



Empresa de Desenvolvimento
e Infra-estruturas do Alqueva, S.A.



REPORT & ACCOUNTS FISCAL YEAR 2017



Empresa de Desenvolvimento
e Infra-estruturas do Alqueva, S.A.

THE BOARD OF DIRECTORS



Augusta de Jesus Cachoupo, José Pedro Salema, Jorge Vazquez

www.edia.pt

SHARE CAPITAL
EUR 529,301,400,00

NEGATIVE EQUITY
EUR 296,404,038,08

VAT NUMBER
503 450 189

REGISTRATION NO.
01 084/950316
Beja Commercial Registry

REGISTERED OFFICE
Rua Zeca Afonso, n.º 2 – 7800-522-BEJA

LISBON BRANCH OFFICE

Espaço Amoreiras
Centro Empresarial. Rua D. João V, n.º 24, 1.03 – 1250-091
LISBOA

ALQUEVA BRANCH OFFICE

Apartado 126 – 7860-MOURA

PEDRÓGÃO BRANCH OFFICE

Apartado 126 – 7860-MOURA

NOUDAR NATURE PARK

Apartado 5 – 7230-BARRANCOS

LUZ MUSEUM

Largo da Igreja Nossa Sra. da Luz – 7240-100-LUZ-MOURÃO



Empresa de Desenvolvimento
e Infra-estruturas do Alqueva, S.A.

👉 MANAGEMENT REPORT

- 👉 MESSAGE FROM THE CHAIRMAN
- 👉 INTRODUCTORY NOTE
- 👉 EDIA INTRODUCTION
- 👉 CONTEXT
- 👉 ACTIVITIES CARRIED OUT IN 2017
- 👉 SUPPORT STRUCTURE
- 👉 INVESTMENT AND FINANCING
- 👉 PROSPECTS FOR 2018
- 👉 INFORMATION REQUIRED BY CURRENT LEGISLATION
- 👉 FINANCIAL ANALYSIS
- 👉 PROPOSED DISTRIBUTION OF EARNINGS

👉 CORPORATE GOVERNANCE

👉 FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

- 👉 STATUTORY AUDITS AND REPORTS BY THE AUDITORS
AND THE SUPERVISORY BOARD
- 👉 STATEMENT OF COMPLIANCE
- 👉 STATEMENT ON THE REMUNERATION POLICY OF MEMBERS
OF THE GOVERNING AND SUPERVISORY BODIES OF EDIA, S.A.
PROVIDED UNDER LAW 28/2009

👉 ACRONYMS AND ABBREVIATIONS

MANAGEMENT REPORT



MESSAGE FROM THE CHAIRMAN

Designing, planning, building, exploring and promoting

the Alqueva Multipurpose Undertaking (EFMA) is EDIA's (Empresa de Desenvolvimento e Infraestruturas do Alqueva, S.A.) mission and raison d'être. EDIA is 100% owned by the Portuguese State, and under the tutelage of the Ministry of Agriculture, Forestry and Rural Development (MAFDR).

Public investment associated with EFMA already amounts to approximately 2,4 billion euros, covering an area of influence of 10,000 km² in 20 municipalities in the Alentejo, and the large scale, breadth and modernity of the implemented hydraulic infrastructure not only presents indisputable hydro-agricultural benefits, but also enables hydroelectric production in a reversible system. This, in turn, allows for the total complementarity with other renewable energies, such as photovoltaic and wind power; both public and industrial supply; environmental and patrimonial preservation and valorisation; and territorial planning.

In 2017, many of the Undertaking's valences were put to the test, and the system's global response was very positive, attesting to many of its anticipated virtues.

Alqueva's promotion maintained its good pace of recent years, with a significant increase in the irrigation accession rate, reaching 76% in 2017. As a result of the increase of irrigated area and the exceptionally hot and dry conditions, the volume of distributed water increased by 52% over the course of the previous year.

Reinforcement of confining systems also reached a very expressive volume, surpassing 100 million cubic metres delivered. It is worth noting that these reinforcements assured public supply to the Roxo and Monte Novo reservoirs – water sources for the cities of Beja and Évora –, which would otherwise have experienced dramatic situations.

The year was distinctly focused on operation, with turnover increasing by around EUR 4 million, an 18% increase over the previous year, mainly as a result of higher revenues from water distribution. EBITDA declined slightly to EUR 11 million due to an increase in the energy bill as large water demands required operation even in the most expensive periods.



Construction did not play a significant role this year, which is expressed through the investment figures. This situation will be dramatically different in the coming years, as the benefited area will expand by about 50 thousand hectares, with a projected investment of over 235 million over a five-year period. These investments were integrated into the National Irrigation Programme, which had its full financing approved by the end of the year with EDIA leading the negotiation process with two multilateral financial institutions: the European Investment Bank (BEI) and Council of Europe Development Bank (CEB).

The company's equity position changed significantly due to a new international financial reporting standard being adopted (IFRS15), as well as capital increases throughout the year amounting to EUR 65 million, where the capital itself showed a positive variance in the EUR 122 million range.

In addition to launching the first expansion works, the great challenge of 2018 will be to initiate the large-scale photovoltaic project with the aim of reducing energy costs and decarbonising the water distribution activity. In the first phase, solar production units will be installed for self-consumption near the primary network pumping stations with a combined power of 50 MW. Since there are no significant areas available near these high-energy sites, floating photovoltaic technology will be used, which will provide this project with a unique aspect. The goal is to eventually fulfil all energy demands through locally produced renewable energy.

Lastly, we would like to thank our clients, financing institutions, the shareholder, the suppliers, and every entity that contributed to the accomplishment of our mission. A special thank you is owed to our employees who, even through a long, hot summer, fulfilled the dream of transforming the Alentejo into "a new land of water"!

José Pedro Salema

Chairman of the Board of Directors of EDIA

INTRODUCTORY NOTE

Alqueva stands at a unique moment in its history. This is a significant moment for the project because the first major stage of the Alqueva Multipurpose Undertaking (EFMA) infrastructure is concluded, with 120,000 hectares of fully operational irrigated land. EDIA concluded EFMA's first phase with the construction of the largest water supply system in Portugal; the largest hydro-agricultural investment ever made in the Country. In addition to the undeniable hydro-agricultural benefit, this infrastructure fulfils various regional and national objectives, such as hydroelectric power production, public and industrial supplies, environmental and patrimonial preservation, and territorial planning.

Despite its total operation being recent, Alqueva constitutes one of the major changes in the territory, contributing to the development of the region's agricultural potential while, at the same time, improving the country's economic situation.

Recent periods of extreme drought have accentuated the strategic water reserve's positive impact, as, without Alqueva, the circumstances experienced in the intervention area would be far more serious. In times of severe drought, Alqueva is able to ensure population supply, maintain agriculture, and supply numerous other dams.

Moreover, the gains achieved with efficient water use as well as adapting average water allocations per plot made it possible to plan a second phase of EFMA with the purpose of taking full advantage of public investment.

Under the guidance of the Ministry of Agriculture, Forestry and Rural Development (MAFDR), and with the aim of increasing the Alqueva perimeter from 120,000 to 170,000 ha, EDIA was tasked with optimizing the funding of eligible investments for collective irrigation within the scope of the Rural Development Programme of Mainland Portugal 2014-2020 (PDR 2020). At the end of 2017, the European Investment Bank and the Council of Europe Development Bank approved investments that will enable the construction of the 2nd phase of EFMA's infrastructure.

Starting off the implementation process for this new phase, this year, the public tender for the Alamos pumping station power boost was adjudicated, which will make it possible to reinforcement supply of the entire Alqueva subsystem. The tendering procedures for equipment supply for the Loureiro-Alvito pumping station's 2nd phase were also issued, as was the construction contract for the Morgavél Adduction System connection. Preparations for tender procedures for the construction of this Undertaking phase have also begun, and are scheduled for 2018.

During the preparation for this new phase of infrastructure works, over the course of 2017, some Environmental Impact Studies (DIAs) were also carried out and monitored, in parallel with the development of the respective Execution Projects. The hydraulic circuits certainly stand out, as do the respective blocks of Reguengos de Monsaraz, Évora, Cuba-Odivelas, Viana do Alentejo, Vidigueira, Póvoa-Moura, S. Bento, Cabeça-Gorda-Trindade, as well as the



Connection to the Monte da Rocha reservoir and the Messejana block. Similarly, the expropriation of EFMA's 2nd phase also began, with the development of several activities aimed at ensuring the necessary expropriation procedures.

For the purposes of exploiting the Undertaking, and in addition to the management, maintenance and conservation of the primary network, EDIA was granted EFMA's secondary network, which allows the company to manage the infrastructure in an integrated and sustainable manner, as well as maintain an average price across the different irrigation perimeters independent of the different operating costs.

To this end, EDIA has set up several multidisciplinary teams that ensure the system's total operation, allowing direct contact with the farmer, based on a proximity policy and search for solutions that guarantee efficient water use, as well as the quality of the service provided.

In order to improve its activity and, consequently, customer response, EDIA is in the process of implementing NAVIA software for maintenance and operation management, linked to the SAP, SIG and SCADA systems. This will make it possible to gather information and indicators pertaining to various infrastructures in a single application, as well as collect and enter water consumptions and analyses, thus generating approval and maintenance order workflows, complying with good asset management practices.

Environmental monitoring is another important management tool used at EDIA. It allows us to characterize the situation of reference, and monitor the evolution of different environmental descriptors, thus helping improve management of the Undertaking as a whole, as well as the quality of the offered resource. EDIA, within the framework of its competencies, is permanently responsible for promoting and coordinating the implementation of environmental monitoring programs pertaining to EFMA's various aspects and phases, namely the status of surface and ground water bodies, fauna and flora, and soil.

EFMA is the most recent irrigation project in Europe and presents excellent conditions for the development of sustainable cultural systems, from an agronomical and environmental standpoint. Currently, in the 120,000 hectares of irrigated land with highly suitable soils for this agricultural practice, the number of hours of sunshine surpasses the European average; and the climate's unique characteristics, coupled with water availability, allows for enormous agricultural potential. Alqueva is, hence, the new paradigm for modern agriculture in Portugal.

In this context, EDIA, as a promoter of agricultural and agro-industrial development in the Alqueva region, has sought to promote different activities in order to provide its stakeholders with the necessary information for their activities. Farmers serviced by the Alqueva infrastructures have been supplied with the Irrigators Portal, a gratuitous support tool that provides diverse and pertinent information regarding their agricultural parcels (namely benefitted areas, registered areas, billing, and energy profile), which the Company constantly updates. Another gratuitous tool available, and an extremely efficient one regarding decision support, is the Cultural Aptitude Determination Support System (SISAP), which allows determining a soil's suitability for a pre-selected crop. A model for technical-economical monitoring and management of the Alqueva hydro-agricultural component is also currently under development.

A series of demonstration and dissemination actions pertaining to small properties within the Alqueva area of influence also warrant emphasis. In order to provide technical support and new cultural alternatives to those who wish to establish themselves in this area, EDIA created the Alqueva Academies project. In 2017, three actions were carried out within this project's framework.

In 2017, Ordinance no. 3025/2017 was published in *Diário da República* introducing a new tariff for water supplied from Alqueva, with new figures to be applied; overall, these represent lower costs for users. With this tariff, the Alqueva project took a step forward in terms of competitiveness for all agricultural and economic activities surrounding the agricultural sector. This positions the Alqueva Project as the greatest national hydro-agricultural project regarding quality of service, size, water tariffs, and yearly assurance of water supply for economic activities, even in years of great water shortages, as we experienced in recent times.

In an effort to ensure the best assistance to Alqueva beneficiaries, EDIA promoted a series of meetings with farmers from the EFMA perimeters in order for their representatives to be elected to participate in the Alqueva Irrigation Monitoring Committee (CARAlqueva) meetings, thus providing them with a more efficient operation and communication channel with EDIA, which will allow them to report problems and suggestions regarding perimeter operation. Work meetings were held with all irrigation perimeters (22), in the presence of the Advisor to the Minister for Agriculture, in which 20 representatives from all perimeters were elected.

EDIA continues coordinating the Land Exchange Project and its articulation with the DGADR, for which EDIA acts as an OPMA (Operational Manager) through activities aimed at promoting, disseminating and stimulating the Land Exchange among surveyed beneficiaries, banking institutions, representatives of farmers groups, and every relevant agent in rural areas.

EDIA has invested in energy solutions that are both environmentally friendly and ecologically compatible with the sustainable development process sought for the region, as evidenced by the implementation of photovoltaic solutions. In addition to exploiting hydroelectric power plants throughout its primary network infrastructure and the Alqueva photovoltaic power station, the first set of floating photovoltaic panels was installed during the first half of 2017 in one of its secondary network reservoirs: the Cegonha reservoir, part of the São Matias hydraulic circuit. This is an off-grid system (disconnected from the electrical network) consisting of 44 floating photovoltaic panels with an installed capacity of 11 kW.



2017 was characterized as a very dry hydrological period, mainly due to the high temperatures and low rainfall recorded. Along with the area increase registered in most perimeters, this caused a sharp increase in water consumption during this period. When comparing water consumption and accession in relation to the total area benefited, there was a 12% increase in accession, as well as an 84,773 m³ increase in water consumption relative to 2016.

Regarding consumption associated with direct water extraction and other purposes (bordering perimeters, public supply, etc.), 2017 registered 117.85 hm³, reflecting an increase in relation to the previous year's consumption.

Therefore, it can be concluded that the total volume of water distributed over the course of 2017 was approximately 366.3 hm³, which represents an increase of 112.9 hm³ (approximately 45%) in relation to the value registered in 2016 (253.4 hm³).

In light of its goals, on December 31st, 2017, EDIA employed 179 individuals; mainly local and distributed throughout the Company's various technical areas.

The total investment made in 2017, not including capitalization of structural and financial expenses, amounted to EUR 1,815,200, bringing EFMA's total investment from 1995 to the end of 2017 to EUR 2,350,998,580.

By December 31st, 2017, the Company's share capital, fully subscribed and paid up, amounted to EUR 529,301,400 (comprising of 105,860,280 shares), and is fully owned by the Portuguese State, through the DGTF. The variation of EUR 64,960,330 and 12,992,066 new shares that occurred in 2017 results from the issue of shares at a par value of EUR 5 each.



EDIA INTRODUCTION

A – EMPRESA DE DESENVOLVIMENTO E INFRA-ESTRUTURAS DO ALQUEVA (EDIA)

Founded in 1995, EDIA is a publicly owned limited company, part of the State-owned Industries Sector (SIS) and under the sectorial tutelage of the Ministry of Agriculture, Forestry and Rural Development (MAFDR).

EDIA's entire activity has been carried out in national territory, in 20 municipalities within the Beja, Évora, Portalegre and Setúbal districts. Its mission is to design, execute, build and operate EFMA, and is responsible for the country's largest irrigated area.

Based in the city of Beja, centre of the benefitted region, EDIA's strategic orientation is based on the priority axes of the Undertaking's utilization of "Water", and the profitability of accomplished infrastructural investments, in view of the Alqueva Project's success.

EFMA's area of influence covers 10,000 km², and the large scale, breadth and modernity of the implemented hydraulic infrastructure not only presents indisputable hydro-agricultural benefits, but also enables hydroelectric production in a reversible system. This, in turn, allows for the total complementarity with other renewable energies, such as photovoltaic and wind power; both public and industrial supply; environmental and patrimonial preservation and valorisation; and territorial planning.

As EFMA's Managing Company, and responsible for an important economy-boosting asset, EDIA contributes not only to the development of the Alentejo, but also the Country, thus positioning itself as a strategic and unquestionably relevant reference, as it positively affects agri-food independence and export increase.

Over the past few years, EDIA has significantly contributed to the development of regional and national agricultural strength, making efforts to build the necessary infrastructure to irrigate the 120,000 hectares contemplated for the 1st phase of the Undertaking.

Once this phase of EFMA is completed, and in order to maximize EFMA's natural evolution, EDIA has been developing and consolidating a strategy to promote and increase Alqueva's irrigation in order to optimize the benefits of competitive advantages and take full advantage of the Project's water resources.

However, the gains generated by efficient water use and adapting average water allocations per plot, made it possible to plan a second phase of EFMA, with the goal of taking full advantage of public investment. Therefore, EDIA is now starting a phase of project expansion with the development of approximately 50 thousand hectares of new irrigated areas.

B – CHARACTERISATION OF THE MAIN INFRASTRUCTURES

Centred on the Alqueva dam, the project's main infrastructure built on the Guadiana River, EFMA represents a structuring investment in the south of the country.

Alqueva is based on the concept of multiple purposes and integrated management of its strategic water reserve. With it, it's possible to create a reservoir with regulation capability and, from it, distribute water throughout the benefited region.

The Alqueva reservoir is the largest strategic water reserve in Europe. It is located in the south of Portugal, near the village that gives it its name and holds the Country's largest water reserve. Alqueva is the Undertaking's main water source, securing all the project's valences, namely public, industrial and agricultural supply. Apart from ensuring water availability for water supply systems in its intervention area, the primary network also ensures supply for the Project's various, dispersed perimeters. The floodgates were closed on February 8th, 2002, reaching its maximum quota on January 12th, 2010.

Currently benefitting an area of about 120,000 hectares, Alqueva's Global Water Supply System interconnects intermediate dams, ensuring water availability even in periods of extreme drought, and its expansion to 170,000 hectares is already under way. EFMA's first phase was concluded in 2016 and became fully operational in 2017.

Through these infrastructures, Alqueva supplies hydro-irrigation facilities, which benefit about 120,000 ha of agricultural land; ensure water reinforcement for public supply to about 200,000 people; and produce enough hydroelectric power to supply a city with half a million inhabitants.

GLOBAL SYSTEM OF WATER SUPPLY OF ALQUEVA	
Subsystems – Alqueva, Ardila and Pedrógão	3
Mini-Hydro Plants	5
Regulatory Structures	28
Main and Secondary Pumping Stations	46
Dams/Reservoirs/Primary and Secondary Lakes	69
km of Channels	126
km of Pipes	1,833
km of Access Paths and Services	901
Retention Basins	10
Water Outlets	85
Floodgates	121
Depth Discharges	3,649
Hydrants	3,722
Irrigation hydrants	7,519
Tunnel extension, siphons and cut and cover (km)	33,6
Isolation valves	1,313
Suction cups	3,811
Length of drainage ditches (km)	466
Irrigated/equipped area (thousand ha)	117,5

The main identifying characteristics of the infrastructure that make up EFMA are the following:

ALQUEVA HYDROELECTRIC PLANT



Alqueva Dam

Concrete twin-arch type
96 metres maximum height
458 metres of crest

Alqueva Reservoir

4,150 hm³ of maximum capacity (quota 152m)
3,150 hm³ of active capacity (quota 152m)
1,160 km of banks
83 km in reservoir length
250 km² of surface

Alqueva Hydroelectric Plant

Toe of dam type
520 MW of installed power
(Alqueva I and II – 2 x 260MVA)

PEDRÓGÃO HYDROELECTRIC PLANT

Pedrógão Dam

Gravity type, part conventional concrete, part BCC
43 metres maximum height
448 metres of crest

Pedrógão Reservoir

106 hm³ of maximum capacity
54 hm³ usable capacity
118 km of banks
23 km in length
11 km² of surface

Pedrógão Hydroelectric Power Station

Toe of dam type
10 MW of installed power



The Alqueva Global Water Supply System, which currently benefits an area of about 117,5 hectares, consists of a set of 69 dams, reservoirs and weirs, 46 pumping stations, 5 mini hydro plants and 1 photovoltaic power plant.

The Alqueva Global Water Supply System is divided into three subsystems according to the various water sources, namely Alqueva, Ardila and Pedrógão. A 593 hectare irrigated area was also installed next to the new Luz village, sourcing its water directly from the Alqueva reservoir.

ALQUEVA SUBSYSTEM

Sourcing its water from the Alqueva reservoir, the Alqueva subsystem develops from the Álamos pumping station and is the largest of EFMA's three subsystems. This infrastructure allows for the water to be raised up to a height of 90 m, through an 850 m long penstock with a 3,2 m diameter, to the Alamos reservoirs, thus ensuring water distribution to the entire Alqueva subsystem, benefiting areas west of Beja and in the centre of Alentejo.

This subsystem consists of a set of hydraulic circuits connecting the region's main reservoirs: Monte Novo, Alvito, Odivelas, Vale de Gaio and Roxo. The Alamos canal connects to the Loureiro dam, from where the Loureiro-Monte Novo canal derives, stretching to the Monte Novo dam. The Loureiro-Alvito tunnel develops to the south from the Loureiro dam, ensuring the supply of the Alvito dam.

KEY

PLANTS AND PUMPING STATIONS

-  Hydroelectric Plant
-  Mini-Hydro Plants
-  Pumping Stations

RESERVOIRS

-  1st Phase
-  2nd Phase

SUPPLY SYSTEM

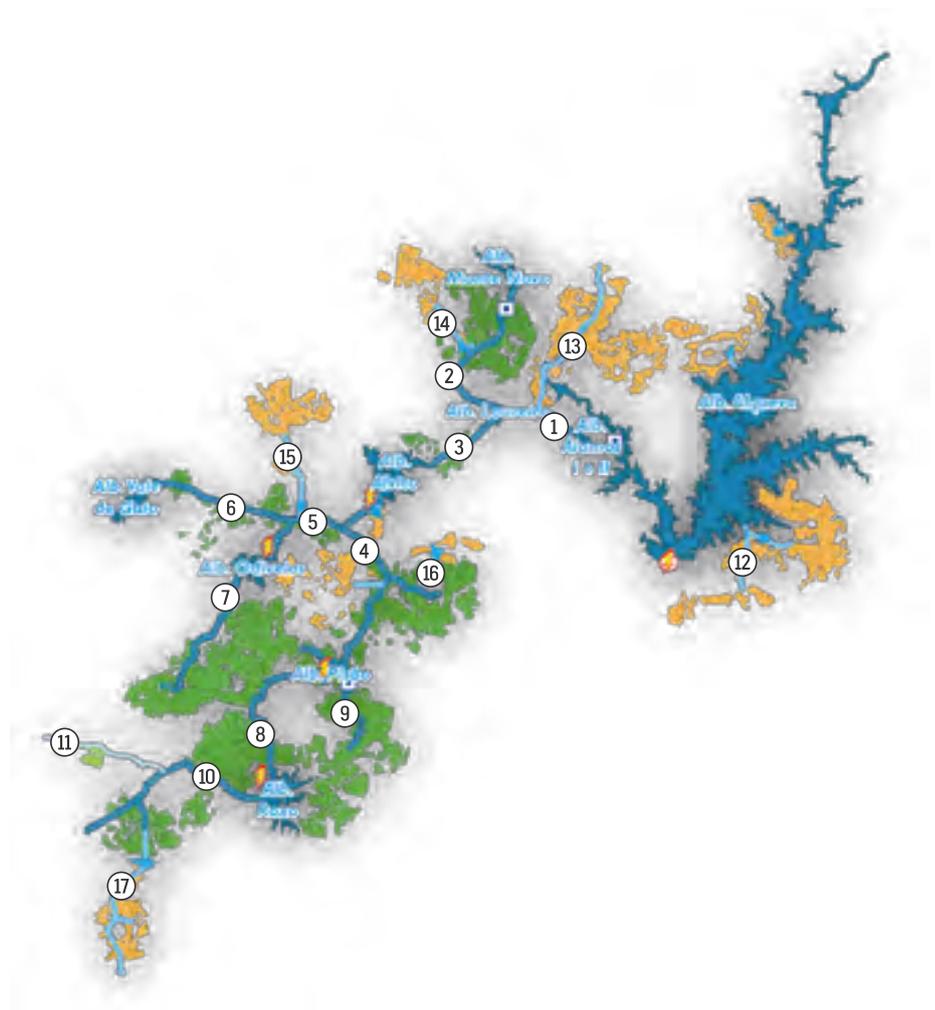
-  1st Phase. Existing
-  1st Phase. Projected
-  2nd Phase

EFMA IRRIGATED AREA

-  1st Phase
-  2nd Phase

LINKS

1. Alqueva-Álamos connection
2. Loureiro-Monte Novo connection
3. Loureiro-Alvito connection
4. Alvito-Pisão connection
5. Odivelas pipeline circuit
6. Vale do Gaio connection
7. Infrastrutere 12 pipeline
8. Pisão-Roxo connection
9. Pisão-Beja connection
10. Roxo reservoir connection
11. Morgavél connection
12. Póvoa-Moura main network
13. Reguengos main network
14. Évora main network
15. Viana main network
16. Cuba-Odivelas main network
17. Monte da Rocha main network



From the Alvito dam, it follows the Alvito-Pisão canal, which connects to the Pisão dam, and then reaches the Roxo dam through the Pisão-Roxo canal. From the Alvito-Pisão canal derivation, infrastructures were installed to connect to the Odivelas and Vale de Gaio reservoirs. These canals are surrounded by the development of the perimeters of Monte Novo, Loureiro-Alvito, Alvito-Pisão, Pisão, Ferreira Figueirinha and Valbom, Alfundão, Cinco Reis-Trindade, Ervidel, Pisão-Beja, Vale de Gaio and Roxo-Sado. Their respective water availability ensures the operation of Alqueva subsystem's secondary network, covering a total area of around 64 thousand hectares.

The mini hydroelectric power plants of Alvito, Odivelas, Pisão and Roxo were built among the reservoir's primary network and pipelines, with a total installed power of 7 MW, further optimizing the entire system with energy efficiency gains when economically feasible.

As part of EFMA's second phase infrastructure works, the following new irrigated areas were identified in the Alqueva subsystem:

PRIMARY NETWORK	SECONDARY NETWORK
Alqueva Subsystem	Alqueva Subsystem
Reguengos Hydraulic Circuit	Reguengos Block
Évora Hydraulic Circuit	Évora Block
Cuba-Odivelas Hydraulic Circuit	Cuba-Odivelas Block
Viana do Alentejo Hydraulic Circuit	Viana do Alentejo Block
Monsaraz Hydraulic Circuit	Monsaraz Block
Vidigueira Hydraulic Circuit	Vidigueira Block
Luçefécit-Capelins Hydraulic Circuit	Luçefécit-Capelins Block
Póvoa-Moura Hydraulic Circuit	Póvoa-Moura Block

ARDILA SUBSYSTEM

Situated on the left bank of the Guadiana River, the Ardila subsystem services a region that cyclically faces severe water shortages. Sourcing its water from the Pedrógão reservoir, this subsystem benefits left bank areas in the Moura and Serpa municipalities. It's comprised of a set of 15 dams or reservoirs, and extends over 60 km of primary network, 270 km of secondary network pipelines, 6 pumping stations and a mini hydro plant.



KEY

PLANTS AND PUMPING STATIONS

-  Hydroelectric Plant
-  Mini-Hydro Plants
-  Pumping Stations

RESERVOIRS

-  1st Phase
-  2nd Phase

SUPPLY SYSTEM

-  1st Phase. Existing
-  1st Phase. Projected
-  2nd Phase

EFMA IRRIGATED AREA

-  1st Phase
-  2nd Phase

LINKS

1. Pedrógão pipeline
2. Brinches-Enxóe pipeline
3. Serpa pipeline
4. Amoreira-Caliços pipeline
5. Caliços-Pias pipeline
6. Caliços-Machados pipeline
7. S. Bento main network

Starting at the Pedrógão-Left Bank pumping station, it ensures supply to the Enxoé and Furta Galinhas dams reservoirs. These reservoirs, in turn, ensure public supply of the Mértola, Serpa, Moura and Barrancos municipalities. The Ardila subsystem encompasses the perimeters of Orada-Amoreira, Brinches, Brinches-Enxoé, Serpa, Pias, Caliços-Machados, and Moura-Gravítico (located in the Moura and Serpa municipalities), and covers a total irrigated area of about 30 thousand hectares. In order to take advantage of the Serpa dam reservoir adduction, this subsystem includes a mini hydroelectric plant.

As part of the EFMA's second phase infrastructure works, the following new irrigated areas were identified in the Ardila subsystem:

PRIMARY NETWORK	SECONDARY NETWORK
Ardila Subsystem	Ardila Subsystem
São Bento Hydraulic Circuit	São Bento Block

PEDRÓGÃO SUBSYSTEM

The Pedrógão subsystem benefits an area of about 24,500 hectares. It starts at the Pedrógão-right bank pumping station (Pedrógão reservoir), encompassing a total of 9 dams or reservoirs, 3 pumping stations, over 42 km of primary network and adductions, extending over the region east of Beja, on the Guadiana River's right bank.

The development of regulating reservoirs and a supply system that ensures transportation of water to that region created the right conditions to reinforce public water supply in a region that is deficient in water resources,

KEY

PLANTS AND PUMPING STATIONS

-  Hydroelectric Plant
-  Mini-Hydro Plants
-  Pumping Stations

RESERVOIRS

-  1st Phase
-  2nd Phase

SUPPLY SYSTEM

-  1st Phase. Existing
-  1st Phase. Projected
-  2nd Phase

EFMA IRRIGATED AREA

-  1st Phase
-  2nd Phase

LINKS

1. Pedrógão MD pipeline
2. S. Matias hydraulic circuit
3. S. Pedro-Baleizão hydraulic circuit
4. Baleizão-Quintos hydraulic circuit
5. Cabeça Gorda-Trindade main network
6. Marmelar main network



as well as to supply the secondary infrastructure (the Pedrógão-Right Bank, S. Pedro-Baleizão, Baleizão-Quintos and São Matias blocks).

As part of EFMA's second phase of infrastructure works, the following new irrigated areas were identified in the Pedrógão subsystem:

PRIMARY NETWORK	SECONDARY NETWORK
Pedrógão Subsystem	Pedrógão Subsystem
Cabeça Gorda-Trindade Hydraulic Circuit	Cabeça Gorda-Trindade Block
Marmelar Hydraulic Circuit	Marmelar Block

C – EDIA'S MAIN LEGAL INSTRUMENTS

Summarized below are the main legal and management instruments of EDIA's history since its inception on March 24th, 1995:

/ Decree-Law No. 32/95 (February 11th)

/ Within the scope of its creation by Decree-Law no. 32/95 of February 11th, EDIA was granted ownership of rights and obligations that previously belonged to the respective Installing Committee. Through its corporate objectives, EDIA was entrusted with the responsibility of designing, executing, building and operating the EFMA, and promoting the economic and social development of its area of intervention.

/ Decree-Law No. 42/2007 (February 22nd)

/ Decree-Law no. 42/2007, of February 22nd, defines the legal regime applicable to the management, operation, maintenance and conservation of the infrastructures that incorporate EFMA. By modifying EDIA's statutes, this legislation, which proceeded once operation of some of the Undertaking's infrastructures began, repeals Decree-Laws no. 32/95, of February 11th, no. 33/95, of February 11th, and No. 335/2001, of December 24th, to incorporate the Company's corporate objectives into four fundamental axes:

- a. Use of the public water domain under the Undertaking for the purposes of irrigation and hydroelectric exploitation (concession contract entered into pursuant to Law no. 58/2005, of December 29th);
- b. Design, execution and construction of the infrastructures that integrate the Undertaking's primary system, as well as its management, operation, maintenance and conservation;
- c. Design, execution and construction of the infrastructures that integrate the secondary network pertaining to the Undertaking, in representation of the State, in accordance with the instructions received from the Minister for Agriculture, Rural Development and Fisheries; and
- d. Promotion, development and pursuit of other economic activities that contribute to improving the conditions of use of the resources assigned to the Undertaking.

/ Decree-Law No. 313/2007 (September 17th)

/ The bases for the concession contract between EDIA and the Portuguese State regarding the use of the public water domain pertaining to EFMA for the purposes of irrigation and hydroelectric exploitation were approved. EDIA was granted concession of the management and exploitation of the Undertaking and exclusive ownership

of rights of private use of the public water domain pertaining to the EFMA for the purposes of irrigation and hydroelectric exploitation, for a period of 75 years.

/ Administering the public water domain pertaining to EFMA in the scope of its activity; assigning titles related to water abstraction for irrigation and production of electric energy; and supervising its use by third parties, establishing, instructing and sanctioning infraction proceedings; these now constitute EDIA's powers and competences within the scope of this legal framework.

/ Agreement between Alqueva and Pedrógão Hydroelectric Power Stations (October 25th, 2007)

/ The contract for the exploitation of the Alqueva and Pedrógão hydroelectric power stations, and the sub-concession of the public water domain (for a period of 35 years) was formalised with EDP on October 25th, 2007. This document stipulated the terms of exploitation of the hydroelectric component, and the sub-concession of the rights for private use of the associated public water domain (for the purposes of producing electricity and implementing electricity production infrastructures).

/ Decree-Law No. 36/2010 (April 16th)

/ Through Decree-Law no. 36/2010, of April 16th, the Decree-Law no. 42/2007, of February 22nd was amended. The Undertaking's legal framing in view of the new legal framework for the management and use of water resources in the Water Law, in the regime for the use of water resources (Decree-Law no. 226-A / 2007, of May 31st) and in the economic and financial regime of water resources (Decree-Law no. 97/2008, of June 11th), was one of the goals when setting a differentiated and more flexible tariff, following the start of operation of EFMA's first perimeters. The published legislation also aimed to clarify the contextualisation of the economic and financial environment in order to optimize resource management and guarantee EDIA's and EFMA's future economic sustainability.

/ Ordinance No. 9000/2010 (May 26th)

/ Put into effect on June 1st, 2010, it sets the values of the applicable tariff to the price of irrigation water for agricultural use provided by EDIA in the ambit of the EFMA public water service, and allows EDIA to charge for irrigation water.

/ Concession Contract Concerning the Management, Operation, Maintenance and Conservation of EFMA's Secondary Network Infrastructures (April 8th, 2013)

/ Conclusion of the concession contract for the management, operation, maintenance and conservation of EFMA's secondary network infrastructures on April 08th, 2013, with the Directorate-General for Agriculture and Rural Development (DGARD) and the Ministry of Agriculture, Sea, Environment and Territorial Planning (MASETP).

/ Ordinance No. 3025/2017 (April 11th)

/ It establishes a new tariff system for Alqueva, in which, among other aspects, it sets specific values for operation and conservation fees, and incorporates a price reduction at the end of the primary network with the repercussions derived from the remaining tariffs, thus changing the discount system defined in 2010 and defining the tariff system pertaining to precarious irrigators and direct abstraction. This ordinance also established the value of water tariffs for uses other than irrigation for agricultural use. Regarding the discount system, once perimeter operations begin, the new version considers that these will be valid for 3 years, as follows (% water tariff payable by consumers): Year 1 (40%); Year 2 (60%); Year 3 (80%); Year 4 (100%). Thus, the discount system will be considered for perimeters that went into operation after 2014.

