	TOTAL OF THE REPORTED SEGMENTS	OTHER SEGMENTS	ELIMINATION OF INTRA-SEGMENT TRANSACTIONS	TOTAL OF THE EDPR GROUP
Income from institutional partnerships in U.S. wind farms	100,404	-	-	100,404
Other operating income	47,683	7,310	128	55,121
Supplies and services	-160,944	-10,913	12,211	-159,646
Personnel costs and Employee benefits expenses	-42,928	-12,925	-1,125	-56,978
Other operating expenses	-76,262	-1,825	2,036	-76,051
Provisions	-279	-	-1	184
Amortisation and impairment	-257,603	-187	-1,252	-259,042
Share of profit of associates	-104	1,142	-	1,038



# INDEX

## **CONSOLIDATED MANAGEMENT REPORT**

1. The Company	3
2. Strategic Approach	21
3. Execution	35

**WE  
LOVE  
ENERGY**



# 1

## THE COMPANY

### EDPR in brief

Vision, Mission, Values and Commitments	6
EDPR Operational and Under Construction Portfolio	7
Business Description	9
EDPR Main Events 1H 2019	10

### 1H 2019 in Review

Key Metrics Summary	11
Share Performance	13

### Organisation

Shareholder Structure	14
Governance Model	15
Organisation Structure	20





**WE  
LOVE  
THE WIND**



# 01 THE COMPANY

## 1.1 EDPR IN BRIEF

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

#### VISION

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

#### MISSION

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

##### 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.

#### COMMITMENTS

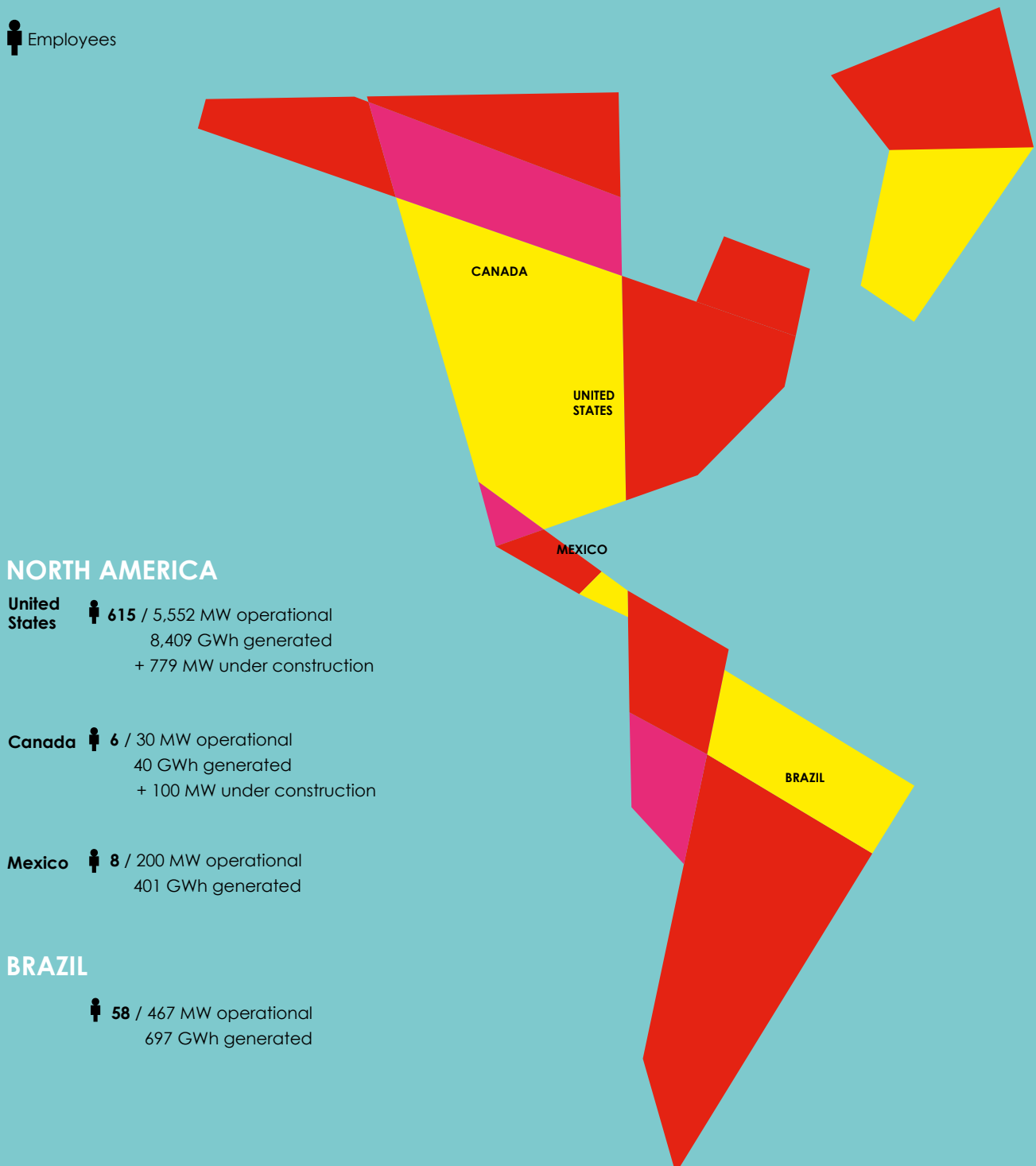
- We join conduct and professional rigour to enthusiasm and initiative emphasising team work.
  - We listen to our stakeholders and answer in a simple and clear manner.
  - We surprise our stakeholders by anticipating their needs.
- We ensure a collaborative, competent and honest management of our business.
  - 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 towards the development of the regions in which we are operating.

## 1.1.2 EDPR OPERATIONAL AND UNDER CONSTRUCTION PORTFOLIO

**In the first half of 2019, EDPR generated 16.2 TWh, avoiding the emissions of 11 mt of CO<sub>2</sub>.**


EDPR is a market leader with top quality operational and under construction assets in 12 countries, managing a global portfolio of 11.8 GW of installed capacity, 1.3 GW under construction and employing 1,460 employees.

 Employees



Note: Includes the 997 EBITDA MW portfolio related to the Sell-down transaction announced in Apr-19, with financial closing expected in the 3Q19.

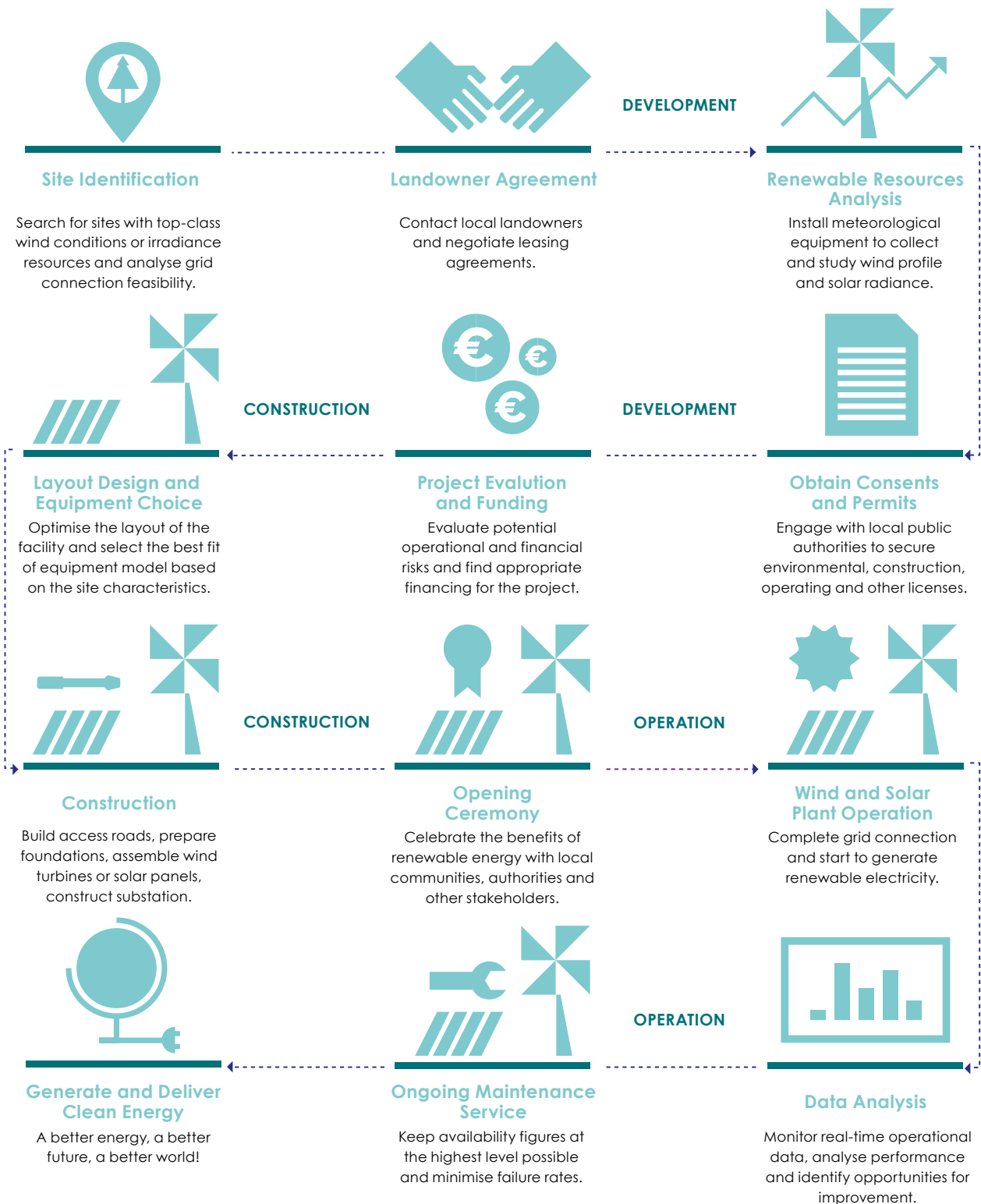
## EUROPE

<b>Spain</b>	 <b>447</b> / 2,439 MW operational / 3,009 GWh generated + 53 MW under construction
<b>Portugal</b>	 <b>83</b> / 1,355 MW operational / 1,635 GWh generated + 14 MW under construction
<b>France</b>	 <b>86</b> / 440 MW operational / 396 GWh generated + 13 MW under construction
<b>Belgium</b>	 <b>2</b> / 71 MW operational / 68 GWh generated + 10 MW under construction
<b>Poland</b>	 <b>32</b> / 418 MW operational / 585 GWh generated + 38 MW under construction
<b>Romania</b>	 <b>31</b> / 521 MW operational / 626 GWh generated
<b>Italy</b>	 <b>34</b> / 271 MW operational / 290 GWh generated
<b>United Kingdom</b>	 <b>58</b> / 316 MW under construction



### 1.1.3 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.**



1.1.4 EDPR MAIN EVENTS 1H 2019



EDPR recognised by the Top Employers Institute as one of the best companies to work for in Europe in 2019

JAN.



EDPR enters the US state of Colorado through a 104 MW PPA for a new wind energy project

FEB.

EDPR signs a Build & Transfer agreement for a 102 MW wind farm project in the US state of Indiana



EDP Group presented its Strategic Update 2019-2022

MAR.

EDPR enters its 14<sup>th</sup> global market with 0.5 GW of projects under development in Colombia



EDPR announces an €800 million Asset Rotation deal for wind farms in France, Spain, Portugal and Belgium

APR.

In its Shareholders Meeting, EDPR announced the payment of a gross dividend of 0.07 euros per share



EDPR and ENGIE announce the creation a co-controlled 50/50 joint-venture in fixed and floating offshore wind

MAY

EDPR's Moray East project named EMEA Wind Deal of the Year 2018, being recognised as a pioneering offshore project



JUN.