D – CHRONOLOGY OF THE DEVELOPMENT

2017

- / Beginning of the preliminary procedures for EFMA second phase infrastructure works with the construction of over 50 thousand hectares of new irrigation

2016

- / Conclusion of the 1st phase of the Alqueva Undertaking
- / Expression of Interest with the European Investment Bank in the ambit of the Juncker Plan
- / Entry into operation of the following perimeters: Beringel-Beja, Vale de Gaio and Roxo-Sado (Alqueva subsystem) and Caliços-Machados
- / Pias and Moura Gravítico (Ardila subsystem) and São Matias (Pedrógão subsystem)

2015

- / Inauguration of the of the Cinco Rei-Trindade blocks infrastructures, and the São Pedro-Baleizão and Baleizão-Quintos hydraulic circuits
- / Celebration of EDIA's 20th anniversary, with the exhibition "Alqueva: 20 anos de obra, 200 milénios de história" (Alqueva: 20 years of work, 200 millennia of history), in the Hollow Tower of the Jeronimos Monastery

2014

- / Inauguration of the São Pedro dam and Pedrogão pipeline
- / 2nd International Seminar "Investing in the Agricultural Potential of Alqueva"
- / Signing of the last construction contracts concerning the 1st Phase of EFMA's Global Water Supply System
- / Inauguration of the Pisão-Beja supply and signing of the works contracts of the Baronia and Alvito Alto and Alvito Baixo blocks and the Roxo-Sado blocks

- / 1st Alqueva Solidarity Run

- / Seminar "Natural Capital"

2013

- / Inauguration of the Ervidel block
- / Presentation of the brand "Alqueva"
- / Inauguration of the Pedrógão-right bank hydraulic circuit and Pedrógão and Selmes irrigation blocks
- / Signing of the concession contract for the management, operation, maintenance and upkeep of the infrastructures of the EFMA secondary network

2012

- / Signing of the protocol with Cooperativa Agrícola de Beringel, to implement the Academia de Hortícolas de Alqueva (Vegetable Academy)
- / Eligibility of the primary network on the Cohesion Fund, in recognition of the significant contribution of EFMA toward public supply and the environmental component
- / IBERLINX Association, led by EDIA, was responsible for implementing the reintegration strategy of the Iberian lynx in Portugal
- / Participation in the conference RIO+20, as an example of a territory development project promoting sustainability and biodiversity
- / The Noudar Nature Park was distinguished with the "Wildlife Estates" certification
- / EDIA distinguished with the award "Innovation" by AcquaLiveExpo, within the scope of the SISAP project

2011

- / Inauguration of the first Irrigation Perimeters in the Ardila Subsystem (Orada-Amoreira; Brinches; Brinches-Enxoé & Serpa perimeters)
- / Inauguration of Mini Hydroelectric Plants of Alvito, Odivelas, Pisão, Roxo & Serpa, the Alfundão Irrigation Perimeter and the Ferreira, Figueirinha & Valbom Irrigation Blocks of the Pisão-Roxo Irrigation Perimeter

2010

- / Alqueva Reservoir reached its maximum level (152,00 M) on 12 January
- / Distribution of water to the Alvito-Pisão & Pisão Irrigation Perimeters
- / Completion of link between Alqueva and all the public supply reservoirs of the EFMA area

2009

- / Distribution of water to the Monte Novo Irrigation Perimeter
- / Start of process to transfer water to the Alvito reservoir

2008

- / Alqueva Project 2008
- / Start of process to transfer water to the Monte Novo reservoir.

2007

- / Concession contract for the public waterways domain
- / Contract for operating the Alqueva & Pedrógão Hydroelectric Plants from EDP

2006

- / Inauguration of Pedrógão Hydroelectric Plant
- / Start of operation of the Álamas-Loureiro Supply System
- / International award "Puente de Alcântara"

2005

- / Entry into operation of the Luz Irrigation Perimeter

2004

- / Start of water supply for irrigation, through Infrastructure 12

2003

- / Start of electrical power production at the Alqueva Power Plant, in trial period

2002

- / Closure of Alqueva floodgates

2001

- / Change in the scope of EDIA's remit

1998

- / Start of concreting at Alqueva Dam

1995

- / Creation of EDIA, S.A.

1993

- / Decision to resume works

1978

- / Works put on hold

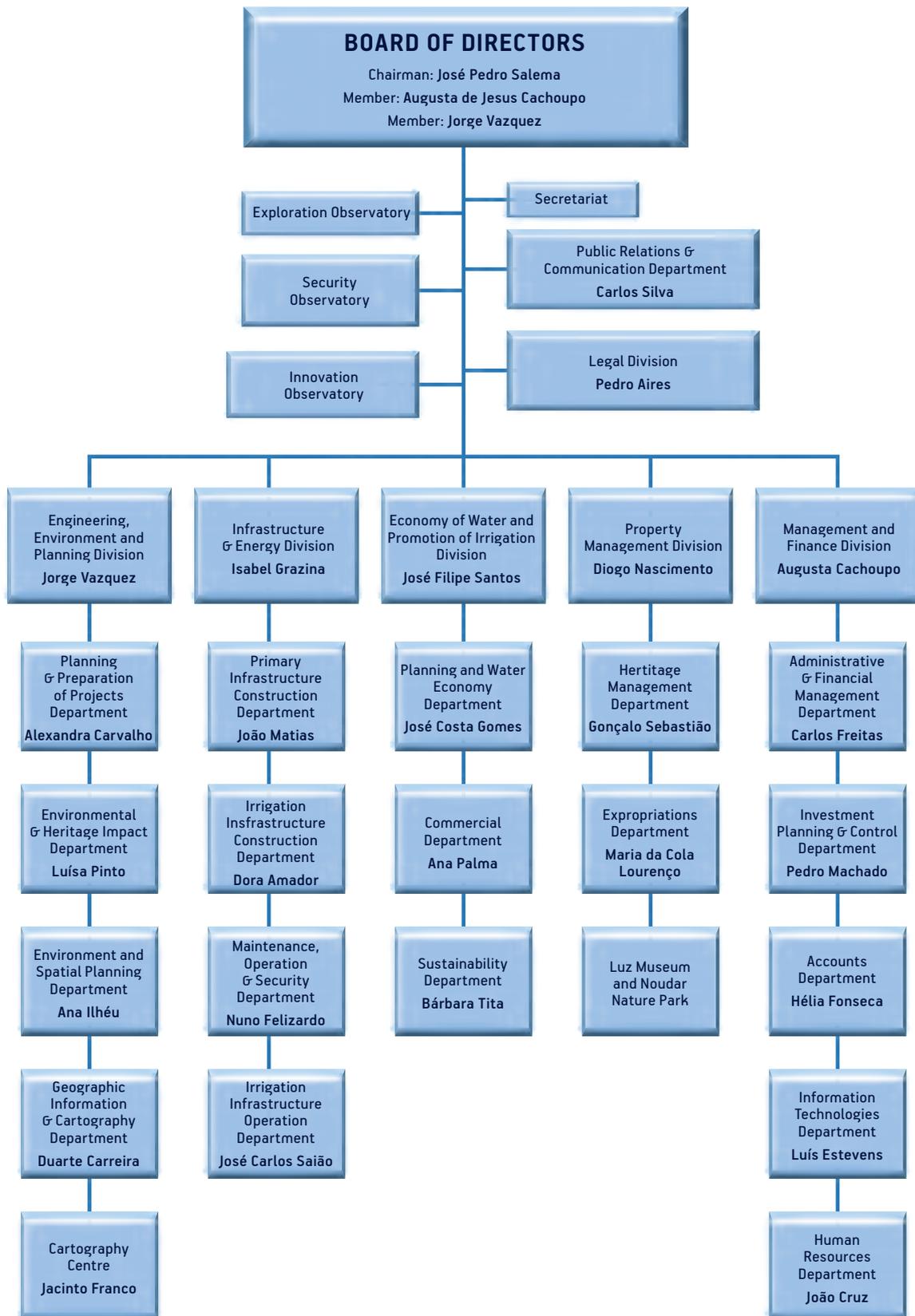
1976

- / Start of preliminary works

1957

- / Alentejo Irrigation Plan

E – ORGANISATIONAL CHART



F – MANAGEMENT BODIES

GENERAL MEETING

/ Chairman

Carlos Alberto Martins Portas

/ Secretaries

Cristina Maria Pereira Freire
Hugo Alberto Cordeiro Lobo *

BOARD OF DIRECTORS

/ Chairman

José Pedro Mendes Barbosa
da Costa Salema

/ Members

Augusta Manuel Pereira de Jesus Cachoupo
Jorge Manuel Vazquez Gonzalez

SUPERVISORY BOARD

/ Chairman

António Bernardo de Menezes
e Lorena de Séves

/ Members

Nelson Manuel Costa dos Santos
Carlos António Lopes Pereira

/ Alternate Member

Cristina Maria Pereira Mascarenhas
Vieira Sampaio

STATUTORY AUDITOR

- / RCA – Rosa, Correia & Associados, SROC, S.A.
Represented by
Paulo Fernando da Silva Pereira

* Replaces José Pedro da Silva Martins, who resigned as Secretary of the General Meeting of EDIA on December 20th, 2016, pursuant to Item 8 of the minutes of the General Meeting held on October 30th, 2017, and a joint order by the Minister of Agriculture, Forestry and Rural Development (Luís Capoulas Santos) and the State Secretary for the Treasury (Álvaro Novo), dated October 30th, 2017 [item 7 – Elect the Secretary of the General Meeting to complete the 2015-2017 term: “Following the resignation of José Pedro da Silva Martins’ as secretary of the General Meeting, the State shareholder proposes and votes favorably to elect Hugo Alberto Cordeiro Lobo to the position of secretary of the general meeting, to complete the current term.



CONTEXT

Located in Alentejo, the Alqueva Multi-Purpose Undertaking has a direct influence on municipalities within the Alqueva reservoir's reach, as well as those benefitting from the installation of new perimeters or serviced by public supply.

The Alentejo corresponds to about 1/3 of mainland Portuguese territory and is characterised, to date, as a region of low population density, high rates of human desertification and aging, and has a Gross Domestic Product per capita lower than the national average.

Contributing to the development of both the region and the Country, EFMA is an important economy booster, positively affecting agri-food independence and export increase. The Alqueva was a remarkable revolution for Alentejo and the country; a project that leveraged Portuguese agriculture.

The periods of severe drought of recent years, especially last year, only served to accentuate the reservoir's positive impact. Without Alqueva, the situation in the region would have been far more serious; in times of severe drought, Alqueva is able to ensure population supply, maintain agriculture, and supply numerous other dams.

On the other hand, Portugal is a deficit country regarding the majority of agricultural products, so it's important for the agricultural sector to be able to increase production. This can be achieved by expanding productive areas, as well as increasing the productivity of various agricultural systems. The existence of a project like EFMA, with its breadth of about 120 thousand hectares of irrigated land and an additional 50 thousand hectares in the coming years, could be a decisive factor in fulfilling this objective. The dynamism created in Alqueva has the potential to keep growing over the coming years.

In 2017, there were several important events for the national economy, with special emphasis to the country's rise among the main global rating agencies. This led to Portugal regaining its investment-grade status, creating suitable access conditions to the financial resources required to develop a strategy for change. Also during this period, further emphasis is due to Portugal's exit from the Excessive Deficit Procedure, a good indicator for the country and a sign that government accounts are entering a path of sustainability. The country repaid a portion of the loan, which was scheduled for payment in 2021, and 80% of the IMF debt is already settled.

According to data provided by the National Statistical Institute (INE) and the Bank of Portugal (BP), the indicators of economic activity and economic climate for Portugal stabilized in 2017. In November, consumer confidence and economic sentiment indicators rose in the Euro Zone.

Domestic demand was the main driver of economic activity in 2017, with a contribution of 2,7%, 1% higher than

initially projected in the Stability Programme (SP). Private consumption contributed to this acceleration, with a growth of 2,2%. The greater trend of domestic demand translated into a 7,5% import acceleration, while exports showed higher growth, reaching 7,7%, thus reflecting the high performance registered in the first half of the year. The GFCF indicator slowed in October, continuing the deceleration of the previous four months, and settling at 8,3%.

	2016	2017				
		FMI DEZ-17	OCDE NOV-17	CE NOV-17	BDP DEZ-17	MF OUT-17
Gross Domestic Product (tcr%)	1,5	2,6	2,6	2,6	2,6	2,6
Private Consumption (tcr%)	2,1	2,1	1,8	1,9	2,2	2,2
Public Consumption (tcr%)	0,6	1,1	-0,2	0,4	0,1	-0,2
Gross Fixed Capital Formation (tcr%)	1,6	8,5	9,1	8,1	8,3	7,7
Exports (a) (tcr%)	4,1	7	7,6	8	7,7	8,3
Imports (a) (tcr%)	4,1	7,5	7,1	8	7,5	8
Unemployment Rate (%)	8,5	8,9	9,1	9,2	8,9	9,2
Inflation Rate (b) (%)	0,6	1,5	1,5	1,5	1,6	1,2

In: Portugal Main Economic Indicators (January 2018) -Aicep Portugal Global
Sources: IMF-International Monetary Fund; OECD-Organization for Economic Cooperation and Development; EC – European Commission; Bdp – Banco de Portugal; MF – Ministry of Finance (State Budget 2018) quoted in documents from their own sources and in GEE – Department of Strategy and Economic Research (Ministry of Economy)

(a) – Goods and Services; (b) based on the Harmonized Index of Consumer Prices (HICP)

According to the INE, the unemployment rate for the last quarter of 2017 stood at 8,1%, 0,4 percentage points (pp) lower than the previous quarter and 2,4 pp lower than the corresponding quarter of 2016. The Bank of Portugal expects the unemployment rate to reach 8,9% in 2017.

Inflation measured by CPI should settle at 1,6%, according to forecasts by the Bank of Portugal. As a whole, the Portuguese economy has shown an improvement in internal and external macroeconomic imbalances.

	2016			2017			2018		
	FMI JAN-18	OCDE NOV-17	CE NOV-17	FMI JAN-18	OCDE NOV-17	CE NOV-17	FMI JAN-18	OCDE NOV-17	CE NOV-17
GDP Euro Zone (rgr%)	2,4	2,4	2,2	2,2	2,1	2,1	2	1,9	1,9
GDP European Union 28 (rgr%)	2,3	1,9	2,3	2,1	n.d.	2,1	1,8	n.d.	1,9
GDP USA (rgr%)	2,3	2,2	2,2	2,7	2,5	2,3	2,5	2,1	2,1
GDP World (rgr%)	3,7	3,6	3,5	3,9	3,7	3,7	3,9	3,6	3,7
Inflation Rate (a) Euro Zone (%)	1,5	1,5	1,5	1,4	1,5	1,4	1,7	1,7	1,6

In: Portugal Main Economic Indicators (January 2018) -Aicep Portugal Global

Sources: IMF-International Monetary Fund; OECD-Organization for Economic Cooperation and Development; EC – European Commission; Bdp – Banco de Portugal; MF – Ministry of Finance (State Budget 2018) quoted in documents from their own sources and in GEE – Department of Strategy and Economic Research (Ministry of Economy)

(a) – based on the Harmonized Index of Consumer Prices (HICP)

Following the economy's 2,9% homologous increase in real terms in the first half of 2017, forecasts by the INE and the Ministry of Finance point to a growth of the Portuguese economy, with the Consumer Price Index (CPI) reaching 2,6%, showing a growth when compared to 1,1% in 2016. This value predicted for Portugal surpasses macroeconomic forecasts made by the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), and the European Commission (EC) for the Euro Zone, the European Union and USA.



ACTIVITIES CARRIED OUT IN 2017

A – INFRASTRUCTURES IN OPERATION

In addition to the management, maintenance and conservation of the primary network, EDIA was granted EFMA's secondary network, which allows the company to manage the infrastructure in an integrated and sustainable manner, as well as apply a single tariff across the different irrigation perimeters regardless of operating costs. For this purpose, EDIA develops a series of daily activities in order to optimize its functions and provide the clients with a quality service.

In that regard, and in accordance with their respective Observation Plans, several campaigns were carried out over the course of 2017 to read the observation equipment installed in the dams, which confirmed that these structures and their working hydraulic equipment continue performing well.

In order to comply with its mission's quality and efficiency, EDIA has multidisciplinary teams on the ground working daily to ensure the system's total operation, thus allowing for a direct contact with the farmer, based on a proximity policy and search for solutions that guarantee efficient water use, as well as the quality of the service provided.

PRIMARY NETWORK

In 2017, a number of maintenance interventions were carried out, including corrective maintenance in the main engines' refrigeration circuits of the Álamos, Pedrógão-Left Bank and Pedrógão-Right Bank pumping stations; the Brinches pumping station's variable speed drives; and the Odivelas and Pisão hydroelectric power plants' equipment.

Regarding corrective maintenance, it's worth highlighting the dismantling and shipping of the group no. 1 engine of the Alamos Pumping Station to the factory in Switzerland in order to repair the alignment bracket, as well as the repair of said group's electric pump anticorrosive protection.

Simultaneously, some normal infrastructure operation activities were also carried out, pertaining to the beginning of the irrigation campaign, in order to secure water supply to the various blocks, and reinforcement of inflow specific to the Monte Novo, Odivelas, Roxo and Alto Sado reservoirs.

SECONDARY NETWORK

The irrigation campaign was carried out throughout the year. Farmer registration was carried out, as well as operation activities in benefited areas, such as water supply, and pumping station, reservoir and pipeline network management.

Operation and preventive maintenance actions were also carried out, as well as technical supervision of farmers according to their needs, especially in the irrigation perimeters of Monte-Novo, Alvito-Pisão, Pisão, Ferreira, Figueirinha and Valbom, Ervidel 1, 2 and 3, Loureiro Alvito, Orada-Amoreira, Serpa, Brinches, Brinches-Enxoé and Pedrógão 1 and 3.

Also this year, NAVIA software was implemented for maintenance and operation management, linked to the SAP, SIG and SCADA systems. This will make it possible to gather information and indicators pertaining to various infrastructures in a single application, as well as collect and enter water consumptions and analyses, thus generating approval and maintenance order workflows, complying with good asset management practices.

ALQUEVA PERIMETERS	2017			2016		
	BENEFITED AREA (HA)	REGISTERED AREA (HA)	CONSUMPTION (m ³)	BENEFITED AREA (HA)	REGISTERED AREA (HA)	CONSUMPTION (m ³)
Alqueva Subsystem	56,005	34,570	129,634,056	56,005	28,255	89,247,845
Alfundão	4,216	2,121	10,954,525	4,216	1,940	4,467,935
Alvito-Pisão	8,452	6,388	21,131,030	8,452	5,966	17,292,663
Beja	2,560	2,412	4,987,290	2,560	607	1,609,469
Beringel-Álamo	2,543	399	4,361,172	2,543	930	1,836,319
Cinco Reis-Trindade	5,600	4,389	15,939,671	5,600	2,700	8,882,739
Ervidel	8,228	4,437	15,828,868	8,228	3,973	12,105,361
Ferreira, Figueirinha and Valbom	5,118	2,918	10,953,270	5,118	2,956	9,022,280
Loureiro-Alvito	1,050	668	3,536,937	1,050	495	2,831,797
Monte Novo	7,714	6,899	29,407,592	7,714	6,620	24,144,474
Pisão	2,588	1,656	8,259,073	2,588	1,497	5,173,524
Roxo-Sado	4,033	918	938,240	4,033	59	177,966
Vale do Gaio	3,903	1,365	3,336,388	3,903	512	1,703,318
Ardila Subsystem	28,119	18,223	53,523,071	28,119	15,334	36,701,652
Brinches	5,463	3,519	9,258,340	5,463	3,330	7,090,529
Brinches-Enxoé	4,698	3,770	14,126,506	4,698	3,512	12,171,536
Caliços-Machados	4,664	2,446	4,402,007	4,664	1,188	1,280,888
Moura Gravitico	1,674	1,005	4,004,286	1,674	469	525,873
Orada-Amoreira	2,522	2,231	5,583,974	2,522	2,529	5,272,000
Pias	4,698	2,151	4,976,027	4,698	1,270	942,160
Serpa	4,400	3,101	11,171,931	4,400	3,036	9,418,666
Pedrógão Subsystem	23,913	18,691	65,294,025	23,913	14,951	37,729,013
Baleizão-Quintos	7,999	5,493	18,594,163	7,999	4,394	11,627,960
Pedrógão Margem Direita	4,016	3,340	12,122,447	4,016	2,096	8,885,220
São Pedro-Baleizão	6,035	5,766	20,486,479	6,035	5,228	14,392,071
S. Matias	5,863	4,092	14,090,936	5,863	3,233	2,823,762
TOTAL	108,037	71,484	248,451,152	108,037	58,540	163,678,510

Accession to the Alqueva perimeters showed an increase of about 12% vis-à-vis the total benefitted area. The total registered area rose from 58,540 ha to 71,484 ha, while water consumption increased by 84,773 m³ compared to 2016.

2017's significant increase in consumption coincided with the spring-summer irrigation campaign, marked by high temperatures and low precipitation. On the other hand, it was the first complete exercise with all of Alqueva's perimeters in operation.

Over the course of 2017, consumption associated with direct abstraction and adjacent perimeters registered approximately 117,85 hm³, reflecting an increase compared to the previous year's consumption.

DIRECT ABSTRACTION	2017	2016
area (ha)	8,544	7,714
consumption (m ³)	21,404,080	18,650,252

CONTINGENCY PERIMETER	2017 (m ³)	2016 (m ³)
Vale de Gaio		12,324,175
Campilhas and Alto Sado	13,459,402	997,705
Vigia	1,734,537	1,915,608
Enxoé	81,632	402,542
Monte Novo	2,871,785	11,841,851
Roxo	34,355,354	11,386,082
Odivelas	43,947,000	32,241,700
TOTAL	96,449,710	71,109,663

Thus, it can be concluded that the total volume of water distributed over the course of 2017 was approximately 366,3 hm³. When compared to the figures registered in 2016 (253,4 hm³), this shows an increase of 112,9 hm³ (approximately 45%).



ALQUEVA PHOTOVOLTAIC STATION AND PRIMARY NETWORK MINI-HYDRO PLANTS

EDIA has invested in energy solutions that are both environmentally friendly and ecologically compatible with the sustainable development process sought for the region, as evidenced by the implementation of photovoltaic solutions.

This semester, the operation of the Odivelas, Pisão and Roxo and Serpa hydroelectric plants produced 9,057 MWh. Regarding production of hydroelectric power, the Alqueva photovoltaic power station and EDIA's headquarters produced 235 MWh.

PRODUCTION OF PHOTOVOLTAIC POWER	(in MWh)	
	2017	2016
Alqueva Photovoltaic Plant	72	44
Headquarters Photovoltaic Plant	163	160
TOTAL	235	204

PRODUCTION OF HYDROELECTRIC POWER		
Alvito Hydroelectric Plant	–	1,099
Odivelas Hydroelectric Plant	7,211	4,516
Roxo Hydroelectric Plant	326	918
Serpa Hydroelectric Plant	1,211	1,093
Pisão Hydroelectric Plant	309	314
TOTAL	9,057	6,841



Compared to the previous year, 2017 showed a 2,216 MWh increase in hydroelectric power production, despite the fact that there was no energy production at both the Alvito hydroelectric plant (due to the reservoir's insufficient minimum quota) and the Roxo plant (which wasn't in operation during the year's final semester due to an alternator malfunction).

In this regard, the first set of floating photovoltaic panels was installed during the first half of 2017 in one of its primary network reservoirs: the Cegonha reservoir, part of the São Matias hydraulic circuit. This is an off-grid system (disconnected from the electrical network) consisting of 44 floating photovoltaic panels with an installed capacity of 11 kW.

ENVIRONMENT AND HERITAGE

Regarding the environment, the parameters established for the exploration stages of the different Environmental Impact Statement (DIA) were complied with, and specific measures to monitor, minimize and compensate for environmental impacts are currently being evaluated. In this regard, meetings were held with supervisory entities in order to initiate environmental awareness and dissemination procedures and activities among EFMA beneficiaries.



Strategic documents were also developed during this period pertaining to the implementation of environmental requirements inherent to the exploration stage, such as: developing demonstrative and justificatory reports regarding compliance with the minimization measures detailed in the different DIA's, in relation to the construction stage; and closing all documentation related to environmental and patrimonial monitoring of EFMA's first stage works.

Regarding cultural heritage issues related to the first stage of EFMA's infrastructure works, the final reports of various works were received and analysed internally, and subsequently submitted to the Alentejo Regional Directorate for Culture (DRCALEN), currently awaiting approval in order to finalise the financial and administrative procedures of said contracts.

Furthermore, a monitoring plan (located in the area assigned to reservoirs integrated in the EFMA) is currently being developed to comply with the EFMA Environmental Management Programme (PGA 2005).

EXPROPRIATION PROCEDURE

Regarding projects that are in the final stage of the expropriation procedure pertaining to the 1st phase of EFMA's construction, arbitration committees and valuations were monitored; registrations were regulated; and cases of damaged crops due to existing ruptures were supervised.

Emphasis on final phase projects, at the end of 2017:

- / Caliços Pias hydraulic circuit;
- / Odivelas supply system;
- / Cinco Reis-Trindade block;
- / Ferreira, Figueirinha and Valbom block;
- / Beringel-Beja block;
- / Loureiro-Alvito block;
- / Aljustrel block;
- / Ervidel block;
- / Baleizão-Quintos block;
- / Serpa block;
- / Pias block.

ENVIRONMENTAL MONITORING

Environmental monitoring is an important management tool used at EDIA. It allows us to characterise the situation of reference, and monitor the evolution of different environmental descriptors. The monitoring developed by EDIA facilitates supervising and interpreting the evolution of environmental variables in EFMA's area of influence; collecting and compiling decision-making support data, for the purposes of managing and exploiting the Undertaking; and evaluating the effectiveness of mitigation measures implemented in different environmental domains, and propose new measures, if necessary.

Within the scope of its competencies, EDIA is permanently responsible for promoting and coordinating the implementation of environmental monitoring programs pertaining to EFMA's various aspects and stages, namely the status of ground and surface water bodies, fauna and flora, and soil.

Among the projects carried out in 2017 pertaining to ground and surface water status, the monitoring of EFMA's primary network surface water resources is worth a special mention.

In terms of fauna, flora and vegetation, emphasis is owed to the bird monitoring studies pertaining to the Alqueva-Pedrogão system area, as well as the tracking of native migratory fish in the Pedrógão reservoir with acoustic telemetry (2016), which was in its final stages in 2016.

With regard to the status of ground and surface water (secondary network), global monitoring programmes for the EFMA's groundwater resources (operation phase) were being developed at the end of the year – 2017/2018.

The validation of physicochemical results pertaining to EFMA's primary network monitoring campaigns was concluded, and results of the ecological campaigns are being currently in the validation stage.

The Monitoring Programme of the Potential Impacts of the Guadiana-Sado Water Transfer on Ichthyofauna is currently under review, in order to incorporate the AIA National Authority's opinion – currently awaiting this institution's opinion on the work carried out to evaluate the effectiveness of sieves.



MANAGEMENT SYSTEMS IN THE ENVIRONMENTAL FIELD – INFORMATION SYSTEMS OF THE ALQUEVA WATER RESOURCES (SIRHAL)

With the advent of Alqueva, and considering the level of water availability created by the Undertaking, land use changed due to the conversion of rainfed agriculture into irrigated agriculture. The development of the EFMA Support Information System for Soil Monitoring (SISMS) in 2016 fits in this context, since it will allow for the soil's evolution in the irrigated areas to be analysed over the span of the associated irrigation project, especially in defined risk areas (risks of soil erosion and salinization).

Within the scope of the Support Information System for Environmental Management, information pertaining to water resources continued being promoted and disseminated in various bulletins throughout the year.

A Daily Bulletin continued being published on the Company's website with information on the evolution of the stored volume and daily variation of the Alqueva and Pedrógão reservoirs' quotas, as well as daily information on logged flows both upstream and downstream of the Alqueva-Pedrógão system.

TERRITORIAL PLANNING

Within the ambit of the Territorial Management Instruments, Alqueva and Pedrógão, EDIA met with the APA to prepare and start working on the new Alqueva and Pedrógão Reservoir Programme (PAAP). In said meeting, initial work methodologies were evaluated, and EDIA was primarily put in charge of reviewing the PAAP order proposal, as well as the respective technical specifications and analysis of the new program's documental content. In year's last quarter, the work methodology was outlined internally with EDIA's Administration in order to proceed with the PAAP's implementation. The possibility of EDIA resorting to its internal resources as well as contracting external, specialized consulting entities was also validated.

B – PROMOTION OF IRRIGATION

EFMA is the most recent irrigation project in Europe and presents excellent conditions for the development of sustainable cultural systems, from an agronomical and environmental standpoint. Currently, in the 120,000 hectares of irrigated land with highly suitable soils for this agricultural practice, the number of hours of sunshine surpasses the European average; and the climate's unique characteristics, coupled with water availability, allows for enormous agricultural potential. Alqueva is, hence, the new paradigm for modern agriculture in Portugal.

EDIA emerges in this context as a promoter of Alqueva's agricultural and agri-industrial development. Its team is highly specialized in monitoring and supporting new agricultural projects, and immensely knowledgeable of all farms in the region and their beneficiaries, as well as their expectations and intentions regarding the practice of irrigation. By crossing this information with support systems for the region's best cultural options, it's able to provide an invaluable service to all beneficiaries and potential investors. Over the course of 2017, contact with both companies and individuals continued being developed, as well as the monitoring of field visits.

EDIA also provides decision support systems, namely SISAP – Cultural Aptitude Determination Support System, which allows determining a soil's suitability for a pre-selected crop. A model for technical-economical monitoring and management of the Alqueva hydro-agricultural component is also currently under development. This support tool continued being disseminated among farmers over the course of 2017, and its results have been used in the development of dossiers made available to potential investors who visited Alqueva during this period.

Furthermore, farmers serviced by the Alqueva infrastructures were also provided with a support tool, the Irrigator's Portal. Upon registration, the beneficiary can access all the information regarding their agricultural parcels (namely



benefitted areas, registered areas, billing, and energy profile). It should be noted that, due to its dynamic nature, this type of tool is constantly improving in order to integrate new methodologies and basic information. Moreover, this platform's improvement procedures were launched in the year's last semester, pertaining to "Irrigation Warnings", "Meteorology", "Agri-Environmental Measure for Efficient Water Use", and the provision of "Letters" that can be used for precision agriculture, namely NDVI and water stress.

Also for the purpose of supporting beneficiaries, last December, EDIA partnered with the Operations and Irrigation Technology Centre (COTR) and organized the 2nd edition of the Technical Conferences on Decision Support Systems in Irrigated Agriculture", in Beja. It comprised of three sessions: the first session was dedicated to research projects on these matters; the second was headed by technology companies; and, in the third, the farmers were given the floor.

On April 11th, the new water tariff for Alqueva came into effect, with the publication of Ordinance no. 3025/2017 in Diário da República. The new tariff for water supplied from Alqueva represents a fee reduction for its users. With the tariff now approved, the Alqueva project took a step forward in terms of competitiveness for all agricultural and economic activities surrounding the agricultural sector. This positions the Alqueva Project as the greatest national hydro-agricultural project regarding quality of service, size, water tariffs, and interannual assurance of water supply for economic activities, even in years of great water shortages.

It is worth highlighting the set of meetings prepared and held with farmers of the EFMA irrigation perimeters over the course of 2017's last trimester. These aimed to elect representatives to participate in meetings with the Alqueva Irrigation Monitoring Committee (CARAlqueva). This measure intends to ensure the Alqueva project's main users are represented in said advisory body, and for them to have a more efficient operational and communication channel with EDIA, in order to report problems and suggestions on the irrigation perimeters' operation. Work meetings were held with all irrigation perimeters (22), in the presence of the Advisor to the Minister of Agriculture, and 20 representatives were elected for all perimeters.

In order to carry out a series of demonstration and dissemination actions related to small farms in the Alqueva's area of influence, and thus provide technical support and new cultural alternatives to those who wish to establish in the area, EDIA created the Alqueva Academies project. Throughout this year: an open day was organized at the Horticulture Academy for schools in Beja with the aim of promoting irrigation agriculture on small farms and encouraging small producers to dispose of their products; the ADELAIDE.FARM platform was created (by Myfarm, partnered with PDM and Guess What), enabling direct purchase of horticultural products; and another 2 open days took place in Monte da Palma (S. Manços) and Salvada.

EDIA continues coordinating the "Land Bank" Project and its articulation with the DGADR, for which EDIA acts as an GEOP (Operational Manager) through activities aimed at promoting, disseminating and stimulating Land Exchange among surveyed beneficiaries, banking institutions, representatives of farmers groups, and every relevant agent in rural areas.

On the other hand, one of EDIA's permanent concerns is obtaining better knowledge of its area of intervention for the purposes of classifying and inventorying irrigated areas. Over the course of 2017, we continued the information collection and systematization process by inquiring beneficiaries (irrigators and non-irrigators) of the irrigation perimeters in operation, and subsequently entering the data into CIEFMA – Commercial. During that period, a total of 2,386 surveys were carried out among 1,100 beneficiaries.

C – NATURAL RESOURCE MANAGEMENT AND EXPLOITATION

For the purposes of managing and exploiting its assets, EDIA has multidisciplinary teams that ensure the system's total operation, allowing direct contact with the farmer, based on a proximity policy and search for solutions that guarantee efficient water use.

Enforcement and surveillance teams kept in the field carry out activities related to licensing procedures for water abstraction, and monitoring of various activities in areas surrounding the reservoirs (such as detecting occurrences and notifying the authorities in a timely fashion; identifying environmental non-conformities relevant to the company's objectives; detecting illegal abstractions; and the timely control and restraint of possible threats to water resources).



WATER MANAGEMENT – STATUSES OF WATER BODIES AND RESERVOIR MANAGEMENT

Compliance with the operational conclusions set out in the “Study of the Environmental Conditions in the River Guadiana Estuary and Adjacent Areas – Operational Conclusion” (February 2005) was monitored throughout the year, during which compliance with the conditions established for the Alqueva-Pedrógão system was analysed.

In terms of improving water status, we kept monitoring compliance with measures relating to the maintenance regime of the primary network's ecological flows, throughout this period.

Regarding management of the water plan, and within the scope of a new contracting procedure, maintenance of safety warning signs pertaining to the Alqueva and Pedrógão reservoirs and the Água dos Álamos water prohibited navigation was carried during the second semester, including maintenance of installed placards and buoys.

Safety signage in EFMA dams is essential to prevent accidents in hazardous areas, and affects the use of reservoirs. These areas, particularly alongside dams, unloaders, tunnels, canals, abstractions, and other infrastructures with

limited secondary use, or to which access is prudently prevented, are signalled by buoys and placards that require maintenance. Therefore, a programme was developed to monitor and maintain signage around the dam's protection and safety areas, which EDIA's field teams permanently implement and monitor.

Fighting invasive species has been an important environmental activity for EDIA. It entails removing water hyacinth, the invasive water plant, from the Guadiana's control section, upstream from the Alqueva reservoir, as well as monitoring the presence of Zebra mussel, the sessile bivalve, in 18 sampling points.

The installation of the new water hyacinth containment barrier, upstream from Ponte da Ajuda, was monitored at the beginning of the period under analysis, and two actions were taken to repair the right bank section, as a result of drainage damages. At the end of 2017, EDIA acquired two metallic, shallow-bottomed work vessels as yet another measure to address this problem.

Regarding Zebra mussel monitoring at EFMA, water was sampled and submitted for laboratory analysis using polarized light microscopy, as well as genetic analysis by PCR. Vertical cables were placed in EFMA water bodies and monitored for early detection of fouling invasive species.

A meeting was held in Beja within the scope of the LIFE+project "INVASEP – Struggle against invasive species in the Tajo and Guadiana river basins in the Iberian peninsula", LIFE+10/NAT/ES/000582. A meeting was also held in

November with the Institute for Nature Conservation and Forests (ICNF, IP), and which the Regional Government of Extremadura also attended, with the goal of facilitating coordination between these entities, in the ambit of invasive alien species.



During the third quarter of 2017, facing a significant reduction in the volume of stored water, EDIA considered the risk of fish species surviving in the Álamos, Pisão and Penedrão reservoirs. For this purpose, EDIA developed preventive extraction actions of fish biomass in these reservoirs, involving the use of exceptional fishing means and methods. The Portuguese Environment Agency (APA) requested EDIA's support in carrying out similar actions at the Vigia, Divor, Pego do Altar and Monte da Rocha reservoirs. These took place during the months of August and September.



STRATEGY FOR THE CONSERVATION AND VALUATION OF ALQUEVA ISLANDS AND PENINSULAS

In 2017, we continued monitoring areas where protection measures for Alqueva islands and peninsulas were installed, in order to facilitate recovery of these areas, while ensuring that the vegetation's natural recovery is not affected by unauthorized presence of cattle.