EDPR secures a PPA in the US for its first large scale renewable project with storage to sell 100 MW of solar energy and 30 MW of energy storage





## 1.2 1H 2019 IN REVIEW

### 1.2.1 KEY METRICS SUMMARY

CAPEX  
**€374m**  
-20% vs 1H18

installed  
capacity<sup>1</sup>  
**11.8 GW**  
EBITDA + Net Equity

technical  
availability  
**97.1%**  
+0.1pp vs 1H18

new  
additions  
**+0.7 GW<sub>YoY</sub>**  
EBITDA + Net Equity

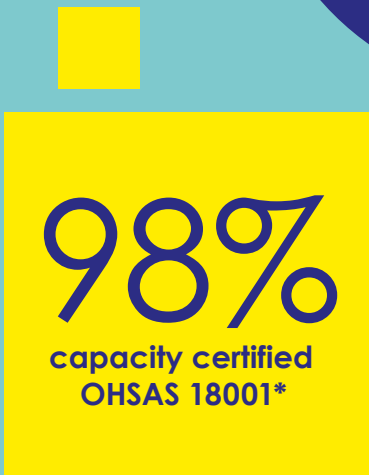
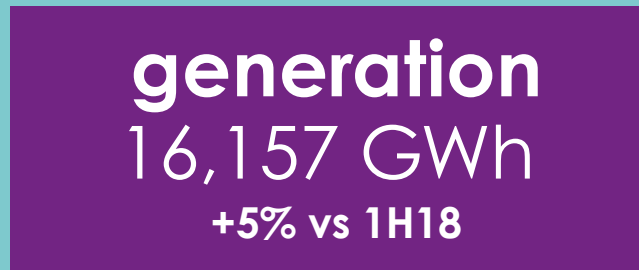
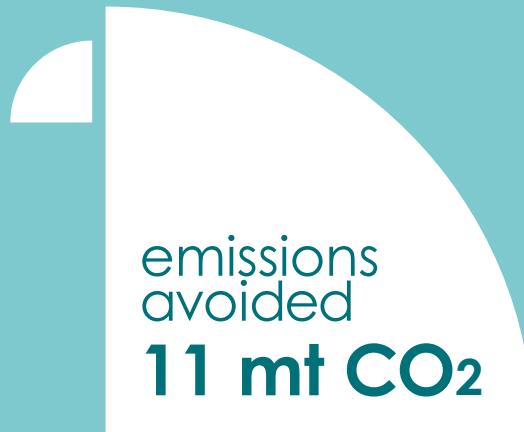
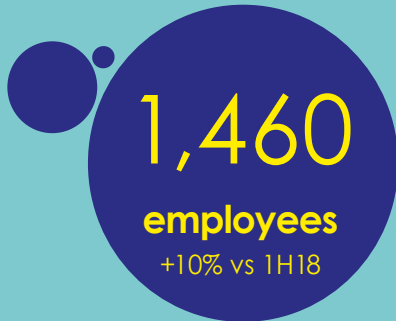
net debt  
**€3.7 billion**  
+16% vs 1H18

net income  
**€343m**  
+€204m vs 1H18

load factor  
**33%**  
-0.5pp vs 1H18

EBITDA  
**€961m**  
+40% vs 1H18

<sup>1</sup> Includes the 997 EBITDA MW portfolio related to the Sell-down transaction announced in Apr-19, with financial closing expected in the 3Q19.



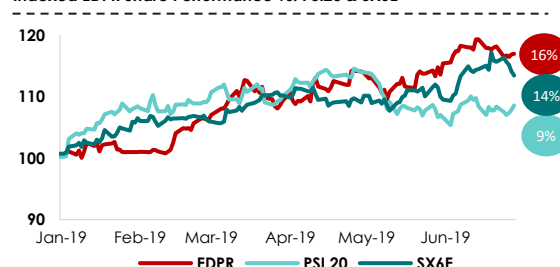
\*Calculation based on 2017 Installed Capacity

## 1.2.2 SHARE PERFORMANCE

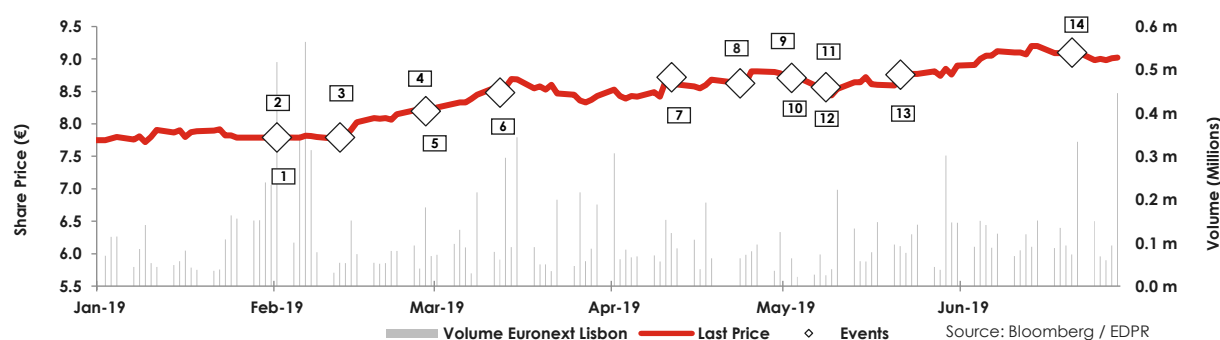
**In June 2019, EDPR share price closed at €9.02 with an average daily volume of 484 thousand shares.**

EDPR has 872.3 million shares listed and admitted to trading in NYSE Euronext Lisbon. On June 30<sup>th</sup> 2019, EDPR had a market capitalization of 7.9 billion euros, above the 6.8 billion euros at previous year-end, and equivalent to €9.02 per share. In the 1H 2019 total shareholder return was +17%, considering the dividend paid on May 10<sup>th</sup> of €0.07 per share.

Indexed EDPR Share Performance vs. PSI20 & SX6E



EDPR IN CAPITAL MARKETS	Jun-19	2018	2017	2016	2015
Opening Price (€)	7.78	6.97	6.04	7.25	5.40
Minimum Price (€)	7.72	6.78	5.71	5.70	5.30
Maximum Price (€)	9.20	9.17	7.20	7.28	7.25
<b>Closing Price (€)</b>	<b>9.02</b>	<b>7.78</b>	<b>6.97</b>	<b>6.04</b>	<b>7.25</b>
<b>Market Capitalization (€ Millions)</b>	<b>7,868</b>	<b>6,782</b>	<b>6,077</b>	<b>5,265</b>	<b>6,324</b>
Total Traded Volume: Listed & OTC (Millions)	60.53	209.59	421.94	291.07	289.22
...of which in Euronext Lisbon (Millions)	14.49	44.01	101.63	103.50	109.67
Average Daily Volume (Millions)	.48	.82	1.65	1.13	1.13
Turnover (€ Millions)	515.69	1,587.12	2,744.04	1,828.34	1,824.08
Average Daily Turnover (€ Millions)	4.13	6.22	10.76	7.11	7.13
Rotation of Capital (% of Total Shares)	7%	24%	48%	32%	33%
Rotation of Capital (% of Floating Shares)	31%	107%	215%	141%	148%
Total Shareholder Return	17%	12%	16%	-16%	35%
<b>Share Price Performance</b>	<b>16%</b>	<b>12%</b>	<b>15%</b>	<b>-17%</b>	<b>34%</b>
<b>PSI 20</b>	<b>9%</b>	<b>-12%</b>	<b>15%</b>	<b>-12%</b>	<b>11%</b>
<b>Dow Jones Eurostoxx Utilities</b>	<b>14%</b>	<b>0%</b>	<b>16%</b>	<b>-8%</b>	<b>-5%</b>



- 1 EDPR signs a Build & Transfer agreement for a 102 MW wind farm project in the US, 01-Feb
- 2 João Paulo Costeira submits his resignation as member of EDPR's Board of Directors, 01-Feb
- 3 EDPR secures a 104 MW PPA for a new wind farm in the US, 12-Feb
- 4 EDPR announces changes in EDPR Board of Directors, 27-Feb
- 5 EDPR announces FY 2018 Results Report, 27-Feb
- 6 EDPR announces Strategic Update for 2019-22, 12-Mar
- 7 EDPR Annual Shareholders Meeting, 11-Apr
- 8 EDPR announces €0.8bn Asset Rotation deal for wind farms in Europe, 23-Apr
- 9 EDPR announces 1Q19 Operational Data, 23-Apr
- 10 CMVM ends CTG Tender Offer, 02-May
- 11 EDPR ex-dividend date (€0.07 per share), 08-May
- 12 EDPR announces 1Q 2019 Results Report, 08-May
- 13 EDPR announces a MoU with ENGIE, to create a 50:50 joint-venture for offshore wind, 21-May
- 14 EDPR reaches a PPA agreement for its first large scale renewable project with storage system in the US, 20-Jun

## 1.3 ORGANISATION

### 1.3.1 SHAREHOLDER STRUCTURE

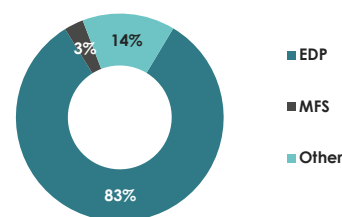
**EDPR shareholders are spread across more than 20 countries, being EDP the main shareholder.**

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 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 electricity. EDP has a worldwide relevant presence, being present in 16 countries and has close to 12,000 employees around the world. In 2018, EDP had an installed capacity of 27.1 GW, generating 72 TWh, of which 39% come from wind and solar. 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 privatisation in 1997.

EDPR Shareholders (Dec-2018)

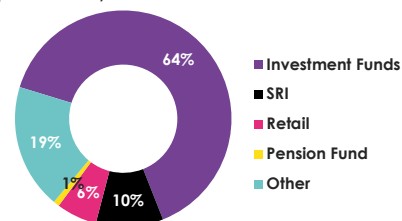


#### OTHER QUALIFIED SHAREHOLDERS

Holding shares representing 5.9% of EDPR's share capital, in June 2018, Axxion and MFS Investment Management, an American-based global investment manager, exercised the right to the proportional appointment of a member of the Board of Directors.

MFS, which holds a qualified participation in EDPR since 2013, communicated to CNMV that as a result of transactions hold on November 15<sup>th</sup> and 19<sup>th</sup> 2018, it increased its shareholding to 26,281,334 ordinary shares, which corresponds to a qualified participation of 3.013% of EDPR's share capital and voting rights.

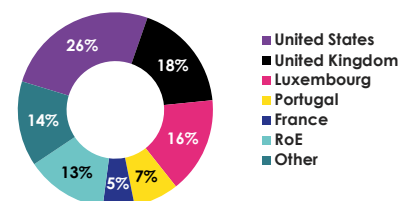
Shareholders (Ex-EDP) by Type (Dec-2018)



#### BROAD BASE OF INVESTORS

EDPR has an international base of investors. Excluding EDP Group, EDPR shareholders comprise more than 30,000 institutional and private investors spread worldwide. Within institutional investors, which represent about 94% of shareholder base (ex-EDP Group), 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.

Shareholders (Ex-EDP) by Country (Dec-2018)



#### WORLDWIDE SHAREHOLDERS

EDPR shareholders are spread across 22 countries, being United States the most representative country, accounting for 26% of EDPR shareholder base (ex-EDP Group), followed by United Kingdom, Luxembourg, Portugal, France. In Rest of Europe the most representative countries are Sweden, Switzerland, Belgium and Norway.

### 1.3.2 GOVERNANCE MODEL

**The organisation and functioning of EDPR corporate governance model aims to achieve the highest standards of corporate governance, business conduct and ethics referenced on the best national and international practices.**

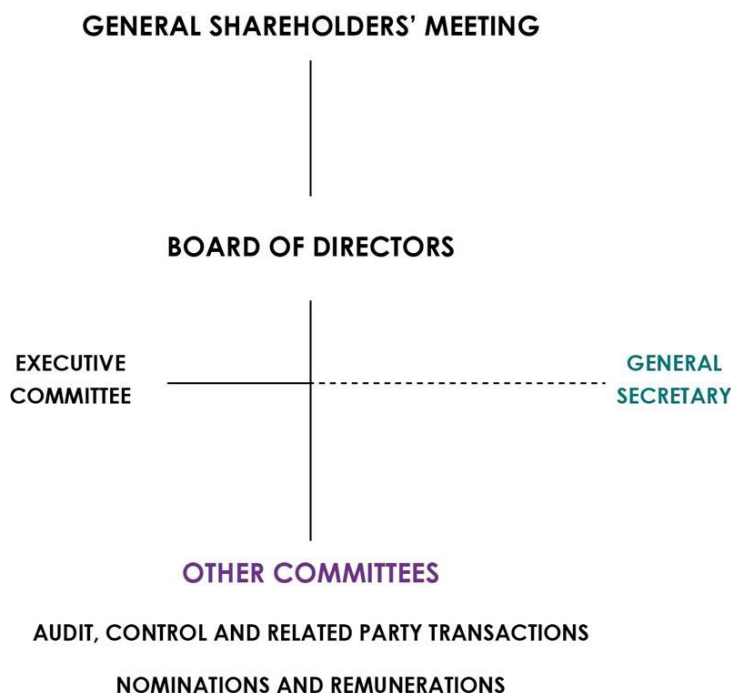
EDPR is a Spanish Company listed in a regulated stock exchange in Portugal, being the regulation of its corporate organisation subject to the Spanish law, but trying to parallelly also comply to the extent possible with the Portuguese recommendations contained in the Corporate Governance Code of the Instituto Português de Corporate Governance ("IPCG").

Considering the applicable guidelines as of this regulatory framework, EDPR's model was designed with the aim of ensuring a transparent and meticulous separation of duties and management by the same time that provides a specialisation in the supervision functions. As such, EDPR's governance structure is comprised by a General Shareholders' Meeting and a Board of Directors (BoD) that represents and manages the Company, which in accordance with the law and its Articles of Association has additionally set up three delegated Committees entirely composed its members: the Executive Committee, the Audit, Control and Related-Party Transactions Committee and the Nominations and Remunerations Committee.

Additionally, as detailed in the Corporate Governance chapter included in the Annual Report of the Company, with the purpose of adapting to the extent possible this structure to the Portuguese legislation, EDPR parallelly seeks to correspond it to the so-called "Anglo-Saxon" model set forth in the Portuguese Commercial Companies Code, in which the management body is a Board of Directors, and the supervision and control duties are of the responsibility of an Audit and Control Committee.

This structure and its functioning enable a fluent workflow between all levels of the governance model, as each of the delegated Committees shall report the decisions taken to the Board of Directors, and additionally all the Committees Members are also Members of the Board. Hence, this organisation allows Directors to receive the complete information at Board of Directors level in order to take the corresponding decisions, and all in all, ensuring in time and manner the access to all the information in order to appraise the performance, current situation and perspectives for the further development of the Company.