PRIVATE USE OF THE PUBLIC WATERWAYS DOMAIN

Throughout the year, we continued supporting applicants preparing their applications for Licensing/Concession of Surface Water Abstraction continued, and analysing several cases at EDIA.

CLIMATE CHANGE

EDIA attended the meetings, and took part in developing the actions and recommendation measures for the National Strategy for Climate Change Adaptation, in to the Water and Production subgroups, of the Agriculture working group (led by the Ministry of Agriculture).



RECIRCULATION UNITS OF ALQUEVA BY-PRODUCTS – (URSA)

EDIA, partnered with the Welding and Quality Institute (ISQ), submitted an application to the Environmental Fund under the acronym URSA – Recirculation Units of Alqueva By-products, aimed at implementing an integrated strategy to promote organic matter in the soil in with the EFMA area. It facilitates the implementation of a solution to recover soil fertility prior to the irreversible depletion of this resource. This enhances its productive potential and the sustainability of water, soil and nutrient use, which minimizes the use of chemical fertilizers and the polluting potential of agricultural by-products.

MANAGEMENT OF SURPLUS AREAS

At the end of 2017, EDIA's rustic heritage consisted of 367 buildings (646,8 ha), of which 310 buildings (345 ha) were available for lease, and of which 109 (193 ha) were already leased (87 totally leased, and 22 partially leased). Of the 57 non-leasable buildings (302 ha), 6 (3 ha) are assigned to the work and the remaining (299 ha) are under direct management. There are also two transfers(s) corresponding to an area of about 18 ha.

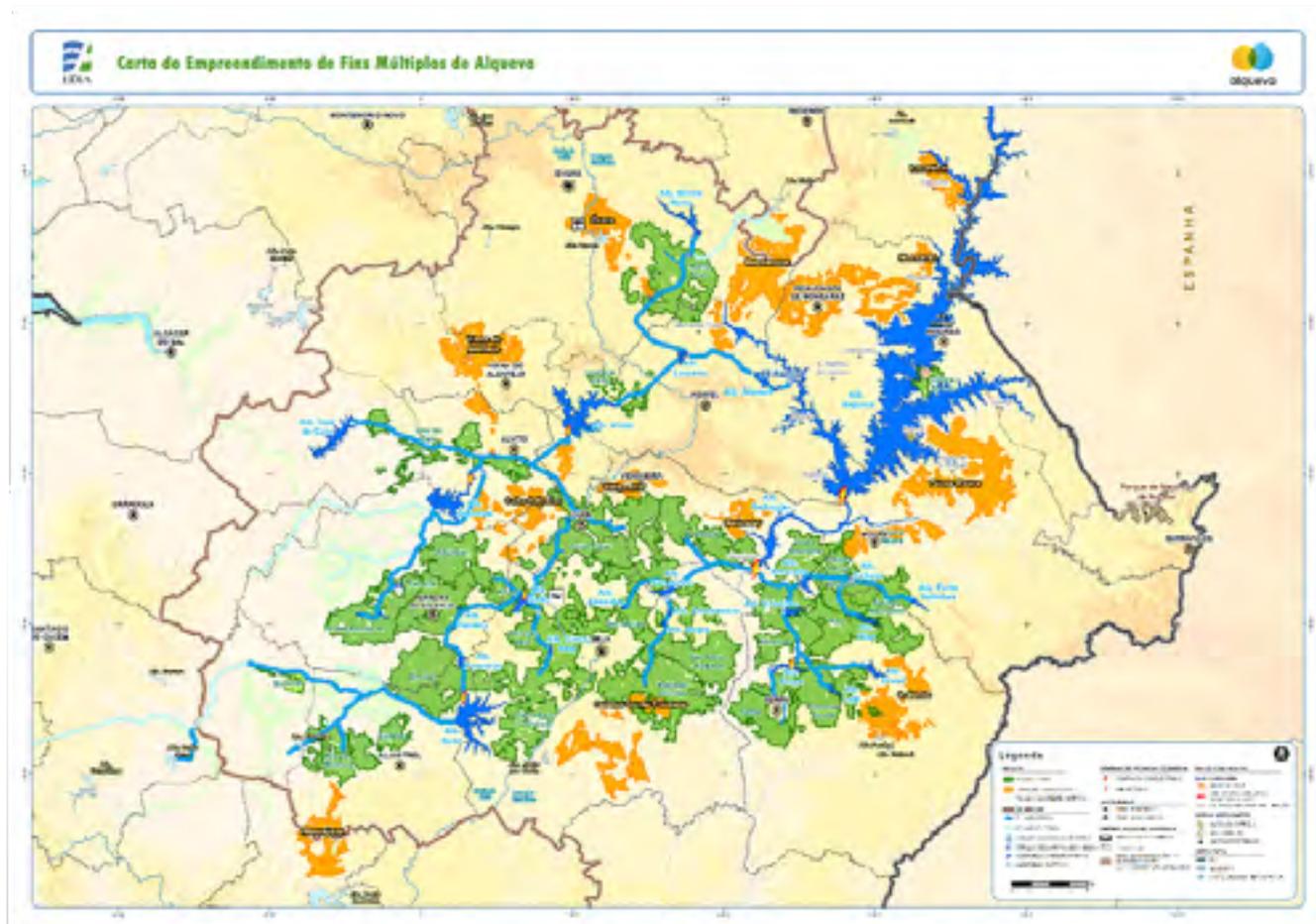
In order to comply with the environmental commitments assumed by EDIA, actions were taken to maintain and improve existing stands, as well as the implementation and monitoring of forest compensation projects, with special emphasis on the holm oak project at Herdade dos Estevais.

In 2017, afforestation actions were also carried out in new areas and firebreaks. While acknowledging the current state of surpluses to be made available for lease, several processes were also carried out for the purposes of selling surpluses or leasing rustic parcels, as well as selling cork.

MANAGEMENT OF URBAN HERITAGE

Regarding urban heritage, maintenance and improvement actions continued on buildings and infrastructure belonging to or under EDIA management. All of these interventions aim to improve the functionality of the Company's buildings. In this regard, the design and transformation works of the irrigation system control room in the headquarters stand out.

D – INFRASTRUCTURES UNDER CONSTRUCTION



PRIMARY AND SECONDARY NETWORKS

This is a significant moment for the project because the first major stage of EFMA's infrastructures is completed, with 120,000 hectares of fully operational irrigated area.

In late 2017, the European Investment Bank (BEI) and the Council of Europe Development Bank (CEB) approved investments that will enable the construction of the 2nd phase of EFMA's infrastructure.

During 2017, proceedings took place to finalize, in procedural terms, the last construction works of the primary and secondary networks. On the other hand, the proceedings for the construction of the second phase of EFMA's infrastructures were initiated.

Starting off the implementation process for this 2nd phase, this year, the public tender for the Alamos pumping station power boost was adjudicated, which will make it possible to reinforcement supply of the entire Alqueva subsystem.

The tendering procedures for equipment supply for the Loureiro-Alvito pumping station's 2nd phase were also issued, as was the construction contract for the Morgavél Adduction System connection.

In this regard, and also during the period under review, preparations began for the tender procedures pertaining to four construction works included in this new EFMA construction stage:

- / Contract for the construction and equipment supply of Pedrógão Pumping System-Right Bank-2nd phase;
- / Constructoin contract for the São Pedro-Baleizão hydraulic circuit -2nd phase;
- / Construction contract for the Cuba-Odivelas block.

EXECUTION PROJECTS AND ONGOING ENVIRONMENTAL IMPACT STUDIES

In regard to the new irrigated areas, some DIAs continued being developed and supervised for the purpose of this goal, while the respective execution projects were also developed, and which are summarised in the table below:

SUBSYSTEM	IN PROCESS ISSUING PHASE	IN OPERATION	IN ENVIRONMENTAL IMPACT ASSESSMENT PHASE	CONCLUDED
Alqueva	Hydraulic circuit of the Monte da Rocha reservoir and the Messejana block connection	Vidigueira H.C and Bolck	Reguengos de Monsaraz H.C and Bolck	Cuba Odivelas H.C and Bolck
			Évora H.C and Bolck	
			Viana do Alentejo H.C and Bolck	
			Póvoa Moura H.C and Bolck	
Pedrógão		Cabeça Gorda H.C and Bolck		
Ardila		S. Bento H.C and Bolck		

The direct adjustment procedure was issued for the purpose of reviewing the execution project of the Cuba-Odivelas hydraulic circuit and its respective block. The review of the Morgavél adduction system was also concluded.

The tender procedure for the execution project of the Observation and Control Plan (POC Alqueva) was also issued, and evaluated at the end of the year.

The analysis of several requests from farmers for the assessment of water use/abstraction solutions in EFMA infra-structures continued this year. In order to ensure access to water in a timely manner, solutions for water abstraction and expedited hydraulic circuits were developed and, in some cases, implemented so that interested parties could use them.



ENVIRONMENT AND HERITAGE

EDIA has always been committed to achieving environmentally sustainable goals and objectives throughout all phases of its projects (design, construction and operation).

During this year, the activities developed include monitoring the projects and Environmental Impact Studies carried out along with with the respective execution projects, as mentioned in the previous point.

Throughout 2017 – and in accordance with the Undertaking’s sustainability strategy, which is grounded on its commitment minimize and compensate for the Aqueva project’s impact, increase knowledge, and enhance the positive impacts it generates –, the Monitoring of Temporary Mediterranean Pits project in EFMA’s area of influence was simultaneously continued, which warrants emphasizing.

EXPROPRIATION PROCEDURES

In light of its activity, it’s necessary for EDIA to act, in a timely manner, on the various expropriation procedures necessary for the construction of the infrastructures integrated in EFMA. For this purpose, preparations for the expropriation processes pertaining to the 2nd phase of EFMA began in 2017, with the development of several activities aimed at securing the necessary expropriation procedures.

In this regard, the services rendered to Águas de Santo André (AdSA) and Águas Públicas do Alentejo (AgdA) in 2017 deserve a special mention.

E-SPECIAL PROJECTS

The Noudar Natural Park (PNN), the Luz Museum and the Cartography and Geographic Information Systems constitute EDIA's Special Projects.

NOUDAR NATURAL PARK

The PNN emerges following the acquisition of Herdade da Coitadinha by EDIA in 1997 with the objective of developing a compensation project for the loss of habitats induced by Alqueva in cork oak ecosystems, riparian galleries and Mediterranean shrublands. The natural values within the estate, namely holm oak forest, justified its acquisition and inclusion in the Natura 2000 network.

The project is based on the principle that use and activity promote the conservation of the territory and re-establish agricultural activity in Herdade da Coitadinha, respecting the region's practices and traditions. EDIA's mission is to ensure that this unique space is maintained and valued.

Responsible Forest Management was adopted at PNN as a key parameter in managing Herdade da Coitadinha, given its stipulated objectives promoting biodiversity, improving the use of under-cover (grazing), promoting a healthy development of holm oaks, as well as protecting its natural regeneration. In this regard, maintenance activities related to agroforestry management were carried out throughout the year, of which we highlight the fire surveillance campaign that began in the second quarter of the year.

Regarding the estate's agricultural management, improvement works were carried out in existing gardens and pasture; crops for the fauna were installed; agricultural roads were serviced; fences were repaired; forage crop areas were sown. All these actions contemplate the maintenance of biodiversity and soil conservation, along with a good use of existing natural resources. The Organic Production Method is used to grow vegetable and aromatic plants with the intention of demonstrating good agricultural practices.

The Park's management model is compatible with hunting activities. There is also a PNN Tourist Hunting area, where wild boar waiting is the main hunting discipline. Over the course of 2017, 5 such waits took place.

A number of actions also took place at the Park, under funded projects, including the LIFE Montado project monitoring meetings, as well as two workshops and various activities under this project such as the acquisition of a meteorological station and the preparation of the tender procedure for the acquisition of nursery plants and groundwater research.

The Park is part of the Iberian lynx international project, which aims to protect the lynx by avoiding its extinction while also preserving the cork oak ecosystem. During this period, some activities related to the LIFE IBERLINCE project took place, of which some stand out as the acquisition of wild rabbit rations, control of improved pastures and areas, and servicing of wild rabbit enclosures.

Within the framework of the LINX2020 project, approved in the Operational Programme for Sustainability and Efficient Use of Resources (POSEUR), another specific project linked to the PNN, the following tender process was launched: "Characterisation studies of the Iberian lynx and wild rabbit habitats in the Site of Community Importance (SIC) Moura-Barrancos – PNN".

Over time, PNN has paid special attention to environmental education and, thus, created several school-specific programmes and adapted its facilities to accommodate this type of visit, making their entire infrastructure and programs available. We highlight the Tagis Project held in April, which offered insect identification activities for one week.

Regarding the vast cultural heritage present in the Herdade, the restoration of the Moinho do Porto da Vinha during this period warrants special emphasis. With regard to the routes and signs, the project for requalification of pedestrian routes and their homologation was supervised.

The Park is very wealthy in fauna and flora, and one frequently encounters animals and plants that aren't available to the city's inhabitants in their daily lives. Since it's necessary to reconcile the Park's natural values with its exploration, fauna and flora have been monitored since 2001 in order to quantify changes in biodiversity resulting from the implementation of Noudar's management program. For this purpose, three bird-ringing sections were created this year, as well as a bat counting activity with the aim of monitoring the bats shelter, and subsequently doing an initial comparison with data obtained in the same month of the previous year.

We continued promoting the PNN on specialized online platforms and networks, aiming to disseminate this project. The Park's external visibility was highlighted throughout the year. This was achieved through qualified promotion and dissemination, as well as enhancing communication in specialty areas and with strategic partners. We highlight the rating of 9 on Booking.com.

As in previous years, junior and master holiday camps were held in July, each of which welcomed 24 participants.

Regarding tourism and hospitality, accommodation services continued, and overnight stays increased during 2017; in total, there were 3,254 overnight stays, 2,668 visitors and 6,807 meals served. Throughout the year, numerous upgrades and maintenance works were carried out on Park facilities, accommodation and equipment in order to ensure high quality service.

	2017	2016	2017 vs 2016
Overnight stays	3,254	3,041	213
Visitors	2,668	2,710	-42
Meals	6,807	7,488	-681

LUZ MUSEUM

The Luz Museum affirms itself as a unique space for culture and identity. Built between the village of Luz and the shores of the Alqueva lake, it is the interpretive space of profound changes that occurred in this territory, due to the appearance of the dam and the submersion of a village.

The number of Museum visitors in 2017 amounted to 7,748.

	2017	2016	2017 vs 2016
Visitors	7,748	6,670	1,078



In terms of long-term exhibitions, we highlight the exhibition "*À Luz de uma nova história – arqueologia nos novos caminhos de água (In the light of a new history – archaeology in the new waterways)*", on display in the sala da memória (memory room) during 2017.

Regarding temporary, short-term exhibitions, the "Alqueva, Território de Mudança (Alqueva – Territory of Change)" exhibition was held in the sala de Água (Water room) and the Átrio (Atrium) during 2017. On the other hand, the "Unidade e divisão (Unit and division)" exhibition opened on December 7th in the Sala da Luz (Light Room), and will be on display until February 2018.

The Museum's exhibition programme was also continued this year; for example, the traveling exhibit "Memória do Guadiana (Guadiana's Memory)", shown in Beja, at EDIA headquarters. Also in this context, the preparation of a new traveling exhibition entitled "Castelo de Lousa (Lousa Castle)" began in the last quarter of the year, and is to be presented in the same space, next year.

With regard to art and exterior interventions and installations: [Re]Ativação ([Re]Activation) took place during the month of May, a sound and visual intervention (in Light room), resulting from a research artistic residence during the month of May; and the ephemeral installation "Onde o Eco se Acende e Apaga (Where the Eco Turns On and Off)" (Museum, Mount of Birds and water plan), which spawned from an artistic residence during the month of June.

The Luz Museum's Residences programme offers creators and researchers the possibility of spending some time alone in a quiet environment and in a unique landscape. Regarding this program, several events took place.

In the promotion of activities, it's worth referencing the continued actions carried out for the Museums various target audiences, with guided tours and workshops for schools, including visits to the Church and Monte dos Pássaros, and also boat trips in Alqueva. It is also worth mentioning the introduction of the new activity in the Museum's offer, which consists of a guided tour in the village of Luz. In order to improve the offer of these activities, the Museum promoted several partnerships with some companies operating in Alqueva lake, to support guided tours.

For the younger audiences, a traditional dance workshop was held in the Alentejo during the month of April, for 2nd cycle students, brought by the association Pé de Xumbo and DRC of Alentejo, as well as the workshop Música + Emoção = Educação (Music + Emotion = Education), for kindergarten and 1st cycle students of Luz, brought by Projecto Boné. There were also guided visits aimed at the general public along a route that included a visit to the Church of N^a Sr^a da Luz Church and Monte dos Pássaros.

Regarding tourism, the Museums activities were publicized the tourist offices in the surrounding area of Alqueva, activities ad exhibitions were disseminated and promoted in the surrounding Alqueva area and district capitals of Alentejo.

With regard to communication and platforms, the Museum's spaces, experiences, activities, initiatives and exhibitions continued being promoted, through updates on the Museum's online communication platforms – the official website and facebook page, but also its newsletter containing news and information regarding the Museum's initiatives.

Facility and equipment maintenance activities were also carried out throughout the year at the Museum, Monte dos Pássaros, Casa do Museu (residences), Casa da Monte da Julioa (reserve) and also on the green/surrounding spaces.

CARTOGRAPHY AND GEOGRAPHIC INFORMATION SYSTEMS

EDIA is able to provide innovative products and services in the field of the geographic information production, given its association with projects that deal with the production of cartography, topography, geodesy and land registration. Its cartography Centre is certified in accordance with ISO 9001:2008 standard by the certification body APCER since January 2010, and the Quality Management System maintenance actions were carried out during the period under review, in accordance to this standard and in preparation for the transition to the ISO 9001:2015 standard.

According to aerial coverage from 2015 of EFMA's area of influence, photogrammetric restitution activities were continued in 2017 for those areas, of which there wasn't yet any altimetry information. Geodesic monitoring activities for the Undertaking infrastructures also took place.

The implementation of the project for landmark placement to delimit the expropriated area in the Roxo-Sado, Caliços-Machado, São Matias, Vale do Gaio and Segregação de Odivelas hydraulic circuits was also carried out in 2017.

In the last quarter of the year the procedure for the Implementation of the Erdas Apollo Platform was prepared.

At the end of the year, DIA and RECAPE descriptors of the various EFMA blocks were compiled, pertaining to soil use, habitats, DRASTIC vulnerability to pesticides, erosion risk, risk of soil salinization/alkalinization, archeology, water points, and water points to monitor.

In regard to cartography, improvements were made in the representation of water lines in the Tagus basin in the Global and EFMA charts, as well as in the 2017 cultural occupation maps for the Alvito, Pisão and Pedrógão blocks.

Data processing for the Asset Management system was continued in order to cover all blocks in operation, as well as their updating according to this system's current rules, and subsequent synchronization with SAP.

Regarding the registration of EFMA infrastructures, on which the data used for billing depend (benefited areas by building, pressure of the irrigation points, as does data required by the network maintenance and operation teams): several definitive taxable areas were calculated; and the new water tariff was incorporated in the production of liquidation notes for direct water abstraction for irrigation, and subsequently assimilated by the accounting department.

Concerning exploration of the blocks, over the course of the last trimester: taxable areas were changed due to the registration update; taxable areas and irrigation hydrants were copied to the 2018 campaign; buildings, hydrants and precarious irrigation hydrants were installed; and the Monte Novo area boundary was altered.

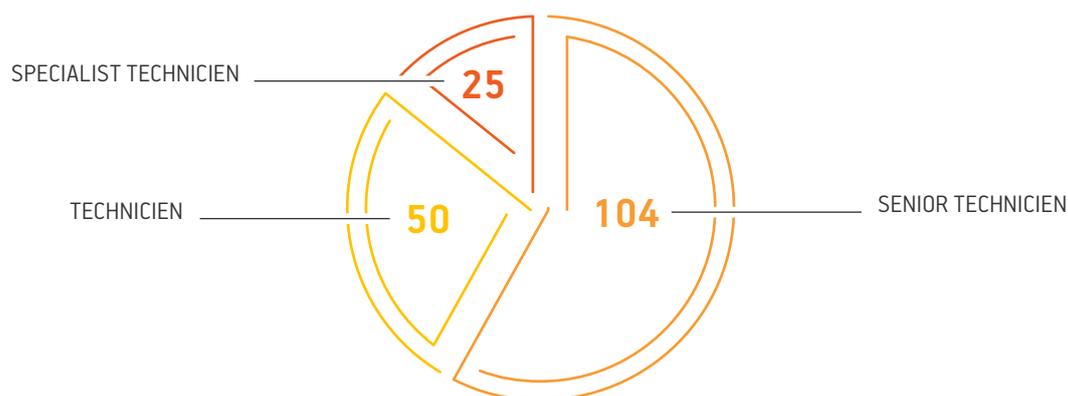


SUPPORT STRUCTURE

A – HUMAN RESOURCES

At the end of 2017, EDIA had a total of 179 employees (between permanent staff and fixed-term employees), distributed across different professional categories. In the period under analysis, 90 Company employees were trained, distributed across various training activities related to the Environment, Agriculture, Information Systems, Social Responsibility, Museology, Public Relations, Languages, Handling of Agricultural Machinery, Human Resources, Law, Accounting, Financial Management, Public Relations and Data Protection Legislation. The training volume for the considered period amounted to 1,404 hours.

NUMBER OF EMPLOYEES BY PROFESSIONAL CATEGORY



The main challenges of the Company's human resources management policy were promoting performance excellence and achievement of Company goals, in a context of rigor and costs containment, bearing in mind the Government's guidelines applicable to public companies.

The company continued to collaborate in the implementation of curricular internships for secondary and higher education students in several areas, and the EDIA's accreditation process as a training entity is currently under development.

B – INFORMATION SYSTEMS

At the National Cybersecurity level, EDIA as Company in the water sector, participated in the “CIBER PERSEU 2017” Cyberdefense exercise, conducted by the Portuguese Army, which took place between the 20th and 24th of November. This exercise’s goal was to exercise and evaluate the army’s response capacity to either national or international cyber attacks.

We monitored the implementation project of the SNC-AP project – Accounting Standardization System in public administration, in SAP, which should start operating on January 1st, 2018, according to the current legislation.

During this period, we adjusted the online water price simulator to the new tariff, making it possible to perform simulations of possible costs per irrigation perimeter, taking the characteristics of each crop into account.

Last year, EDIA invested in an IOT (Internet of Things) project, used to provide a better service to the consumer by allowing telemetry via SMS with around 500 loggers in the field, all of which is stored in technological infrastructures.

C – DEVELOPMENT, PROMOTION AND DISSEMINATION

Regarding dissemination and promotion, several activities and initiatives were carried out at EDIA with the goal of promoting the Company’s communication and image before the media, institutions and population in general, as well as the Company’s entire structure. Thus, various information materials were produced and distributed to the press, and the contents of digital platforms where the Company is positioned were updated.

In 2017, the company continued managing and maintaining the Company’s documental collection, related with the Documentation Center (CD), as well as supporting students, researchers and potential investors. The CD’s facebook page continued making its presence known on social networks, announcing new publications, providing access link to its database and promoting EDIA’s main events and initiatives.

Throughout the year, several media continued being monitored on a daily basis. Daily clippings were made to the various national, regional and online media (with a register of 745 news articles referencing EDIA and/or EFMA), and 27 press releases were produced and distributed.

Also during this period, we highlight the production of small videos for the Company’s Facebook page and Youtube channel, as well as the support, monitoring and development of media content, namely in RTP, RDP and SIC reports.

Regarding public relations, personalized receptions were continued, with a multimedia explanation of the EFMA and infrastructure viewing, and several groups of national and international visitors were welcomed this way, with a total of 6,672 visitors.

EDIA was present at different regional, national or international trade fairs, with the purpose of enhancing the project, promoting the region’s development and attracting investments in the agricultural and agri-industrial sectors. Regarding our international presence, we highlight the the 2017 “AgroExpo” fair, held in Don Benito, Zafra (Spain); the “Fruit Logística” international fair in Berlin, Germany; and “Fruit Attraction” in Madrid, in partnership with Portugal Fresh.

At the national level, we highlight the National Agriculture Fair in Santarém, at Ovibeja/2017, and RuralBeja in Beja. EDIA also participated in the first edition of the Tecfresh trade fair in Santarém, open only to professionals, directed at the fruit and vegetable industry.

Also in 2017, we further highlight the Company's participation in the Lisbon Tourism Fair (BTL), incorporating the Regional Tourism Entity of Alentejo and Ribatejo stand, aiming to publicize the "Museum" and "Noudar Natural Parque" spaces.

Also during this period, there were several receptions and official visits, such as the Prime Minister's visit to EFMA infrastructures, the visits of Ministers of Agriculture of Angola and East Timor, and a Moroccan delegation.

EDIA promoted the 16th "Arte numa perspetiva diferente" (Art in a Different Perspective) exhibition, put together by patients at Beja's cerebral palsy centre. This exhibition was held at the company's headquarters during the month of December.



In the scope of the partnership between EDIA, Beja Municipality (CMB) and DRCALEN, a number of activities took place at the Museum Centre of Rua do Sembrano, in Beja, which included continuing the exhibition "Sob a terra e as águas – 20 anos de Arqueologia entre Guadiana e Sado" (Under earth and water – 20 years of Archeology between the Guadiana and the Sado), concerning the archaeological works carried out in the framework of EFMA's implementation.

In this regard, on May 18, the exhibition "Guardou-os a terra" (The land guarded them) was inaugurated, as part of this exhibition cycle. Thusly, two conferences were held and integrated in the activities associated with the exhibition.

Still within the scope of this partnership, the exhibition "A agricultura não é de agora – Os primeiros agricultores do Alentejo" (Agriculture is not recent – The first farmers of the Alentejo) was inaugurated on October 19th and integrated in the same exhibition cycle and in the same space. The conference "O Empreendimento de Fins Múltiplos de Alqueva e a paisagem agrária do Baixo Alentejo... na Pré-História" (The Alqueva Multipurpose Undertaking and the agrarian landscape of Lower Alentejo... in Prehistoric Times) also took place.

D-SUSTAINABILITY IN THE ECONOMIC, SOCIAL AND ENVIRONMENTAL DOMAINS

The EFMA's area of influence is a region characterized by its low population density, high vulnerability to desertification, and very irregular hydrological cycle, with cyclical periods of drought.

In this context, EFMA is a priority intervention instrument throughout the Alentejo, with permanent effects on the region's economic activity, promoting its revitalization and stimulation, as well as encouraging its respective populations to remain in the territory.

EDIA seeks to contribute to the economic and social development of its area of intervention, involving all its employees, the communities covered by its activity, and society in general.

Therefore, several interactive actions with the community took place during the year, of which we highlight a joint action between the Eco-schools Council, EDIA, and the Polytechnic Institute of Beja (IPBeja), held at the latter's facilities. This awareness raising action aimed to demonstrate EDIA's energy efficiency policy, with the introduction of fully electric vehicles for the Company's daily use. To this end, EDIA held an exhibition for students and teachers, followed by a small "road show" demonstration of said vehicles.

The "Fostering Entrepreneurship in Schools" Project took place during the second quarter of 2017, with some noteworthy presentations and visits to the Company's facilities by both teachers and students, and the Alqueva as the central theme.

EDIA partnered with EAPN Portugal, RSO PT, NERBE-AEBAL and GRACE to promote a seminar on social responsibility, held at EDIA's premises in Beja. At this seminar, the issue of social responsibility in Portugal and the Region was discussed, and there was a presentation of several actions promoted by EDIA in partnership with several institutions in the region, which included the testimony and intervention of several of the Company's employees from different operational departments.

On June 5th, the book "Aldeias da água, o céu, a luz e a sombra" (Villages of water, the sky, light and shadow) was launched at EDIA's facilities in Beja, and a homonymous exhibition was inaugurated, comprising of eleven stained glass windows and nineteen watercolours. These works resulted from collections in graphic notebooks made by 12th grade students of the scientific-humanistic course of visual arts from the Diogo de Gouveia Secondary School in Beja, near the Riverside villages of Alqueva and the Luz Museum. Each image in the book has a caption authored by 11th and 12th grade students. This exhibition was open to the public from August 1st to September 15th at the Amieira Marina restaurant, and part of December at a restaurant in the city of Beja.



A show-cooking was held at the Company's facilities and cafeteria, in collaboration with Beja's no.º 2 Schools Grouping, IPBeja and a restaurant in the city. It featured the presentation and launch of a cookbook on various dishes and sweets, including endogenous products such as acorn, as well as products produced in the new perimeters of Alqueva, such as olive oil. This activity is part of the "Ciência na Escola" (Science in School) project, and has been classified as one of the 100 best national projects.

In the scope of the Horta Nova Esperança project, different crops continued being produced over the course of 2017, now also benefited by the Alqueva system, and which is destined for Cáritas' social canteens.

We especially highlight a nautical Festival that also took place during the period, entitled "Alqueva vai à Escola" (Alqueva goes to School), part of the initiative entitled "Encontros do mar em Aqueva" (Meetings of the sea in Alqueva), held in Mourão, on October 19th. The initiative counted on the support and involvement of the Municipality of Mourão, Mourão School Grouping, School Sports, Mar Magazine, Blue Economy Association, among other entities.

Every maritime-tourism operator in Alqueva participated in the nautical festival's program, providing boat trips between the pier of the village of Luz and the Mourão pier to more than 300 students and teachers of the Mourão schools grouping. This was followed by several sports activities related to the water mirror at the Mourão river beach, promoted in partnership with school sports, and which aimed to sensitize young people to opportunities the lake of Alqueva presents to the field.



The conference "Encontro do mar em Alqueva" (Meetings of the sea in Alqueva) also took place, where different public and private entities related to water Economy intervened, and a space was provided for companies and entrepreneurs to highlight their products, services and activities, with the aim of stimulating entrepreneurship, promoting the revival of a local sports association related to the Water Plan based in Mourão.

Over the course of 2017, EDIA continued monitoring ongoing work and initiatives concerning the Dark Sky Alqueva Reserve, and prepared to widen the reserve's area of influence, as well as conduct another Dark Sky Party, which included innumerable activities and lectures given by several guest experts in the Herdade do Monte da Ponte.

Regarding the Alqueva Riverside Villages Project, we followed up with the implementation of the "Rural Home Trip" and "Cooperativa ARA" projects.

In 2017, EDIA has integrated a new project in collaboration with several entities and higher education institutions, namely IPBeja and University of Évora, thus integrating the list of companies that integrate a consortium applying for the constitution of a Laboratório Colaborativo Interior – Territórios com Futuro (Interior Collaborative Laboratory – Territories with a Future).



Also during the period to which this report refers, the Company's participation in the "Tourism Innovation Journeys" project was approved. Lusófona – Instituto de Novas Profissões heads the project, and this year the Alentejo region was chosen, with EDIA being one of the region's five entities to integrate it.

For the purpose of developing actions that consolidate a growing involvement with the regional community, by bringing workers, suppliers and customers together, EDIA has organized the Volta Solidária Alqueva (VSA) since 2014. This is a charitable project in which the funds raised are donated to an institution located in the EFMA's area of influence. Once the process for the 2016 event was concluded, there was a supervision of the implementation of the various actions that the grant raised by the VSA16 was aimed, and which had a very positive impact on the physical and social conditions of the Santa Casa da Misericórdia of Cuba (last year's selectee).

The VSA 2017 edition was held on September 17th, organized in collaboration with the Ferreira do Alentejo Municipality and the SINGARunners club of Ferreira do Alentejo, and the selected organization was the Associação Humanitária dos Bombeiros Voluntários de Ferreira do Alentejo (Voluntary Firefighters Humanitarian Association of Ferreira do Alentejo).

It is EDIA's goal to maximize the shared value generated in Alqueva by those who, in one way or another, intervene in the region, contributing to the stimulation of economic activity, to the population's settlement, to job creation, through innovative management and environmentally sustainable use of two natural resources – water and soil – , the founding principles for the implementation of EFMA, the largest national investment in the area of water resources.

Based on climate change adaptation, protection of water resources, circular economy, training and environmental awareness, and sustainable regional development, a new project was launched, "Programa de envolvimento de stakeholders em Alqueva" (Stakeholder Involvement Program in Alqueva), in collaboration with BCSD Portugal (Business Council for Sustainable Development) and CCDR Alentejo, whose main objective is to create a stakeholder involvement program in Alqueva. The work was carried out in close liaison between the partners, with the aim of preparing the base document.



INVESTMENT AND FINANCING

A – INVESTMENT OF THE UNDERTAKING

The total investment made in 2017, not including capitalization of structural and financial expenses, amounted to EUR 1,815,200, bringing EFMA's total investment from 1995 to the end of the year under review to EUR 2,350,998,580.

2017 registered a significant investment decrease compared to previous years, seeing that the beginning of EFMA's second phase works was moved to 2018, thus justifying the residual investment value as it mainly pertains to contract closure expenses for projects in the first phase of EFMA.

The following tables show EFMA investments made throughout 2017, ordered "by Program", "by System" and "by Projects".

INVESTMENT MADE "BY PROGRAMME" UP TO THE END OF 4TH QUARTER OF 2017

(in thousand EUR)

PROGRAMMES	YEARS							TOTAL
	UP TO 2012	2013	2014	2015	2016	2017		
						1 st PHASE	2 nd FASE	
Alqueva Dam	601,688,65	2,181,30	5,656,15	61,65	77,75	-106,85		609,558,66
Alqueva Hydroelectric Plant	130,944,62							130,944,62
Pedrógão Dam and Plant	87,782,91	0,82		0,17	6,99	56,18		87,847,07
Alqueva-Álamos Pumping Station	43,526,39	0,34	52,22	75,43		0,00	14,79	43,669,18
Primary Network	543,114,71	22,847,02	53,953,69	55,263,16	12,220,59	1,137,26	272,37	688,808,81
Secondary Network	547,179,57	26,396,95	66,888,88	124,920,12	12,526,84	-28,74	414,94	778,298,56
Regional Development	11,669,79	74,57	-25,10	6,80	90,38	55,23		11,871,67
TOTAL	1,965,906,64	51,501,01	126,525,85	180,327,33	24,922,56	1,113,09	702,11	2,350,998,58

B – FINANCING OF THE UNDERTAKING

FUNDING THE UNDERTAKING

(in thousand EUR)

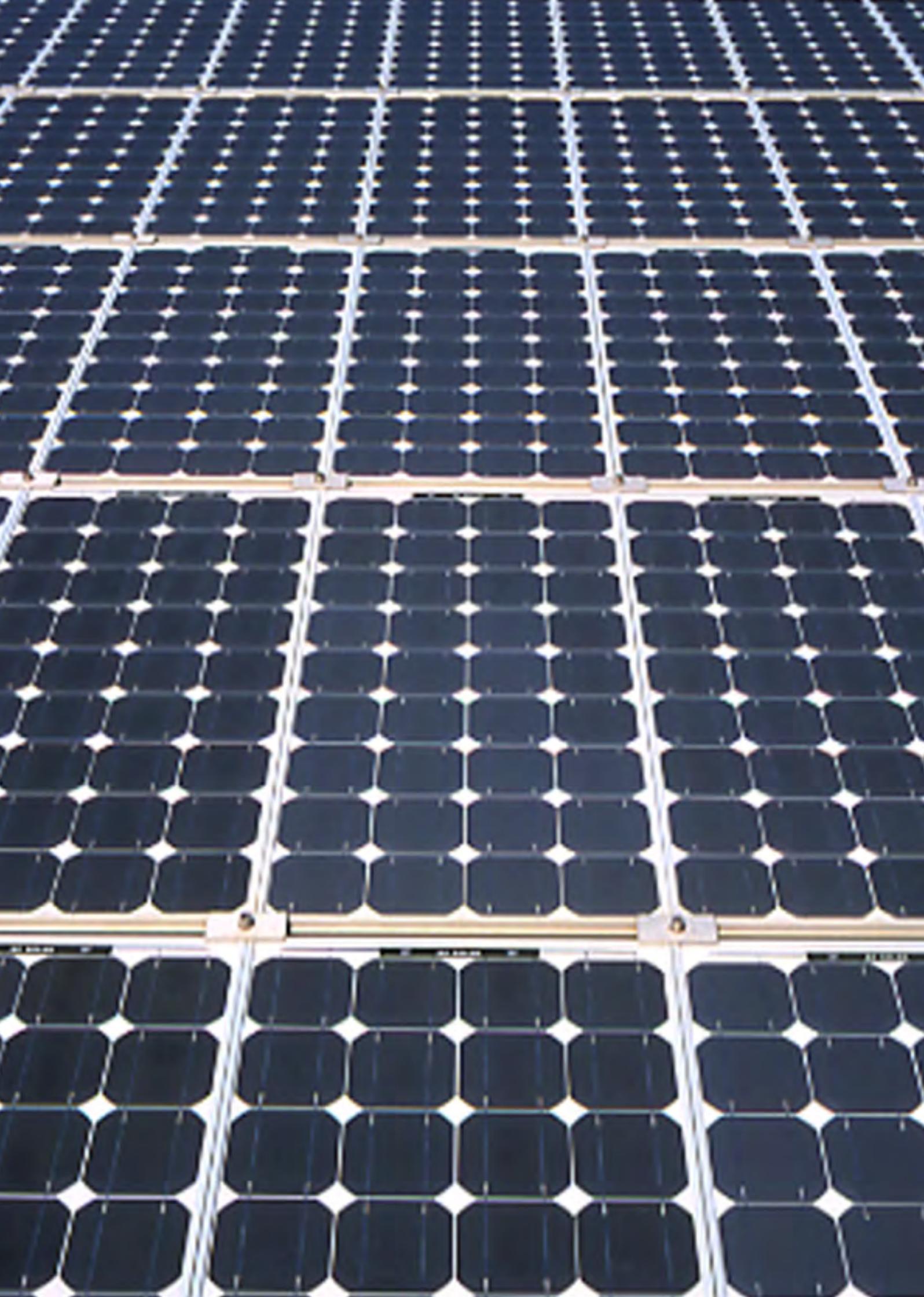
	YEARS							
	UP TO 2010	2011	2012	2013	2014	2015	2016	2017
Share Capital	387,268					20,708	56,365	64,960
Community Funds	765,002	65,328	104,648	21,186	127,007	137,096	9,044	11,152
PIDDAC	111,951	11,288	13,654	768	13,018	2,101	-805	1,052
Medium/Long-term loans	596,394	-37,852	-6,685	-6,685	182,524	-6,685	-38,220	-44,959
Debenture Loan	481,696	-31,167						-6,739
BEI	114,698	-6,685	-6,685	-6,685	-6,685	-6,685	-6,685	-6,685
DGTf					189,209		-31,535	-31,535
Short-term Loans	30,000	62,685	39,614	34,205	-166,504			
TOTAL	1,890,616	101,449	151,231	49,474	156,045	153,219	26,384	32,206

In 2017, EDIA's main source of funding was capital increases. The State Stockholder, following the adopted financing policy, assigned the necessary capital to EDIA in order for the Company to meet debt service obligations (repayments and interest), and to pay Papeles y Cartones de Europa, S.A., following the Supreme Court of Justice ruling concerning compensation for the process of expropriation under the "Alqueva Dam" project.

By December 31st, 2017, the Company's share capital, fully subscribed and paid up, amounted to EUR 529,301,400, comprising of 105,860,280 shares. The variation of EUR 64,960,330 and 12,992,066 new shares that occurred in 2017 results from the issue of shares at a par value of EUR 5 each.

Regarding Community funding, it should be noted that applications for 1st phase of EFMA projects, funded by Feder-In-alentejo, were closed. Over the course of 2017, final amounts received pertaining to the closure of these projects amounted to EUR 5,509,024.

In addition, in the bid for the 2nd phase project of the Alamos Adduction installation, we received a EUR 7,015,000 advance, which was divided between the FEADER fund, 85%, and PIDDAC, 15%; approved under the Rural Development Programme for Mainland Portugal 2014-2020 (PDR 2020).



PROSPECTS FOR 2018

As a guideline, the EDIA strategy of activities for 2018 will aim to fulfil public policies and national goals set for the sectors in its scope, through the measures defined by trustees, overall following the strategic guidelines issued by the Shareholder.

The State's past and future investment in infrastructure and irrigation equipment aligns with overarching goals to transform and increase competitiveness within agricultural and agri-food industries that would otherwise not come to fruition. Optimization of EFMA's existing irrigation capacity will be another goal for 2018.

In this regard, and considering the Alqueva project's expansion of the irrigated area intended for 2018, approximately 120,000 ha of benefitted area are expected to be exploited, encompassing the entire perimeters assigned to the Undertaking's 1st phase and the beginning of the 2nd phase infrastructure works.

EDIA will still ensure public water supply for agricultural irrigation, in keeping with its responsibility to manage, operate, maintain and conserve the infrastructures that guarantee water supply to areas within its implementation region. Next year activities related to the exploitation of the benefitted areas are expected to continue.

Regarding the primary network, in 2018, EDIA intends to initiate Contracts for the Construction of Power Reinforcements for EFMA's Álamos Pumping Station, and for the 2nd phase of the S. Pedro pumping station. Regarding the secondary network, supply of the 2nd phase of the Loureiro-Alvito pumping station facility is also expected to begin.

EDIA has invested in energy solutions that are both environmentally friendly and ecologically compatible with the sustainable development process, as evidenced by the implementation of photovoltaic solutions.

Therefore, procedures for the implementation of new projects in this area are planned to begin in 2018, namely a project that involves building and installing photovoltaic plants in water surfaces near the main pumping stations of the EFMA's primary network, and some near secondary network pumping stations.

EDIA's development strategy will continue to be expressed by its commitment to boosting, capturing and securing investment in its area of influence. In 2018, EDIA will continue developing actions to capture agricultural and agri-industrial investments for the project's implementation area, and seeking sustainable solutions for Alqueva beneficiaries by promotion of the Alqueva Space as a development hub for agrifood clusters. EDIA will continue support the implementation of new projects, as well as raising awareness and supporting Alqueva beneficiaries, both individually and through their associative structures.

In the 2018 irrigation campaign, and regarding decision support systems, the "Irrigation Portal" is expected to not only already have its new functionalities in operation but also for its use by the various beneficiaries to continue increasing. The continuous availability of the SISAP portal is still worthy of special emphasis, and its adaptation to new web computing platforms is scheduled for 2018.

The agricultural and commercial promotion of EFMA's area of influence will be stimulated through promotional events with potential investors, mutually beneficial meetings between companies and farmers, thus adding value to these lands, and not a burden for their owners.

Regarding heritage management, and concerning rustic heritage, namely maintenance operations of EDIA's lands, the operations defined by the Plan of Surplus Areas and Cross-levels (triennium 2015/2018) will be put into practice. In this context, maintenance and improvement actions for forest stands will be carried out, essentially oak and pine. The Forest Management Plans (PGF) approved by the Portuguese Forest Authority (AFN) will continue to be put into practice, within the scope of EDIA's sustainability policy.

EDIA will carry on participating in the WADI project (Water-tightness Detection Implementation along with several national and foreign entities. The WADI project is funded by the European Union under Horizon 2020. This study aims to address the challenge of reducing water losses, which implies improving energy efficiency of water transport systems.

Over the course of next year, the Company plans to develop activities to articulate various preventive Environmental Impact Assessment instrument procedures and internal coordination of the process among all parties involved. The environmental management tasks to be carried out (in the operation phase, and within Undertaking heritage management and monitoring) aim to continue ensuring that all of the Project's infrastructures are feasible to be legally implemented, and that all Environmental Impact Statement measures/requirements are met.

Thus, ongoing EIAs will be followed-up, namely, the São Bento, Vidigueira and Cabeça Gorda-Trindade hydraulic circuits. In addition to these projects, analysis of the proposals is expected to be carried out, and for the Monte da Rocha reservoir and the Messejana block connection project to be awarded.

All procedures pertaining to the implementation of the Environmental Management and Audit System in the EFMA operational phase will be ensured, such as the Communication Plan, Awareness and Training Action Plan, and Monitoring and Audit Plan, and the partnership with the Institute for Nature Conservation and Forests (ICNF) will continue for the purposes of bird counting and advising bat monitoring actions.



EDIA's automatic monitoring network of EDIA (automatic stations) is scheduled to be restructured in 2018. For conventional stations, the monitoring program for assessing the chemical and ecological status/potential for EFMA primary network reservoirs and main water lines associated with these infrastructures will continue being implemented. There will also be monitoring actions to assess the potential impacts of the Guadiana-Sado water transfer and the effectiveness of the sieves installed in the Roxo and Vale do Gaio adduction circuits.

On the other hand, the reconciliation of different territorial management instruments within EFMA's area of influence will continue throughout the year. In order to safeguard natural resources and the development of different secondary activities associated with the Alqueva and Pedrógão reservoirs, it is necessary to adapt the Alqueva and Pedrógão reservoir land planning to the new legislative framework.

In 2018, geodetic monitoring of landfill dams and Undertaking reservoirs will be carried out, in light of the Dams Safety Regulation.

Geospatial information will also be updated via the ERDAS APOLLO platform, which allows for the optimization of the EDIA's production chain interest. Contacts already initiated with the General Directorate of the Territory (DGT) will also be kept in 2018 in order to prepare the land register for the Alentejo region, in accordance with national standards.

For the purpose of supporting project activities, contracting and operation of networks under pressure, expansion of the implementation of the application that allows the design and simulation of pressure irrigation networks – SIGOPRAM is planned for 2018. This tool is intended to serve two distinct areas: sizing new irrigation networks (or extensions), and the evaluating already designed or constructed networks.

With regard to EDIA special projects, in 2018 we intend to strengthen of dissemination and promotion strategies for the Luz Museum's cultural offer, enhancing the exploration of its values and associated spaces. At the same time, some specific projects related to the community are proposed – "Eira da Memória" (Memory), "Fóruns" (Forums) and "Reconstrução da Memória (Reconstruction of Memory). It also intends to carry on promoting the training offer, through existing partnerships (NUCLIO, Calouste Gulbenkian Foundation, etc.) and other, in order to implement and expand international partnerships. In the area of scientific dissemination, activities with the University of Leiden and the Champalimaud Foundation are planned.

Regarding the PNN, in agricultural terms, and at the agroforestry level, agricultural, hunting, forestry and livestock activities are scheduled to be carried out in 2018, in accordance with the objectives and specifications detailed in the Forest Management Plan for the Coitadinha Estate, outlined within the scope of the Sustainable Forest Management – FSC Standard certification process.

In terms of the environment, 2018 will also be characterized by the continuation of actions developed by EDIA, within the frameworks of the LIFE+IBERLINX, PRO-IBERLINX and POSEUR – Linx 2020 Projects. These projects include a set of investments essential to achieve PNN/EDIA goals for the conservation and reintroduction of the Iberian lynx, habitat improvement and recovery of wild rabbit populations.

With demand increase as a main goal, tourism will continue to be one of the dominant themes throughout 2018, with the reinforcement of strategies for the promotion, qualification, offer diversification, and enhancement of the exploitation of the territory's values (nature tourism and leisure activities) and installed equipment (accommodation and catering).

Regarding its support structure, EDIA intends to focus on the training of its human resources, in order to enhance employees' technical, relational and social skills, for their own benefit as well as the Company's. Collaboration with



higher education and vocational training institutions will also continue with the aim of accommodating curricular internships for young graduates.

The optimization of the operational management of systems and IT security of remote management systems will continue to be one of EDIA's priorities in the course of next year, with the implementation and configuration of the company's optical fibre network and its logical interconnection, always keeping in line with ANACOM guidelines. In 2018, EDIA will also continue to implement a solution for event management and maintenance management, integrated in the company's various subsystems (SIG, SAP).

In 2018, the NAVIA project for maintenance and operation management, linked to the SAP, SIG and SCADA systems, will also be implemented. This will make it

possible to gather information and indicators pertaining to various infrastructures in a single application, as well as collect and enter water consumptions and analyses, thus generating approval and maintenance order workflows, complying with good asset management practices.

In order to accelerate internal processes and provide a response that meets our clients' expectations and legal requirements, we plan to upgrade to SAP HANA and implement the SAP IS-U module. It should be noted that, in view of the legal requirements, the Accounting Standardization System for Public Administrations (SNC-AP) project, supported by the SAP system, will be put to practice at the beginning of 2018.

Over the course of next year, the Company also intends to prioritize the possibility of cooperating with partner entities and stakeholders with the goal of raising awareness regarding social responsibility and signage, referencing and monitoring concrete projects in this area, as well as promoting two studies on this subject (Adapting the Development Function to the New EFMA and Alqueva Reality: Integrated Tourism Training Project).

Another priority for 2018 will also involve articulating entities responsible for the Great Alqueva Lake Management, whose efforts lead to the standardisation of rules and procedures that may in turn foster the possibility of economic development around this space, namely by prioritizing the requalification of quays and their surroundings, improving access to the water plan, promoting the Alqueva Islands Natural Park, and upgrading and re-qualifying buildings owned by EDIA in Alqueva's surroundings, as a way of boosting tourism and creating associated routes.

As part of the expansion of the partnership to foster entrepreneurship in schools, another priority for next year will be to reinforce the Alqueva Goes to School Program, which will cover all Undertaking municipalities. Topics discussed in the existing protocols with other entities should be further explored, and partnerships with all public and private educational institutions should be extended to all EFMA municipalities.

On the other hand, as part of the Company's internal and external actions to promote social responsibility, it will continue to monitor the Social Responsibility Project "Horta Nova Esperança" (New Hope Garden), namely by increasing the team (EDIA's Corporate Volunteer Program).

On the other hand, it should be noted that sustainable management practices will continue to be promoted and are intrinsic to EDIA's positioning and operation. Therefore, collecting contributions on which the Company must act and report will continue to be one of the Company's goals in 2018. EDIA will continue to compete for the adaptation of the Company's medium-and long-term strategic goals to achieve the EFMA's great purpose, the Undertaking's regional economic and social development as an intervention tool for the region, seeking the appreciation of natural resources, as well as the revitalization and stimulation of economic activity, and the settlement of its respective populations.

EDIA will also continue to work on and develop issues related to climate change, an increasingly central matter for the development of the Alqueva Undertaking. For this purpose, it integrated the preparation of projects by external entities, whose implementation, once approved, is scheduled for 2018 and following years.

Lastly, the project provisionally entitled "Alqueva Sustentável" (Sustainable Alqueva; in preparation in 2017) is worth mentioning, which mainly aims to promote sustainability in EFMA's area of influence. Initially partnering with BCSD and CCDR-Alentejo, its development is expected for the 2018 and 2019. The motivation behind the project stems from the fact that EDIA's mission and vision must be internalized by all stakeholders in Alqueva, so that they contribute to a common good: the region's sustainable development in the future.



INFORMATION REQUIRED BY CURRENT LEGISLATION

EDIA's board of directors normally meets weekly. Thus, in 2017, 47 meetings were held, of which we highlight the following deliberations:

JANUARY 2017

- / The construction contract for a crossing area and reprofiling of a section of Ribeira da Amoreira was awarded;
- / The provision of services of the acquisition of the Alqueva stand was awarded;
- / The contracting of the public procurement electronic platform was approved;
- / The proposed changes resulting from the entry into force of the State Budget Law for 2017 – Meal allowance and national minimum wage – were approved;
- / Repairs for variable speed drives in the Brinches pumping station were approved;
- / The agreement for recreational and leisure use of the space near the Alqueva dam core was approved;
- / The alienation of EDIA's heritage rustic land was approved;
- / The tariff update terms for the public water service provided by EDIA and publication of the respective edicts were approved;
- / The Global Program for Underground Water Resources Monitoring of the EFMA – Exploration Phase – 2016 was awarded;
- / Accession to the electronic self-billing service pertaining to the purchase of electricity produced under a special regime was approved;
- / The draft of services rendered by the Statutory Auditor was approved;
- / The acquisition of two terminals for the water hyacinth barrier was approved;
- / The tariff adjustment terms for 2017 were approved.

FEBRUARY 2017

- / The direct adjustment procedure for the supply and implementation of NAVIA Software was approved;
- / EDIA's participation in the National Agriculture Fair was approved;
- / The addendum to the Irrigation Water Rate 2017 was approved;
- / The motion for a resolution on all outstanding issues relating to the land reparcelling project of the parish of Luz-rustic lots was agreed upon;
- / The resolution of the dispute between EDIA and ABB was approved;
- / EDIA's participation in AGROIN 2017 was approved.

MARCH 2017

- / The strategy proposed at the Assessment of Effectiveness of the Vale do Gaio and Penedrão Roxo-Roxo Sieves was approved – approval of the Monitoring and Safeguard Plans programme, as well as its submission to the National AIA Authority;
- / The conclusion of a lease agreement for EDIA's land in the village of Luz was approved;
- / The provision of observation and control services for the functionality and safety of the Alqueva and Pedrógão dams throughout 2017 was awarded;
- / EDIA's participation in Ovibeja was approved;
- / The production of a video about the project was approved;
- / The provision of a management and rental vehicle GPS localization system was approved;
- / The awarding of supplementary works in the remote management network of the Caliços-Machados and S. Pedro-Baleizão adductors was approved;

- / The payment of charges related to the connection of the delivery point in the Vale do Gaio reservoir to the power grid was approved;
- / The award of service provisions for the automation systems of the Vale do Gaio and Pedrógão-right bank hydraulic circuits was approved;
- / The Report and Accounts – 2016 Fiscal Year and the Corporate Governance Report – 2016 were approved;
- / The hiring of clockings for the SAP project implementation of the accounting standardization system was approved;
- / The alienation of EDIA's rustic buildings surplus was approved – the result of the 2017 public notice;
- / Temporary exhibitions at the Museu do Sembrano were approved;
- / The adjudication of bat monitoring in the Caliços-Machados Block 2017/18 was approved;
- / The adjudication of the "Linaria ricardo" monitoring works in the secondary network 2017/18 was approved;
- / The objectives maps for the 2017 performance evaluation were approved;
- / The execution project and environmental impact study of the Vidigueira hydraulic circuit and its block was approved;
- / The awarding of the supply and installation of angle converters to indicate the position of the Pedrógão dam auxiliary floodgates was approved;
- / The cancellation of the contract with Gatewit, the electronic contracting platform managing entity, was approved.

APRIL 2017

- / The provision of 500m cleaning services for leakage monitoring of the Alvito-Pisão canal's 1st section was approved;
- / The 2017 irrigation campaign announcement model was approved;
- / The repair contract draft for the Alamos pumping station engine was approved;
- / The hiring of four people for surveillance under the 2017 fire prevention campaign in the PNN was approved;
- / The activity report for the 4th quarter of 2016 was approved;
- / The conclusion of an employee protocol with Novo Banco was approved;
- / The acquisition of computer equipment for the control room in Beja was approved;
- / The organization of the PNN2017 holiday camps was approved;
- / An Alentejo Global Invest protocol with ADRAL was approved;
- / An employee protocol with Montepio Geral was approved;
- / The awarding of the supply, installation and implementation of a frequency inverter in the Álamos pumping station lift was approved;
- / The execution project revision for the Morgavél system connection was approved;
- / The execution project review for the installation of groups 3 and 4 of the Álamos pumping station was approved;
- / The printing of an information leaflet was approved;
- / The signing of a protocol with AGROINSIDER was approved;
- / The new Alqueva tariff system for the 2017 campaign was approved.

MAY 2017

- / Underwater works to remove the grate from the Penedrão dam water intake were approved;
- / Exhibitions and the book production with works deriving from the "Alqueva vai à Escola" project were approved;
- / The acquisition of meteorological forecast data to be incorporated into the Irrigation Portal was approved;
- / EDIA's participation in Ciber Perseu 2017 was approved.

JUNE 2017

- / The award of the provision of adaptation services for the 2nd phase of the Loureiro-Alvito pumping station was approved;
- / Effectiveness assessment of the Vale de Gaio and Penedrão-Roxo sieves was approved;
- / EDIA's participation in the Zafra International Livestock Fair was approved;
- / The design of the "À luz de uma nova história" (In light of a new history) exhibition was approved.

JULY 2017

- / Consultancy for the tendering process for photovoltaic plants in the primary network was awarded;
- / The dissemination of EDIA's lease surplus public notice was approved;
- / The public notice for dissemination of drought combat measures in the EFMA area of influence was approved;
- / The provision of services related to the placement of property landmarks was approved;
- / The conclusion of the protocol with COTR regarding the introduction of improvements in the Irrigation Portal was approved;
- / The Sustainability report was approved.

AUGUST 2017

- / The award of provision of services pertaining to the availability of the electronic procurement platform was approved;
- / The removal of fish biomass in EFMA reservoirs was approved;
- / Biomass removal works at Vigia and Monte da Rocha reservoirs were approved;
- / The 2018 Activities and Budget Plan and the 2018-2020 Multi-Annual Investment Plan were approved.

SEPTEMBER 2017

- / Inspection services for the Roxo hydroelectric power station central turbine were awarded;
- / Conclusion of the protocol with the National Center for Cybersecurity was approved;
- / Maintenance services for the Alqueva, Pedrógão and Água dos Álamos dams safety signs were approved;
- / Reformulation works for the Global Avifauna Monitoring Program in the Secondary Irrigation Network, and development of the Implementation of Agricultural Management Measures Plan were approved;
- / The adjudication of safety signage for the Caliços and Furta-Galinhas reservoirs, Alvito-Pisão reservoir 2 and Monte Novo reservoir 3 was approved.
- / Works to remove biomass from Divor reservoirs were approved;
- / Removal of fish biomass in the Pego do Altar reservoirs was approved;
- / EDIA's participation in Fruit Attraction was approved;

- / Approval was given for the acquisition of the execution project for the installation of three additional electric pump groups at the S. Pedro pumping station of the hydraulic circuit of S. Pedro Baleizão;
- / The supply of electricity to the EFMA infrastructures was approved;
- / The awarding of Irrigation Portal improvements was approved.

OCTOBER 2017

- / The proposal for the development of an economic and cultural event to be held in the village of Luz and Mourão was approved, for the purpose of promoting entrepreneurship in school – Projecto Alqueva vai à Escola (Alqueva goes to School);
- / The development of the installation study for EFMA floating photovoltaic plants was approved;
- / EDIA's participation in AgroExpo was approved;
- / The activity report for the second quarter of 2017 was approved;
- / The contracting of services provision for the revision of the execution project for the Loureiro Alvito pumping station's 2nd phase was approved;
- / The external audit of the Transitional Quality Management System for ISO 9001:2015 was approved;
- / The monitoring of surface water resources in the secondary irrigation network in the operational phase-2017/2018 was approved;
- / The award of the provision of services for the revision of the execution project of the Loureiro-Alvito pumping station's 2nd phase was approved;
- / The awarding of the contract for the Construction and power reinforcement of the EFMA's Álamos pumping station was approved;

- / The follow-up/monitoring works of the translocated *Narcissus Cavanillesii* nuclei in the Alqueva reservoir's area of influence were approved;
- / EDIA's participation in FEHISPOR – Fair of Spain and Portugal, in conjunction with CCDRA, was approved.

NOVEMBER 2017

- / The provision of services for the assembly of the 2018 Alqueva Stand was approved;
- / The "Arte numa perspetiva diferente" (Art in a Different Perspective) exhibition was approved;
- / The assessment bases related to the Morgavél adduction system connection were approved
- / The adjudication of the contract for the drainage maintenance, vegetation cutting and repair of excavation slopes in EFMA primary infrastructures was approved;
- / The reformulation of the strategic plan to create conditions for the Safeguarding of *Linaria ricardoi* was approved;
- / The activity report for the 3rd quarter of 2017 was approved;
- / The dissemination strategy of operating standards pertaining to EFMA's hydro-agricultural element was approved;
- / EDIA's participation in BTL was approved;
- / The collaboration protocol for Plant protection with Anipla-National Industry Association was approved;
- / A code of conduct for the work harassment prevention and combat was adopted;
- / The repair of the Álamos pumping station engine #1 was approved;
- / The contract for the interior cleaning of reservoirs in EFMA's primary infrastructures was approved.

DECEMBER 2017

- / The provision of switches for the convergence of EFMA's fiber optic network architecture of the remote management, supervision and monitoring operational infrastructure was approved;
- / The awarding of the execution project for the installation of two additional lines in the Álamos-Loureiro link circuit siphons was approved;
- / The provision of consulting services for the implementation of the ERDAS APPOLO platform in the cartography centre was approved;
- / The publication "Massas de Água do EFMA – uma nova realidade" (EFMA Water Bodies – a new reality) was approved, as well as its dissemination strategy;
- / The 2017 Alqueva Agricultural Directory was approved, as well as its dissemination strategy;
- / The expense of updating the security system's perimeter firewall of the EDIA communications network was approved.

POWERS OF AUTHORITY

By Decree-Law no. 42/2007, of February 22nd, EDIA was granted the following powers of authority:

- / The powers to, in accordance with the law, in particular the code of expropriations, act as an expropriating entity of real estate and inherent rights in expropriations which are necessary to further its social scope;
- / The right to use and administer public domain assets of the State that do or will affect the exercise of its activity;
- / The powers and prerogatives of the State as regards protection, evacuation, demolition and administrative defence of the possession of the land and facilities that influence it and works performed or contracted, and pursuant to the law, may also, occupy temporarily private lands that it needs for construction sites, deposit of materials, accommodations for personnel and offices, without prejudice to the right to compensation when there is such a right.

Under the provisions of Law Decree No. 313/2007, of 17th September, which approved the foundations of the concession granted by contract between the State and EDIA on 17th October 2007, EDIA holds, whilst concessionaire for the management, operation and private use of the public water domain under EFMA, powers of administration of the referenced water domain within the framework of its activity, the competences for allocation of titles relating to water abstraction for irrigation and electricity production and, furthermore, inspection powers over its use by third parties, and the jurisdiction to start, prepare and sanction administrative offence proceedings in this context.



FINANCIAL ANALYSIS

RESULTS ACCOUNT

This analysis considers only non-capitalized expenses and income, i.e. those relating to works for the company itself, as well as to the investment of the secondary network, which disappears through the variation of production (investment in works on EFMA's secondary irrigation network that are owned by the State with the exception of Infrastructure 12 and the irrigation perimeter of the Luz village).

	(in thousand EUR)	
	2017	2016
Non Capitalised Costs	39,092	45,440
Cost of Goods Sold/Materials Consumed	44	36
External Supplies and Services	17,868	12,454
Payroll	4,942	3,109
Depreciation and Amortisation Costs	5,741	5,667
Fixed Assets Impairment	99	14,662
Provisions for the Financial Year	1,845	3,036
Other Expenditure and Losses	2,063	666
Financing Expenditure and Losses	6,399	5,715
Income Tax	92	95
Non Capitalised Gains	38,750	31,364
Sales	872	723
Provision of Services	27,308	23,094
Production Inventory Variations	0	0
Own Work Capitalised	0	0
Operating Subsidies	70	343
Assets Impairment Reversals	1,102	504
Other Income and Gains	9,398	6,700
Net Result for the Year	-342	-14,076

On December 31st, 2017, EDIA posted a negative Net Result of -0,342 million euros with a variation of +13,73 million euros compared to the same period of 2016.

Non-capitalisable expenditures decreased by EUR 6,35 million (-13,97%), compared to the same period of the previous year, mainly due to the following items:

- / "External Supplies and Services", showing a positive deviation of EUR 5,41 million (+ 43,47%) compared to the same period, which is mainly due to higher energy consumption in pumping, resulting in an increase in electrical expenses, and by the entry into operation of the last perimeters of EFMA's 1st phase, which in turn resulted in the reduction of capitalisation expenditures pertaining to this item;
- / "Personnel expenses" deviating by 1,83 million euros (+ 58,95%) compared to 2016, as investment activity decreased in this period, resulting in a reduction in capitalised personnel expenses;
- / "Impairment" related to the water business, with a negative deviation of EUR 14,56 million (-99,33%) compared to the same period of the previous year, due to investment reduction associated with this activity in this period.

Specifically regarding revenue, there was an increase of around EUR 7,39 million, an increase of 23,55% in relation to the previous year. The "Sales and Services Provisions" showed a positive evolution of around EUR 4,36 million, approximately + 18,32%, mainly as a result of higher revenues related to water distribution.

Regarding "Other Income and Gains", the variation is justified by the adoption of IFRS 15, concerning the recognition of revenues pertaining to the remuneration portion (established in the agreement with EDP), which translates the updated capital (the fair value of the sub-concession calculated at the date of conclusion of the agreement), based on an implied 3,5% rate (5,5% in 2016).

BALANCE SHEET

As of December 31st, 2017, EDIA had a Net Asset of EUR 812,53 million, an increase of approximately EUR 198,55 million.

(in thousand EUR)		
ASSETS	31-DEZ-17	31-DEZ-16
Non-Current Assets		
Tangible Fixed Assets	12,483	12,817
Investment Property	2,114	2,114
Intangible Assets	340,689	345,935
Financial Shares	277	277
Other Accounts Receivable	198,803	
Captive Deposits	91	8,534
	554,457	369,676
Current Assets		
Inventories	3,015	2,102
Clients	5,090	12,613
Advances to Suppliers	203	328
State & other Public Bodies	1,109	1,131
Shareholders/Members	0	0
Other Accounts Receivable	217,986	216,376
Deferrals	216	355
Cash and Bank Deposits	30,455	11,399
	258,074	244,304
TOTAL	812,531	613,980

This increase was mainly due to the following variations:

- / Non-current assets register and consequently show increase in the "Other Accounts Receivable" line by EUR 199 million due to the adoption of IFRS 15, namely the recognition of the right to remuneration in exchange for the service that Company transferred to EDP.
- / Decrease in "Intangible Assets" due to depreciation and "Captive Deposits" ensuing decrease of EUR 8,43 million, mainly due to the termination of Portucel Recicla's expropriation proceedings and consequent annulment of the respective collateral;

/ In current assets there is a variation of EUR 13,77 million justified by:

- / The “Clients” line decreased by EUR 7,52 million, justified on the one hand by the arbitral tribunal’s decision concerning EDIA’s suit against EDP, which ended with EDIA being paid the amounts withheld due to the contractual clauses of the revisability of the sub-concession contract of the Alqueva and Pedrógão hydroelectric power plants and, on the other hand, by the medium term decrease of receipt.
- / The “Cash and Bank Deposits” item showed an increase of EUR 19,06 million as a result of an EUR 7,02 million advance related to the second phase of the Alamos, EUR 5,08 million related to INALENTEJO financing pertaining to the closure of projects, and EUR 6,30 million received from EDP after the conclusion of the arbitration tribunal suit regarding the investment made for the plant’s power reinforcement.

“Equity” increased by EUR 122,46 million as a result of capital increases made during the year amounting to EUR 64,96 million, the increase in “Retained Earnings” (EUR 43,77 million) due to the adoption of IFRS 15 in 2017 and the reduction of negative “Net Profit” in the amount of EUR 13,73 million.

(in thousand EUR)		
EQUITY AND LIABILITIES	2017	2016
EQUITY		
Capital	529,301	464,341
Other Reserves	9,203	9,203
Retained Earnings	-834,566	-878,333
Adjustments in Financial Assets		0
Net Result for the Year	-342	-14,076
TOTAL EQUITY	-296,404	-418,866
LIABILITIES		
Non-Current Liabilities		
Provisions	15,530	27,589
Funding Obtained	293,906	637,354
Other Accounts Payable	1,603	
Deferrals	425,153	289,361
	736,192	954,304
Current Liabilities		
Funding Obtained	343,592	53,451
Suppliers and Other Accounts Payable	14,318	8,034
Other Current Liabilities	259	287
Deferrals	14,575	16,769
	372,743	78,542
TOTAL LIABILITIES	1,108,935	1,032,846
TOTAL EQUITY AND LIABILITIES	812,531	613,980

Liabilities recorded the following variations:

The reduction of "Non-Current Liabilities" in the order of EUR 218,11 million is justified by:

- / Reduction in "Provisions" due to the annulment of the provision constituted for the litigation with Portucel Recicla following the Supreme Court's confirmation of the decisions unfavourable to EDIA of the first instance and of the Court of Appeal of Évora, and resulting payment of the amounts in question;
- / Reduction in "Financing Obtained" is mainly due to the transfer of reimbursements to be settled to current liabilities, in the short term, until December 31st, 2018, pertaining to BEI financing (EUR 135,00 million) in the amount of EUR 6,68 million, DGTF (EUR 189,00 million) amounting to EUR 31,53 million, and the debenture loan (EUR 94,35 million) amounting to EUR 6,74 million and amortization of the debenture loan amounting to EUR 300,00 million in November 2018;
- / Positive change in the "Deferrals" item due to the recognition of revenues arising from the amendments to the adoption of IFRS 15 pertaining to income registration concerning the sub-concession contract of the Alqueva and Pedrógão hydroelectric power stations to EDP.

Current Liabilities showed an increase of EUR 294,20 million, mainly as a result of the change in the "Financing Obtained" item given that the transfer of non-current liabilities from the amounts to be repaid in the short term was greater than the amounts repaid by the end of 2017. Regarding the "Other accounts payable" item, the variation refers to the advance of subsidies related to the project's Community Funds of the Installation of Alamos' 2nd phase.

FINANCIAL INDICATORS

FINANCIAL INDICATORS	(in thousand EUR)	
	2017	2016
Turnover	28,180	23,816
EBITDA	10,821	11,991
EBIT	6,156	-8,266
Financial Results	-6,406	-5,715
Net Results	-342	-14,076
Net Cash Flow	6,359	9,008
Investment	2,324	14,568

On December 31st, 2017, EDIA registered a negative net result of about -0,342 million euros while in the same period of 2016 the negative result was -14,08 million euros, of which:

- / EBITDA declined by around EUR 1,17 million (-9,76%) compared with the same period of the previous year, mainly due to: (1) the increase in Operating Expenses by EUR 4,70 million (expenses excluded from the secondary network's effect and consequent variation in production) not accompanied by the EUR 4,36 million "Turnover" increase; (2) the decrease in "Operating Subsidies" (-0,27 million); (3) a EUR 1,6 million decrease in "Own Work" due to a capitalization policy change, (4) a decrease in "Impairment of Receivables" (-0,28 million) and "Non-depreciable Investments / amortization (Losses/Reversals)" (EUR -0,12 million), (5) the reduction of "Provisions" by EUR 1,19 million as a result of reversals or "Earnings" increased by EUR 2,70 million through the aforementioned adoption of IFRS 15 and (6) an increase in "Other Expenses and Losses" (EUR 1,38 million) mainly due to the change in criteria concerning the estimation of the rates of water resources to be paid;

/ The "Losses/Reversal of Impairment of Depreciable / Amortizable Investments" item shows a decrease of around EUR 15,56 million compared to 2016, as there was a reversal of losses by impairment in 2017 amounting to EUR 1,10 million and, in 2016, there was an impairment of EUR 14,46 million. This is justified by the low level of investments made in this period and by the amount received from advances. This change contributes to positive EBIT of EUR 6,16 million, a positive change of EUR 14,42 million;

/ The Financial Results show a deterioration increase of EUR 0,69 million given that, once the primary network 1st phase investments were concluded, the financial charges are no longer capitalised;

Net Cash Flow, in turn, showed a decrease of EUR 2,65 million (-29,41%) compared to the previous year.