As exposed above, the governance model of EDPR was designed to ensure the transparent and meticulous separation of duties and the specialisation of supervision through the following structure of its governing bodies:



## A) GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the body where the shareholders participate. Represents the Company with the full authority corresponding to its legal personality and has the power to deliberate, vote and adopt decisions, particularly on matters that the law and Articles of Association reserve for its decision and must be submitted for its approval.

The Members of the Board of the General Shareholders' Meeting are its Chairman, the Chairman of the Board of Directors (or his substitute), the other Directors and the Secretary of the Board of Directors. In accordance with article 180 of the Spanish Companies' Law, all the Board Members are obliged to attend the General Meetings.

- The Chairman of the General Shareholders' Meeting is José António de Melo Pinto Ribeiro, who was elected on the General Meeting of April 8<sup>th</sup> 2014, for a three-year (3) term; and re-elected on the General Shareholders' Meeting held on April 6<sup>th</sup> 2017 for an additional three-year (3) term.
- The Chairman of the Board of Directors is António Mexia, who was re-elected as member of the Board for a three-year (3) term by the General Shareholders' Meeting held in June 27<sup>th</sup> 2018, and for the position of Chairman of the Board of Directors on its meeting subsequently held on the same date.
- The Secretary of the Board of Directors is Emilio Garcia-Conde Noriega who is also the Secretary of the General Shareholders' Meeting, and was appointed as Secretary of the Board of Directors on December 4<sup>th</sup> 2007. The Secretary of the Board of Directors' mandate does not have an end of term date according to the Spanish Companies Law since is a non-Member of the Board.

The Chairman of the General Shareholders' Meeting of EDPR has at his disposal, the necessary human and logistical resources required for the performance of his duties. Therefore, in addition to the resources provided by the Company's General Secretary, the Company hires a specialised entity to give support to the meeting and to collect, process and count the votes submitted by the shareholders on each General Shareholders' Meeting.

## B) BOARD OF DIRECTORS

The Board of Directors is the body that represents and administrates the Company under the broadest powers of management, supervision and governance with no limitations other than the responsibilities expressly and exclusively granted to the jurisdiction of the General Shareholders Meeting in the Company's Articles of Association or in the applicable law.

In line with the best corporate governance practices and in accordance with its Articles of Association, EDPR's Board of Directors shall consist of no less than 5 and no more than 17 members (including a Chairperson), who are elected for 3 years period and that may be re-elected for equal periods. EDPR Board of Directors is currently composed by 15 Board Members, out of which seven (7) are independent.

The independence of the Directors is evaluated according to the Company's personal law, the Spanish law. Likewise, EDPR Board of Directors regulations and in particular Article 20.2 of EDPR's Articles of Association defines independent members of the Board of Directors as those who are able to perform their duties without being limited by relations with the Company, its significant Shareholders, or its management officers and comply with the other legal requirements.

Corporate Governance recommendations of the IPCG Code state that the number of non-executive directors should be higher than the number of executive directors, and that at least of one third over the total members shall be non-executive that also comply with the independence criteria. Additionally, in order to establish the specific number of non-executive members, also recommends to consider criteria as the size of the company and the complexity of the risks intrinsic to its activity in a way that ensures the efficiency of the duties performed by such non-executive directors. In compliance of all of the above, provided that the independence criteria applicable to EDPR Directors are the ones established under its personal law, from a total of fifteen (15) members of EDPR's Board of Directors, eleven (11) are non-executive, from which a total of seven (7) are also independent.

## BOARD OF DIRECTORS



Executive Committee



Audit, Control and Related Party Transactions Committee



Nominations and Remunerations Committee



Independent Member



**António Mexia**

Chairman



**Emilio García-Conde**

General Secretary



**João Manso Neto**

Vice-Chairman and CEO



**Duarte Bello**

COO Europe & Brazil



**Spyridon Martinis**

COO Offshore & CDO



**Miguel Ángel Prado**

COO North America



**Manuel Menéndez**



**Allan J. Katz**



**António Nogueira Leite**



**Francisca Guedes de Oliveira**



**Conceição Lucas**



**Alejando Fernández de Aroz**



**Gilles August**



**Francisco Seixas da Costa**



**Acácio Piloto**



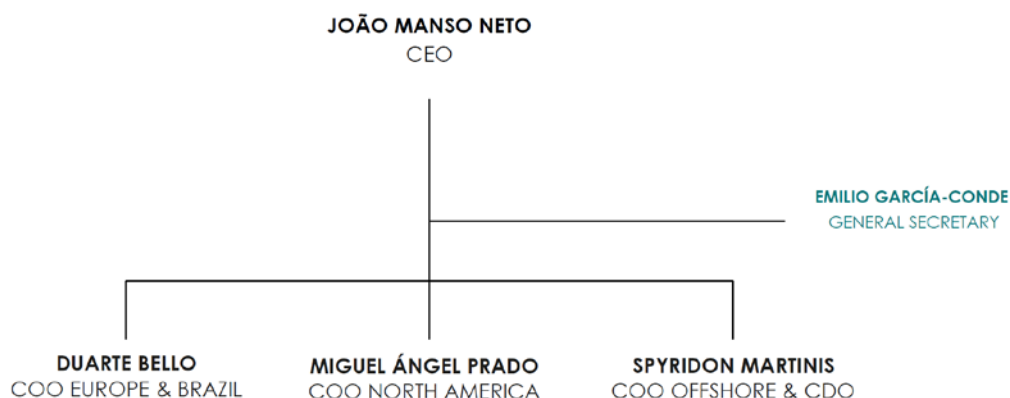
**Vera Pinto Pereira**

**DELEGATED COMMITTEES OF THE BOARD OF DIRECTORS**

As stated, EDPR BoD has set up three delegated Committees entirely composed by its members: the Executive Committee, the Audit, Control and Related-Party Transactions Committee and the Nominations and Remunerations Committee.

**i) Executive Committee**

This is the delegated body of the Board of Directors entrusted to perform the daily management of the business. EDPR's Executive Committee is composed by the following members that are also "*Consejeros Delegados Mancomunados*":



- Chief Executive Officer ("CEO"), João Manso Neto, who is empowered to ensure the daily management of the business, the coordination and implementation of the BoD decisions. Likewise, this position is in charge of the Corporate and General Management functions, which could be partially assigned to the other executive officers.
- The Chief Operating Officers ("COO"): COO Offshore, COO Europe & Brazil and the COO of North America, Spyridon Martinis, Duarte Bello and Miguel Ángel Prado respectively, who 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, organising 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.
- The Chief Development Officer ("CDO"), who is the responsible for the business development areas and for implementing processes to support business growth.

**ii) Audit, Control and Related Party Transactions Committee**

This is the specialised and delegated Committee of the BoD in charge of, among others, the appointment of the Company's auditors and the internal risk management and control systems, supervision of internal audits and compliance and ratification of transactions between EDPR and EDP and between its related parties, qualified shareholders, directors, key employees or his relatives and prepares an annual report on its supervisory activities. The Audit, Control and Related Party Transactions Committee consists of three (3) independent members : Acácio Piloto (who is the Chairman), Francisca Guedes de Oliveira and António Nogueira Leite. Additionally, Mr. Emilio Garcia-Conde Noriega is the Secretary of the Audit, Control and Related Party Transactions Committee.

**iii) Nominations and Remunerations Committee**

This is the specialised and delegated Committee of the Board of Directors in charge of, within others, the assistance and report to the Board about appointments, re-elections, dismissals, evaluation and remunerations of the Directors. Nominations and Remunerations Committee consists of three (3) independent members: António Nogueira Leite (who is the Chairman), Francisco Seixas da Costa and Conceição Lucas. Additionally, Emilio Garcia-Conde Noriega is the Secretary of the Nominations and Remunerations Committee.

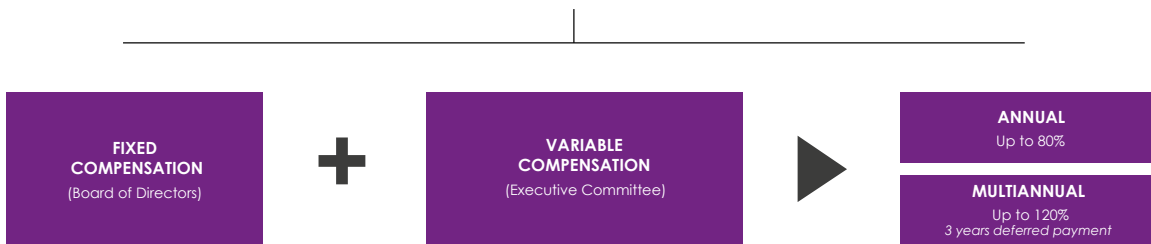


## REMUNERATION POLICY

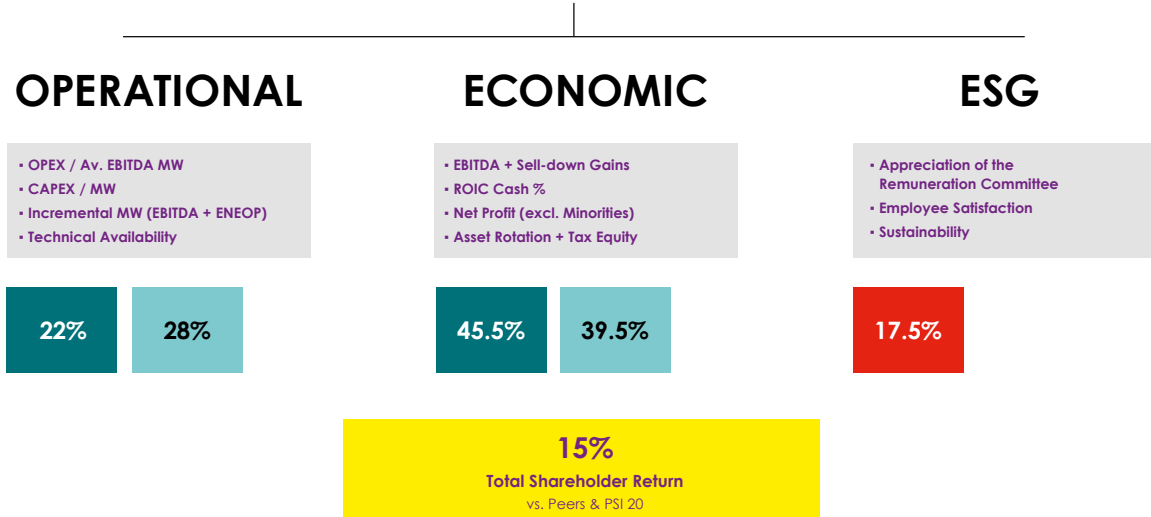
EDPR governance model is reinforced by an incentive structure with transparent remuneration through variable remuneration based on key performance indicators. The graphic below describes the remuneration policy.

For further detailed information regarding the responsibilities and roles of the different social bodies, 1H 2019 activity and the Company's up-to-date articles of association and regulations, please visit [www.edpr.com](http://www.edpr.com).

## COMPONENTS



## The variable remuneration 2017-19 is defined in line with the strategic pillars through 12 KPIs



- CEO / CFO / CDO / COO Offshore  
Executive Non-officers
- COO EU & BR / COO NA
- Global

Note: For the COO NA and COO Europe & Brazil, these KPIs will be calculated, for both annual and multi-annual component, on the basis of Group's achievement, which has a weight of 100%.

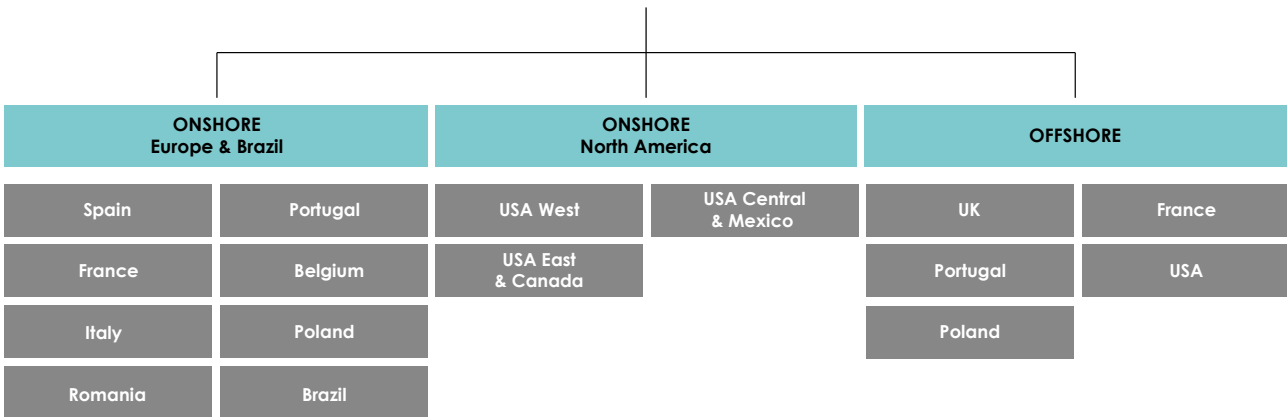
**1.3.3 ORGANISATION STRUCTURE**

**The organisation 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, optimising support processes and creating synergies.**

**ORGANISATIONAL MODEL PRINCIPLES**

EDPR organisation model is organised around four main elements: a corporate centre Holding and three platforms. Each platform includes different business units specialised in each of the country specificities of each onshore or offshore activities.