EDIA has a total investment of EUR 2,32 million, without secondary network and capitalisation.

PROPOSED DISTRIBUTION OF EARNINGS

Under the terms of Article 66(5)(f) of the Code of Commercial Companies, the Board of Directors,

Considering:

That in the year 2017 a negative Net Result of € 341,899 was calculated.

Proposes:

That the Net Result calculated in 2017 and included in the Balance Sheet as of December 31st, 2017 of -EUR 341,899 be taken to Retained Earnings.

Beja, March 6th, 2018

The Board of Directors

José Pedro Mendes Barbosa da Costa Salema
(Chairman)

Augusta Manuel Pereira de Jesus Cachoupo
(Member)

Jorge Manuel Vazquez Gonzalez
(Member)

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

INTRODUCTION

The current Public Corporate Sector Regime was approved by Decree-Law no. 133/2013, of October 3rd ¹. It arose from the need to restructure the regulatory framework applicable to public companies, introducing an extension of the Legal Regime of the Public Corporate Sector (RJSPE), as well as the concept of SPE, which is part of the SEE (which EDIA incorporated) and Local Business Sector (SEL).

Its key objective was to implement and ensure a risk management system, internal control system and internal audit system, effective and in line with the strategic guidelines for the SEE, in order for its members to adapt the size and complexity of the State management and its companies, pursuing the goals of good management, transparency, non-distortion of competition, contracting public service, and monitoring the relevant risks undertaken by these companies.

The governance practices and principles directed at State-owned enterprises are still defined by the Principles of Sound Governance (PBGs) already included in the Council of Ministers' Decision (RCM – Resolução do Conselho de Ministros) No. 49/2007, of March 28, which approved a set of practices inherent to sound corporate governance, aiming to promote the principle of transparency, embodied in the disclosure process of relevant information about these entities, namely, the remuneration level of public managers.

This is the context in which the information in this report's Chapter 2 is framed, and which aims to emphasize EDIA's response to the compliance with the legal guidelines for the SEE, namely pertaining to assessment of compliance with the Company's current remuneration guidelines in 2017. Thus, and in accordance with and under article 54, no. 1, of the RJSPE, EDIA's Board of Directors prepared the Corporate Governance Practices Report for 2017, autonomously formalized, which complements the information contained in this chapter and is in accordance with the structure defined by Technical Unit for Public Business Sector Monitoring (UTAM).

1. Subsequently amended by Law no. 75-A/2014, of September 30, and by Law no. 42/2016, of December 28.

MANAGEMENT GOALS

At the last Shareholders' Meeting of October 30th, 2017, the State Shareholder considered that the conditions for deliberating on the strategic guidelines were not met, as provided in article 38, paragraph 1, of Decree-Law no. 133/2013, of October 3rd (RJSPE) **2**.

It should be noted, however, that while programming its activity, EFMA investments and financing, EDIA's sole purpose is the fulfilment of the objectives attributed to the Company by the State Shareholder, and the Company's activity was guided in accordance with the Activity and Budget Plan – 2017 proposal, and other guidelines issued by the Directorate-General of the Treasury and Finance (DGTF – Direção-Geral do Tesouro e Finanças) and the Directorate-General of Budget (DGO – Direção-Geral do Orçamento).

The management results achieved during the 2017 financial year will be listed below, namely concerning the irrigated area, tenders issued and awarded in 2017, and financial indicators.

IRRIGATION AREA

The management of the Alqueva Global System represents EDIA's essential sustainability element, the guarantee of water supply being the Company's principal asset, through the integrated management of water distribution for the EFMA's entire agricultural element and the use of its greatest wealth and value (a reserve of 4,150 billion cubic metres), water.

Over the last few years, EDIA has demonstrated its value as this resource's managing entity, which is fundamental for the development of the area of direct influence (covering twenty municipalities, with a total extension of around 10,000 Km²), ensuring that the huge public investment in Alqueva is used and put to the service of the region.

On the other hand, recent periods of extreme drought accentuate the Alqueva reservoir's unquestionable positive impact, since it was possible to develop agriculture and supply populations even during a severe drought. Therefore, it's a great satisfaction for all stakeholders that the expected results were achieved on the ground, and that 2015, 2016 and 2017 showed an adherence and consumption increase in perimeters under EDIA's management.

In 2015 there was already an increase in adherence to Alqueva irrigation and water consumption of approximately 141 hm³. The increase was due in part to consumption increase within Undertaking perimeters already in operation, justified by the 2015 drought, but also due to the start of operation of new perimeters throughout the year, namely Cinco Reis-Trindade, São Pedro-Baleizão and Baleizão-Quintos. These perimeters, with a combined area of 19,634 hectares, registered, in its initial year, an adherence of 10,008 ha, i.e., more than half of the total area.

At the end of 2016 (not considering infrastructure 12, Aljustrel and Luz perimeter), in an available area of 108,037 ha, there was an adherence of 58,540 hectares of benefitted area, spreading over Undertaking's various, already concluded perimeters. In 2016, operation began for the last blocks of Pisão-Beja (Beringel-Álamo and Beja), Vale de Gaio and Roxo-Sado, of the Alqueva subsystem, Caliços-Machados, Pias and Moura Gravítico, integrated in the Ardila subsystem and the perimeter of São Matias (in the Pedrógão subsystem).

2. Under item 8, "To deliberate on strategic orientations and goals for 2017", the Chairman of the General Meeting gave the floor to the State Shareholder's representative, who proposed and voted in favour of not deliberating this point of the agenda given that the conditions for this are not met.



Comparing adhesion and water consumption between December 2015 and December 2016, there is an increase in a 30,76% (13,770 ha) adhesion to Alqueva irrigation. Water consumption shows an increase of 16,23% (around 23 hm³) compared to the same period of the previous year, from 141 hm³ in 2015 to 164 hm³ in 2016. This situation is justified, essentially, by the fact that 2016 was a very dry year.

As mentioned above, 2017 was characterized by a very dry hydrological period, mainly due to recorded high temperatures and low precipitation (a severe drought covering approximately 81% of the territory on September 30th), which illustrates the extremely critical climatic situation recorded during the year and which, coupled with the area increase registered in most perimeters, caused a sharp increase in Undertaking water consumption during this period.

Thus, by comparing water consumption and adherence in the following table, we observe is a 12% increase in relation to the total benefitted area (this increase was more significant in the Pedrógão subsystem), and an 84,773 m³ increase in water consumption compared to 2016.

Enrolled area in 2015, 2016 and 2017:

PERIMETERS UNDER EDIA MANAGEMENT	BENEFITED AREA (HA)	2017			2016			2015		
		REGISTERED AREA (HA)		CONSUMPTION m ³	REGISTERED AREA (HA)		CONSUMPTION m ³	REGISTERED AREA (HA)		CONSUMPTION m ³
		(HA)	%		(HA)	%		(HA)	%	
Entry into operation until 2010	18,754	14,943	79,68	58,797,695	14,083	75,09	46,610,661	11,121	59,30	52,020,685
Monte Novo	7,714	6,899	89,43	29,407,592	6,620	85,82	24,144,474	4,240	54,96	26,364,800
Alvito-Pisão	8,452	6,388	75,58	21,131,030	5,966	70,59	17,292,663	5,674	67,13	20,490,563
Pisão	2,588	1,656	63,99	8,259,073	1,497	57,84	5,173,524	1,207	46,64	5,165,322
Entry into operation until 2011	26,417	17,660	66,85	62,048,546	17,303	65,50	47,442,946	17,402	65,87	48,051,211
Alfundão	4,216	2,121	50,31	10,954,525	1,940	46,02	4,467,935	2,261	53,63	5,670,876
Ferreira, Figueirinha and Valbom	5,118	2,918	57,01	10,953,270	2,956	57,76	9,022,280	2,364	46,19	7,800,290
Orada-Amoreira	2,522	2,231	88,46	5,583,974	2,529	100,28	5,272,000	3,197	126,76	5,378,814
Brinches	5,463	3,519	64,42	9,258,340	3,330	60,96	7,090,529	3,103	56,80	6,637,327
Brinches-Enxoé	4,698	3,770	80,25	14,126,506	3,512	74,76	12,171,536	3,533	75,20	12,287,524
Serpa	4,400	3,101	70,48	11,171,931	3,036	69,00	9,418,666	2,944	66,91	10,276,380
Entry into operation until 2012	9,278	5,105	55,02	19,365,805	4,468	48,16	14,937,158	4,245	45,75	14,809,854
Loureiro-Alvito	1,050	668	63,62	3,536,937	495	47,14	2,831,797	540	51,43	3,073,388
Ervidel	8,228	4,437	53,93	15,828,868	3,973	48,29	12,105,361	3,705	45,03	11,736,466
Entry into operation until 2013	4,016	3,340	83,17	12,122,447	2,096	52,19	8,885,220	1,994	49,65	7,025,809
Pedrógão-Margem Direita	4,016	3,340	83,17	12,122,447	2,096	52,19	8,885,220	1,994	49,65	7,025,809
Entry into operation until 2015	19,634	15,648	79,70	55,020,313	12,322	62,76	34,902,770	10,008	50,97	18,910,406
Cinco Reis-Trindade	5,600	4,389	78,38	15,939,671	2,700	48,21	8,882,739	2,137	38,16	4,714,173
Baleizão-Quintos	7,999	5,493	68,67	18,594,163	4,394	54,93	11,627,960	2,947	36,84	4,598,432
São Pedro-Baleizão	6,035	5,766	95,54	20,486,479	5,228	86,63	14,392,071	4,924	81,59	9,597,801
Entry into operation until 2016	29,938	14,788	49,40	41,096,346	8,268	27,62	10,899,755			
Vale de Gaio	3,903	1,365	34,97	3,336,388	512	13,12	1,703,318			
Beja	2,560	2,412	94,22	4,987,290	607	23,71	1,609,469			
Beringel-Álamo	2,543	399	15,69	4,361,172	930	36,57	1,836,319			
Pias	4,698	2,151	45,79	4,976,027	1,270	27,03	942,160			
S. Matias	5,863	4,092	69,79	14,090,936	3,233	55,14	2,823,762			
Caliços-Machados	4,664	2,446	52,44	4,402,007	1,188	25,47	1,280,888			
Moura Gravitico	1,674	1,005	60,04	4,004,286	469	28,02	525,873			
Roxo-Sado	4,033	918	22,76	938,240	59	1,46	177,966			
TOTAL	108,037	71,484	66,17	248,451,152	58,540	54,19	163,678,510	44,770	41,44	140,817,965
Alqueva Subsystem	56,005	34,570	61,73	129,634,056	28,255	50,45	89,247,845	22,128	39,51	85,015,878
Ardila Subsystem	28,119	18,223	64,81	53,523,071	15,334	54,53	36,701,652	12,777	45,44	34,580,045
Pedrógão Subsystem	23,913	18,691	78,16	65,294,025	14,951	62,52	37,729,013	9,865	41,25	21,222,042
TOTAL	108,037	71,484	66,17	248,451,152	58,540	54,19	163,678,510	44,770	41,44	140,817,965

In the following tables, we can observe consumption associated with the direct abstractions and the surrounding perimeters.

DIRECT ABSTRACTION	2017	2016
Area (ha)	8,544	7,714
Consumption (m ³)	21,404,080	18,650,252

CONTINGENCY PERIMETER	2017 (M ³)	2016 (M ³)
Vale de Gaio		12,324,175
Campilhas and Alto Sado	13,459,402	997,705
Vigia	1,734,537	1,915,608
Enxoé	81,632	402,542
Monte Novo	2,871,785	11,841,851
Roxo	34,355,354	11,386,082
Odivelas	43,947,000	32,241,700
TOTAL	96,449,710	71,109,663

Thus, one can conclude that the total volume of water distributed during 2017 was about 366,3 hm³. Comparing this value with the value registered in 2016 (253,4 hm³), it shows an increase of 112,9 hm³, i.e., of about 45%.

TENDERS ISSUED IN 2017

Public tenders issued for construction contracts:

DESIGNATION	BASE PRICE (€)	DATE OF THE LAUNCH OF THE PUBLIC TENDER
Construction Contract for Power Enhancement of EFMA's Alamos Pumping Station	13,750,000,00	27/03/2017 *
Construction and Equipment Supply Contract for the Loureiro-Alvito Block's Pumping Station	945,000,00	15/09/2017
Construction Contract for the Connection to EFMA's Morgavel Adduction System	11,500,000,00	29/12/2017

* The publication of the notice occurred on 03/27/2017, the first extension taking place on 06/23/2017 and the second on 07/28/2017.

AWARDS IN 2017

In 2017 the public tenders listed in the following table were awarded:

DESIGNATION	AWARD VALUE (€)	AWARD DATE
Execution Project and Environmental Impact Assessment of the Vidigueira Hydraulic System and Respective Block	154,800,00	1 st Quarter of 2017
Monitoring of Linaria Ricardo in the Secondary Irrigation Network in 2017, in the Alvito-Pisão, Pisão, Ferreira and Valbom, Afundão and Beringel-Beja Irrigation Blocks, and in 2018 in the Beringel-Beja Irrigation Block	37,000,01	1 st Quarter of 2017
Microsoft Software Licensing	165,810,39	1 st Quarter of 2017
Provision of Copy, Print, Scan and Fax Services *	35,940,96	3 rd Quarter of 2017
Construction Contract for Power Enhancement of EFMA's Alamos Pumping Station	9,231,421,59	4 th Quarter of 2017
Temporary Work within the Contracts of Uncertain Duration Hiring Regime for Electrical and Mechanical Maintenance Personnel	98,538,96	3 rd Quarter of 2017
Execution Project and Environmental Impact Assessment of the Cabeça Gorda-Trindade Hydraulic System and Respective Block	273,000,00	4 th Quarter of 2017
Proposal for Rental of Public Purchasing Platform	997,00	3 rd Quarter of 2017
Electrical Supply to EFMA Infrastructures **	-	3 rd Quarter of 2017
Monitoring of Surface Water Resources in the Secondary Irrigation Network in Operation Phase 2017/2018	75,000,01	4 th Quarter of 2017
Maintenance Contract for Drainage, Vegetation Cutting and Repair of Excavation Slopes Elements in EFMA Primary Infrastructures	339,045,07	4 th Quarter of 2017

* To the contract price (fixed) accrues the variable value proportional to the volume of work produced by the facilities.

**In return for the electricity supply services provided by the contractor, EDIA commits to paying contracted unit prices.

FINANCIAL INDICATORS

In accordance with RCM 70/2008 provisions, the financial indicators that apply to EDIA's reality are detailed in the following table:

FINANCIAL INDICATORS	
EFFICIENCY	ANO 2017
Operating Costs/EBITDA	222,27%
Staff-related Costs/EBITDA	54,05%
Variation Rate of Staff-related Costs	-3,59%
AVERAGE PAYMENT PERIOD	ANO 2017
Average Payment Period	61
Evolution (days) in comparison to the previous year (same period)	1
PROFITABILITY AND GROWTH	ANO 2017
EBITDA/Revenue	38,40%
Revenue growth rate	18,32%
REMUNERATION OF INVESTED CAPITAL	ANO 2017
Net Result/Invested Capital	-0,06%

IMPLEMENTATION OF THE 2017 ACTIVITY AND BUDGET PLAN REGARDING FINANCIAL REFERENCE PRINCIPLES

INVESTMENT

The Investment Plan presented by EDIA for the 2017 was developed from the economic standpoint. The estimated investment for 2017 amounted to EUR 40,561,811. EDIA's investment this year amounted to EUR 1,815,195, or about 4,48% of the expected value. Below is a summary of the main justifications for the determined deviations.

PROGRAMMES	INVESTMENT – 2017		DEVIATION	
	PROJECTED	MADE	TOTAL	%
Alqueva Dam	337,500	-106,850	-444,350	-131,66
Dam and Pedrógão Plant	900	56,182	55,282	6,142,44
Alqueva-Álamos Pumping Station	5,585,028	14,792	-5,570,236	-99,74
Primary Network	22,160,900	1,409,630	-20,751,270	-93,64
Secondary Network	12,477,483	386,207	-12,091,276	-96,90
Regional Development	0	55,234	55,234	
TOTAL	40,561,811	1,815,195	-38,746,616	-95,52

/ Programme 1 – Alqueva Dam (EUR -444,350)

The deviation, which was essentially under the item "Land", is justified by the non-realized funds provided for acquisitions, expropriations and damages, since their processing depends on the development/conclusion of the litigious expropriation proceedings that take place in court. On the other hand, the amount realized in the period appears negative due to provisions related to the Alqueva dam and land expenses.

/ Programme 3 – Dam and Pedrógão Plant (EUR +55,282)

In this programme, the registered deviation essentially fell under the item "Land", and is justified by the realization of some expenses, not foreseen in this period.

/ Programme 4 – Alqueva-Álamos Pumping Station (EUR -5,570,236)

In programme 4, the deviation occurred due to delay at the start of the Power Reinforcement Construction of EFMA's Alamos Pumping station, which was awarded at the end of 2017 and is expected to start next year.

/ Programme 5 – Primary Network (EUR -20,751,270)

The deviation registered in this programme was due to the delayed beginning of works planned for 2017, namely, the connection to the Morgavél adduction system and capacity reinforcement of the Álamos-Loureiro canal siphons. It should be noted, however, that public tender for the Construction Contract for the Connection to Morgavél Adhesion System was issued at the end of the year.

/ Programme 6 – Secondary Irrigation Network (EUR -12,091,276)

In this programme, the deviation was also due to the delays in the beginning of EFMA's 2nd phase works, with special emphasis on the Loureiro Alvito blocks. It should be noted that, regarding the latter, the public tender was issued in September 2017.

/ Program 7 – Regional Development (EUR +55,234)

In this program, registered deviations pertained mainly to projects related to the development of the Photovoltaic Park, the Cegonha Reservoir and other expenditures not predicted for this year.

PERSONNEL EXPENSES

Personnel Expenses show a -3,82% deviation (103,82% compliance), which was mainly due to the following factors:

- / Reduction of compensation paid for reasons of contractual resolution;
- / Reduction of the number of employees in Management positions compared to 2016;
- / Employees leaving throughout the year, and their respective replacement (which was subject to authorization in accordance with the law) only took place in December;

After deducting the reductions related to the cost of employees that left in 2017 (5, one of which was a Director), there was a 3,82% net decrease pertaining to Personnel Expenses.

Social Bodies, managers and employees were considered for the calculation of Personnel Expenses, which makes a total of 185 employees.

DESIGNATION	PREDICTION	EXECUTION	VARIATION 2017/2017	
	2017	2017	VALUE	%
Personnel expenses (1) = (a)+(b)+(c)+(d)+(e)+(f)	6,081,267,33	5,848,903,63	-232,363,70	-3,82%
(a) Expenses with Governing Bodies	303,609,04	298,051,93	-5,557,11	-1,83%
(b) Expenses with Management Positions	1,390,000,00	1,302,377,00	-87,623,00	-6,30%
(c) Personnel Remuneration (1)+(2)	4,126,758,29	3,955,470,43	-171,287,86	-4,15%
(i) Basic Salary + Holiday Pay + Christmas Bonus	2,826,758,29	2,704,635,00	-122,123,29	-4,32%
(ii) Other Subsidies	1,300,000,00	1,250,835,43	-49,164,57	-3,78%
...iimpact remuneratory reductions/suspension	0,00	0,00	0,00	0,00
(d) Post-employment benefits	0,00	0,00	0,00	0,00%
(e) Other charges	260,000,00	226,693,00	-33,307,00	-14,69%
(f) Terminations/compensations	900,00	66,311,27	65,411,27	98,64%
DESIGNATION	PREDICTION	EXECUTION	VARIATION 2017/2017	
	2017	2017	VALUE	%
Total No. H.R. (G.B. + Managers + Employees)	185	185	0	0,00%
Number of Governing Bodies (G.B.) (number)	6	6	0	0,00%
No. Managers without G.B. (number)	25	25	0	0,00%
No. Employees without G.B. and without Managers (number)	154	154	0	0,00%
Expenses with Managers/Personnel Expenses [(b)/((1) – (f))]	0,23	0,23	0,00	

LEVEL OF INDEBTEDNESS

EDIA, S.A. has complied with Parliamentary Assembly Resolution no. 29/2010, of April 12th, which approved the Stability and Growth Program 2010-2013 (PEC), stating that the growth of indebtedness was limited according to the limits recommended in the SGP, 7% in 2010, 6% in 2011, 5% in 2012, 4% in 2013, 4% in 2014, 3% in 2015.

With regard to the 2016 and 2017, there was no increase in indebtedness by borrowed capital.

DEGREE OF IMPLEMENTATION OF THE BUDGET LOADED IN SIGO/SOE

PROJECTS

(in EUR)					
PROJECT	PROJECT	OE 2017	MADE	DEVIATIONS	EXEC. DEGREE (%)
09482	4 th Section of the Vale Gaio H. Circuit	11,800	26,683	14,883	226%
09551	Complementary Actions	28,792,401	13,992,871	-14,799,530	49%
09490	Amoreira-Pias Pipeline	48,796	37,822	-10,974	78%
09521	Barras, Torrão and Baronia Baixo Block	39,047	17,121	-21,926	44%
09529	Moura Gravitico Block	27,020	20,726	-6,294	77%
09527	Pias Block	836,123	1,055,079	218,956	126%
09554	Caliços-Machados Blocks	216,780	98,847	-117,933	46%
09519	Baronia and Alvito Altos and Alvito Baixo Blocks	32,285		-32,285	0%
09510	Beja Block	67,860	13,912	-53,948	21%
09514	Beringel-Álamos Blocks	22,735	49,732	26,997	219%
09531	Pedrógão Blocks	12,302		-12,302	0%
09525	São Matias Blocks	29,730	1,451,989	1,422,259	4884%
09532	São Pedro Blocks	40,610	14,784	-25,826	36%
09530	Loureiro-Alvito Block	861,000		-861,000	0%
09508	Roxo-Sado Block	46,841		-46,841	0%
09467	Roxo-Sado Hydraulic Circuit	59,410		-59,410	0%
09504	São Pedro-Baleizão-Quintos Hydraulic Circuit	7,075	86,125	79,050	1217%
09478	Caliços-Machados Hydraulic Circuit	49,610		-49,610	0%
09474	São Matias Hydraulic Circuit	1,845		-1,845	0%
09468	Installation of Groups 3 and 4 PS Álamos and Álamos-Loureiro	9,969,984		-9,969,984	0%
09427	Connection to the Morgavél Adduction System	3,437,610		-3,437,610	0%
09483	Sieve implementation in the Penedrão Roxo Circuit		2,502	2,502	-
TOTAL		44,610,864	16,868,193	-27,742,671	38%

Considering the previous table with the degree of implementation of the budget loaded in the SIGO/SOE, and as a public company that integrates the consolidation perimeter of the State, we will now structure the matters that justify the deviations found in relation to EDIA's Investment Budget. It should be noted that the budget submitted to the DGO was developed from a financial perspective, taking the payments made by the Company into account.

FINANCIAL AND MATERIAL IMPLEMENTATION FOR 2017

The planned investment budget for 2017, approved in the DGO, amounted to EUR 44,610,864. This budget was mainly aimed at concluding the operation of EFMA infrastructures – 1st phase, starting the 2nd phase works and paying Portucel Recicla's compensation following the conclusion of the litigation process in the Arbitral Tribunal.

At the end of the year, the realized value in this budget amounted to EUR 16,868,193, mainly due to the implementation of Portucel Recicla's indemnity value, amounting to EUR 13,914,854.

IDENTIFICATION OF DEVIATIONS REGARDING GOALS SET FOR PROJECTS

Throughout the year, there was a need to transfer funds between projects in order to adjust the amounts foreseen in August 2016 to 2017.

The overall deviation of the envisaged projects, compared to the realized one, is EUR -27,742,671, and is mainly due to the delay in obtaining the European Banks (BEI and CEB) funding required to start of the 2nd phase of EFMA infrastructure, scheduled for 2017.

By the end of 2016, projects related to EFMA's 1st phase were, essentially finished, and during the year 2017 only remaining expenses related to these projects were registered, which are justified by the financial closure of projects assigned to this phase. At the time of drawing up of the budget, the value and the settlement date of these expenses were not well defined, so there were some deviations from the initial one.

Below are investments planned for 2017, carried over to 2018, given that works were not started:

- / (09427) – Connection to the Morgavél Adduction System;
- / (09468) – Installation of Groups 3 and 4 Alamos Pumping Station and Alámos-Loureiro Hydraulic Circuit;
- / (09530) – Loureiro-Alvito blocks – Supply of Equipment 2nd Phase.

The 2017 realization focused mainly on Environmental Impact Studies (EIA) and Execution Projects and other pre-construction procedures. Thus, the projects' situation, as of 31/12/2017, was as follows:

Completed Execution Projects and EIAs:

- / Cuba Odivelas Hydraulic Circuit and respective Block.

Execution Projects and EIAs in the environmental assessment phase:

- / Reguengos Hydraulic Circuit and respective Block;
- / Évora Hydraulic Circuit and respective Block;
- / Viana do Alentejo Hydraulic Circuit of and respective Block;
- / Póvoa-Moura Hydraulic Circuit and its Block.

Ongoing Execution Projects and EIAs:

- / Vidigueira Hydraulic Circuit and respective Block;

/ São Bento Hydraulic Circuit and respective Block;

/ Cabeça Gorda-Trindade Hydraulic Circuit of the and respective Block.

Execution Projects and EIA's in tender procedure:

/ Hydraulic circuit of the connection to the Monte da Rocha reservoir and Messejana block.

(in EUR)				
REVENUE	2017 OE	MADE	DEVIATIONS	EXEC. DEGREE (%)
Current Transfers	28,505,730	12,775,413	-15,730,318	45%
Sales of Current Goods and Services	2,089,318		-2,089,318	
Financial Liabilities	14,015,816	13,915,340	-100,476	99%
TOTAL	44,610,864	26,690,753	-17,920,112	60%

The deviation registered in the revenue budget had a special impact on the current transfers item and was mainly due to the delay in obtaining funding from the European Banks (BEI and CEB) for the 2nd phase works of EFMA's infrastructures for 2017.

ACTIVITIES

(in EUR)				
ACTIVITIES BUDGET	APPROVED BUDGET 2017	EXECUTION 2017	DEVIATION	EXEC. DEGREE (%)
Expense				
Personnel expenses	5,726,000	5,799,916	73,916	101%
Acquisitions of Goods and Services	17,939,732	22,254,750	4,315,018	124%
Interest and other charges	6,686,159	3,540,956	-3,145,203	53%
Other current expenditures	5,285,506	702,358	-4,583,148	13%
Acquisition of capital goods	711,572	121,601	-589,971	17%
Financial liabilities	13,424,069	13,424,068	-1	100%
	49,773,038	45,843,650	-3,929,388	92%
Revenue				
Current Transfers	442,600	53,243	389,357	12%
Sale of current goods and services	27,212,897	37,357,121	-10,144,224	137%
Other current revenue	3,797,689	718,581	3,079,108	19%
Financial liabilities	20,874,568	16,992,655	3,881,913	81%
	52,327,754	55,121,599	-2,793,845	105%
TOTAL	104,655,508	110,243,199	-5,587,691	105%

Regarding the Activity Budget, expenses' are at a 92% degree of implementation, and its main deviations are: (a) purchases of goods and services with a 124% implementation compared to what was expected, justified by water consumption increase, as a result of a period of extreme drought and high adhesion to irrigation, which led to an increase in energy consumption for pumping; (b) interest and other charges with a 53% execution as a result of the lower interest rate; (c) other current expenses with 13% implementation for VAT payments and payment of expected water resource rates, which did not occur.

Regarding revenue, it shows a 105% implementation in relation to the budget. Sales of current goods and services account for 137% as a result of irrigation water supply and the unanticipated receipt of approximately EUR 6 million as a result of the arbitration decision pertaining to EDIA and the Guadiana Hydroelectric Company, of the EDP Group.

FINANCIAL RISK MANAGEMENT

Financial risk management, under the terms of Ordinance No. 101/09-SEFT, of January 30th.

ADOPTED RISK ASSESSMENT PROCEDURES AND RESPECTIVE COVERAGE MEASURES

DIVERSIFICATION OF FINANCING INSTRUMENTS, AVAILABLE INTEREST RATE ARRANGEMENTS AND CREDIT INSTITUTIONS

EDIA presents an accumulated investment from 1995 to the end of 2017 of approximately EUR 2,351 billion. The funding of this investment consists not only of equity and investment subsidies (Community Funds and PIDDAC), but also foreign capital, through bank loans.

As of 31/12/17 the funding structure is composed of:

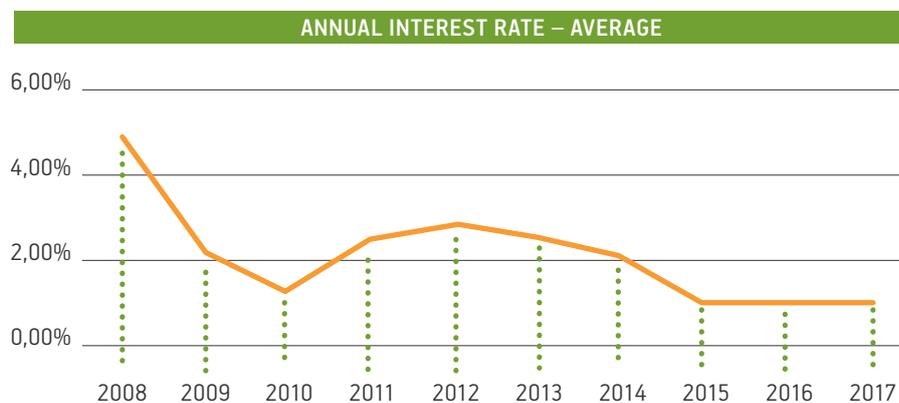
- / Capital increases amounting to EUR 529,30 million
- / Investment Grants – Community funds amounting to EUR 1,240 million
- / Investment Grants – PIDDAC amounting to EUR 153 million
- / Bank Financing amounting to EUR 637,50 million

FINANCIAL RISK MANAGEMENT POLICIES

EDIA acknowledges the various areas of financial risk that can significantly alter its equity value, these risks are the interest rate risk and the liquidity risk.

INTEREST RATE RISK

Interest rate risk is usually associated with changes in spreads and interest rate variation risks. EDIA has never subscribed to any interest rate hedging, all external financing is indexed to the variable rate. In our view, this has been the right policy since the market presents relatively low rates, and is thus advantageous when compared to higher charges resulting from this type of operation. By establishing a comparative analysis of the financial charges over each funding's life, one concludes that the average rate in 2017 is close to the 1,01%, a clearly advantageous rate given the contracting of this type of financial instruments, namely setting interest rates.



SENSITIVITY ANALYSIS

The sensitivity analysis of the interest rate is based on the following assumptions:

- / Changes in interest rates affect receivable or payable interests on financial instruments indexed at variable rates; and
- / The analysis was based on the financial instruments existing during the current year.

Thus, taking these assumptions into account, as well as a 1% interest rate variation of the financial instruments, their impact on Financial Results as well as the Net Results for the Financial Year would be (+/-) EUR 5,11 million 2017 and (+/-) EUR 5,33 million in 2016.

LIQUIDITY RISK

Up to 2010, all external financing operations (borrowed capital) were carefully analysed as a result of a Banking consultation, considering the best market conditions, both financially and fiscally, and always choosing the one that presented the most favourable all-in-cost for the Company.

Starting in mid-2011, a new reality emerged for EDIA, with the global economic-financial situation deteriorating, access to new financing became more and more difficult. The Portuguese State downgrade by the main international rating agencies led to an increase in credit risk to all companies in the SEE, and consequently, loan spreads increased significantly.

As from 2012, in order to guarantee the necessary liquidity for the normal functioning of the Company, to ensure the realised investment and to meet the financial costs, all EDIA financing and refinancing needs were provided by five banks (CGD , BES, BCP, BPI and Santander-Totta), as a result of the mediation of the State Treasury and Finance Department and the Directorate-General of Treasury and Finance Department with the respective banking sector.

Under Decree-Law no. 133/2013, which entered into force at the beginning of December 2013, all EDIA financing operations require DGTF approval and IGCP opinion.

In November 2014, following the entry into the public accounts perimeter, EDIA took out a loan granted by the DGTF in order to meet financial needs until the end of the year, and to settle and replace short-term debt in the amount of EUR 189,21 million.

ADOPTION OF ACTIVE POLICY TO ENHANCE PERMANENT CAPITAL

CONSOLIDATION OF REMUNERATED LIABILITIES THROUGH THE TRANSFORMATION OF LIABILITIES, FROM SHORT TO MEDIUM AND LONG TERM, IN FAVOURABLE MARKET CIRCUMSTANCES

As a result of more favourable market conditions, and whenever EDIA is unable to obtain funding through capital increases, it is forced to resort to borrowed capital funding, and at that time there was a concern to consolidate remunerated short-term liabilities into the medium and long term.

As mentioned above, EDIA restructured the short-term debt contracted since September 2011, following entry into the public accounts perimeter, by signing a medium-and long-term contract in November 2014 for a total of EUR 189,21 million.

In 2017 EDIA's funding was provided through capital increases of EUR 64,96 million.

MINIMISATION OF REAL GUARANTEES AND COVENANTS

Considering that the EFMA project is of great interest to the county as it is designed to put the water resources from the River Guadiana to good use and foster the economic and social development of the Alentejo region, all EDIA funding has the backing of a personal guarantee from the state and is based only on the financial resources strictly necessary for investment in any period in order to facilitate borrowing on the best market conditions.

When entering into foreign borrowing operations EDIA and DGTF (the latter as the state's representative, EDIA's only shareholder) are careful to minimise any covenants in all documents.

As from 2011, due to the economic and financial circumstances and the constraints on bank funding in Portugal, EDIA took short-term loans to the amount of EUR 161,5 million, from Portuguese banks with no state guarantee (following negotiations between the State Treasury and Finance Department and CGD, BES, BCP, BPI and Santander-Totta regarding funding of state-owned companies).

The current financing agreement of EUR 189,21 million with the DGTF, contracted in 2014, does not contain covenants.

MEASURES TO OPTIMISE THE COMPANY'S FINANCIAL STRUCTURE

Since was it was founded, EDIA has focused its business activity on developing EFMA infrastructures, of which the Alqueva and Pedrógão dams and their hydroelectric plants stand out do to their size, as do the primary adduction system and blocks making up the 120,000 ha projected for the EFMA.

EDIA's investment and funding decisions require state approval, as indicated below:

- / Pursuant to Article 3 (1) (c) of Decree-Law 42/2007 of 22nd February, EDIA's company object is "designing, executing and building of the Undertakings secondary network infrastructures, in representation of the state and in accordance with the instructions of the Minister of Agriculture, Forests and Rural Development". Funding must be obtained as defined in Point 2, i.e. "Through the Ministry of Agriculture, Forests and Rural Development, the state ensures funding and other conditions associated with EDIA's business, with regard to the pursuit of the object defined in Point c) of the previous paragraph. The works are state property";
- / Regarding the primary network, Point 3 sets out, "The construction of the primary and secondary irrigation networks in the undertaking requires prior approval of projects by the Minister of Agriculture, Forests and Rural Development, who must monitor the entire process as required by the law on hydro-agricultural works." The execution of the primary network also requires prior approval by the state, as the shareholder"; and
- / Regarding funding and guarantees, Article 8 (1) of the same decree-law sets out, "Medium and long-term funding for EDIA requires authorisation from the Ministry of Finance."

When planning EFMA investments and funding, EDIA's sole purpose is to fulfil the goals set for the company by its Shareholder. Where funding is concerned, community funds available in the different operational programmes for the EFMA are always considered, followed by capital contributions from the Shareholder.

Up until 2015, EFMA projects were included in the main community funding programmes in Portugal, such as the POVT, INALENTEJO and PRODER. Where eligible investments are concerned, the POVT provides support for primary network projects at a rate of 100% (85% from FEADER and 15% from PIDDAC). Following the reprogramming of POVT and INALENTEJO programmes, FEDER's support for the EFMA secondary network was projected with an 85% co-funding.

Funding from the shareholder is mainly intended to ensure Portugal's contribution to community projects, which are mostly financial costs resulting from EFMA's funding policy.

FINANCING POLICY

YEARS	(in thousand EUR)				
	2013	2014	2015	2016	2017
Financial Expenses	18,618,53	15,513,89	8,085,90	7,198,28	6,416,66
Average Funding Rate (%)	2,59%	2,11%	1,11%	1,04%	1,01%

From 2013 to 2014, the need to finance EFMA's investment activities, as well as the debt service payment, entailed the use of borrowed capital by taking out bank loans.

As from 2015, the change in the financial policy defined by the Shareholder, previously based on loans, and currently on sufficient capital allocations to keep up with the pace of investments and bear the debt service charges, resulted in a reduction of the charges (-65,54%).

Bond financing is indexed to variable interest rates, namely Euribor, so the evolution of the average financing rate is directly related to this rate's variation, which in 2017 show historical lows.

Borrowed funding in 2014 with the DGTF in the amount of EUR 189,00 million has a fixed nominal annual rate, equivalent to the Republic's cost of financing at the date of the disbursement.

In 2017, there was a decrease in Remunerated Liabilities, since there was no financing from borrowed capital, and only partial repayments were carried out regarding the loan with the BEI (EUR 6,68 million), the loan with the DGTF amounting to 189,00 million (EUR 31,53 million), and the EUR 94,35 million (EUR 6,74 million) bond loan.

CAP ON INCREASES IN BORROWING

In 2017, the variation in indebtedness stood at -7,72%, according to the following table:

REMUNERATED LIABILITIES (EUR)	2017	2016	2015	2014	2013	17/16 VARIATION	
	VALUES (EUR)					VALUE	%
Financiamentos Obtidos (Correntes e Não Correntes)	637,497,750,08	690,804,291,34	728,882,360,60	735,436,426,38	719,298,435,04	-53,306,541,26	-7,72%
... of which granted by DGTF	126,139,523,33	157,674,404,16	189,209,285,00	189,209,285,00	0,00	0,00	0,00%
Capital increases by Allocation	30,907,994,66	21,774,374,24	17,501,742,94	0	0	9,133,620,42	
Capital increases by Credit Conversion	34,052,335,34	34,591,115,76	3,206,087,06	0	0	-538,780,42	
Adjusted Debt	702,458,080,08	747,169,781,34	749,590,190,60	735,436,426,38	719,298,435,04	-2,420,409,26	

(in EUR)

EVOLUTION OF THE AVERAGE PAYMENT TIME

The evolution of the Average Payment Time (PMP), in accordance with RCM no. 34/2008, February 22nd, as amended by Ordinance no. 9870/2009, of April 13th, approves the "Pay In Good Time" programme, which aims to reduce the average payment times practiced by public entities to suppliers of goods and services. This resolution establishes the formula to be used for the calculation of the PMP registered at the end of each quarter, and it is incumbent upon the General-Directorate of the Treasury and Finance (DGTF) to calculate and advertise it on its website.

EDIA, S.A.'s PMP for 2017 and 2016 (according to the DGTF formula) is presented below:

PMP	2017	2016	VARIATION 17/16	
			VALOR	%
Deadline (days)	61	60	1	1,67%

Throughout 2017, the PMP only had a slight one day increase, compared to the deadlines presented in 2016, i.e. about 1,67%. This increase is justified by the fact that the main supplier (power) under the item "Acquisition of Goods and Services" has a payment deadline of 75 days upon issuing the invoice, and also due to the lengthy and bureaucratic process of requests for deactivation of funds.

PAYMENTS IN ARREARS

Article 14 (2) of Decree-Law no. 18/2016 of April 13th, as amended by Decree-Law no. 35-A/2016 of June 30th (DLE02016) forces public companies, with an average payment time of over 90 days, to disclose, on a quarterly basis, the updated list of its confirmed debts due for over 60 days.

Pursuant to article 183 of Law no. 55-A/2010, of December 31, management bodies of public and administrative sectors are required "to disclose, on their respective websites, the situation at the end of each semester (...) and, in particular, to identify the amounts owed for each term, grouped according to the nature of the good or service provided."

The debts to be reported refer to the supplies of goods and services for which payment is overdue, as defined in Decree-Law no. 65-A/2011, of May 17th: "non-payment of invoice corresponding to the supply of goods and services in the following article after the expiration of 90 days or more on the date agreed upon for the payment of invoice or, in its absence, on the date stated therein. "

In accordance with the provisions, EDIA, S.A.'s final list and identification of payments in arrears, as of December 31st, 2017, according to the DGTF formula, are show below:

OUTSTANDING DEBTS	VALUE (€)	OUTSTANDING DEBTS ACCORDING TO ART. 1.º DL 65-A/2011 (€)				
	0-90 DAYS	90-120 DAYS	120-240 DAYS	240-360 DAYS	> 360 DAYS	
Acquisition of Goods and Services	875,40					
Acquisition of Capital						
TOTAL	875,40	0,00	0,00	0,00	0,00	

On December 31st, 2017, EDIA does not show arrears as defined by Article 1 of Law 65-A/2011.



ACTIONS TAKEN AND RESULTS OBTAINED WITHIN THE SCOPE OF COMPLIANCE OF THE SHAREHOLDER'S RECOMMENDATIONS

At the Company's Annual General Meeting on October 30th, 2017, the State's sole Shareholder recommended the EDIA's Governing body to take the following actions:

/ the provisions of article 32, paragraph 2, of Decree-Law no. 71/2007, of March 27th, in its current version – (Use of credit cards and mobile phones)

In line with what is stipulated in article 32 of the EGP, and as republished by Decree-Law no. 8/2012, namely, with regard to the application of the provisions in paragraphs 1 and 2 of article 32 of the aforementioned Decree-Law, EDIA's Board of Directors does not use credit cards, or other payment instruments used by public managers, for the purpose of incurring EDIA expenses, nor does it receive reimbursements for any expenses that fall within the scope of personal representation expenses.

/ the provisions of Article 33 (3) of the Public Manager Statute, regarding the amount of monthly fuel and tolls assigned to service vehicles

It has been EDIA's understanding that the limits established in the law concern the personal use of the vehicles. Therefore, these limits have been complied with.

/ to the provisions of paragraph 4 of article 124 of Decree-Law no. 25/2017 of March 3rd

In 2017, personnel expenses corrected for the costs resulting from salary adjustments of severance indemnities and the effects arising from the application of the provisions in articles 20 and 21 of the LOE of 2017 were lower than those recorded on December 31st, 2016.

/ regarding the objective of payment time to suppliers in accordance with the criteria defined in Council of Ministers' Decision no. 34/2008, of February 14th

The evolution of the Average Payment Time (PMP), in accordance with RCM no. 34/2008, as amended by Order No. 9870/2009, of April 13th, approves the "Paying in Good Time" Programme, which aims to reduce the average payment times practiced by public entities to suppliers of goods and services. This resolution establishes the formula to be used for the calculation of the PMP registered at the end of each quarter, and it is incumbent upon the General-Directorate of the Treasury and Finance (DGTF) to calculate and advertise it on its website.

Throughout 2017, the PMP only had a slight one day increase, compared to the deadlines presented in 2016. This increase is justified by the fact that the main supplier (power) under the item "Acquisition of Goods and Services" has a payment deadline of 75 days upon issuing the invoice, and also due to the lengthy and bureaucratic process of requests for deactivation of funds.

REMUNERATION

GOVERNING BODIES

FIXED REMUNERATION STATUTE	
GENERAL MEETING BOARD	
Chairman	Shareholder ruling of 18/12/2014: (a) Attendance fee of EUR 575,00 (per General Meeting, normally one per year)
Secretary	Shareholder ruling of 18/12/2014: (a) Attendance fee of EUR 375,00 (per General Meeting, normally one per year)
BOARD OF DIRECTORS (EXECUTIVE DIRECTORS)	
CHAIRMAN	
Shareholder ruling of 18/12/2014: (a) Remuneration of EUR 4,864,34 (14 times a year) plus 40% for representation expenses in the amount of EUR 1,945,74 (12 times a year)	
Remuneration applied: b) Remuneration of EUR 5,465,43 (14 times this year) Remuneration with reduction of (5%) – € 5,192,15 (5% reduction in public managers' and similar managers' salaries, provided for in paragraph 1 of Article 12, of Law no. 12-A/2010, of June 30 th) Service Vehicle (purchase limit of 40,000,00 €); Driver; Mobile Phone (monthly limit of € 80,00); Health Insurance (€ 348,00 per year)	
MEMBERS	
Shareholder Ruling of 18/12/2014: (a) Remuneration of EUR 3,891,47 (14 times a year) plus 40% for representation expenses in the amount of EUR 1,556,59 (12 times a year)	
Remuneration applied: b) Remuneration of EUR 4,675,41 (14 times this year) Remuneration with reduction of (5%) – € 4,441,64 (reduction of 5% in the salaries of public managers' and similar managers' salaries, provided for in paragraph 1 of Article 12, of Law no. 12-A/2010, of June 30 th) Service Vehicle (purchase limit of 40,000,00 €); Mobile Phone (monthly limit of € 80,00); Health Insurance (€ 348,00 per year)	
SUPERVISORY BODIES	
Statutory Auditor	Remuneration corresponding to 22,5% of 12 months of gross monthly remuneration, in accordance with the law, to the Chairman of the Board of Directors of EDIA, S.A. – € 5,192,15 * 12 * 22,5% = € 14,018,81 Travel expenses (transport and accomodationm), according to Art. 59 of the Statutes of the Statutory Auditor
CHAIRMAN	
Shareholder Ruling of 18/12/2014: (a) Monthly salary of EUR 1,362,01 (14 times a year)	
Remuneration applied: b)	
Audit Committee	Remuneration of EUR 1,038,43 (corresponding to 20% of the fixed remuneration of the Chairman of the Board of Directors)
MEMBERS	
Shareholder Ruling of 18/12/2014: (a) Monthly salary of EUR 1,021,51 (14 times a year)	
Remuneration applied: b) Remuneration of EUR 778,83 (corresponding to 15% of the fixed remuneration of the Chairman of the Board of Directors)	

(a) The Unanimous Written Company Decision dated July 22nd, 2015 established EDIA Board members' remuneration status for the 2015-2017 term. However, the amendment was suspended due to stipulations under the terms of no. 21 of RCM no. 16/2012 and no. 3 of RCM no. 36/2012, of the Secretary of State for Treasury and Finance's Ordinance No. 764 / SEFT / 2012, of May 24th, in conjunction with paragraph 1 of article 256 of Law 82-B / 2014, of December 31st, which determines that, in 2016, effective remunerations of elected members of Governing Bodies shall not exceed the amounts allocated as of March 1st, 2012.

(b) The total amount of remunerations received was altered in early 2016. Following the approval of a set of additional fiscal consolidation measures aimed at strengthening and accelerating excessive deficit reduction and controlling debt growth within the Stability and Growth Programme (PEC), a 5% reduction public and equivalent managers' remuneration is to be maintained, as detailed in Article 12, no. 1, of Law No. 12-A / 2010, of June 30th.

Management awards are still not contemplated, in accordance with article 4 of Decree-Law no. 8/2012, of January 18th, and no. 4 of the Council of Ministers' Decision no. 36/2012, of March 26th, in article 29 of Law no. 64-B/2012, of December 30th (LOE 2012), in article 37 of Law no. 66-B, of December 31st (LOE 2013), Article 41 of Law no. 83-C, of December 31st (LOE 2014), article 41 of Law 82-B/2014 of December 31st (LOE 2015), and article 18 of the Law 7-A/2016 of March 30th (LOE 2016) and article 19 of Law no. 42/2016, of December 28th (LOE 2017).

BOARD OF THE GENERAL MEETING

MANDATE (START-END)	POSITION	NAME	VALUE OF THE ATTENDANCE (1)	GROSS VALUE (2)
(2015-2017)	Chairman	Carlos Alberto Martins Portas	575	575
(2015-2017)	Secretary	Hugo Alberto Cordeiro Lobo	375	375
(2015-2017)	Secretary	Cristina Maria Pereira Freire	375	375
TOTAL				1,325

BOARD OF DIRECTORS

MANDATE (START-END)	POSITION	NAME	DESIGNATION		OPRLD (2)			NO. OF TERMS
			DOC (1)	DATE	YES/NO	ORIGINATOR	PAYING ENTITY (O/D)	
(2015-2017)	Chairman *	José Pedro Mendes Barbosa da Costa Salema	DUE	22/7/2015	SIM	EDIA	D	2
(2015-2017)	Member **	Augusta Manuel Pereira de Jesus Cachoupo	DUE	22/7/2015	SIM	EDIA	D	3
(2015-2017)	Member ***	Jorge Manuel Vazquez Gonzalez	DUE	22/7/2015	SIM	EDIA	D	2

(1) Indicate Resolution (R)/AG/DUE/Order (D)

(2) – Option for Remuneration of Place of Origin – under number 8 of the EGP article; indicate the paying entity (O – Origin/D – Destination)

* Start date of the 1st term – 12/02/2013

** Start date of the 1st term – 04/21/2004

*** Start date of the 1st term – 03/08/2012

BD MEMBER (NAME)	ACCUMULATION OF FUNCTIONS		
	ENTITY	FUNCTION	REGIME
	(IDENTIFY)	(IDENTIFY)	(PUBLIC/PRIVATE)
José Pedro Mendes Barbosa da Costa Salema	-	-	-
Augusta Manuel Pereira de Jesus Cachoupo	-	-	-
Jorge Manuel Vazquez Gonzalez	-	-	-

BD MEMBER (NAME)	EGP			
	FIXED (Y/N)	CLASSIFICATION (A/B/C)	GROSS VALUE (€ – MONTHLY)	
			BASE REMUNERATION	REPRESENTATION COSTS
José Pedro Mendes Barbosa da Costa Salema	S	B	4,864	1,946
Augusta Manuel Pereira de Jesus Cachoupo	S	B	3,891	1,557
Jorge Manuel Vazquez Gonzalez	S	B	3,891	1,557

Note: EGP – Public Manager Statute

SUPERVISION

SUPERVISORY BOARD

MANDATE (START-END)	POSITION	NAME	DESIGNATION		REMUNERATION STATUTE FIXED (MONTHLY) (€)	No. OF MANDATES
			DOC (1)	DATE		
(2015-2017)	Chairman	António Bernardo de Menezes e Lorena de Sêves	DUE	22/7/2015	1,362	3
(2015-2017)	Member	Nelson Manuel Costa dos Santos	DUE	22/7/2015	1,022	2
(2015-2017)	Member	Carlos António Lopes Pereira	DUE	22/7/2015	1,022	1
(2015-2017)	Alternate Member	Cristina Maria Pereira Mascarenhas Vieira Sampaio	DUE	22/7/2015	-	3

(1) Indicate AG/DUE/Order

NAME	ANNUAL REMUNERATION (€)		
	GROSS (1)	REMUNERATION REDUCTIONS (2)	VALUE AFTER REDUCTION (3)=(1)-(2)
António Bernardo de Menezes e Lorena de Sêves	14,538	-	14,538
Nelson Manuel Costa dos Santos	10,904	-	10,904
Carlos António Lopes Pereira	10,904	-	10,904
Cristina Maria Pereira Mascarenhas Vieira Sampaio	-	-	-
TOTAL			36,346

STATUTORY AUDITOR AND AUDITOR REGISTERED AT CMVM

MANDATE (START-END)	POSITION	IDENTIFICATION SROC/ROC			DESIGNATION			NUMBER OF YEARS OF DUTIES PERFORMED IN THE GROUP	NO. OF MANDATES IN COMPANY
		NAME	REGISTRATION NO. AT OROC	REGISTRATION NO. AT CMVM	DOC (1)	DATE	DATE OF CONTRACT		
(2015-2017)	Revisor Oficial de Contas	RCA – Rosa, Correia & Associados, SROC, S.A. Represented by Paulo Fernando da Silva Pereira as effective Statutory Auditor, and by Dr. Luís Francisco Pereira Rosa as Alternate Statutory Auditor	22/May/00	20161455	AG	19/12/2016	17/02/2017	-	2

Notes: The effective (SROC and ROC) and alternate (SROC and ROC) must be identified

(1) Indicate AG/DUE/Order (0)

NAME	ANNUAL VALUE OF THE PROVISION OF SERVICES – 2017 (€)			ANNUAL VALUE OF ADDITIONAL SERVICES – 2017 (€)			
	VALUE (1)	REDUCTIONS (2)	FINAL VALUE (3)=(1)-(2)	SERVICE IDENTIFICATION	VALUE (1)	REDUCTIONS (2)	FINAL VALUE (3)=(1)-(2)
RCA – Rosa, Correia & Associados, SROC, S.A. Represented by Paulo Fernando da Silva Pereira	14,019	-	14,019	-	-	-	-

EXTERNAL AUDITOR

IDENTIFICATION OF EXTERNAL AUDITOR			DATE OF CONTRACT	CONTRACT DURATION	NUMBER OF YEARS OF DUTIES PERFORMED IN THE GROUP	NO. OF YEARS
NAME	REGISTRATION NO. AT OROC	REGISTRATION NO. AT CMVM (*)				
Baker Tilly, PG & Associates, S.A.	235	-	12/1/2017	2017-2019	-	1

(*) EDIA's External Auditor with the CMVM is ROC.

NAME OF EXTERNAL AUDITOR	ANNUAL VALUE OF THE SERVICE AGREEMENT – 2017 (€)			SERVICE IDENTIFICATION	ANNUAL VALUE OF ADDITIONAL SERVICES – 2017 (€)		
	VALUE (1)	REDUCTIONS (2)	FINAL VALUE (3)=(1)-(2)		VALUE (1)	REDUCTIONS (2)	FINAL VALUE (3)=(1)-(2)
Baker Tilly, PG & Associates, S.A.	13,425	-	13,425	-	-	-	-

The External Auditor working for EDIA is working under a three-year contract covering the 2017-2019 financial years. The Statutory Auditor heading the contractual auditing is Paulo Jorge Duarte Gil Galvão André.

SUSPENSION OF PAYMENT OF COMPLEMENTARY PENSIONS

Not applicable, since EDIA does not have such situations.

PUBLIC MANAGER STATUTE

As from April 2012, remuneration of public managers has been governed by the new Public Manager Statute (EGP), published in Decree-Law no. 8/2012 of January 18th, object of the Declaration of Rectification no. 2/2012, January 25th, in conjunction with the Council of Ministers' Decision (RCM) no. 16/2012 approving the criteria for determining the salary of public managers, and no. 36/2012, approving the classification of public companies and public entities within the National Health Service in order to determine their managers' remuneration, as well as ratings allocated to the companies included in the Annex in three groups (A, B and C). EDIA was rated in group B, with effect in terms of fixing the remuneration of members of the governing bodies.

In the current mandate of the Governing Bodies (2015-2017), the statute of remuneration of the current EDIA managers remains identical to what is practiced by the Company since 2002. There has been no change in their remuneration, in line with no. 3 of RCM No 36/2012: "(...) during the term of the Economic and Financial Assistance Programme (PAEF), the implementation of remuneration setting rules established by this law may not lead in each company, to an increase in managers' effective remuneration, those appointed or to be appointed, having as a reference the remuneration at the date of entry into force of the Council of Ministers' Decision no. 16/2012, of February 14th and 18/2012 of February 21st, without prejudice to the potential option of expiration of the place of origin in new appointments." The RCM 36/2012 of March 15th thus suspended the application of these rules during the PAEF's term.

On the other hand, and in line with stipulations in article 32 of the EGP, and as republished by Decree-Law no. 8/2012, namely, with regard to the application of the provisions in numbers 1 and 2 of article 32 of the aforementioned

Decree-Law, EDIA's Board of Directors does not use credit cards, or other payment instruments used by public managers, for the purpose of incurring EDIA expenses, nor does it receive reimbursements for any expenses that fall within the scope of personal representation expenses.

The following tables systematize, respectively, expense amounts associated with communications, and the monthly fuel and toll amounts assigned to service vehicles.

MEMBER OF CA (NAME)	COMMUNICATIONS EXPENSES (€)		
	MONTHLY LIMIT	ANNUAL LIMIT	COMMENTS
José Pedro Mendes Barbosa da Costa Salema	80,00	286	-
Augusta Manuel Pereira de Jesus Cachoupo	80,00	263	-
Jorge Manuel Vazquez Gonzalez	80,00	237	-
		786	

MEMBER OF CA (NAME)	FUEL AND TOLLS MONTHLY LIMIT	ANNUAL EXPENSES RELATED WITH VEHICLES (€)			
		FUEL	TOLLS	TOTAL	COMMENTS
José Pedro Mendes Barbosa da Costa Salema	486,40	6,063	2,763	8,826	-
Augusta Manuel Pereira de Jesus Cachoupo *	389,15	3,703	1,700	5,403	-
Jorge Manuel Vazquez Gonzalez **	389,15	4,077	2,171	6,248	-
				20,477	

Note:

* Annual expenditures on fuels and tolls for personal use of the vehicles was EUR 301,08.

** Annual expenditures on fuels and tolls for personal use of vehicles was EUR 351,00.

UNDOCUMENTED EXPENDITURES

EDIA does not have expenditures of this nature registered in its accounts.

REPORT ON PAID REMUNERATIONS TO WOMEN AND MEN

The report on remunerations paid to women and men, as determined in paragraph 2 of the Council of Ministers' Decision no. 18/2014, of March 7th, is disclosed and available on the Company's intranet platform.

[DOWNLOAD REPORT](#)

ANNUAL REPORT ON CORRUPTION PREVENTION

The Annual Report on the Plan for the Prevention of Corruption Risks and Related Offences (PPRCIC) was held in April 2015 and published on the Company's website, and is currently under review.

[DOWNLOAD REPORT](#)

PUBLIC PROCUREMENT

Regarding the implementation of the Rules for Public Procurement, EDIA is subject to the application of the Public Procurement Code (CCP) approved by Decree-Law no. 18/2008 of January 29th, by virtue of Article 2, paragraph 2, subparagraph a). In applying the rules of public procurement, EDIA is guided by the principles of equality, non-discrimination and transparency detailed in the national and European right to public procurement, without losing sight of other equally important values such as economy and sound financial management of public resources and the selection of the most suitable bid for the public interest. Decisions authorising spending are based on information where the need to contract is justified and the most appropriate procedure is proposed, following the procedure provided for in the CCP and the procedural rules established in internal regulations, bearing in mind the need to disaggregate functions and target parts of each procedure, particularly in terms of defining the relevant criteria for the award. The guidelines issued by the Ministry of Finance and related to the contracting, namely of services, by public companies, were also included in the public procurement procedures implemented in EDIA.

For several years now, EDIA has implemented a set of measures that have allowed a significant reduction in the average cost of purchases per employee, thus anticipating some of the measures now being addressed. Furthermore, following the implementation of these measures and the concomitant effect seen in terms of cost reduction, maintaining them has been a primary concern, and the possibilities that arise in connection with any reduction of these costs have not been ignored, either. At the same time, the full dematerialisation of the award procedures established in the CPP commonly used in the Company has been implemented, that is, open tender and direct award, per the general regime established therein. The development of such procedures on an electronic platform is now in line with the dematerialization already operated within the Company's internal document management.

At the more concrete level of spending on the acquisition of services it was decided by the Board of Directors that if the direct award procedure is used for expenditure worth over EUR 5,000,00 at least five entities must be invited. It will only be permitted to invite a smaller number of interested parties in exceptional, duly justified cases, subject to authorisation by the Board of Directors.

In terms of handbooks on the procurement of goods or services and in order to address the concerns underlying DGTF notice no. 6132 of August 6th, 2010, it was decided that in provision of services contracts worth EUR 125,000,00 (excluding VAT) or more, the award must be preceded by a justification of the need to hire, both from the economic standpoint and relative to the lack of internal solutions, as well as an explanation of the goals that should be reached in terms of a cost-benefit analysis.

At present, already incorporated in the relevant internal procedure handbook is the need for compliance, even when preparing the information that underpins and proposes a specific acquisition, as provided for in Article 127 of the CCP (the wording of Law no. 64-B/2011 of December 30th, which enters into force on January 1st, 2012), pursuant to which the publication on the portal of the public procurement of all contracts concluded by direct award whose value is EUR 5,000,00 or more must contain the reasons for the need to resort to direct award, with special emphasis on the impossibility of meeting the need by way of the Public Administration's own resources.

In 2017, EDIA awarded contracts that surpassed EUR 5,000,000,00. Thus, in the fourth quarter of 2017, the Contract for the Construction of the EFMA Alamos Pumping station's Power Reinforcement was awarded, in the amount of EUR 9,231,421,59.

On the other hand, and as regards the justification for incurring each expense, the need for competitive procedures was firmly established, with the handbooks on the procurement of goods or services in force in the Company requiring that the choice of the procedure to invite a single entity must always be justified on technical, economic, urgency or some other grounds, so as not to widen the universe of competitors.

Guidance was given to the effect that the price factor is of increasing importance in the award criteria adopted, seeking gains in efficiency, rationalisation and transparency in this way. Software was also implemented to facilitate control of the limits set by Article 113(2) of the Public Procurement Code at the stage of choosing and proposing which entities to invite.

Regarding the recommendation to encourage companies to sound out their internal powers, throughout this report several references are made to the significant efforts made by EDIA to develop its activity with the same or, if possible, with a smaller number of resources, a strategy which continued to be followed in 2017 without compromising the pursuit of the planned activities.

Finally, considering measures for fiscal restraint and public expenditure limitation articulated with all the guidelines issued by the Finance Department regarding control measures and implementation of public expenditure, the skills to carry out expenditure and the acquisition of goods and services are defined in Work Order no. 1/2013 which aims to establish clear and effective rules for the management of funds of the Company. This document defines, in a detailed manner:

- / A tiered hierarchy of powers delegated by levels of responsibility; and
- / The form of approval, conference and validation of expenditure incurred.

NATIONAL SYSTEM OF PUBLIC PROCUREMENT

In the supply of goods and services required for its activity, EDIA scrupulously complies with the legislation in force and the guidelines issued by the Shareholder. The existence of a model of governance clearly known by all employees, with diverse skills and attributes, and centralised purchasing services, allows it to achieve economies of scale that have proven to be efficient and advantageous to the Company's management. The results obtained in the field of provision of computer services, mobile communications, asset management and consumables stand out in this regard.

It should also be noted that EDIA already carried out the dematerialization of the entire procurement procedure cycle. Internally from the authorization of expenditure validated on document management platform and supported in SAP and at the level of relationship with suppliers by the use of an electronic platform for public procurement, connected with the Official Portal for Public Procurement.

On the other hand, with the gradual entry of the company into exploration phase, and taking into account the need to contribute toward rationalizing spending and less bureaucratic processes of public supply processes, EDIA joined the National Public Procurement System (SNCP) via the Shared Services Entity of Public Administration, I.P. (eSPap) by assessing the benefits that may accrue from this type of provision of goods and services. In 2017, acquisitions made via eSPap by EDIA were related to obtaining vehicles in purchase or operational leasing scheme.

Lastly, and considering the need to contain expenses, it was also determined that the price factor should hold significant weight in the awarding criteria adopted, and that they be preceded by adequate support and justification regarding the need to contract and analyse the lack of alternative internal solutions, thus seeking to enhance not only efficiency and streamlining, but also transparency.

MEASURES TO REDUCE OPERATING EXPENDITURE

PRC	2017 EXEC.	2016 EXEC.	2015 EXEC.	2014 EXEC.	(in EUR)	
					2017/2016 Δ ABSOL.	VAR. %
(0) EBITDA	10,821,121,22	11,990,781,80	8,211,116,00	9,194,506,62	-1,169,660,58	-9,75%
(1) CMVMC	43,532,56	36,092,57	43,385,54	20,529,00	7,439,99	20,61%
(2) FSE	18,524,985,74	25,770,643,20	136,617,208,84	75,474,094,00	-7,245,657,46	-28,12%
(3) Personnel Expenses	5,848,903,63	6,066,878,14	5,743,261,33	5,641,660,00	-217,974,51	-3,59%
(3.i) Indemnities paid due to termination	72,562,07	203,050,09	46,803,60	848,34	-130,488,02	-64,26%
(3.ii) Impact of the reversal of remuneration reductions	50,555,00	79,994,79	66,971,81	0,00	-29,439,79	-36,80%
(3.iii) Impact of the application of Articles 20 th and 21 st of the LOE 2017	3,732,00				3,732,00	-
(4) Operating Expenses (a) = (1) + (2) + (3)	24,417,421,93	31,873,613,91	142,403,855,71	81,136,283,00	-7,456,191,98	-23,39%
(5) Turnover (b)	28,180,445,24	23,816,342,50	20,830,971,43	18,064,656,00	4,364,102,74	18,32%
(6) Weight of Expenses/NV = (6)/(7)	0,87	1,34	6,84	4,49	-0,47	-35,26%
(i) Communications Expenses (ESF)	97,398,15	111,019,94	98,370,21	106,353,96	-13,621,79	-12,27%
(ii) Travel/Accommodation Expenses (ESF)	15,671,94	15,974,65	21,538,10	25,048,68	-302,71	-1,89%
(iii) Allowance Expenditures (Personnel Expenses)	20,755,06	22,832,29	24,106,72	31,202,34	-2,077,23	-9,10%
(iv) Vehicle Expenses (c)	713,833,00	737,740,17	727,830,00	663,486,00	n.a.	n.a.
Total = (i) + (ii) + (iii) + (iv)	847,658,15					
Total Number of HR (GB + MP + Employees)	185	185	191	193	n.a.	
Number of Governing Bodies (GB)	6	6	6	6	n.a.	
No. of Management Positions (MP)	25	26	27	27	n.a.	
No. of Employees (without GB and without MP)	154	153	158	160		
No. of Employees/Number of MP	6	5,88	5,85	5,93	n.a.	n.a.
No. of vehicles	77	77	79	76		

a) In order to assess the degree of compliance with operational expense reduction measures (CMVMC + ESF + Personnel Expenses), neither costs of termination payments and the effect of the reversal of remuneration reductions are considered (2015 – Article 4 of the Law 75/2014 of September 12th. 2016 – Article 2 of Law 159-A / 2015, of December 30th).

b) Turnover is adjusted to operating allowances and compensatory allowances.

c) Car expenses should include: rents/depreciation, inspections, insurance, tolls, fuels, maintenance, repair, tires, rates and taxes.

In 2017, there was a decrease in operating expenses compared to 2016 (-23,39%), mainly due to the lower investment volume of the secondary network, which was mainly registered under the subcontracts item. On the other hand, there was an increase in energy consumption in external supplies and services, which is directly related to the current year of drought, resulting in a significant increase in pumping. EDIA was able to reduce costs in communications lines (-12,27%), travel and accommodation expenses (-1,89%) and subsistence allowances (-9,10%).

Regarding the car fleet, measures undertaken throughout 2017, which will affect costs in 2018, managed to reduce expenses compared to 2016, due mainly to the significant decrease in fuel consumption. At the same time, it's worth noting that, as a result of the implemented containment measures, the number of vehicles in the fleet that should affect next year's expected costs was maintained.

Following the ministerial guidelines, the Company, while ensuring that the operation of the perimeters remains a strong component of activity, along with continuing to construct the primary and secondary networks' infrastructure, has been able to stabilize the total number of employees and favouring the redistribution of tasks among existing employees by adopting policies of internal mobility. In fact, on December 31st, 2011, EDIA's staff consisted of 189 employees, decreasing to 188 in 2012, to 187 employees in 2013, to 185 employees in 2014 and 2015, and to 179 employees in 2016 and 2017.

In accordance with its objectives and memorandum of association, the strong commitment of EDIA's human resources has been demonstrated in a particularly expressive form, by strengthening the appreciation and introduction of flexibility and versatility concepts within the organisation, something that led to the transfer of employees between areas, reinforcing the operational and maintenance areas. The policy pursued by EDIA throughout the year focused on diverting some of its human resources to new areas of the organisation's operations, through the conversion of the tasks for which they became responsible. Note that this increase and diversification of the Company's activities was carried out based on a staffing level that has been stabilised.

PRINCIPLE OF STATE TREASURY UNIT

EDIA, pursuant to Decree-Law No. 191/99 of June 5th, approving the State Treasury of Article 28 of Decree-Law no. 133/2013, of October 3rd, which establishes the principles and rules applicable to the corporate public sector, is part of the universe of bodies subject to the rules on the State Treasury Unit (UTE) and, therefore, has open accounts with the IGCP, EPE (IGCP) through which it must carry out all the financial transactions, in compliance with the Principle of Treasury Unit (PUT) established under Article 28 of Decree-Law no. 133/2013, of October 3rd.

However, due to the nature and diversity of financial transactions, either by virtue of the rules on the use of Community funds or by limitations of the facilities and services provided by the IGCP while "public treasury bank" (namely medium and long-term bond loans, as well as bank guarantees), EDIA has to contract some commercial banking services/products, so as not to compromise the normal functioning of financial services. It should be noted that, at the end of 2017, the rate to centralize at IGCP was 97,25%.

Considering that compliance with UTE rules may be waived annually by authorization of the shareholder feature in case of Public Companies (EP), due to the context presented and with the weighting of constraints presented, EDIA requested the dismissal of full concentration of the Company's deposits in IGCP for 2017, as provided in paragraph 3 of Article 28 of Decree-law No. 133/2013 of October 3rd, and in article 86 of Law no. 7-A/2016, of March 30th.

(in EUR)				
COMMERCIAL BANKING*	1 st QUARTER €	2 nd QUARTER €	3 rd QUARTER €	4 th QUARTER €
Caixa Geral Depósitos – Beja	268,449,23	120,844,85	220,267,17	226,864,25
Banco Comercial Português	103,407,86	19,789,42	10,041,14	23,609,67
Novo Banco	72,921,30	71,260,46	71,063,59	70,509,07
Caixa Banco Investimento	2,073,96	2,073,95	2,073,96	2,073,96
Caixa Central de Crédito Agrícola Mútuo	654,647,68	278,712,87	345,636,98	402,462,76
Santander-Totta	121,691,25	109,045,86	89,139,16	86,664,33
Banco Português Investimento	10,743,34	13,418,47	8,365,88	21,437,46
Banco BIC	626,95	614,47	509,74	0,00
Banco Popular	4,995,10	105,83	1,28	0,00
TOTAL	1,239,556,67	615,866,18	747,098,90	833,621,50
Interest Earned **	0,00	0,00	0,00	0,00

* Institutions where funds are held

** Interest received from all financial investments with Commercial Banking

	1 st QUARTER €	2 nd QUARTER €	3 rd QUARTER €	4 th QUARTER €
IGCP	8,349,234,39	13,795,362,31	12,629,129,31	29,510,760,81

RECOMMENDATIONS RESULTING FROM AUDITS OF THE COURT OF AUDITORS

The Court of Auditors did not audit EDIA throughout the last three years, i.e. 2015, 2016 and 2017.