# CORPORATE HOLDING



The principles on which EDPR bases its organisational model are defined by the Executive Committee. These are a set of performance aspects that: define the characteristics of the relationships, grant the rights between EDPR Holding and the business units, and ensure optimal efficiency and value creation.

<b>ACCOUNTABILITY ALIGNMENT</b>	Critical KPIs and span of control should be hierarchically aligned at project, country, platform and holding level to endure accountability tracking, and to take advantage of complementarities derived from end-to-end process vision.
<b>CLIENT-SERVICE</b>	Corporate areas function as competence support centres 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.
<b>LEAN ORGANISATION</b>	Execution of activities at holding level are held only when significant value is derived, coherently with defined EDPR holding role.
<b>REINFORCE COLLEGIATE DECISION MAKING</b>	Ensure proper country-balance dynamics to ensure multiple-perspective challenge across functions.
<b>CLARITY AND TRANSPARENCY</b>	Platforms organisational models should remain similar, to allow for: 1) Easy coordination, vertically (holding-platforms) and horizontally (across platforms); 2) Scalability and replicability to ensure efficient integration of future growth.

# 2

## **STRATEGIC APPROACH**

Strategy	24
Selective Growth	25
Self-funding Business	26
Operational Excellence	27
Risk Management	28



**WE  
LOVE  
INNOVATION**

**NTI**  **N**

# 02 STRATEGIC APPROACH

## 2.1 STRATEGY

### EDPR'S Strategy is supported by three pillars: Selective Growth, Self-Funding Model and Operational Excellence.

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 changing business and economic environments, EDPR remains today a leading company in the renewable energy industry.

Selective growth 2019-22E	Self-funding 2019-22E	Operational excellence 2019-22E
Solid value creation, investing in quality <b>projects with predictable cash-flow stream...</b>	...enhanced by selling assets' stakes, <b>crystallizing value and accelerate value creation...</b>	...and supported by distinctive <b>core competences &amp; unique know-how</b>
<ul style="list-style-type: none"> <li>~ 7.0 GW cumulative build-out of which 40% already secured</li> <li><b>Geographical diversified:</b> 60% NA; 20% EU; 20% BR &amp; New</li> <li><b>Technological diversified:</b> 70% wind onshore; 25% solar; 5% offshore</li> </ul>	<ul style="list-style-type: none"> <li>&gt; €8.0 bn of investments financed by sell-down &amp; assets' cash flow</li> <li>&gt; €4.0 bn of sell-down proceeds ongoing strategy to generate extra-value</li> <li>&gt; €4.0 bn of net investments fully financed by assets' CF generation</li> </ul>	<ul style="list-style-type: none"> <li>33% load factor in 2022 from additions of competitive projects</li> <li>&gt; 97.5% availability technical expertise to maximise output</li> <li>Core Opex/MW -1% CAGR 18-22<sup>1</sup> from efficient O&amp;M strategy</li> </ul>

(1) Core Opex defined as Supplies & Services and Personnel Costs

EDPR Business model to deliver solid and ambitious growth targets through 2022...

Capacity build-out	Excellence in operations	Less capital intensive	Excel at operational results	Unlocking bottom-line
MW	TWh	Sell-down	EBITDA	Net-Profit
New capacity being technological & geographical diversified	From MW to own with output propelled by superior load-factor & availability	Generating extra value without increasing capital employed	From capacity additions, operating efficiency and sell-down strategy	From growth, recurrent capital gains, controlled cost of debt and solid balance sheet
~7.0 GW <sup>2</sup> 2019-22E	+7% CAGR TWh 2019-22E	>€4.0bn proceeds 2019-22E	+6% CAGR 2019-22E	+11% CAGR 2019-22E

(2) Of which ~50% to own.

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

## 2.1.1 SELECTIVE GROWTH

Growing selective is the key principle behind EDPR's investment selection process, with new projects having long-term PPAs secured or being awarded long-term contracts under stable regulatory frameworks, as well as exhibiting above portfolio average load factor.

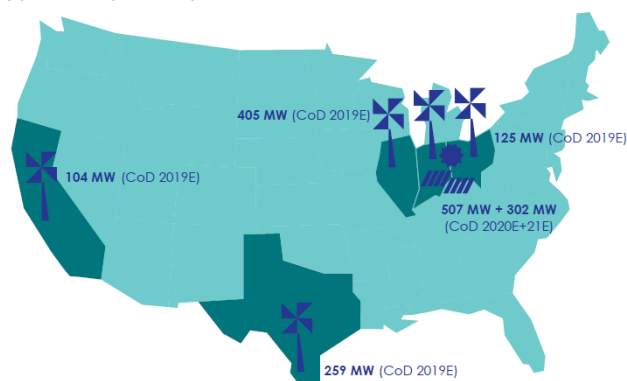
As presented in March 2019, EDPR plans to add 7.0 GW for the 2019-2020 period, of which 3.3 GW are already secured and to be installed until 2022. EDPR will combine its growth between wind onshore, wind offshore and solar technologies along with the entry in new countries.

### NORTH AMERICA: EDPR MAIN GROWTH MARKET DRIVEN BY PPAS SECURED

North America is EDPR's main growth market, with 5.8 GW installed capacity, representing half of EDPR total portfolio. It will account for c.60% of the total targeted additions (4.2 GW) with the US being the main market, in addition to Canada and Mexico. Out of the 4.2 GW targeted capacity, EDPR already contracted more than 43%. In detail, during the first half of 2019, EDPR secured more than 0.5 GW of projects in the US, 0.4 GW related to wind projects to be operative in 2020 and 0.1 GW to a solar project with expected commercial operations in 2022.

#### UNITED STATES PROJECTS SECURED FOR FUTURE GROWTH

(by state and expected CoD)



### EUROPE: FOCUS ON LOW RISK REGULATORY FRAMEWORKS

EDPR growth in Europe is supported by identified short-term opportunities along with medium-term pipeline options and PPA appetite. As announced in March 2019, EDPR plans to add 1.4 GW in Europe, representing 20% of the total capacity to be added in the period 2019-2022. From the 1.4 GW, EDPR has already secured 0.4 GW of which 0.2 GW will start operations in 2019, 0.1 GW in 2020 and 0.1 GW between 2021 and 2022.

### BRAZIL: IN PROJECTS WITH LONG-TERM PPAS

Brazil represents a 10% of the total capacity to be added in the 2019-2022 period. EDPR has currently more than 1 GW of renewable energy projects under development, of which 0.2 GW of solar with start of operation expected for 2021, 0.4 GW of wind for 2022 and 0.5 GW of wind for 2023, all with long-term contracts secured. EDPR will remain active in upcoming Brazilian opportunities, namely auction opportunities, given the strong fundamentals of the country, with high growth of electricity demand, robust renewable resources and availability of long-term energy supply agreements through an auction system.

### NEW COUNTRIES:

EDPR will expand its footprint along new countries with a dedicated team screening several markets and developing the best strategy for each market. New countries are targeted at 10% of EDPR 2019-22 targeted growth. In the first half of 2019, EDPR announced the entrance in Greece with 60 MW awarded, where fundamentals are based in good natural resources with energy dependency above European average coal ageing and remuneration scheme providing 20 years CfD. In the period, EDPR was also awarded in a capacity auction in Columbia.

### TECHNOLOGICAL MIX

#### Investing in Offshore Wind Technology

Offshore wind energy is becoming an essential part of the global energy transition, leading to the market's rapid growth and increased competitiveness. EDPR projects, located in the UK, France and United States, are expected to start operations post-2020, but are already being developed through partnerships, from which the company is also able to further develop

technological expertise in the sector. In the first half of 2019, a Joint Venture was announced by EDPR and ENGIE for worldwide offshore wind investments opportunities to bring together the industrial expertise and development capacity of both companies. EDPR and ENGIE will combine their offshore wind assets and project pipeline, starting with a total capacity of 1.5 GW under construction and 4.0 GW under development, with the target of reaching 5 to 7 GW of projects in operation or construction and 5 to 10 GW under advanced development by 2025. The JV is expected to be operational by the end of 2019.

## 2.1.2 SELF-FUNDING BUSINESS

EDPR self-funding model has been a cornerstone of EDPR's strategy and its success has been crucial for funding growth.

The self-funding model relies on a combination of the Retained Cash Flow from operating assets and EDPR's strategy of selling stakes in projects in operation or under development, along with the US Tax Equity structures to finance the profitable growth of the business. This model allows the company to create value while recycling capital.

### STRONG EXECUTION



### SELL DOWN STRATEGY

Proceeds from selling majority stakes in operational or under development assets are also important sources of funds for the self-funding model of EDPR in financing its profitable growth. This enables the company to crystalize the value yet to be realized from the future cash-flows of its existing projects over their long remaining lifetime and reinvest the corresponding proceeds in the development of new value accretive projects, with higher returns.

Under this strategy, EDPR sells majority stakes in projects in operation or in late stage of development, allowing the company to recycle capital, with up-front cash flow crystallization, and create value by reinvesting the proceeds in accretive growth, while continuing to provide operating and maintenance services. On the top of these, the Sell Down strategy makes visible the value creation on reported financial statements, as capital gains are booked in the income statement.

In April 2019 EDPR announced a sale-down transaction with institutional investors to sell EDPR's full equity shareholding and outstanding shareholder loans in an operating onshore wind portfolio with 997 MW of installed capacity (491 MW net for EDPR – shareholding at 51% in most of the wind farms), for a total consideration of €806 million. A Master Services Agreement has also been executed pursuant to which EDPR will provide operating and maintenance services to the portfolio.

In detail, the transaction scope covers 388 MW in operation in France, 348 MW in operation in Spain, 191 MW in operation in Portugal (part of ex-ENEOP assets) and 71 MW in operation in Belgium. The total portfolio has been in operation for 7 years on average.

The total implied enterprise value for 100% of the assets amounted to €1.6 billion (€1.6 million/MW). The transaction is expected to be completed in the third quarter of 2019.



## 2.1.3 OPERATIONAL EXCELLENCE

One of the strategic pillars that has always been a keystone of the company, setting it apart in the industry, is the drive to maximize the operational performance of its wind and solar plants. In this area, EDPR's teams, namely in operations and maintenance (O&M), have established a strong track record. EDPR has set targets for three key metrics: Load Factor, Technical Availability and Core Opex per MW. These metrics provide an overall view of the progress in EDPR wind assessment, O&M and cost control efforts. They also serve as good indicators for the overall operational efficiency of the company.



### MAINTAINING HIGH LEVELS OF AVAILABILITY

Availability is the ratio between the energy actually generated and the energy that would have been generated without any downtime due to internal reasons, namely due to preventive maintenance or repairs. Therefore, it is a clear performance indicator of the company's O&M practices as it focuses on reducing to a minimum any malfunctions and performing maintenance activities in the shortest possible timeframe.

With a target of more than 97.5%, EDPR will continue to improve availability through new predictive maintenance optimization measures supported by the 24/7 control and dispatch center, reducing damages most common during extreme weather and improving the scheduling of planned stops. Also, a new spare parts warehousing strategy will be key in reducing downtime during unexpected repairs. The company has always maintained high levels of availability, having registered availability of 97.1% as of June 2019.

### LEVERAGING QUALITY GROWTH ON DISTINCTIVE WIND ASSESSMENT TOWARDS 33% LOAD FACTOR

Load factor (or net capacity factor) is a measure for the renewable resource quality, that reflects the percentage of the maximum theoretical energy output, in a given period.

EDPR 2019-22 Business Plan target a 33% load factor, mainly on the back of the increase competitiveness of new capacity additions.

### INCREASING EFFICIENCY, BY REDUCING CORE OPEX/MW

In addition to all company initiatives to boost production, EDPR also focuses on strict cost control efforts to improve efficiency and profitability. Leveraging on the experience accumulated over time, EDPR plans to reduce Core Opex/MW by -1% CAGR 2019-22. Core Opex is defined by Supplies and Services (including O&M activities) and Personnel costs, which are the costs that EDPR can actively manage. The target of reducing the manageable company costs structure, also benefits from the economies of scale of a growing company.

### M3 PROGRAM AND SELF-PERFORMANCE

Based on EDPR's expertise, under the **M3 program** O&M teams will decide on the optimal balance between external contractors and in-house maintenance. This new program has quickly generated savings in operational expenses and increased control over quality. The **self-perform** program is a step further in EDPR's integration of maintenance tasks and activities, which is being implemented in the US, and consequently minimizes third-parties' dependency. EDPR targets to increase the share of its fleet under the M3 and Self-Perform program to c.60% by 2022, from c.30% levels in 2015.

## 2.2 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 and sustainability targets, while minimising fluctuations of results.**

### RISK MANAGEMENT PROCESS

EDPR's Enterprise Risk Management Process is an integrated and transversal management model that ensures the minimisation of the effects of risk on EDPR's capital and earnings, as well as the implementation of best practices of Corporate Governance and transparency. EDPR's Enterprise Risk Management Process is inspired on Basel Committee on Banking Supervision's principles, guidelines and recommendations and is similar to other risk management frameworks. 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, optimising return versus risk exposure.

The process is closely followed and supervised by the Audit, Control and Related Party Transactions 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 analysis 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 graph below summarises the Risk Categories, the Risk Groups and the Risk Management mitigation strategies at EDPR.