ANNEXES REQUESTED BY DGTF

INFORMATION TO BE INCLUDED IN THE SEE WEBSITE	DISCLOSURE		COMMENTS
	Y/N/N.A.	UPDATE DATE	
Statutes	Y	21 st September 2015	-
Characterisation of the Company	Y	21 st September 2015	-
Function of Tutelage and Shareholder	Y	21 st September 2015	-
Governance Model/Members of the Governing Bodies			-
Identification of the Governing Bodies	Y	26 th February 2018	-
Fixed Remuneration Statute	Y	26 th February 2018	-
Disclosure of remunerations received by the Governing Bodies	Y	12 th March 2018	-
Identification of the functions and responsibilities of the members of the Board of Directors	Y	05 th March 2018	-
Presentation of curriculum summaries of the members of the Governing Bodies	Y	09 th March 2018	-
Public Financial Strain	Y	13 rd September 2016	-
Summary Sheet	Y	27 th February 2017	-
Historical and Current Financial Information	Y	16 th September 2016	-
Good Governance Principles			-
Internal and external regulations that the company is subject to	Y	26 th February 2018	-
Relevant transactions with related entities	Y	26 th February 2018	-
Other transactions	Y	26 th February 2018	-
Analysis of company sustainability in the following fields			-
Economic	Y	26 th February 2018	-
Social	Y	26 th February 2018	-
Environmentall	Y	26 th February 2018	-
Assessment of Compliance with Good Governance Principles	Y	09 th March 2017	-
Code of Ethics	Y	05 th March 2018	-

COMPLIANCE WITH LEGAL GUIDELINES – 2017	COMPLIANCE	QUANTIFICATION/IDENTIFICATION	JUSTIFICATION/REFERENCE TO THE POINT ON THE REPORT
	Y/N/N.A		
Management Objectives			
Management objective		N.A.	
Goals to Achieve in PAO 2017			
Reference Financial Principles	S		
Investment	S	4,48%	pages 101-102
Personnel Expenses	S	Deviation of -3,82%	pages 102-103
Degree of Execution of the Budget Loaded in SIGO/SOE			
pages 104-106			
Projects	S		
Expenses	S	38%	page 104
Revenue	S	60%	page 106
Activities	S		
Expenses	S	92%	page 106
Revenue	S	105%	page 106
Financial Risk Management			
	S	1,01%	pages 107-110
Debt Growth Limits			
	S	7,72%	page 111
Evolution of PMP to Suppliers			
	S	61	pages 111-112
Disclosure of Payments in Arrears			
	S	875,40 €	page 112
Shareholder's Recommendations on the last approval of Accounts			
Recommendation 1	S		page 113
Recommendation 2	S		page 113
Recommendation 3	S		page 113
Recommendation 4	S		page 113
Remunerations			
Non attribution of bonuses	S		page 115
CA – remuneration reductions and reversals in force in 2017	S	10,365,00 €	page 116
Supervision (CF/ROC/FU) – reductions and reversals of remuneration in force in 2017	S	0	page 117
External Auditor – remuneration reduction and reversals in force in 2017	N.A.		page 117
Other employees – prohibition of remunerative valuations, under article 38 of Law 82-B/2014, extended to 2017 by article 19 of Law no. 114/2017, of September 29 th	S	0	pages 102-103
EGP – Articles 32 and 33 of the EGP			
Non-use of credit cards	S		pages 118-119
Non-refund of personal representation expenses	S		pages 118-119
Maximum expense amount related with communications	S	page 119	pages 118-119
Maximum value of fuel and tolls allowed monthly to service cars	S	page 119	pages 118-119
Undocumented or confidential expenses – Article 16 (2) of the RJSPE and Article 11 of the EGP			
Prohibition of undocumented or confidential expenses	S		page 119
Promotion of wage equality between women and men – paragraph 2 of RCM No. 18/2014			
Preparation and dissemination of the report on the remuneration paid to women and men	S		page 119
Preparation and dissemination of the Annual Report on Corruption Prevention			
	S		page 119
Public Procurement			
Application of public procurement rules by the Company	S		pages 120-121
Application of public procurement rules by the subsidiaries	N.A.		-
Contracts subject to prior TC approval	S	1 contract worth € 9,231,421,59	pages 120-121
Audits by the Court of Auditors (TC)			
Recommendation	S		page 124
Car park			
No. of Vehicles	S	There was no variation compared to 2016	page 122
Operating Costs of Public Companies			
pages 122-123			
Principle of the Treasury Unit (article 28 of DL 133/2013)			
IGCP cash available and centralised applications		97,25% (29,510,760,81€)	pages 123-124
Cash and applications in Commercial Banking		833,621,50 €	pages 123-124
Interest earned in non-compliance with the UTE and delivered in State Revenue		0,00 €	pages 123-124



FINANCIAL
STATEMENTS
AS OF DECEMBER
31ST, 2017

FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2017

BALANCE SHEET

(in EUR)

BALANCE SHEET	NOTES	31/DEC/17	31/DEC/16
BALANCE			
Non Current Assets			
Tangible Fixed Assets	6	12,483,311	12,816,754
Investment Properties	7	2,113,934	2,113,934
Intangible Fixed Assets	8 and 19	340,688,821	345,934,822
Financial Shares – Other Methods	9	276,571	276,571
Deferred Tax Assets		506	332
Other Accounts Receivable	16	198,802,591	-
Captive Deposits	11	90,745	8,533,529
		554,456,480	369,675,942
Current Assets			
Inventories	12	3,015,122	2,101,804
Clients	13	5,090,452	12,613,398
Advances to Suppliers	14	202,663	327,728
State & Other Public Entities	15	1,109,020	1,131,332
Other Receivables	16	217,986,312	216,376,840
Other Accounts Receivable	17	216,200	354,547
Cash & Bank Deposits	4	30,454,911	11,398,612
		258,074,680	244,304,261
Total Assets		812,531,160	613,980,203
EQUITY & LIABILITIES			
Equity			
Capital Realizado	18	529,301,400	464,341,070
Outras Reservas	18	9,202,700	9,202,700
Resultados Transitados	18 and 19	(834,566,239)	(878,333,129)
Resultado Líquido do Período		(341,899)	(14,076,369)
Total Equity		(296,404,038)	(418,865,728)
Non Current Liabilities			
Provisions	20	15,530,223	27,589,094
Loans Secured	21	293,905,904	637,353,689
Other Accounts Payable	22	1,603,100	-
Deferrals	17	425,152,513	289,361,409
		736,191,740	954,304,192
Current Liabilities			
Suppliers	22	3,621,022	4,162,625
Advances from Clients		8,763	8,224
State & Other Public Entities	15	250,344	278,971
Loans Secured	21	343,591,846	53,450,602
Other Accounts Payable	22	10,696,865	3,871,850
Deferrals	17	14,574,619	16,769,466
		372,743,459	78,541,739
TOTAL LIABILITIES		1,108,935,198	1,032,845,931
TOTAL EQUITY AND LIABILITIES		812,531,160	613,980,203

The Statutory Auditor

The Board of Directors

PROFIT AND LOSS ACCOUNT

(in EUR)			
PROFIT AND LOSS ACCOUNT	NOTES	2017	2016
Sales and Services Rendered	13	28,180,445	23,816,343
Operating Subsidies		69,819	343,318
Variation in Production Inventories	23	778,431	13,999,342
Own Work Capitalised	24	845,489	2,444,639
Cost of Goods Sold and Materials Consumed		(43,533)	(36,093)
External Suppliers and Services	25	(18,524,986)	(25,770,643)
Personnel Costs	26	(5,848,904)	(6,066,878)
Provisions (increases/reductions)	20	(1,844,904)	(3,036,139)
Impairment of Receivables (Losses/reversals)	19	(98,567)	179,117
Impairment of Investments (Losses/reversals)	19	-	124,538
Other Income and Gains	27	9,397,523	6,699,594
Other Expenditure and Losses	28	(2,089,694)	(706,357)
Income Before Depreciation, Financing Expenses and Taxes		10,821,121	11,990,782
Expenses/Reversals of Depreciation and Amortisation	30	(5,767,058)	(5,794,840)
Impairment of Depreciable/Amortisable Investments (Losses/Reversals)	19	1,102,116	(14,462,014)
Operational Profits (Before Financing Expenses and Taxes)		6,156,179	(8,266,071)
Interest and Similar Income Obtained	29	(6,405,906)	(5,715,212)
Pre-tax Profits		(249,726)	(13,981,283)
Tax on Income for the Period	10	(92,173)	(95,086)
Net Profits for the Period		(341,899)	(14,076,369)
Other Income and Costs Recognised under Equity			
Other Comprehensive Income for the Period		-	-
Comprehensive Income for the Period		(341,899)	(14,076,369)
Net Earnings per Share			
Basic		-0,003	-0,152
Diluted		-0,003	-0,152

The Statutory Auditor The Board of Directors

STATEMENT OF CHANGES IN EQUITY

(in EUR)

STATEMENT OF CHANGES IN EQUITY	PAID-UP CAPITAL	ADJUSTMENTS TO ASSETS	OTHER RESERVES	RETAINED EARNINGS	NET PROFIT FOR THE PERIOD	TOTAL
Balance as at 31 december de 2014	387,267,750	571	9,202,700	(873,408,846)	5,978,394	(470,959,431)
Net Income for the Period					(10,903,248)	(10,903,248)
Other Income and Expenses Recognized in Equity						0
Total Comprehensive Income for the Period					(10,903,248)	(10,903,248)
Application of Net Income for 2014				5,978,394	(5,978,394)	0
Realised Capital Increase	20,707,830					20,707,830
Balance as at 31 December 2015	407,975,580	571	9,202,700	(867,430,452)	(10,903,248)	(461,154,849)
Net Income for the Period					(14,076,369)	(14,076,369)
Other Income and Expenses Recognized in Equity		(571)		571		0
Total Comprehensive Income for the Period					(14,076,369)	(14,076,369)
Application of Net Income for 2015				(10,903,248)	10,903,248	0
Capital Increase	56,365,490					56,365,490
Balance as at 31 December 2016	464,341,070	0	9,202,700	(878,333,129)	(14,076,369)	(418,865,728)
Net Income for the Period					(341,899)	(341,899)
Other Income and Expenses Recognized in Equity						0
Total Comprehensive Income for the Period					(341,899)	(341,899)
Application of Net Income for 2016				(14,076,369)	14,076,369	0
Realised Capital Increase	64,960,330			57,843,259		122,803,589
Balance as at 31 December 2017	529,301,400	0	9,202,700	(834,566,239)	(341,899)	(296,404,038)

CASHFLOW STATEMENT

	(in EUR)	
CASHFLOW STATEMENT	2017	2016
Operational Activities:		
Receipts from Clients	36,819,034	25,568,819
Payments to Suppliers	(22,459,567)	(25,501,744)
Payroll	(5,656,083)	(4,211,406)
<i>Cash Generated by Operations</i>	8,703,385	(4,144,332)
Payment/Receipt of Corporate Income Tax	(93,376)	(103,800)
Other Receipts/Payments for Operating Activity	800,591	1,908,779
<i>Cash Flows of Operating Activities</i>	9,410,600	(2,339,352)
Investing Activities:		
Cash Receipts from:		
Tangible Fixed Assets	3,150	
Investment Subsidies	12,150,437	5,668,104
Interest and Similar Revenue		3,743
	12,153,587	5,671,847
Payments for:		
Tangible Fixed Assets	(231,656)	(256,888)
Intangible Fixed Assets	(16,163,224)	(16,457,701)
	(16,394,880)	(16,714,589)
<i>Cash Flows of Investing Activities</i>	(4,241,293)	(11,042,742)
Financing Activities:		
Cash Receipts from:		
Capital Realisations	30,907,990	21,774,372
Financing Obtained		
	30,907,990	21,774,372
Payments for:		
Financing Secured	(12,220,325)	(6,684,783)
Leasing Contracts		
Interest and Similar Costs	(4,756,461)	(4,273,432)
	(16,976,786)	(10,958,214)
<i>Cash Flows of Financing Activities</i>	13,931,204	10,816,158
Cash and Cash Equivalents Variations	19,100,511	(2,565,936)
Cash and Cash Equivalents at the Start of Period	11,354,401	13,920,337
Cash and Cash Equivalents at the Close of Period	30,454,911	11,354,401

FINANCIAL STATEMENTS EXPLANATORY NOTES

1. BRIEF COMPANY OVERVIEW

EDIA, Empresa de Desenvolvimento e Infraestruturas do Alqueva (hereinafter called "EDIA", "Company" or "Entity") was established by Decree-Law no. 32/95 of February 11th, according to which it became entitled to all the rights and obligations belonging to Comissão Instaladora da Empresa do Alqueva (Alqueva Company Installing Committee). Its share capital is wholly owned by the Portuguese State, through Direção-Geral do Tesouro e Finanças (DGTF) (Directorate-General of Treasury and Finance). As of December 31st, 2017, the Share Capital was fully subscribed and paid-up.

According to the provisions of article 2 of that legal statute, as amended by Decree-Laws no. 232/98 of July 22nd, no. 335/01 of 24th December and no. 42/07 of February 22nd, EDIA now has the following corporate purpose:

- / The use of the public water domain assigned to Alqueva Multi-purpose Undertaking (EFMA) for the purposes of irrigation and hydroelectrical generation, according to the contract signed between the Ministry of the Environment, Land Use and Regional Development, representing the State;
- / The design, implementation and construction of EFMA's primary system infrastructures, as well as their management, operation, maintenance and conservation;
- / The design, implementation and construction of EFMA's secondary irrigation system infrastructures, representing the State and according to instructions by the Ministry of Agriculture, the Sea, the Environment and Land Use; and
- / The promotion, development and pursuance of other economic activities which contribute toward improving the conditions of use of the resources assigned to EFMA.

Following the consolidation of the energy generation potential, and not only hydroelectric energy, which is an important potential source of revenue as well as an important complement of the irrigation component, Decree-Law no. 313/2007 approving the basis of the concession contract to be signed between EDIA and the State was published on September 17th. This Decree-Law provided for the granting of rights to operate Alqueva and Pedrógão hydroelectrical plants, in compliance with the rights acquired by third parties under the previous legislation.

According to legislation in force governing the water resources sector, EDIA appears as the concessionaire of the management and operation of the Development and also as the exclusive holder of the rights of private use of the public water domain assigned to EFMA for irrigation and hydroelectrical generation.

On October 17th, 2007, the Company signed the concession contract with the Ministry of the Environment, Land Use and Regional Development, which governs the use of the water resources to collect the water for irrigation and electric power generation in EFMA's primary system. This contract awarded to EDIA the management and operation of EFMA, as well as the use of the public water domain assigned to the Undertaking.

On October 24th, 2007, a contract was signed between EDIA and EDP – Gestão da Produção de Energia, S.A (EDP), which assigns to EDP, for 35 years, the operation of Alqueva hydroelectric plant (260 MW), on a market basis, and the Pedrógão one (10MW), under a special scheme. This contract also establishes the rights of private use of the respective water domain, and has enhanced Alqueva-Pedrógão system electric value.

In April 2013, EDIA signed a 'Concession Agreement on the Management, Operation, Maintenance and Conservation of EFMA Secondary Network Infrastructures" with DGADR, effective until December 31st, 2020. This contract establishes that EDIA (concessionaire) shall supply the State (grantor), represented by DGADR, the infrastructure pertaining to the secondary network, drainage and agricultural roads, goods and equipment necessary for their operation and exploration, and the areas acquired and expropriated for the implementation of EFMA's hydro-agricultural exploitation infrastructure.

The overall values of each of the major investment programs (Alqueva dam; Alqueva plant; Pedrógão dam and plant; Álamos pumping station; primary network; secondary network and regional development) are perfectly stabilized, given that practically all contracts are awarded. Only about 6% of the total investment is in a study phase, and essentially pertains to projects covered by the National Irrigation Program. This way, the best possible estimates are indicated against currently available information.

The multi-annual reprogramming, which includes the amounts under execution up to 2016 and the investment forecasts for the following years, is in progress, thus keeping an updated reprogramming that was approved by the Board of Directors at its meeting on November 11th, 2014, in the total amount of EUR 2,589 billion.

By the end of 2017, the investment made amounted to EUR 2,351 billion, approximately 92% of the expected total. As part of the applications for Community funding, by then EDIA obtained EUR 1,240 billion in Community funds, about 53% of the investment made. To face the national contribution of the investments supported by FEOGA-O and FEADER, within the context of QCA III (Community Support Framework) and PRODER, EUR 153 million were obtained from PIDDAC. The necessary financing for both the remaining national contribution of projects supported by community funds, and other expenses (operating and financial duties), originated from capital injections (EUR 529 million), bank loans (EUR 511,136 million), and DGTF (EUR 126,14 million), totalling at EUR 637,50 million.

Total investment includes projected and realised investments in the secondary network (EUR 891 million), the property of which belongs to MAFDR (except Infrastructure 12, which has an exceptional concession scheme).

EDIA, for the financing of the investment yet to be realised, under supervision guidelines, expressed interest in the BEI and CEB financing for EFMA projects included in the National Irrigation Program, and the process is awaiting the contracts' conclusion.

By December 31st, 2017, the Company, with its registered office in Beja, is comprised of 179 employees.

2. ACCOUNTING REFERENCES USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1. BASES FOR PRESENTATION

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IAS/IFRS), as adopted by the European Union. The IAS/IFRS include standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessors.

Issued standards, amendments and interpretations that became effective for EDIA on January 1st, 2017

Amendments to already issued standards that came into force and, thus, their application was mandatory from January 1st, 2017:

- / IAS 12 – Income Taxes (Amended) – Recognition of deferred tax assets for unrealized losses. Clarifies the conditions for asset recognition and measurement by taxes resulting from unrealized losses. The adoption of this amendment had no impact on EDIA's financial statements.
- / IAS 7 – Cash Flow Statements (Amended) – Disclosure Initiative. This amendment introduces additional disclosures related to cash flows of financing activities. The adoption of this disclosure did not have a significant impact on the financial statements prepared by EDIA.

Rules, amendments and interpretations issued and adopted by the European Union, with mandatory application in future periods

- / IFRS 9 – Financial Instruments (to be applied in periods beginning on January 1st, 2018). This standard establishes new requirements pertaining to the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and the application of hedge accounting rules. In general, no significant impact is expected on EDIA's financial position statement.
- / IFRS 15 – Revenue from Contracts with Customers. This standard replaces current requirements for revenue recognition and has an effective date of mandatory application for periods beginning on or after January 1st, 2018, and its early adoption is allowed. EDIA anticipated the application of this standard as mentioned in note 2,2.
- / IFRS 16 – Leases (to be applied in periods beginning on or after January 1st, 2019). This standard will replace IAS 17 – Leases. IFRS 16 defines a single accounting model for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases that relate to lease assets of reduced value. Lessors will continue to classify leases as operational or financial, and the new standard will not entail substantial changes to such entities in light of IAS 17. EDIA does not estimate significant impacts resulting from the adoption of the new standard.
- / IFRS 4 – Insurance Contracts (Amendment) – Application of IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts. No significant impacts are estimated.

Published standards, amendments and interpretations not yet adopted by the European Union

Issued norms, amendments and interpretations not yet adopted by the European Union, for which no significant impacts are estimated, are as follows:

- / IFRS 2 – Stock-based payments (Amended) – Classification and measurement of transactions of stock-based compensation plans.
- / IFRS 9 – Financial Instruments (Amended) – Prepayment characteristics with negative compensation.
- / IFRS 17 – Insurance Contracts.
- / IAS 28 – Investments in Associates (Amended) – Long-term financial investments in joint ventures and associates.
- / IAS 40 – Investment Properties (Amended) – Transfers of Investment Property.

/ IFRIC 22 – Transactions in foreign currency and advances.

/ IFRIC 23 – Uncertainty in the treatment of income taxes.

Annual improvements in the IFRS 2014-2016 cycle – Improvements include minor amendments to the following standards:

/ IAS 28 – Investments in Associates and Joint Undertakings.

/ IFRS 1 – First-time Adoption of IFRS.

/ IFRS 12 – Disclosures of Interest in Other Entities.

Annual improvements in the IFRS 2015-2017 cycle

/ IFRS 3 – Business Combinations – requires remeasurement of previously held interests when an entity obtains control over a subsidiary it previously had joint control over.

/ IFRS 11 – Undertakings – clarifies that there should be no remeasurement of previously held interests when an entity obtains joint control over a joint operation

/ IAS 12 – Income Tax – clarifies that all tax consequences of dividends should be registered in profit or loss, regardless of how the tax arises

/ IAS 23 – Cost of Loans Obtained – clarifies that, for the purpose of determining the capitalisation rate, the part of the loan with the acquisition or construction of an asset, outstanding after the corresponding asset has been ready for the intended use, is considered an integral part of the entity's general financing.

While preparing the financial statements, the Board of Directors formulated judgments, estimates and assumptions that affect the application of accounting policies and the values of assets, liabilities, as well as the reported amounts of revenues and expenses during the reporting period.

Associated estimates and assumptions are based on historical experience and other factors considered reasonable under the circumstances, and form the basis for judgments on the values of assets and liabilities whose appreciation is not evident from other sources.

All estimates made by the Board of Directors were based on their knowledge, as of December 31st, of ongoing events and transactions.

However, situations may occur in subsequent periods that were not foreseeable at the time of approval of the financial statements and therefore were not considered in these estimates.

Changes to the estimates that occur after the date of the financial statements will be corrected prospectively. For this reason, and given the degree of associated uncertainty, the actual results of the situations in question may differ from corresponding estimates.

The financial statements were approved by the Board of Directors, and their issuing was authorized on March 6th, 2018.

2.2. FIRST-TIME ADOPTION OF IFRS 15 — “REVENUE FROM CONTRACTS WITH CUSTOMERS”

In 2017, the Company adopted, for the first time, IFRS 15 – “Customer Contracts Revenue”, namely what pertains to the recognition of revenue in light of the concession agreement of October 24th, 2007 between EDIA and EDP – EDP (Power Generation Management), which awarded EDP the exploitation of the Alqueva and Pedrógão hydroelectric power plants for a a period of 35 years, under which EDP is obliged to pay financial compensation in the following terms:

- / An initial sum of EUR 195,000,000 plus VAT at the statutory rate and paid at the entry into force of this contract; and
- / Throughout the contract period, an annual, periodic amount of EUR 12,670,000, value updated in 2011 due to the reinforcement of power not taking place, and the amount above was corrected to EUR 12,380,000, plus VAT at the statutory rate and paid annually on the same day and month of the entry into force of the contract, the first instalment being owed in 2008.

This contract also establishes the rights of private use of the respective water domain, and has boosted the Alqueva-Pedrógão system’s electric value.

Until December 31st, 2016, EDIA recognized an associated liability as well as this concession agreement, but not the asset resulting from the agreement, i.e., the right to remuneration in exchange for the service that the Company transferred to EDP, in order to uphold both rights and obligations.

This agreement provides for an income from constant capital amounts, and the difference between the present value and the nominal value of the received and receivable amounts expresses the financial income, defined as interest, with a variable value throughout the contract.

This new standard (IFRS 15) is effective for years beginning on or after January 1st, 2018, but its early adoption is allowed for IFRS purposes, retrospectively or through a cumulative effect adjustment from the beginning of the first period to which the new standard applies.

The Company applied the revenue recognition model, since the following assumptions are met: (i) there is a contract where it is approved that the parties are committed to their obligations, as well as the price of the allocated transaction; (ii) service rights and payment terms can be identified; (iii) there is a breakdown of revenues and (iv) there is a reasonable certainty of receipt of payments to which EDIA is entitled.

EDIA opted not to retrospectively adjust the comparative periods and instead adopted the new standard on the date of initial application, adjusting its Assets and Liabilities (under the items Other Accounts Receivable and Recognized Income, respectively), Income and Transited results.

As from 2017, EDIA presents the concession contract as an asset, since it expresses a right to compensation, in exchange for services that the Company transferred to EDP, as an account receivable.

EDIA adjusted the consideration amount, since the contract contains a financing component. The purpose was to recognize the revenue at a value that reflects what the agreed service price would have been if the customer had made the payment when obtaining control of that service. The discount rate used until 2016 (5,5%) was changed in 2017 to 3,5%. This rate took into account the Yield to Maturity of Portuguese bonds with a maturity of 30 years, at the end of 2017 (3,186%).

3. MAIN ACCOUNTING POLICIES

The main accounting policies adopted for the preparation of the attached financial statements are the following:

3.1. MEASUREMENT BASES USED FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements are expressed in euros, the Company's functional currency.

Income and expenses are recorded in accordance with the accrual-based scheme, and so they are recognized as they occur, regardless of when they are received or paid.

Income and expense recognized in the Statement of Comprehensive Income which have not yet been invoiced or whose acquisition bill has not yet been received are recognized in "Debtors by Accrued Income" or "Creditors by Accrued Expenses" under items "Other Accounts Receivable" and "Other Accounts Payable", respectively.

Material errors relating to estimates made in the preparation of financial statements in prior years were not recognized.

The estimates and underlying assumptions were determined based on the best information available at the date of approval of the financial statements of events and transactions in progress, as well as in the experience of past and/or current events. However, situations may occur in subsequent periods that were not foreseeable at the time of approval of the financial statements and therefore were not considered in these estimates. Changes to the estimates that occur after the date of the financial statements will be corrected prospectively. For this reason, and given the degree of associated uncertainty, the actual results of the transactions in question may differ from corresponding estimates.

The main accounting policies adopted for the preparation of the financial statements are the following:

3.1.A. TANGIBLE FIXED ASSETS

Tangible fixed assets are valued at acquisition cost plus transport and assembly costs necessary to place them in operation and less the respective accumulated depreciation and accumulated impairment losses. The borrowing costs that are directly attributable to the construction or production of an asset that qualifies for capitalisation are capitalised until the assets are substantially completed.

Direct expenditures related to technical areas involved in the construction of Company assets are capitalised in tangible fixed assets. This capitalisation is made based on utilized internal resources and time spent, as a counterpart of the item "Own Work Capitalised".

Under IFRIC12 – Service Concession Agreements, assets assigned to the "concession" are shown under "Intangible Assets".

Depreciation of tangible fixed assets, i.e. assets not allocated to the concession, is calculated using the straight-line method and by the twelfths, based on the maximum tax rates accepted by management, which management considers to approximately reflect the useful lives of assets held by EDIA.

ACCOUNT	USEFUL LIFE
Land and Natural Resources	-
Buildings and Other Constructions	50
Basic Equipment	2 – 32
Transport Equipment	2 – 8
Administrative Equipment	1 – 16
Other Tangible Fixed Assets	1 – 24

years

EDIA performs impairment tests for its tangible fixed assets whenever events or changes are identified in circumstances that indicate that the amount for which an asset is measured may not be recoverable. Where the amount for which an asset is recognized exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income under "Impairment of Depreciable Investments (losses/reversals)". The amount recoverable corresponds to the higher between the net selling price (amount obtainable from the sale of the asset in a transaction accessible to the parties involved, less the costs directly attributable to the sale) and the value in use (present value of the future estimated cash flows that are expected to arise from the continued use of the asset and its disposal at the end of its useful life).

The reversal of impairment losses recognized in prior years is recorded when the reasons that caused the recording of the latter cease to exist and consequently the asset is impaired.

3.1.B. INVESTMENT PROPERTIES

The item "Investment Property" records the carrying amount of the investment properties held by EDIA, namely land, not for use in production, supply of goods or services, or for administrative purposes, but to obtain income and/or capital appreciation, or both.

In accordance with IAS 40 – Investment Property, an investment property must be recognized when it is probable that future economic benefits associated with it will flow to the entity; and the investment property's cost can be measured reliably.

The item "Investment Property" is shown in the Financial Position Statement, in Non-Current Assets.

Investment properties were initially measured by their cost, which includes their purchase price, transaction costs and other directly attributable expenses.

As an accounting policy, EDIA chose to measure the cost model for all its investment properties after recognition.

Having chosen the cost model, after initial recognition, EDIA will measure its investment property in accordance with the requirements of IAS 16 – Tangible fixed assets for this model. I.e., an asset should be carried at cost minus any accumulated depreciation and any accumulated impairment losses. Accordingly, the depreciation of an investment property will be made in accordance with the prescriptions of tangible fixed assets.

3.1.C. INTANGIBLE ASSETS

Intangible assets are recorded at cost of acquisition or production, net of respective accumulated depreciation and accumulated impairment losses. Financial costs related to borrowings to fund the ongoing investment are capitalised until such time as the infrastructure is substantially completed.

EDIA adopted, in 2010, the interpretation IFRIC 12 – “Service Concession Arrangements”, applicable to activities related to energy production and distribution of water developed under the concession contract signed with the State. Thus, in financial year 2010, the Company:

- / Transferred all investment associated with these activities under “Tangible Fixed Assets” to “Intangible Assets”;
- / Adjusted the policy of depreciation / amortization of said investments and of recognition in income of the respective grants, which have all to be amortized on a straight-line basis throughout the concession period, i.e.:
 - / The infrastructures that are already available for use at the start date of concession (1st November 2007) are amortized over the 75 years of the concession, i.e., from November 2007 to October 2082; and
 - / The infrastructures that were not yet available for use on 1st November 2007 are amortised from the date on which each became or will become available for use by the end of the concession period (October 2082).
- / Constituted and started to annually update a provision to cover the estimated costs related to the contractual obligation to maintain/preserve the infrastructures throughout the concession period.

The provision to meet the obligation to maintain/preserve the infrastructures comprises only major repairs and replacements that are expected to be made during the concession period, thus excluding the maintenance and conservation of these assets, which are recognized as expenses in the period in which they occur.

EDIA performs impairment tests for its tangible fixed assets whenever events or changes are identified in circumstances that indicate that the amount for which an asset is measured may not be recoverable. Whenever the amount at which an asset is recognized exceeds its recoverable amount, an impairment loss is recognised, recorded in the comprehensive income statement under the item “Impairment of Depreciable Investments (losses/reversals).” Since, under the concession contract, these are non-tangible assets, the recoverable amount corresponds to the respective value of use (current value of estimated future cash flows expected to arise from the continued use of the asset).

The reversal of impairment losses recognized in prior years is recorded when the reasons that caused the recording of the latter cease to exist and consequently the asset is impaired.

3.1.D. ONGOING INVESTMENTS

"Ongoing Investments" represent the tangible and intangible assets still under construction/development and are recorded at acquisition cost, less accumulated impairment losses. These assets are depreciated from the month in which they can be used for the intended purposes.

As EDIA is still in the investment phase, the following has been capitalised:

- / Financial expenses directly related to the financing of investment that is still under construction/development until each infrastructure is substantially completed;
- / Personnel costs directly associated with the activity of planning and work, and
- / Supplies and services, which are, by their nature, recorded in cost centres directly related to the construction of infrastructures.

3.1.E. CAPITALISATION POLICY OF STRUCTURE AND FINANCIAL CHARGES

The structure costs of the Company as well as the financial burden related to loans directly attributable to the acquisition or construction of assets, associated with concessions, have been capitalised, consistently over time, while infrastructure construction activities (or others that are necessary to prepare the infrastructures for its intended use) are in progress.

With the completion of the works and entry into operation of Alqueva dams and hydroelectric power plants, as well as its irrigation perimeters, expenses related to these infrastructures are now considered as expenses for the year, and the associated financial costs are no longer capitalised.

Until December 31st, 2016, according to the set capitalisation policy, the following expenses were not capitalised:

- a) to the governing bodies, secretariat and support offices;
- b) to the Administration and Finance Department, with the exception of the Corporate Planning and Investment Control Department and the Information Systems Department;
- c) to the Heritage Management Department, with the exception of the Expropriations Department;
- d) to the Water Economics and Irrigation Promotion Department; and
- e) the Maintenance, Exploitation and Security Department, which belongs to the Primary Infrastructures and Energy Department.

Up to that date, the breakdown key to operating costs allocated to investment took the following into account:

- / Operating expenses of services are distributed by capitalisable departments based on the number of employees;
- / Directorates' expenses are allocated as follows:
 - / Irrigation Infrastructure Department: 100% for the secondary network;
 - / Energy and Primary Infrastructure Department: 100% for the primary network; and
 - / Engineering, Environment and Planning Department: 50% for the primary network and 50% for the secondary network.

Once the 1st phase of infrastructure works is concluded, and with the entry into operation of the various perimeters, in order to maximize the EFMA's natural evolution, as well as optimize the benefits of the Project's competitive advantages and take full advantage of available water resources, EDIA is developing a strategy to promote and increase irrigation in Alqueva, by developing studies and projects, having already identified potential irrigation areas; approximately 50,000 hectares adjacent to the Undertaking.

Taking the foregoing into account, as of January 2017, the capitalisation of expenses policy has been adjusted and is based on the following assumptions:

- / the expenses related with governing bodies, secretariat and support offices are not capitalised, and
- / Only expenses of Departments whose activities most compete in this 2nd investment phase are capitalised.

Cost allocation for the primary and secondary networks is as follows:

- / Department of Planning, Studies and Projects: 50% for the primary network and 50% for the secondary network;
- / Department of Environmental and Asset Impacts: 25% for the primary network, 25% for the secondary network (50% for operation);
- / Department of Construction of Primary Infrastructures: 100% for the primary network;
- / Irrigation Infrastructures Construction Department: 100% for the secondary network and
- / Expropriations Department: 50% for the primary network and 50% for the secondary network.

3.1.F. OWN WORK CAPITALISED

Expenditure on resources directly attributable to tangible and intangible fixed assets during their development/ construction phase are included under this item, when it is concluded that they will be recovered through the assets concerned.

Expenses are assessed at cost value, without any margin, based on internal information specifically prepared for this purpose (internal costs) or their acquisition cost.

Construction work carried out by the Company itself, as well as equipment repairs, including the cost of materials, direct labour and overheads, are associated with the ongoing work of EFMA.

EDIA shall capitalize the structure charges, against the account of "Works for the entity itself" as they refer to spending related to staff and work carried out by third parties under direct administration of the Company.

3.1.G. FINANCIAL INTERESTS

OTHER FINANCIAL INTERESTS

The shareholdings in the capital of entities that do not provide EDIA a dominant or significant influence (holdings representing less than 20% of the respective capital) are recorded at acquisition cost less any accumulated impairment losses.

As provided in IAS 32 – Financial Instruments – Presentation and IAS 39 – Financial Instruments-Recognition, at the reporting date, EDIA assesses impairment of all financial assets that are not measured at fair value through profit or loss. When there is evidence of impairment, impairment loss is recognised in the Comprehensive Income Statement

.3,1.H. LEASES

Leases are classified as financial or operating depending on their substance rather than the legal form of the contract, in compliance with the criteria set out in IAS 17 – Leases.

Leases are classified as financial, whenever in their terms there is a substantially transfer to the lessee of all the risks and advantages associated with the ownership of the asset. All other operations are classified as operating leases.

Assets acquired through financial lease contracts and the corresponding liabilities are accounted for by the financial method, recognising the tangible fixed assets and the corresponding accumulated depreciation and outstanding debts in accordance with the contractual financial plan.

Rents are composed by financial burden and the amortisation of capital.

Interest included in the value of the rent and the depreciation of tangible fixed assets is recognised as an expense in the Comprehensive Income Statement for the year to which they relate.

As mentioned above, operating leases are those in which all the risks and advantages inherent in ownership of the asset leased are not effectively transferred to the lessee.

In contracts regarded as operating leases, payments (rent) due are recognised as a cost in the Comprehensive Income Statement on a straight line basis over the period of the lease contract.

The Company maintains medium and long-term liabilities contracts for operating lease of vehicles.

Regarding the disclosures required by the standard IAS 17 – Leases, given the reduced expression of financial and operating lease contracts in force in 2014 and previous years, information regarding the disclosure of the amounts of minimum payments or as may be required (all payments including the value of any purchase option), was not disclosed by virtue of its immateriality and because it does not provide additional relevant information for the understanding of the financial position and financial performance of the Company and for decision-making of the various users of the information.

3.1.I. FINANCIAL INSTRUMENTS – FINANCIAL ASSETS AND LIABILITIES

A financial instrument is a contract that gives rise to a financial asset in an entity and to a financial liability or equity instrument in another entity.

Financial assets and liabilities are recognised in the balance sheet when the Company becomes party to the corresponding contractual provisions.

For financial assets that present impairment indicators the respective recoverable value is determined and impairment losses recorded against results.