RISK CATEGORIES		RISK GROUPS
<b>MARKET RISKS</b>	<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>● Energy Price Risk</li> <li>● Energy Production Risk</li> <li>● Commodity Price Risk</li> <li>● Liquidity Risk</li> <li>● Inflation Risk</li> <li>● Exchange Rate Risk</li> <li>● Interest Rate Risk</li> </ul>
<b>COUNTERPARTY RISK</b>	<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>
<b>OPERATIONAL RISK</b>	<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, Corruption, Fraud)</li> <li>● Execution Risk</li> <li>● Personnel Risk (Health and Safety, Human Rights, Discrimination)</li> <li>● Operation Risk (Damage to Physical Assets, Equip. Performance, Environmental)</li> <li>● Processes Risk</li> <li>● Information Technologies Risk</li> </ul>
<b>BUSINESS RISK</b>	<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>● Regulatory Risk (renewables)</li> <li>● Equipment Price Risk</li> <li>● Equipment Supply Risk</li> </ul>
<b>STRATEGIC RISK</b>	<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. Organisation 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 discrimination, unethical behavior or fraud
- Attractive remuneration packages and training for personnel
- Revision and compliance with all regulations that affect EDPR activity (H&S, 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
- Diversification in technologies
- Follow-up of regulation changes in markets where EDPR is present to adjust strategy if needed
- Active involvement in major industry associations in all EDPR markets
- Signing of medium-term agreements with equipment manufacturers to ensure visibility of prices and supply
- Relying on a large base of equipment suppliers to ensure supply

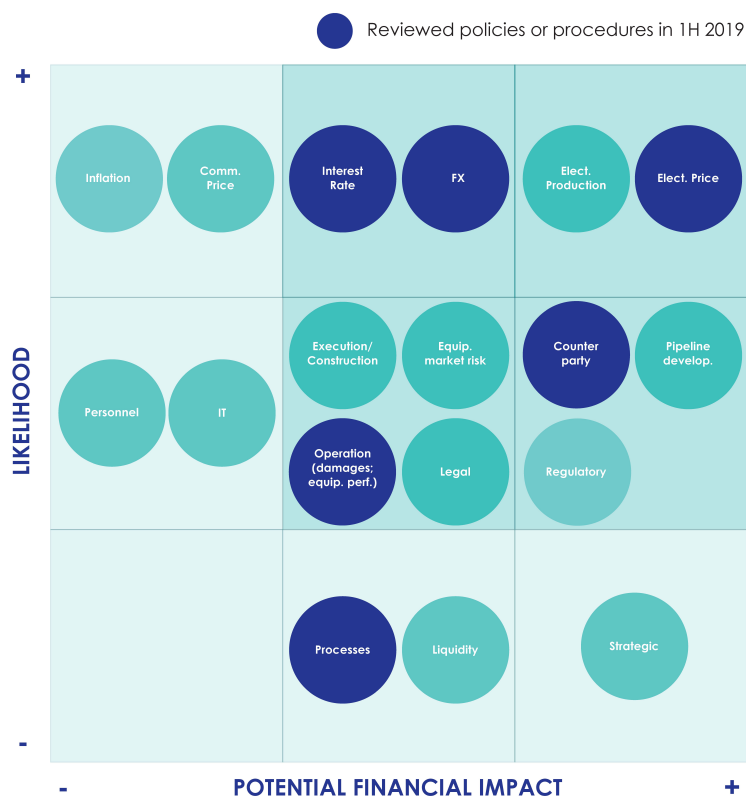
- Careful selection of countries
- Worst case profitability analysis of every new investment considering all risks factors
- Risk-return metrics at project and equity level
- Consideration of stress case scenarios in the evolution of energy markets for new investment decisions
- Follow-up of cost effectiveness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

During 1H 2019, EDPR performed a thorough review of the structural limits that set risk appetite at the Company. EDPR's structural risk limits for Market, Counterparty and Operational risks, as well as a holistic limit which includes all risk sources, reflected in Net Income@Risk, were backtested and updated according to the new size and reality of the Company.

In addition, EDPR also updated its REC (Renewable Energy Certificate) Short Term Trading Policy, by introducing trading limits, new execution requirements aimed at decreasing counterparty risk and a more streamlined internal reporting procedure.

## EDPR RISK MATRIX BY FINANCIAL IMPACT

EDPR Risk Matrix is a qualitative assessment of likelihood and impact of the different risk categories within the Company. It is dynamic and it depends on market conditions and future internal expectations.



## EDPR SUSTAINABILITY RISKS

- **Corruption and Fraud Risk:** EDPR has implemented a Code of Ethics and an Anti-Corruption Policy.
- **Environmental Risk:** EDPR has implemented an Environmental Management System, certified with the ISO 14001:2015, in order to follow best practices in the sector.
- **Human Resource Risk:** EDPR forbids any kind of discrimination, violence or behaviour against human dignity, as stated in its Code of Ethics. Strict compliance is enforced, not only making the Ethics Channel available to all stakeholders but also through constant awareness from all employees of the Company.
- **Health and Safety Risk:** EDPR has deployed a H&S management system, complying with OHSAS 18001:2007, pursuing the "zero accidents" target.
- **Human Rights Risk:** EDPR commits, through its Code of Ethics, to respect international human rights treaties and best work practices. Suppliers which sign a contract with EDPR commit to be aligned with Code of Ethics principles.

In addition, quantification of the financial impact on the Company's performance of these five sustainability risk factors is included within the Operational Risk analysis. Every year, EDPR evaluates the economic impact of its Operational Risk, following the guidelines of Basel III. The analysis includes the identification, estimation and mitigation of individual operational risks belonging to the short, medium and long term in all its geographies. The final results of the Operational Risk analysis are then communicated to the Executive Committee and shared with every department involved. In 1H 2019, none of these five sustainability risk factors had a material financial impact on the Company's performance, even though EDPR was not able to reach its "zero accidents" target.

# 3

## EXECUTION

Financial Capital	35
Human Capital	41
Supply Chain Capital	43
Social Capital	44
Innovation Capital	46
Natural Capital	47
Sustainable Development Goals	48

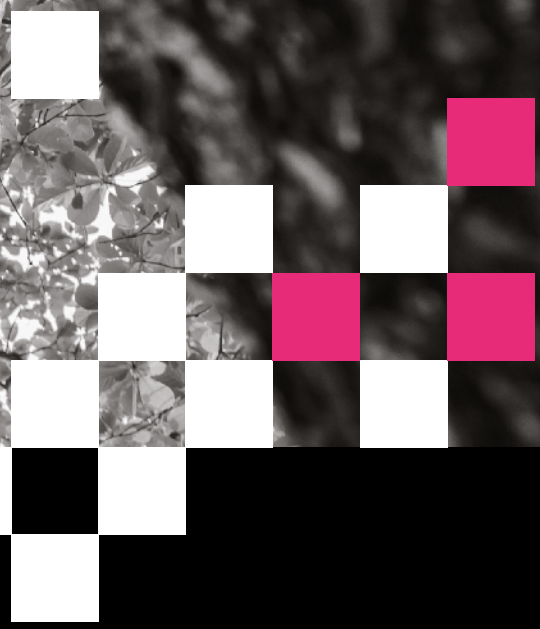
# STAY



# BLITY



**WE  
LOVE  
SUSTAINABILITY**





# 03 EXECUTION

## 3.1 FINANCIAL CAPITAL

### 3.1.1 OPERATIONAL PERFORMANCE

	Installed capacity (MW) <sup>1</sup>		vs. Jun-18			NCF			GWh		
	Jun-19	Δ YTD	Built	Sold	Δ YoY	Jun-19	Jun-18	Var.	Jun-19	Jun-18	Var.
Spain	2,288	(24)	+44	-	+44	30%	30%	+0.2pp	3,009	2,866	+5%
Portugal	1,355	+47	+102	-	+102	28%	31%	-2.5pp	1,635	1,676	(2%)
Rest of Europe	1,721	+69	+120	-	+120	27%	26%	+1.0pp	1,967	1,799	+9%
France	440	+19	+30	-	+30	21%	27%	-5.9pp	396	481	(17%)
Belgium	71	-	-	-	-	22%	23%	-1.0pp	68	71	(4%)
Italy	271	+50	+89	-	+89	32%	29%	+2.8pp	290	190	+53%
Poland	418	-	-	-	-	32%	26%	+6.4pp	585	469	+25%
Romania	521	-	-	-	-	28%	26%	+1.6pp	626	588	+6%
<b>Europe</b>	<b>5,364</b>	<b>+92</b>	<b>+266</b>	<b>-</b>	<b>+266</b>	<b>29%</b>	<b>29%</b>	<b>-0.2pp</b>	<b>6,610</b>	<b>6,341</b>	<b>+4%</b>
US	5,332	-	+478	(200)	+278	36%	38%	-1.6pp	8,409	8,265	+2%
Canada	30	-	-	-	-	30%	30%	+0.1pp	40	39	+0%
Mexico	200	-	-	-	-	46%	45%	+1.8pp	401	386	+4%
<b>North America</b>	<b>5,562</b>	<b>-</b>	<b>+478</b>	<b>(200)</b>	<b>+278</b>	<b>37%</b>	<b>38%</b>	<b>-1.5pp</b>	<b>8,849</b>	<b>8,690</b>	<b>+2%</b>
Brazil	467	-	+137	-	+137	33%	30%	+3.4pp	697	420	+66%
<b>TOTAL</b>	<b>11,393</b>	<b>+92</b>	<b>+880</b>	<b>(200)</b>	<b>+680</b>	<b>33%</b>	<b>34%</b>	<b>-0.7pp</b>	<b>16,157</b>	<b>15,451</b>	<b>+5%</b>
<b>Equity Consolidated</b>	<b>371</b>	<b>-</b>	<b>-</b>	<b>+40</b>	<b>+40</b>						
Spain	152	-	-	-	-						
US	219	-	-	+40	+40						
<b>EBITDA MW + EQUITY CONSOL.</b>	<b>11,764</b>	<b>+92</b>	<b>+880</b>	<b>(160)</b>	<b>+720</b>						

(1) Includes the 997 EBITDA MW portfolio related to the Sell-down transaction announced in Apr-19, with financial closing expected in the 3Q19.

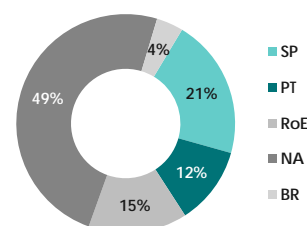
#### EDPR CONTINUES TO DELIVER SOLID SELECTIVE GROWTH

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 11.8 GW is not only young, on average 8 years, it is also mostly certified in terms of environmental and health and safety standards. Since 2008, EDPR has more than doubled its installed capacity, resulting in a total installed capacity of 11,764 MW (EBITDA + Equity Consolidated), including the 997 EBITDA MW portfolio related to the sell-down transaction announced in Apr-19). As of June 2019, EDPR had installed 5,516 MW in Europe, 5,781 MW in North America and 467 MW in Brazil.

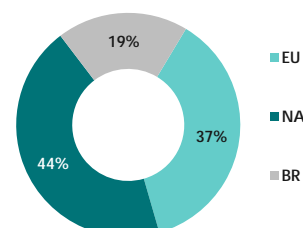
#### 1H19 INSTALLATIONS CONCENTRATED IN EUROPE

During the first semester of 2019, EDPR built 116 MW, all in Europe, and started the repowering of 24 MW in Spain (dismantling the old turbines), increasing its portfolio by 92 MW, of

11.8 GW of EBITDA MW<sup>1</sup>  
+ EQUITY CONSOL. (%)

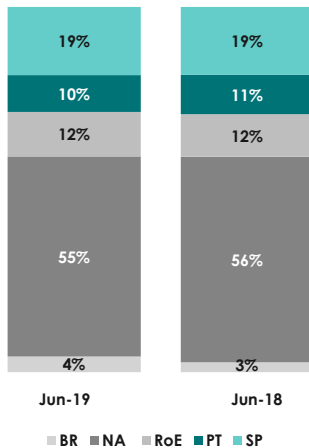


+720 MW of EBITDA MW +  
EQUITY CONSOL. (%)



which 47 MW in Portugal, 19 MW in France and 50 MW in Italy. In the last 12 months EDPR portfolio increased by 720 MW, namely 318 in North America of which 40 MW equity consolidated given the execution of its Sell-down strategy in the 4Q18 by which EDPR sold 80% stake (160 MW) in the Meadow Lake VI consolidating 20% at equity level. In Europe 266 MW were added YoY, in detail 102 MW in Portugal, 89 MW in Italy, 44 MW in Spain and 30 MW in France. Brazil accounted 137 MW added with the installation of Babilonia wind farms.

### GENERATION BREAKDOWN



### 5% INCREASE IN YEAR ON YEAR GENERATION

EDPR produced 16.2 TWh of clean energy in the 1H19, +5% YoY. The YoY evolution benefits from the capacity additions over the last 12 months.

In the 1H19 EDPR achieved a 33% load factor (-1pp YoY) reflecting 96% of P50 (long term average for 1H). In the 2Q19, EDPR reached a 31% load factor (vs 29% in the 2Q18), with QoQ comparison benefitting from higher wind resource (P50 of 99% vs 92% in 2Q18).

EDPR achieved a 97.1% availability in the 1H19, vs 97.0% in the same period of 2018. 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.