A financial asset is any asset that is cash or a contractual right to receive cash.

A financial liability is any liability that substantiates a contractual obligation to deliver cash.

The Company's financial assets are basically the "Customers", "Other Accounts Receivable" and "Cash and Cash Equivalents".

Financial liabilities are essentially the "Funds Received", "Suppliers" and "Other Accounts Payable".

CLIENTS AND OTHER RECEIVABLES

Debts under "Customers" and "Other Receivables" are recorded at their nominal value, minus any impairment losses. Impairment losses represent the difference between the amount initially recorded and its recoverable amount, being the present value of the cash flow expected (discounted at the appropriate rate when the effect of time value of money is significant), which are recognised in the Comprehensive Income Statement for the period in which they are estimated.

Regarding "Customers", debts result from services provided by the Company in the normal course of its business, made in accordance with the normal short-term credit, and are therefore measured at the undiscounted amount of cash flows receivable, minus impairment losses and it is expected that they will be collected within a year or less, are recorded under "Current Assets".

The criterion to measure the amortised cost of "Customers" balance does not apply, because the deadlines for receipt defined, in most cases, are complied with and no significant delays or deferrals in the receipt at the time of initial recognition is expected. Thus, the application of amortised cost in the measurement of financial assets in question would not be appropriate.

Even though it is not a significant amount, in 2014, EDIA recognised impairment losses by impairment in this type of financial assets (IAS 39 – Financial Instruments).

The "Other Receivables" are recognised at their nominal value, less any impairment losses, because EDIA considers the impact that the criterion of the amortised cost would have in their accounts would be zero.

Impairment losses represent the difference between the amount initially recorded and its recoverable amount, being the present value of the cash flow expected (discounted at the appropriate rate when the effect of time value of money is significant), which are recognised in the Comprehensive Income Statement for the period in which they are estimated.

In determining impairment losses, doubtful debts are those where non recovery risk is substantiated, which occurs in cases where the credits are outstanding for more than twelve months from the date of the respective maturity and there is objective evidence that steps have been taken to receive them.

The balance of the "Other Receivables" item mainly reflects: (i) the DGADR debt; (ii) revenues from the Concession Agreement with EDP; (iii) accrued income and (iv) community funds (see Note 16).

"Accrued Income Debtors" are settled in the short term and are recognised at the undiscounted amount of the income recognised in the year.

The Community funds are received within a short period after the balance sheet date and are measured at the undiscounted amount of cash flows to be received (no impairment losses in this case because they are not recognised as receivables, grants that meet the recognition criteria set out in IAS 20 – Accounting for government grants and disclosure of government assistance, i.e. when there is assurance that EDIA will comply with the conditions associated to them and that the grants will be received).

Given the above, EDIA considers that the impact that the criterion of amortised cost would have on its accounts would be nil.

CASH AND BANK DEPOSITS / CASH AND EQUIVALENTS

In the Statement of Financial Position, the amounts included under the item "Cash and Bank Deposits" correspond to cash, on demand and fixed-term bank deposits. In the Cash Flow Statement, the "Cash and Equivalents" item includes amounts in cash and deposits as well as short-term financial investments (including term deposits) highly net investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

For the purposes of the Cash Flow Statement, the item "Cash and cash equivalents" is deducted from bank overdrafts, which are included in the Financial Position Statement under "Funding Obtained", given that they are repayable on demand and are part of the Company's treasury management.

FUNDING OBTAINED

The financing obtained are recorded under Liabilities at amortized cost, and the corresponding financial charges calculated according to the effective interest rate and recognized as income in accordance with the principle of accrual.

They are expressed in current or non-current liabilities depending on whether the maturity occurs in less or more than a year, respectively. The derecognition only occurs when the obligations resulting from contracts cease, particularly when liquidation, termination or expiration has taken place.

Financial costs related to borrowings to fund the ongoing investment are capitalised until such time as the infrastructure is substantially completed.

ACCOUNTS PAYABLE

The balances of "Suppliers", "Investment Providers" and "Other Creditors" (not including the funding obtained, which has an autonomous section) relate to most purchases of goods and services contracted by the Company in the normal course of its business and in accordance with normal market conditions and which correspond to a short-term credit.

Accounts payable are recorded at their nominal value, less any interest accrued and recognised in accordance with the effective interest method.

Note that normal market conditions correspond to a short-term credit (average payment period: 61 days), so EDIA considers that the impact that the criterion of amortized cost would have on its accounts would be nil.

If payment is due within one year or less, they are classified as "Current Liabilities", otherwise they are classified as "Non Current Liabilities".

3.1.J. CAPTIVE DEPOSITS

The withdrawal period of the processes to which captive deposits refer to can span several years, however the Company, for the process whose amount is materially relevant, estimated the date of occurrence of the associated cash flows and consistent application of amortized cost.

3.1.K. INVENTORIES

The cost of inventories includes all purchase costs, the costs of conversion and other costs incurred in bringing the inventories to their present location and present condition.

Following Decree-Law no. 335/2001 of December 24th, which (with the exception of Infrastructure 12, which has an exceptional concession regime) provided for the transfer to the State of the integrating infrastructures of the secondary network allocated to EFMA, EDIA, up until December 31st, 2012, showed the cost of construction of the secondary network under "Inventories".

Under the Delivery Agreement and respective "Concession Agreement concerning the Management, Operation, Maintenance and Conservation of the Secondary Network Infrastructures of EFMA" signed on April 8th, 2013, by EDIA and the State, represented by DGADR, EDIA delivered to the State, the infrastructure for the secondary irrigation network, already completed. So the investment in these infrastructure of the secondary network that were already substantially completed before evidenced in the subaccount "Finished and Intermediate Products", deduced from the respective investment subsidies were transferred to the account of DGADR under "Other Receivables".

In November 2013, through a new Delivery Contract between EDIA and DGADR, like with other secondary network infrastructures, EDIA, representing the State, proceeded with the design, implementation and construction of the infrastructures integrating the irrigation and drainage network, as well as all the material and equipment of the Hydroagricultural Installation of Aljustrel, whose investment was registered under "Products and Work in Progress" and was transferred to the account of MAFDR under the item "Other Receivables" (see Note 16).

Thus, the balance of the item "Inventories" reflects the value of subaccount "Products and Work in Progress", referring to investments concerning the irrigation blocks still under construction of the 2nd investment phase of EFMA.

3.1.L. RECOGNITION OF EXPENDITURE AND INCOME

Expenditure and income are recorded in the period to which they relate, irrespective of payment or receipt, according to the accrual basis of accounting. The differences between amounts paid and received and the respective expenses and income are recorded as Liabilities and Assets respectively.

/ Revenue (more detailed description in Note 3,1.o)

Revenue is the gross inflow of economic benefits during the period arising in the course of ordinary activities of EDIA when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue may arise from sales of goods, provision of services or use of assets that generate interest, royalties or dividends.

/ Charges on Funding Obtained

According to the provisions of IAS 23 – Charges on Funding Obtained the financial charges related to loans are recognised as an expense for the period in which they are incurred, in accordance with the accrual-based accounting regime and the effective interest rate method.

Borrowing costs directly related to the construction of fixed assets or related to concessions are capitalised as part of the cost of the asset. The capitalisation of costs begins after the start of the preparation of construction activities or development of the asset and ends when construction is substantially completed, and is interrupted when the project in question is suspended.

3.1.M. PROVISIONS

Provisions are recognised only when the Company has a present obligation (legal or constructive) resulting from a past event and it is probable that, to settle the obligation, there is an outflow of resources and the amount of the obligation can be reasonably estimated.

The amount of the provision recognized is the present value of the best estimate (on the reporting date) of the resources required to settle the obligation.

Provisions are reviewed at the reporting date by the Company's Legal Office and approved by the Board of Directors, and are adjusted to reflect the best estimate of future liabilities at that date, taking into account risks and uncertainties inherent to such estimates.

Provisions for legal proceedings under progress and for litigious expropriations and all estimated charges constitute the Company's liability when there is a reliable estimate of costs to be incurred due to actions filed by third parties, based on the evaluation of the effectiveness of the likelihood of paying, based on the advice of lawyers and experts of the Arbitration Courts.

Following the concession contract signed with the State in October 2007 and following the entry into force of IFRIC12 – Service Concession Arrangements, EDIA constituted, strengthened or reverses half-yearly provision to address estimated expenses relating to the contractual obligation to maintain/preserve, over the period of the concession, the infrastructures related to the production of energy and water distribution, which revert to the State at the end of the concession period. This provision covers only those major repairs and replacements that are anticipated to be made during the concession period, not including the maintenance and conservation of these assets, which are recognized as expenses in the period in which they occur.

In this regard, provisions for expenditure with maintenance and upkeep of assets constitute the EDIA's responsibility concerning the contractual obligation to maintain/preserve the infrastructures of the secondary network over the concession period.

3.1.N. SUBSIDIES

With the exception of subsidies relating to secondary irrigation network (already transferred or to be transferred to DGADR) and of those associated to distribution of water (whose assets are fully impaired), subsidies attributed by the Portuguese State and the European Union (EU) to finance investments in fixed assets are recognized under "Deferrals" and subsequently recognized as "Other income and gains" in the same proportion as the depreciation of the subsidized assets and respective percentage contribution.

Subsidies for the construction of the secondary irrigation network are recognized under Liabilities until the corresponding infrastructures are transferred to DGADR or another entity indicated by the DGADR, because at that time the respective investments are transferred from "Inventories" to the MAFDR account under "Other Accounts Receivable" and the subsidies associated are also transferred to said account which thus reflects the investment in infrastructures of the secondary network not financed by State or EU subsidies.

Subsidies linked to distribution of water, whose assets are fully impaired, have been derecognised under the registration of impairment losses for the respective assets, i.e., these losses are recognized in the Comprehensive Income Statement by the net value of the respective subsidies.

Operating subsidies, notably for agriculture, tourism, environment and training of employees, are recognized in the Comprehensive Income Statement as income over the periods necessary to balance them with the expenses incurred.

Subsidies are recognised when a reasonable certainty exists that they will be effectively received and the Company will comply with the obligations/conditions inherent in their receipt.

3.1.0. REVENUE

SALES AND SERVICES RENDERED

The recognition of revenue related to sales and provision of services requires that: (i) the amount can be reliably measured, (ii) it is likely that future economic benefits associated with the transaction flow to the Company.

Revenue arising from the ordinary activity of the Company is measured at the fair value of the consideration received or receivable, understood as such that which is freely determined between the parties on the basis of independence, and for the sale of goods and provision of services, the fair value reflects any discounts and does not include value added tax (VAT).

In the energy production activity, the Company recognizes the revenue arising from the "Operation Concession Contract for the Alqueva and Pedrógão Hydroelectric Power Plants", entered into between EDIA and EDP for a period of 35 years, under which EDP is obliged to pay financial compensation in the following terms:

- / An initial sum of EUR 195,000,000 plus VAT at the statutory rate and paid at the entry into force of this contract; and
- / Throughout the contract period, an annual, periodic amount of EUR 12,380,000 (value updated in 2011), plus VAT at the statutory rate and paid annually on the same day and month of the entry into force of the contract, the first instalment being owed in 2008.

By adopting IFRS 15, EDIA adjusted the consideration value, since the contract contains a financing component. The goal is to recognize revenue for the amount that reflects what the price of the agreed service would have been if the customer had made the payment when obtaining control of that service. The discount rate used was 3,5% (up to 2016 5,5%) and the periodic annual amount of EUR 12,645,948.

In water distribution activity, the Company only recognises revenue from the application of tariffs approved by the State.

Order no. 9000/2010 was published on May 26th, 2010, with effect from 1st June, approving the tariff that sets the price of water for agricultural irrigation use supplied by EDIA under the public water services of EFMA, which refers that:

- / . On leaving the primary network, for supplying water to entities who are entrusted with the management, operation, maintenance and upkeep of infrastructure integrated in the secondary network allocated to each perimeter: EUR 0,042/m³;
- / . On leaving the secondary network, for supplying water under high pressure to farms: EUR 0,089/m³;
- / On leaving the secondary network, for supplying water under low pressure to farms: EUR 0,053/m³; and
- / . Supply of water directly collected in the primary system: EUR 0,053/m³.

The tariff for water supplied for agricultural purposes in the first year is reduced to 30% of the rates shown, automatically increasing annually in equal increments from the subsequent year, up to 100% in the eighth year.

The revenue is recognised on the basis of water pricing and consumption, i.e. the income is recorded by the result of multiplying the approved price of water by the amount consumed in the period.

The revenue from the water distribution service provided by EDIA is calculated according to the price of water set by the State, which in turn, takes into account a set of assumptions that go beyond the economic interest in the investments made.

The average annual variation rate in the consumer price index excluding housing for Mainland Portugal from 2016 to 2017 was + 0,826%, which is used to fix the price of irrigation water for agricultural use.

As a result of this update, the values applied for the upkeep component are EUR 53,97/ha/year for high pressure adduction, and EUR 16,19/ha/year for low pressure adduction.

Regarding the operation component, values applied to high and low pressure are EUR 0,0742/m³ and EUR 0,0479/m³, respectively.

In issued billing regarding high pressure water supply, variable values are established and applied according to the off-peak/super off-peak, partial-peak and peak hours.

In April 2017, Order No. 9000/2010 was revoked and Order No. 3025/2017 of April 11th, 2017 was approved, which sets the new applicable tariff to regarding the public water service associated with irrigation for agricultural use, within the scope of EFMA.

The legislator sought to create the right conditions for the price of the service to remain competitive, considering that the conditions are set to increase the Undertaking's competitiveness and attractiveness by reviewing the current tariff.

A set of standards was set to ensure the sustainable management of water resources through the internalisation of costs and benefits associated with water use, having established the rate of water resources and the tariff of the public water service as the determining instruments for this purpose.

It is necessary to take into account the need to strike a balance between the costs associated with the Undertaking's operation and conservation, including the primary system, as well as users' ability to pay, in the light of the economy of the installed crops. The tariff structure is based on a sensitive equilibrium equation, which must simultaneously internalize all costs to comply with sustainability requirements detailed in national and community legislation; be a factor of competitiveness and attractiveness for the region; and match users' payment capacity, for which it should hold a solidarity factor.

This order also sets the applicable tariff to the public water service for public supply and industrial use, taking into account the specificities of other uses, such as high levels of supply guarantee.

Thus, the following is determined:

- / The applicable tariff to the supply of irrigation water from the primary network, delivered to entities in charge of the operation and conservation of hydro-agricultural uses bordering the EFMA is EUR 0,030/m³;
- / The applicable tariff to water leaving the secondary network to supply agricultural holdings is broken down into a fixed component, the conservation rate, and a variable component, the exploitation rate, which are intended to cover infrastructure conservation and operation costs, applied annually to each benefited hectare and to each cubic meter of water supplied, respectively.

Under the terms referred to in the previous paragraphs, the tariff applicable is as follows:

- / On leaving the secondary network, for supplying water under high pressure to farms, the holding and operating rates are EUR 55,00/ha and EUR 0,059/m³ respectively;
- / On leaving the secondary network, for supplying water under low pressure to farms, the holding and operating rates are EUR 20,00/ha and EUR 0,032/m³ respectively;
- / For public supply: EUR 0,045/m³;
- / For industrial use: EUR 0,060/m³.

The amounts established in the previous figures pertain to 2017 and are updated annually in light of the consumer price index's annual average variation, excluding housing, in Mainland Portugal, published by the Instituto Nacional de Estatística, I. P. (National Statistics Institute).

The above tariff will be applied in phases, as detailed below:

In the first year following completion of each of the EFMA irrigation perimeters' secondary networks, integrated in the 120,000 ha corresponding to the Undertaking's 1st phase, the tariffs to be applied should be 40%, increasing in subsequent years to 60% and 80%, respectively, reaching the final tariff in the 4th year.

Until April 11th, 2017, Order No. 9000/2010 of May 26th, 2010, was in force, which was revoked by the present Order No. 3025/2017 of April 11th, 2017, which comes into effect the day after its publication. Because of this, billing issued in the first half of 2017 was distributed according to the two tariffs in force in that period.

INTEREST

Revenue from interest is recognised using the effective interest method, provided that it is probable that economic benefits will flow to the Company and their amount can be reliably calculated.

This interest is recorded in the relevant period according to the accrual-based accounting regime

3.1.P. INCOME TAX

Income tax comprises current taxes and deferred taxes.

Current tax corresponds to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for a period adjusted according to fiscal regulations.

Deferred taxes arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, using tax rates enacted at the date of the Financial Position Statement and that are expected to be applied when the temporary differences reverse.

In financial reporting in accordance with IAS/IFRS, the Company did not recognize, in 2017 or in previous years, any deferred tax assets related to deductible temporary differences (including the losses generated by the impairment losses of the "water" segment) or the tax losses carried forward, for there is no reasonable assurance regarding the existence of future taxable income to allow the use of these deductible temporary differences and tax losses carried forward before they become extinct.

The Company has its head office in Portugal and is subject to Corporate Income Tax (IRC) at the rate of 21%, and the municipal tax is calculated at the minimum rate of 1,5% of taxable profits.

Under the terms of Article 88 of the IRC Code, the Company is subject to additional independent taxation on a range of charges, at the rates specified in said Article. However autonomous taxation rates are increased 10%, since EDIA registered tax loss in the previous tax year.

According to current legislation, tax returns are subject to revision and correction by the Tax Authorities for a period of four years. However, this deadline may be extended or suspended if there are ongoing inspections, claims or appeals, or if there have been tax losses, which is the case of EDIA.

3.1.Q. SUBSEQUENT EVENTS

Events occurring after the date of the Financial Position Statement but before the date of approval of the financial statements by the management of the Company and provided that additional information is afforded about condition that existed at the date of the Statement of the Financial Position, lead to adjustments which are reflected in the financial statements for the period.

Events occurring after the date of the Financial Position Statement that are indicative of conditions that arose after the date of the Financial Position Statement (events that do not give rise to adjustments), are disclosed in the Notes to the Financial Statements, if considered materially relevant.

3.1.R. ESTIMATES AND JUDGMENTS

While preparing the financial statements judgments and estimates that affect the reported amounts of assets and liabilities were used as well as the reported amounts of revenues and expenses during the reporting period.

The estimates and assumptions are determined based on the best knowledge at the date of preparation of the financial statements and the experience of past and/or current events considering certain assumptions as to future events. However, situations may occur in subsequent periods that were not foreseeable at the time of approval of the financial statements and therefore were not considered in these estimates.

Changes to the estimates that occur after the date of the financial statements will be corrected prospectively. For this reason, and given the degree of associated uncertainty, the actual results of the situations in question may differ from corresponding estimates.

Estimates and judgments that have an impact on the financial statements are continuously evaluated, representing the Board's best estimate at the date of each report, taking into account the performance history, accumulated experience and expectations about future events.

In the financial statements as at 31st December 2017, the most significant estimates shown include the impairment tests performed on intangible assets and current investments, and the record of provisions.

Simply put, impairment is an estimate of the reduction in the carrying value of assets. In this sense, it serves as an instrument that gives the company more opportunity to ensure that its accounting information represents, at all times, the best way the economic reality of the activities developed and the value of its intangible assets. The usefulness of the financial statements for all stakeholders, seeking the best arguments for their decision-making, depends on this.

The Company, based on the impairment tests, checks whether the assets are impaired, in accordance with said policy. The calculation of the recoverable amounts of the cash generating units involves judgment and in the underlying assessment to the calculations made assumptions are used based on available information either of the business or the macroeconomic environment at a given time.

The Company exercises considerable judgment in measuring and recognizing provisions. Judgment is required in order to determine the probability of a lawsuit being successful. Provisions are constituted when the Company expects that proceedings under way will result in cash outflows, the loss is probable and can be reasonably estimated. Given the uncertainties inherent in the assessment process, actual losses may be different from those originally estimated in the provision.

These estimates are subject to change when the information becomes available. Revisions to the estimates of these losses may affect future results.

3.1.S. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are not recognized in the financial statements but disclosed when the possibility of a cash outflow embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when it is probable that there is a future economic inflow of resources.

3.2. FINANCIAL RISK MANAGEMENT POLICIES

The Board of Directors provides the general principles for risk management, as well as the limits of exposure to it.

The Company's activities entail exposure to financial risks, namely:

- / Market Risk – primarily that of the interest rates and of the exchange rates, which are associated, respectively, to the risk of the impact of the variation in market interest rates on financial assets and liabilities and profits and to the risk of fluctuation of fair value of financial assets and liabilities due to changes in exchange rates;
- / Credit risk – risk of their debtors not meeting their financial obligations; and
- / Liquidity risk – risk of encountering difficulties to meet obligations associated with financial liabilities.

EDIA's activities are primarily exposed to interest rate risk, which arises mainly from contracting long-term loans with variable interest rates (the most used indexes are Euribor 3 months and 6 months), no derivative financial instruments are used in the management of these risks.

This situation has to do with the need for the Company to finance the investment activities of EFMA with the use of capital leverage, through taking out bank loans. Obtaining funds this way (bonds, and loan of BEI) results from a financial policy set by the sole Shareholder, based on contracting loans with State guarantees, and the unavailability of sufficient capital allocations to accompany EFMA's pace of investment.

On the other hand, the Company has not generated the necessary means, not only to deal with the volume of investment which has been made, nor does it have sufficient liquidity to cope with its operations or the financial costs arising from the financing policy adopted.

However, at the end of 2014, following EDIA's entry into the public accounts' consolidation scope, the State (DGTF) granted EDIA a medium-and long-term loan to settle the short-term loans in various banks, intended to meet the financing needs related to the Company's debt service.

In 2017, according to the guidelines, reflected in the 2017 State Budget, the coverage of part of EDIA's financing needs, as a Reclassified Public Company, was assured and materialized through capital endowments.

Note 21-Financing Obtained, features the detail of the paid bank debt with an indication of the financing entity and respective index.

It is considered that, because there are no financial instruments in foreign currency and debts of customers are reduced and recent, there are, to date, no risks of other nature considered relevant to warrant more detailed disclosure to improve the information and respective understanding of users about the risks to which the Company is exposed.

4. CASH FLOWS

For the purposes of the Cash Flows Statement, "Cash and Cash Equivalents" includes cash and overnight deposits, as well as highly liquid short-term financial investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Cash Flow Statement is prepared according to the direct method, by which receipts and cash payments for operating, investment and financing activities are disclosed.

All significant balances of cash and cash equivalents are available for use, without any restriction at the date of the Financial Position Statement.

Operating activities include cash received from customers, payments to suppliers, payments to staff and others related to operating activities.

Investment activities include payments and receipts arising from the purchase and sale of assets and receipts of interest.

Financing activities include payments and receipts relating to loans obtained, finance leases and interest paid.

As of December 31st, 2017 and December 31st, 2016, the item "Cash and Bank Deposits" in the Financial Position Statement, and "Cash and Cash Equivalents" in the Cash Flow Statement, breaks down as follows:

	(in EUR)	
CASH AND BANK DEPOSITS	31/DEC/17	31/DEC/16
Bank Deposits Immediately Available	30,344,382	11,126,143
Fixed-Term Deposits	104,278	266,217
Cash	6,251	6,251
Cash and Bank Deposits (DPF)	30,454,911	11,398,612
Debit Interest Account	-	(44,211)
Cash and Equivalents (DFC)	30,454,911	11,354,401

All bank deposit accounts have been reconciled, pertaining to December 31st, 2017 and December 31st, 2016, and "Demand deposits" is composed as follows:

	(in EUR)	
	31/DEZ/17	31/DEZ/16
IGCP – Instituto de Gestão de Tesouraria e do Crédito Público	29,510,761	10,444,448
CCAM – Caixa Central de Crédito Agrícola Mútuo	402,463	177,930
CGD – Caixa Geral de Depósitos	226,864	334,917
Banco Santander Totta	86,664	4,016
Novo Banco	70,509	74,841
Millennium BCP	23,610	14,374
BPI – Banco Português de Investimento	21,437	2,474
Caixa Banco de Investimento	2,074	3,087
Banco Caixa Geral	-	15,167
Banco Efisa	-	6,210
Banco Popular	-	3,829
BancoBIC	-	639
Caixa – Cash-Out*	104,278	266,217
TOTAL	30,448,660	11,348,150

*The “Cash-Out” account balance translates the amounts to be deposited, essentially through checks in transit.

“In 2016, the difference of the amount reported in the Financial Position Statement under this heading (EUR 11,398,612) and the amount of “Cash and Cash Equivalents” at the end of the period (€ 11,354,401) in the Statement of Cash Flows (direct method), is due to the credit balance in the amount of EUR 44,211, mainly from BCP’s demand deposit account, financing interest associated with the security deposit of Portucel Recicla, which is reflected in the Financial Position Statement under “Funding Obtained”.

5. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The estimates and underlying assumptions were determined based on the best information available at the date of approval of the financial statements of events and transactions in progress, as well as in the experience of past and/or current events.

However, situations may occur in subsequent periods that were not foreseeable at the time of approval of the financial statements and therefore were not considered in these estimates.

Changes to the estimates that occur after the date of the financial statements will be corrected prospectively.

For this reason, and given the degree of associated uncertainty, the actual results of the transactions in question may differ from corresponding estimates.

6. TANGIBLE FIXED ASSETS

Over the course of 2017 and 2016, the movements in the heading "Tangible Fixed Assets", as well as in the respective depreciation and accumulated impairment losses were as follows:

(in EUR)

TANGIBLE FIXED ASSETS	31/DEC/17								TOTAL
	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	TANGIBLE FIXED ASSETS UNDER CONSTRUCTION	ADVANCES ON INVESTMENTS	
Gross Assets									
Initial Balance	2,958,662	12,044,826	1,452,010	656,778	2,131,522	648,762	90,381	1,196	19,984,138
Additions	869		7,260	39,121	17,035	44,378	55,234		163,898
Divestments/Write-offs									
Other Transfers								(1,196)	(1,196)
Final Balance	2,959,531	12,044,826	1,459,270	695,899	2,148,557	693,140	145,615		20,146,840
Accumulated Depreciation									
Initial Balance		3,252,590	1,006,488	484,286	2,015,690	408,329			7,167,384
Additions		276,112	64,725	64,129	46,554	44,625			496,145
Other Accumulated Depreciation Movements									
Final Balance		3,528,702	1,071,213	548,415	2,062,244	452,954			7,663,529
NET VALUE	2,959,530	8,516,124	388,057	147,484	86,314	240,186	145,615	0	12,483,311

(in EUR)

TANGIBLE FIXED ASSETS	31/DEC/16								TOTAL
	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	TANGIBLE FIXED ASSETS UNDER CONSTRUCTION	ADVANCES ON INVESTMENTS	
Gross Assets									
Initial Balance	4,759,366	12,041,326	1,359,507	690,238	2,412,569	619,839			21,882,846
Additions		3,500	92,503	69,784	23,858	28,923			218,568
Divestments/Write-offs				(103,244)	(304,905)				(408,149)
Other Transfers	(1,800,704)						90,381	1,196	(1,709,127)
Final Balance	2,958,662	12,044,826	1,452,010	656,778	2,131,522	648,762	90,381	1,196	19,984,138
Accumulated Depreciation									
Initial Balance	9	2,976,192	917,338	529,667	2,277,835	355,346			7,056,388
Additions		276,398	89,150	57,863	42,760	52,983			519,154
Other Accumulated Depreciation Movements	(9)			(103,244)	(304,905)				(408,158)
Final Balance	(0)	3,252,590	1,006,488	484,286	2,015,690	408,329			7,167,384
NET VALUE	2,958,661	8,792,236	445,522	172,492	115,832	240,433	90,381	1,196	12,816,754

6.1. LAND AND NATURAL RESOURCES, BUILDINGS AND OTHER CONSTRUCTION WORKS AND BASIC EQUIPMENT

“Tangible Fixed Assets” include the investments not allocated to the Concession, i.e. goods that will not revert to the state at the end of the concession period, in particular, the surplus land expropriations, the Museu da Luz, the Noudar Nature Park, EDIA’s headquarters, the Casa do Grande Lago, the Cartography Centre and Alqueva Marina.

Over the years, these investments were transferred from underway to the item “Tangible Fixed Assets”, and the depreciation process was started, as well as recognition of subsidies associated with them as income (in the same proportion in which they are depreciated).

Under the “Ongoing Tangible Fixed Assets” item, the additions reflect the investment, not yet completed, in an installation system for self-consumption production units, aimed at producing electricity through photovoltaic conversion of solar energy.

Under the “Other Tangible Fixed Assets” item, the additions reflect the acquisition of air conditioning units and works carried out on own property, improvements and acquisition of hotel equipment for the Noudar Nature Park, as well as other equipment to allocate to the EFMA infrastructures.

The variation in the “Transportation Equipment” item results from the acquisition of a vehicle for a management body member, and a boat and respective trailer, needed for surveillance, safety and monitoring activities carried out at EFMA reservoirs.

The increase in the “Administrative Equipment” item reflects the acquisition of IT equipment, essentially computers and monitors.

Under the “Basic Equipment” item, the additions reflect the acquisition of equipment to be allocated to the EFMA infrastructures for the purposes of monitoring water quality – containment barriers of the water hyacinth kind.

7. INVESTMENT PROPERTIES

The item “Investment Property” in the amount of EUR 2,113,934 registers the carrying value of investment properties held by EDIA, namely land left over from expropriations (initially registered under the item “Tangible Fixed Assets”, a policy that has been followed by EDIA), with leasing potential, i.e. not to be used in production, supply of goods or services, or for administrative purposes, but rather to obtain income and/or capital appreciation.

In accordance with IAS 40 – Investment Property stipulations, an investment property must be recognised when it is probable that future economic benefits associated with it will flow to the entity; and the cost of investment property can be reliably measured.

The “Investment Property” item is shown in the Financial Position Statement, in Non-Current Assets.

Investment properties were initially measured by their cost, which includes their purchase price, transaction costs and other directly attributable expenses.

After recognition, EDIA chose the cost model as an accounting policy to measure all its investment properties.

Thus, after initial recognition, EDIA will measure its investment property in accordance with the IAS 16 – Fixed Tangible Assets requirements for this model, i.e. an asset should be carried at cost minus any accumulated depreciation, and any accumulated impairment losses. Accordingly, depreciation of an investment property will be made in accordance with that prescribed for tangible fixed assets.

In 2017, as part of the surplus land lease, two Public Notices were issued, the first in July and the second in December, for arable crops and olive groves, pertaining to the period between October 2017 through August 2018, and February 2018 through January 2020, respectively.

8. INTANGIBLE ASSETS

The movements of the major classes of "Intangible Assets", registered at cost minus depreciation of the respective amortisations and accumulated impairment losses, were as follows in 2017 and 2016:

INTANGIBLE ASSETS	31/DEC/17								(in EUR)
	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	DEVELOPMENT PROJECTS	COMPUTER PROGRAMS	OTHER RIGHTS	INTANGIBLE ASSETS IN PROGRESS	ADVANCES ON INVESTMENTS	TOTAL
Gross Assets									
Initial Balance	240,360,621	1,346,339,615	136,985,285	116,949	2,773,703	195,000,100	555,664	370,203	1,922,502,141
Additions							2,152,483	9,089	2,161,572
Other Transfers/Write-offs	(33,933)	1,140,184					(1,056,445)	(49,805)	-
Final Balance	240,326,688	1,347,479,799	136,985,285	116,949	2,773,703	195,000,100	1,651,701	329,487	1,924,663,713
Accumulated Amortisations									
Initial Balance	9,219,317	32,625,949	14,780,552	116,949	2,763,385	100			59,506,252
Additions	859,239	3,120,778	1,281,430		9,465				5,270,913
Other Transfers/Write-offs	(2,897)								(2,897)
Final Balance	10,075,659	35,746,727	16,061,982	116,949	2,772,850	100			64,774,268
Accumulated Impairment Losses									
Initial Balance	174,616,703	1,108,570,453	37,948,043			195,000,000	555,664	370,203	1,517,061,066
Recognised Impairment Losses		1,138,362					1,096,037		2,234,399
Reversed Impairment Losses	(54,126)							(40,716)	(94,843)
Final Balance	174,562,577	1,109,708,815	37,948,043			195,000,000	1,651,701	329,487	1,519,200,624
FINAL BALANCE	55,688,453	202,024,257	82,975,260	0	853	0	0	0	340,688,821

INTANGIBLE ASSETS	31/DEC/17								(in EUR)
	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	DEVELOPMENT PROJECTS	COMPUTER PROGRAMS	OTHER RIGHTS	INTANGIBLE ASSETS IN PROGRESS	ADVANCES ON INVESTMENTS	TOTAL
Gross Assets									
Initial Balance	231,189,917	1,169,184,801	136,985,351	116,949	2,773,703	195,000,100	170,398,653	386,118	1,906,035,593
Additions							17,360,417	46,309	17,406,726
Other Transfers/Write-offs	9,170,704	177,154,814	(66)				(187,203,406)	(62,224)	(940,177)
Final Balance	240,360,621	1,346,339,615	136,985,285	116,949	2,773,703	195,000,100	555,664	370,203	1,922,502,141
Accumulated Amortisations									
Initial Balance	8,360,768	29,508,095	13,492,405	116,949	2,752,627	100			54,230,945
Additions	858,937	3,117,853	1,288,147		10,758				5,275,695
Other Transfers/Write-offs	(388)								(388)
Final Balance	9,219,317	32,625,949	14,780,552	116,949	2,763,385	100			59,506,252
Accumulated Impairment Losses									
Initial Balance	165,898,103	931,442,668	37,948,109			195,000,000	170,398,652	386,118	1,501,073,651
Recognised Impairment Losses	8,718,601	177,127,785							185,846,386
Reversed Impairment Losses			(66)				(169,842,988)	(15,915)	(169,858,969)
Final Balance	174,616,703	1,108,570,453	37,948,043			195,000,000	555,664	370,203	1,517,061,067
FINAL BALANCE	56,524,601	205,143,214	84,256,690	0	10,318	0	0	0	345,934,822

AREAS/PRIMARY NETWORK INFRASTRUCTURE	BENEFITTED AREA (HECTARES)	OPERATION PERIMETERS			TOTAL
		PEDRÓGÃO-MD PERIMETER	S. PEDRO BALEIZÃO-QUINTOS PERIMETER	S. MATIAS PERIMETER	
Subsistema Pedrógão					
Benefitted Areas (hectares)	-	4,800	11,270	4,865	20,935
Alqueva and Pedrógão dams and Complementary Actions (64,9%)	110,203	4,36%	10,23%	4,41%	19%
Pedrógão Pumping Station and Pedrógão-Right Bank Pipeline	20,935	22,93%	53,83%	23,24%	100%
S. Pedro Baleizão Quintos Hydraulic Circuit	11,270		100%		100%
S. Matias Hydraulic Circuit	4,865			100%	100%

AREAS/PRIMARY NETWORK INFRASTRUCTURE	BENEFITTED AREA (HECTARES)	OPERATION PERIMETERS							OTHER PERIMETERS	TOTAL
		ORADA-AMOREIRA PERIMETER	BRINCHES PERIMETER	BRINCHES-ENXOÉ PERIMETER	SERPA PERIMETER	CALIÇOS MACHADOS PERIMETER	CALIÇOS-MOURA PERIMETER	PIAS PERIMETER	BRENHAS PERIMETER	
Subsistema Ardila										
Benefitted Areas (hectares)	-	2,522	5,463	4,698	4,400	5,000	2,136	4,614	745	29,578
Alqueva and Pedrógão dams and Complementary Actions (64,9%)	110,203	2,29%	4,96%	4,26%	3,99%	4,54%	1,94%	4,19%	0,68%	26,84%
Pedrógão Pumping Station and Pedrógão Pipeline	29,578	8,53%	18,47%	15,88%	14,88%	16,90%	7,22%	15,60%	2,52%	100,00%
Amoreira and Brinches