### SOLID GROWTH AND DIVERSIFIED PORTFOLIO DELIVERS BALANCED OUTPUT

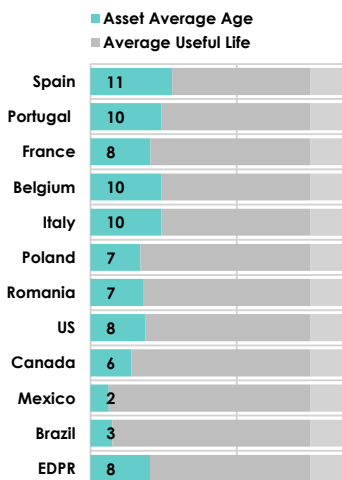
EDPR's operations in North America were a major driver for the electricity production growth in 1H19, increasing +2% YoY to 8.8 TWh and representing 55% of the total output. This performance was driven by EDPR's strategy which is based on the development of competitive projects with PPAs or long-term contracts secured in advance.

EDPR's production in Brazil increased to 0.7 TWh vs 0.4 TWh in the 1H18, representing 4% of total generation, backed from the positive impact of the latest capacity additions (+137 MW YoY) with higher load factors (33% vs 30% in 1H18).

In Europe, EDPR's output increased 4% YoY to 6.6 TWh (41% of production), mainly due to higher capacity and stable wind resource, with load factor at 29%.

EDPR accomplished a load factor of 30% in Spain, stable YoY and 3pp above market average. Portugal reached a load factor of 28% (vs 31% in 1H18), with YoY comparison impacted by above average wind resource in the 1H18. In RoE, EDPR delivered a 27% load factor (+1pp YoY) mainly driven by higher wind resource in Poland and Italy.

### Assets' Average Age and Useful Life (years)



### PROPELLED BY THE CAPACITY ADDITIONS IN 1H19, EDPR MANAGES A PORTFOLIO OF 11.8 GW SPREAD OVER 12 COUNTRIES

As of Jun-19, EDPR had 1,323 MW of new capacity under construction, of which 993 MW related to wind onshore and 330 MW from equity participations in offshore and floating projects. In terms of wind onshore, in Europe there were 114 MW under construction, with 53 MW in Spain (including 24 MW from repowering of old turbines), 38 MW in Poland, 13 MW in France and 10 MW in Belgium. In North America 879 MW were under construction, namely: Bright Stalk (205 MW), Broadlands (200 MW), Hidalgo II (50 MW), Timber Road IV (125 MW), Prairie Queen (199 MW) and Nation Rise (100 MW), with the these last two being part of a Sell-down transaction (Dec-18) in which an 80% stake was sold by EDPR (keeping the responsibility to build the project until CoD). In terms of wind offshore, in the UK EDPR had 316 MW under construction from Moray East project and 14 MW from Windplus floating project in Portugal.

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

### INCOME STATEMENT

#### REVENUES REACHED OVER €1 BILLION AND EBITDA SUMMED €961 MILLION.

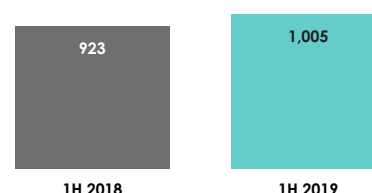
As a result of lower wind resource (-1pp versus first half 2018; -€28 million), higher capacity (+6% avg MW; +€71 million versus first half 2018), higher average selling price (+5% YoY; +€29 million versus first half 2018), positive impact from forex translation (+€27million vs first half 2018) and the 10-year life PTCs scheduled expiration of specific tax equity structures (-€22 million versus first half 2018), Revenues totalled €1,005 million (+9% increase versus last year).

Other operating income amounted to €253 million (+€198 million versus first half 2018), with year on year evolution reflecting the gains (+€219 million) related to the sell-down of a 997 MW portfolio (491 MW net for EDPR), announced in April 19<sup>th</sup>. All transaction relevant completion conditions have been achieved as of June 2019 and the financial closing is expected in the 3<sup>rd</sup> quarter 2019.

Operating Costs (Opex) totalled €297 million (+1% year on year) and excludes €23 million from application of IFRS16 (leases and rents). In comparable terms, adjusted by IFRS16, offshore costs (mainly cross charged to projects' SPV) and fx, Core Opex (defined as Supplies and Services and Personnel Costs) per avg. MW decreased by 2% year on year.

As a consequence, EBITDA summed €961 million (+40% versus first half 2018) and EBIT increased to €667 million (vs €427 million in first half 2018), with IFRS16 increasing depreciations by €17 million in the period. Net Financial Expenses increased to €189 million (+€56 million versus first half 2018) with year on year comparison impacted by the €15 million gain accounted in 1<sup>st</sup> quarter 2018 from the sale down of a stake in UK offshore project and by €14 million from new leases treatment under IFRS16 in the first half 2019, along with higher average debt. At the bottom line, Net Profit summed €343 million (versus €139 million in the first half 2018). Non-controlling interests in the period totalled €91million, decreasing by €10 million year on year, as a result of top-line performance of such wind farms.

#### REVENUES EVOLUTION (€ MILLIONS)



CONSOLIDATED INCOME STATEMENT (€ MILLIONS)	1H 2019	1H 2018	Δ %
<b>Revenues</b>	<b>1,005</b>	<b>923</b>	<b>+9%</b>
Other Operating Income	253	55	359%
Operating Costs	(297)	(293)	1%
Supplies and Services	(147)	(160)	-8%
Personnel Costs	(63)	(57)	11%
Other Operating Costs	(86)	(76)	14%
<b>EBITDA</b>	<b>961</b>	<b>686</b>	<b>+40%</b>
EBITDA/Revenues	96%	74%	+21pp
Provisions	(0.3)	(0.3)	-3%
Depreciation and Amortisation	(302)	(267)	13%
Amortisation Government Grants	9	8	10%
<b>EBIT</b>	<b>667</b>	<b>427</b>	<b>+56%</b>
Financial Income/ (Expense)	(189)	(148)	28%
Share of Profit of Associates	4	1	271%
<b>Pre-Tax Profit</b>	<b>483</b>	<b>295</b>	<b>+64%</b>
Income Taxes & CESE	(49)	(55)	-10%
Profit of the Period	434	240	+81%
<b>Net Profit (Equity Holders of EDPR)</b>	<b>343</b>	<b>139</b>	<b>+147%</b>
Non-controlling Interests	91	101	-11%

**BALANCE SHEET****IN THE FIRST HALF OF 2019 TOTAL EQUITY INCREASED BY €25 MILLION.**

Total Equity of €8.1 billion increased by €25 million in the first half of 2019, of which €255 million are attributable to reserves and retained earnings. The increased equity attributable to the shareholders of EDPR by €284 million is mainly due to the +€343 million of Net Profit, +€12 million from variation in fair value cash flow hedges and +€2 million of the exchange rate effects, along with -€61 million in dividend payments and -€11 million from others.

Total Liabilities increased €59 million, to €9,476 million, which represents a 1% increase year to date, mainly due to an increase in financial debt (+€375 million), a decrease in deferred tax liabilities (-€118 million), the increase of rents due from lease contracts on the back of IFRS new accounting rule (+€610 million) and other liabilities (-€684 million).

With total liabilities of €9.5 billion, the debt-to-equity ratio of EDPR stood at 116% by the end of June 2019. Liabilities were mainly composed of financial debt (42%; versus 39% in 2018), liabilities related to institutional partnerships in the US (12%; decreasing versus 13% in 2018) and accounts payable (29% unchanged versus 2018).

Liabilities to tax equity partnerships, net of deferred revenues from institutional partnerships, in the US decreased by €92 million to €1,178 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 summed €17.6 billion in June 2019, the equity ratio of EDPR reached 46%. Assets were 72% composed of net PP&E - property, plant and equipment representing €12.8 billion (-€1,148 million year to date). In detail -€1.0 billion corresponded to the sale of assets announced in April 23<sup>rd</sup> from a 997 MW portfolio in Europe, -€0.2 million to assets classification to held for sale and -€0.3 million to depreciation charges. PP&E also involved +€374 million of capex investments along with positive exchange differences.

Net intangible assets of €1.5 billion mainly include €1.2 billion from goodwill registered in the books, for the most part related to acquisitions in the US and Spain, while accounts receivable is mainly related to loans to related parties, trade receivables, guarantees and tax receivables.

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

	1H 2019	2018	Δ €		1H 2019	2018	Δ €
<b>Assets</b>				<b>Equity</b>			
PPE, net	12,774	13,922	(1,148)	Share Capital + Share Premium	4,914	4,914	+0
Right-of-use asset	614	-	+614	Reserves and Retained Earnings	1,537	1,282	+255
Intangible Assets & Goodwill, net	1,447	1,577	(130)	Net Profit (Equity Holders of EDPR)	343	313	+30
Financial Investments, net	332	357	(25)	Non-controlling Interests	1,354	1,613	(259)
Deferred Tax Assets	154	174	(21)	<b>TOTAL EQUITY</b>	<b>8,147</b>	<b>8,122</b>	<b>+25</b>
Inventories	36	36	+0	<b>Liabilities</b>			
Accounts Receivable - Trade, net	290	334	(44)	Financial Debt	4,025	3,650	+375
Accounts Receivable - Other, net	1,311	540	+771	Institutional Partnerships	1,178	1,269	(92)
Assets Held for Sale	367	8	+359	Rents due from lease contracts	610	-	+610
Collateral Deposits	30	39	(9)	Provisions	267	295	-28
Cash and Cash Equivalents	268	552	(284)	Deferred Tax Liabilities	345	463	(118)
<b>TOTAL ASSETS</b>	<b>17,623</b>	<b>17,539</b>	<b>+84</b>	Deferred Revenues from Inst. Partnerships	957	962	(5)
				Other Liabilities	2,093	2,777	(684)
				<b>TOTAL LIABILITIES</b>	<b>9,476</b>	<b>9,416</b>	<b>+59</b>
				<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,623</b>	<b>17,539</b>	<b>+84</b>

## CASH FLOW STATEMENT AND NET DEBT

### STRONG AND STEADY OPERATING CASH-FLOW

In the 1H19, EDPR generated Operating Cash-flow of €645 million (+11% YoY), with year on year evolution benefiting from top line performance.

The key items that explain 1H19 cash-flow evolution are the following:

- Funds from operations, resulting from EBITDA after net interest's expenses, share of profits of associates and current taxes, were €853 million (vs €585 million in 1H18);
- 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 €645 million (+11% YoY). Non-cash items include €219 million from sell-down transaction of a 997 MW portfolio in Europe, with financial closing expected in the 3Q19;
- Capital expenditures with capacity additions, ongoing construction and development works totalled €374 million (-20% YoY mainly from lower capex in Brazil and projects timing);
- Payments to institutional partnerships totalled €64 million, contributing to the reduction of Institutional Partnership liabilities. Total net dividends and other capital distributions paid to minorities totalled €109 million (including €61 million to EDPR shareholders). In the period, forex & others had a negative impact increasing Net Debt by €41 million, mainly reflecting confirming lines expiration and forex translation;

CASH-FLOW (€ MILLIONS)	1H 2019	1H 2018	Δ %
<b>EBITDA</b>	<b>961</b>	<b>686</b>	<b>+40%</b>
Current Income Tax	(32)	(36)	-10%
Net Interest Costs	(80)	(67)	21%
Share of Profit of Associates	4	1	n/a
<b>FFO (Funds From Operations)</b>	<b>853</b>	<b>585</b>	<b>+46%</b>
Net Interest Costs	80	67	21%
Share of Profit of Associates	(4)	(1)	n/a
Income from Institutional Partnerships	(90)	(96)	-6%
Non-cash Items Adjustments	(210)	4	n/a
Changes in Working Capital	17	23	-27%
<b>Operating Cash-Flow</b>	<b>645</b>	<b>581</b>	<b>11%</b>
Capex	(374)	(465)	-20%
Financial Desinvestments/ (Investments)	(252)	(1)	n/a
Changes in Working Capital related to PP&E Suppliers	(401)	(39)	n/a
Government Grants	-	-	n/a
<b>Net Operating Cash-Flow</b>	<b>(381)</b>	<b>77</b>	<b>n/a</b>
Sale of Non-controlling Interests and Sell-down Strategy	-	44	n/a
Proceeds from Institutional Partnerships	-	9	n/a
Payments to Institutional Partnerships	(64)	(84)	-24%
Net Interest Costs (Post Capitalisation)	(73)	(57)	29%
Dividends Net and Other Capital Distributions	(109)	(82)	33%
Forex & Others	(41)	(317)	-87%
<b>Decrease/ (Increase) in Net Debt</b>	<b>(668)</b>	<b>(410)</b>	<b>63%</b>

As of June 2019, Net Debt totalled €3,728 million (+€668 million versus December 2018), reflecting on the one hand assets' cash generated, and on the other hand investments in the period and forex translation. Institutional Partnership Liabilities summed €1,178 million, with the benefits captured by the projects and tax equity partners (-8% vs December 2018 in USD).

FINANCIAL DEBT & TAX EQUITY (€ MILLIONS)	1H 2019	2018	Δ €
<b>Total Financial Debt</b>	<b>3,995</b>	<b>3,611</b>	<b>+384</b>
<b>Net Debt</b>	<b>3,728</b>	<b>3,060</b>	<b>+668</b>
<b>Institucional Partnerships</b>	<b>1,178</b>	<b>1,269</b>	<b>-92</b>

## OTHER REPORTING TOPICS

### RELEVANT AND SUBSEQUENT EVENTS

The following are the most relevant events from the first half of 2019:

- **EDPR announces €0.8bn Sell-down deal for wind farms in Europe**

In April 2019, EDPR announced the Sell-down of its entire ownership on a portfolio of 997 MW in Europe (491 MW net for EDPR). All transaction relevant completion conditions have been achieved as of June 2019 and the financial closing is expected in the 3Q19.

Madrid, April 23<sup>rd</sup> 2019: EDPR signed a Sale and Purchase Agreement with institutional investors advised by J. P. Morgan Asset Management to sell EDPR's full equity shareholding and outstanding shareholder loans in an operating onshore wind portfolio with 997 MW of installed capacity (491 MW net for EDPR – shareholding at 51% in most of the wind farms), for a total consideration of approximately €800 million (subject to customary closing adjustments). A Master Services Agreement has also been executed pursuant to which EDPR will provide operating and maintenance services to the above mentioned portfolio.

In detail, the transaction scope covers 388 MW in operation in France, 348 MW in operation in Spain, 191 MW in operation in Portugal (part of ex-ENEOP assets) and 71 MW in operation in Belgium. The total portfolio has been in operation for 7 years on average. EDPR had already previously sold minority stakes in these wind farms in 2013, 2014 and 2016, and with this agreement, is fully exiting ownership of these projects.

Based on i) the transaction price and ii) the outstanding external net debt, the total implied enterprise value for 100% of the assets amounts to €1.6 billion, which translates to an implied enterprise value multiple of €1.6 million/MW. The transaction is subject to regulatory and other precedent conditions and is expected to be completed in the 2Q19.

The asset rotation deal announced today is part of the asset rotation program for 2019-22 period contemplated in the Strategic update announced in March 12<sup>th</sup> 2019.

The sale majority stakes in projects in operation or under development, while continuing to provide operating and maintenance services, allows EDPR to accelerate value creation and book up-front profits, while recycling capital to reinvest in accretive growth.

- **EDPR is awarded long-term CfD for 30 MW of wind at Greek energy auction**

Madrid, July 3<sup>rd</sup> 2019: EDPR secured 20-year Contract-for-Difference ("CfD") at the Greek energy auction to sell electricity produced by Chalkodonio 30 MW wind farm, located in Central Greece, and with expected commercial operation in 2022.

In 2018 EDPR announced the entrance in Greece with the award of two 20-year CfD for a total of 60 MW wind farm. With this new contract EDPR reinforces its footprint in a new market with a sustainable development of its Renewable Energy Source.

As part of its Strategic update announced in March 12<sup>th</sup> 2019, EDPR continues to study worldwide opportunities while developing profitable projects focused in countries with low risk profile and regulatory stability.

- **EDPR secures PPA for 126 MW in Brazil**

Madrid, July 8<sup>th</sup> 2019: EDPR, through its subsidiary EDP Renováveis Brasil, S.A. ("EDPR Brasil"), secured a 20-year private Power Purchase Agreement ("PPA") to sell the energy to be produced by Monte Verde VI and Boqueirão I-II. The wind onshore projects, both located in the Brazilian State of Rio Grande do Norte, have a total capacity of 126 MW and start of operations expected for 2022.

As of today, EDPR has 467 MW of wind onshore technology installed in the country, and with this new contract EDPR reinforces its presence in a market with a low risk profile, through the establishment of long term contracts, attractive renewable resources and solid prospects in the medium and long-term. In detail, EDPR has currently more than 1 GW of wind and solar projects under development, of which 0.2 GW with start of operation expected for 2021, 0.4 GW for 2022 and 0.5 GW until 2023, all with long-term contracts secured.

Given this new arrangement, EDPR has now contracted 3.3 GW of the ~7.0 GW targeted global capacity build-out for 2019-2022 period, as part of its Strategic update announced in March 12<sup>th</sup> 2019.

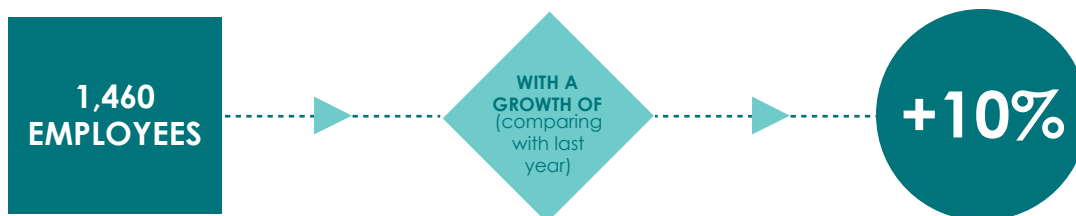
### INFORMATION ON AVERAGE PAYMENT TERMS TO SUPPLIERS

In 2019 total payments made from Spanish companies to suppliers, amounted to €73,770 thousand with an average payment period of 51 days, below the payment period stipulated by law of 60 days.

### OWN SHARES

As of June 2019, EDPR did not hold own shares and no transactions were made during the year.

## 3.2 HUMAN CAPITAL



### Generations

11% Babyboomers

30% Generation X

57% Millennials

2% Generation Z

### EMPLOYEE JOURNEY

A customised value proposition is offered to employees throughout their journey in EDPR, which allows them to join a multinational team and grow along with it. EDPR believes that motivated workforce aligned with the company's strategy is one of the key drivers behind the ability to deliver positive results. In this sense, EDPR continuously works to provide excellent conditions for its employees, grow and develop talent at all levels and optimise its employment policies and labour practices. As a result, EDPR has been recognised by the Top Employers Institute as one of the best companies to work for in Europe in 2019. It has also been named a local Top Employer 2019 in Spain, France, Italy, Portugal and the UK.



### JOINING & INTEGRATING

#### ATTRACTING TALENT

EDPR is continuously striving to attract talent, bringing in the right skills and profiles to address current and future business challenges, 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 labour market. During 1H 2019, EDPR participated in job fairs in Lisbon and Madrid with over 800 attendants.

In EDPR, non-discrimination and equal opportunities are guaranteed during all the selection processes. This is reflected in the Code of Ethics, which contains specific clauses on non-discrimination and equal opportunities, in line with the company's culture of diversity regarding the respect for human and labour rights.

#### INTEGRATING NEW EMPLOYEES

During the first half of 2019, EDPR welcomed 155 employees, of whom 30% are women. The average age of new hires was 34 years old. 75% of the hires correspond to levels of Specialists and Technicians, of which 76% have University degree and above. 97% of the total hires were allocated in permanent positions and EDPR counted with 11 different nationalities among that group. Furthermore, 64 internships were offered during 1H 2019.

Among the initiatives of Integration during 1H 2019, EDPR organised an Onshore Welcome Day in Spain and an Offshore Welcome Day in Edinburgh to welcome new hires, provide them with fundamental knowledge about the company's culture and business, promote internal networking and contribute to make them feel the EDPR spirit.

## BEING EDPR

### INDIVIDUALISATION

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 Area, company KPIs and an Individual Global Assessment of the employee, and also an (iii) above market practice benefits package such as Health Insurance or Pension Plan. The remuneration package is not static, which means that it evolves at the same pace of employees' needs and concerns as well as the business.

### WORK LIFE BALANCE

EDPR believes that Work Life Balance (WLB) must be a shared responsibility and its practices have been awarded for eight years through the Responsible Family Employer Certification (EFR – Empresa Familiarmente Responsable) by Spain's Fundación MásFamilia. To achieve this continuously, it is important to have a constant improvement on the practices in place, in order to provide the most suitable and updated benefits to employees.

EDPR is a flexible company that fosters time efficiency of the employees' daily tasks in order to deliver excellent results and to balance their personal and professional life. In this regard, EDPR implements different initiatives focused mainly on family, time and health. In addition, EDPR has a volunteer program addressed to its employees in order to promote social responsibility, giving them the opportunity to grow not only at work but also personally while also contributing to the society. During 1H 2019, EDPR employees contributed to a sustainable development of society with 575 hours of volunteering.

## GROWING WITH THE COMPANY

EDPR is committed to the development of its employees, offering them an attractive professional career and aligning their capabilities and skills with the current and future needs of the company. The growth and development of the company's business has led EDPR to invest in the employees by discovering, improving and emphasising the potential of each, through internal mobility and development actions.

In June 2019, the Grow platform was launched for the entire EDP Group. The Grow platform introduces employees to EDP's labour market and makes suggestions of job opportunities in the EDP Group, where employees can develop their skills. This platform has the intelligence to cross-reference information on the profile of employees with the available opportunities, suggesting potential matches.

### MOBILITY

EDPR considers both functional and geographical mobility as a tool that contributes to the organisational development by stimulating employees' motivation, skills, productivity and personal fulfilment. Mobility within EDPR aims to respond to the different challenges and needs of the company, considering the characteristics of the different geographies. In 1H 2019, there were 56 mobility processes - 43 functional, 6 geographical and 7 both functional and geographical.

### TRAINING

EDPR sees the development of employees as a strategic target, offering job-specific ongoing training opportunities to contribute to the improvement of knowledge and skills, as well as specific development programs aligned with the company's strategy. The 360 potential appraisal process contributes to define the training needs of each employee along with their manager, which is then used to create a customised Training Plan. The annual Training Plan is based on a catalogue of programs that is constantly evolving and is aligned with the company's challenges and new markets. It consists of up to two courses from the EDP University, one Technical, Management or Behavioural training course, optional languages courses and others from free selection perceived as important for the development of the employee.

The key aspect about EDP University's courses offered to all employees is that they usually contain subjects to promote the development of skills needed to ensure the sustainability of EDPR's business. Moreover, the networking and the share of best practices foster innovation and improve performance.

During the first half of 2019, there were 22,164 hours of training throughout 773 sessions that included 7,619 participants. 86% of EDPR employees received training, translating into c.16 hours of training per employee. This includes the Lead Now Program, which aims to support middle managers in the role they are assuming as team leaders. During 1H 2019, 13 employees from different geographies and departments participated in this development program.



## 3.3 SUPPLY CHAIN CAPITAL

**EDPR's market leadership, based in value creation capacity, innovation and relationship with its stakeholders, is much influenced by the performance of its suppliers.**

**EDPR bases its relationship with suppliers on trust, collaboration and creation of shared value, privileging a partnership approach centred on ethical principles, transparency and sustainability. This results in a joint capacity to innovate and improve the quality of the Company's operations.**

### EDPR SUPPLY CHAIN

EDPR's procurement process is developed in the framework of the Sustainable Procurement Policy, from which the most relevant aspects for EDPR as to the supply chain's sustainability are established: health & safety, the environment, ethics, local development and innovation. EDPR defined policies and procedures to ensure the aspects that fill in the sustainability of the supply chain, as well as the management and mitigation of any type of environmental, H&S or ethical risks in the supply chain.

EDPR has Sustainability requirements in place for its suppliers throughout the main procurement phases: registration process, contracting and the monitoring and evaluation of the suppliers.



The **registration process** is an essential requirement for any company who intends to become a supplier or apply for a qualification process issued by EDPR. The "pass or fail" rule is applied to all suppliers: if they do not meet the main requirements set by EDPR, they will not be selected.

The **contracting process** applies to the suppliers who were selected after the registration process. The selected suppliers related to construction and O&M (Operation and Maintenance) are categorised as critical suppliers. By the end of 2018, the Suppliers Sustainability Guide was approved in Europe and Brazil for both construction and O&M operations, providing an overview of the sustainability requirements EDPR expects its suppliers to meet. The suppliers should also provide a written declaration of acceptance of the principles established in EDPR's Code of Ethics.

During **the monitoring process**, EDPR monitors and evaluates critical suppliers throughout their services delivery taking into account aspects such as health & safety and the environment.

In the construction phase, the construction manager works closely with H&S and environmental supervisors, contractors receive feedback and improvement plans are established. During the operation phase, the manager of the facility is responsible for compliance with H&S and environmental procedures and performs integrated H&S and environmental inspections to the facility. In addition, there are inspections to the suppliers performed by the O&M, H&S and Environment teams. These processes are part of the management systems certified according to OHSAS 18001:2007 and to ISO 14001:2015.

EDPR uses applications for H&S and environmental management including regulatory and obligation tracking that work as collaborative tools, therefore involving the entire organisation and suppliers to prevent work and environmental accidents. In addition, drills regarding H&S and environmental accidents or incidents are carried out in the facilities.

EDPR does not have a specific process for monitoring the ethical performance of suppliers. However, the Code of Ethics has its own channel, open to all stakeholders, to report any potential incident or doubt on the application of the code.

## 3.4 SOCIAL CAPITAL

EDPR believes it is indispensable to contribute to the development of the society both respecting human and labour rights and creating value in different ways, for different people. The Company is guided by three key social responsibility principles: respect human and labour rights in the whole value chain, contribute to the society and promote access to energy for all.



### 3.4.1 RESPECT HUMAN AND LABOUR RIGHTS

At EDPR, it is top priority to promote human rights and fair labour practices across the entire value chain. The Company is committed to integrate the social aspects in planning and decision-making and to guarantee responsible operations throughout the whole lifecycle of its business. Moreover, the health & safety of those who contribute to EDPR's activities is of great importance and a priority for its success. Therefore, the Group aims to promote and build on a positive safety culture in which every employee, service provider and supplier is engaged.

#### HEALTH & SAFETY

According to its Code of Ethics, EDPR undertakes to give priority to the employees and suppliers' safety, health and wellbeing and to ensure the development of appropriate occupational health and safety management systems. This commitment to guarantee the welfare of employees and contractors is supported by EDPR's Occupational Health and Safety Policy.

EDPR has implemented Health & 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 best practices. EDPR takes a data-driven approach 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 zero accidents overall.

During 1H 2019, EDPR registered 5 work accidents with absence for employees and contractors, decreasing by 64% comparing to 1H 2018. The frequency and the severity rate were 1.3 work accidents per million hours worked and 39 days lost due to work accident per million hours worked, respectively.

#### HUMAN RIGHTS & LABOUR PRACTICES

EDPR undertakes to respect and foster due respect within the Company and in its supply chain, as well as to provide dignified working conditions for all. 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.

EDPR requires its suppliers and service providers to comply with their ethical standards. In this way, the alignment with the spirit of EDPR's Code of Ethics is required. Moreover, the Sustainable Procurement Policy references the promotion of respect for dignity and human rights, and the rejection of any form of forced labour or child labour, harassment, discrimination, abuse or other types of physical or psychological violence.

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

### 3.4.2 CONTRIBUTE TO THE SOCIETY

As an integral part of the communities where it operates and as stated in its Code of Ethics, EDPR undertakes to maintain a relationship of proximity with the local communities engaging in regular and open dialogue, seeking to know their needs, respecting their cultural integrity and looking to contribute to improving the living conditions of local population.

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. Additionally, EDPR takes measures to consider and respect the community interests. Nevertheless, as a responsible company, EDPR works to promote the well-being and development of not only the communities where it operates but also of society in general, focusing on the people who contribute to the success of the Group's business and how society may benefit from it.

As stated in the Social Investment Policy, EDPR invests in activities that will positively impact 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 Energy Efficiency & Renewable Energy. In the first half of 2019, EDPR invested €0.8m in the development of the society, 85% of which was destined to communities surrounding the Company's facilities. For more information regarding the activities developed in 1H 2019, please visit the Report of Social Activities ([edpr.com](http://edpr.com)> [edpr](#)> social responsibility).

### 3.4.3. PROMOTE ACCESS TO ENERGY FOR ALL

As a global leader in the renewable energy sector, EDPR defined a clear strategy for promoting Access to Energy (A2E): to provide clean energy in developing countries based on energy efficiency and decentralised renewable energy solutions, that promote the 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. Besides, the use of clean energies and promotion of energy efficiency positively impacts the environment.

**The A2E strategy includes the commitment to invest €12 million over the next three years with the goal of impacting 200,000 people in developing countries.**

In 2018, EDPR purchased a stake in SolarWorks!, a Company engaged in the marketing of decentralised solar energy solutions for off-grid domestic and business customers in Mozambique. The acquisition of the €2 million minority stake was an important step in the group's strategy for universal access to sustainable energy.

In March 2019, after Cyclone Idai in Mozambique, EDPR and SolarWorks! developed a mechanism to respond to this humanitarian crisis by surveying needs regarding energy, together with government and local entities, for the distribution and installation of solar systems. Nhamatanda was selected as a priority district, where SolarWorks! has an office and 20 employees who have suffered the consequences of the cyclone, but who are helping their community to recover from the effects of this calamity. In this district, one of the most affected by the cyclone, live 60,000 families – about 320,000 people. Through a donation of \$50k from EDPR, 125 systems SHS - Solar Home Systems were installed in virtually all buildings operating in this district as shelters, foster centres and health centres.

The A2E initiative powerfully contributes to make EDPR's vision of a sustainable, safe and healthy world a reality.

## 3.5 INNOVATION CAPITAL

**Innovation is part of EDPR's day-to-day reality. The Company is focused on the more disruptive technologies of the industry and is committed to foster innovative solutions throughout its entire value chain: in construction, operations, origination, financing and corporate development. Below, there is a non-exhaustive description of EDPR's most recent innovative solutions.**

### **CONSTRUCTION: New technical solutions to increase assets quality**

Two power plants in Spain have innovative regulation control algorithms installed that allows EDPR to homogenise voltages and minimise energy losses in wind farms, access the wind turbine controllers with individual setpoints that make the full power plant regulation behave in a more accurate and optimised way whilst keeping the grid code compliance. In North America, EDPR's installation and transmission upgrades investments, mainly in the states of New York and Iowa, contribute towards a sustained renovation of transmission grid infrastructure utilized by all electric consumers.

### **OPERATIONS: Innovate to reduce environmental & compliance impacts**

In Europe, EDPR created a WTG simulation tool to be applied to wind turbines in wind farms with noise restrictions. This Acoustic Engineering disruption provides automatic calculation of the noise map and the reduction for each turbine, considering wind direction and time of day. In partnership with TCR from CSIC, EDPR is working on the R3Fiber technology, which makes possible blade recycling. In North America, continuous efforts have been made to reduce environmental impact namely through eagle detection technology and bat deterrent signals that could potentially reduce future curtailment.

### **ORIGINATION: PPA structures to help clients to meet their sustainability goals**

2018 was a record year for corporate renewable PPAs, reaching more than 6 GW of deals signed. During 2018, EDPR in North America was able to sign 8 PPAs with new C&I customers, totalling more than 600 MW, helping them achieving sustainability goals. These transactions agreements usually have innovative components, being customised to fit customer needs and to capture EDPR expertise in the sector (e.g. fixed shape or proxy generation settlement). In the first 6 months of 2019, EDPR signed long-term agreements for more than 500 MW, including a PPA for its first large scale renewable project with storage system. In detail, the Sonrisa Solar Park project, secure a 100 MW PPA and 30 MW of energy storage, with the combination of solar with energy storage system designed to increase efficiency and provide greater balance in energy supply.

### **FINANCING: Asset rotation strategy to self-fund our Growth**

Self-funding strategy is at the core of EDPR financial innovation which is designed to redeploy proceeds from its performing assets into the development of quality, value accretive projects. With successful execution of this strategy, EDPR also crystallizes the value of the assets upfront which enables it to accelerate the value growth cycle.

### **CORPORATE DEVELOPMENT: Using RPA, digital transformation, to generate efficiencies**

Digital disruption is happening at an unprecedented speed and scale, changing business models across all industries and forcing companies to adapt to this new reality. EDPR's digitalization process is taking over the company's entire landscape, changing not only the way it operates in the energy sector but also the way it interacts with its employees and local communities. In this context, EDPR is investing its efforts in the automation of processes through different technologies: RPA's (Robotic Process Automation), a simple, flexible and emerging technology that allows a "robot" to emulate and integrate the actions of a human interacting within digital systems to execute manual, repeatable and rules-based tasks or BPM Tools (Business Process Management Tools). In June 2019, EDPR had 94 robotic processes generating value across the business. The RPA's executed more than 5,930 processes a month.

## 3.6 NATURAL CAPITAL

Wind and solar power are two 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. As stated in its Environmental Policy, EDPR seeks to reduce the impact of its activities on the environment through a set of commitments that ensure the implementation and maintenance of an appropriate and effective Environmental Management System (EMS). The EMS is developed in accordance with the ISO 14001:2015 international standard and certified by an independent certifying organization. All in all, EDPR protects the environment complementing the strategy of fighting against climate change with its responsible management along the whole value chain.

### Protect the climate

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

EDPR core business activity inherently implies the reduction of GHG emissions. Wind and solar energy have zero carbon emissions and do 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.

During the first half of 2019, EDPR's activities avoided the emission of 11 million tons of CO<sub>2</sub>.

### Engage with biodiversity

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

EDPR is aware of the sensitivity of natural ecosystems and the pressures affecting biodiversity. The main approach to contribute to the global challenge of reducing biodiversity loss is clear: produce clean energy (without emissions), to fight against climate change, one of the greatest threats for biodiversity.

The environmental strategy of the company contributes to the prevention or reduction of loss in biodiversity along the whole value chain with the ambition for a globally positive balance through projects focused on the conservation of wildlife surrounding EDPR's facilities. In 1H 2019, EDPR participated in protecting biodiversity mainly through volunteering activities and collaborations with several organisations to further protect wildlife surrounding its facilities.

### Preserve natural resources

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

EDPR produces clean energy, water-free and with low wastes generation. The water consumed is for human use and the low waste generated is mainly due to turbines' operations & maintenance.

The wind turbine is around 80%-90%<sup>1</sup> made of recyclable material, as the missing percentage is related to the turbine's blades that are composed and manufactured by complex materials that make it hard to recycle. In this regard, EDPR is supporting several projects that aim to prioritise the fiberglass recycling processes and encourage circular economy.

Through its collaboration agreement with TRC, EDPR produced reinforced material generated from recycled wind turbine blades. In addition, during 1H 2019, eleven blades from five EDPR's wind farms were managed by RECICALIA, a composites recycling company that uses a system called "Constrictor" to chop the blade at the foot of the wind turbine, avoiding additional transportation costs.

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

## 3.7 SUSTAINABLE DEVELOPMENT GOALS

### EDPR SUPPLIES AFFORDABLE & CLEAN ENERGY WHILE MITIGATING THE CLIMATE CHANGE...

7 AFFORDABLE AND  
CLEAN ENERGY



EDPR is a global leader in the sector of renewable energy and one of the world's largest wind energy producer, ending the first semester of the year with 11.8 GW of installed capacity. During 1H 2019, the Company generated 16.2 TWh of clean energy, a cost-effective way to fight climate change.

13 CLIMATE  
ACTION



Wind and solar power are two of the most environmentally friendly ways of producing energy. EDPR's business inherently implies the reduction of GHG emissions and therefore has a positive impact on the environment. In the first half of the year, EDPR's activities avoided the emission of 11 million tons of CO<sub>2</sub>.

### ...IMPACTING POSITIVELY ON COMMUNITIES & FOSTERING INNOVATIVE INFRASTRUCTURES & CIRCULAR ECONOMY...

11 SUSTAINABLE CITIES  
AND COMMUNITIES



EDPR works to promote the well-being and development of the communities where it operates and also of society in general. In 1H 2019, EDPR invested €0.8m in social activities, contributing to Culture & Art, Social inclusion, Sustainable ways of living & A2E, Biodiversity & Natural Heritage, Energy Efficiency & Renewable Energy.

9 INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



Innovation is part of EDPR's day-to-day reality. The Company is focused on the more disruptive technologies of the industry and is committed to foster innovative solutions throughout its entire value chain: in business development, construction, operations, origination, financing and corporate development.

12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



Even though EDPR is in the renewable energy business, it goes beyond its commitment with sustainability by fostering a culture of responsible operations and circular economy. During 1H 2019, eleven blades from EDPR's wind farms in Spain were being managed by RECICLALIA, a pioneer composites recycling company from Spain.

### ...ENSURING DECENT WORK, GENDER EQUALITY & PRESERVATION OF THE ENVIRONMENT.

8 DECENT WORK AND  
ECONOMIC GROWTH



EDPR continuously works to provide excellent conditions for its employees, grow and develop talent at all levels and optimise its employment policies and labour practices. As a result, EDPR has been recognised by the Top Employers Institute as one of the best companies to work for in Europe in 2019.

5 GENDER  
EQUALITY



EDPR's Code of Ethics contains specific clauses of non-discrimination and equal opportunities, fostering respect for all employees. In 1H 2019, as in previous years, EDPR participated in *Mujer e Ingeniería*, a project by the Real Academia de Ingeniería de España aiming to overcome the gender gap in technical degrees. 9 mentees from two different universities were mentored by EDPR female employees.

15 LIFE  
ON LAND



EDPR's business is its best contribution to reduce biodiversity loss. Nevertheless, the Company's commitment to contribute to the protection of biodiversity leads to an active role in the conservation of wildlife surrounding its facilities. In 1H 2019, EDPR participated in protecting biodiversity mainly through volunteering activities and collaborations with several organisations to further protect wildlife surrounding its facilities.

**WE LOVE ENERGY**

*edp* renováveis

Members of the Board of Directors of the Company EDP Renováveis, S.A.

**DECLARE**

To the extent of our knowledge, the information referred to in sub-paragraph a) of paragraph 1 of Article 246 of Decree-Law nº. 357/2007 of October 31<sup>st</sup>, in sub-paragraph a) of paragraph 1 of article 11 of the Royal Decree 1362/2017 of October 19<sup>th</sup>, and other documents relating to the submission of accounts required by current regulations have been prepared in accordance with applicable accounting standards and principles, reflecting a true faithful and appropriate view of the assets, liabilities, financial position and results of EDP Renováveis, S.A. and the companies included in its scope of consolidation and the management report fairly presents the business evolution, performance, business results and position of EDP Renováveis, S.A. and the companies included in its scope of consolidation, containing a description of the principal risks and uncertainties that they face.

Lisbon, July 23<sup>rd</sup>, 2019,

António Luís Guerra Nunes Mexia

João Manuel Manço Neto

Spyridon Martinis

Duarte Melo de Castro Belo

Miguel Ángel Prado Balboa

António do Pranto Nogueira Leite

Acácio Jaime Liberado Mota Piloto

Gilles August

Manuel Menéndez Menéndez

Francisco Seixas da Costa

Francisca Guedes de Oliveira

Allan J. Katz

María da Conceição Mota Soares de Oliveira Calle Lucas

Alejandro Fernández de Araoz Gómez-Acebo

Vera Pinto Pereira



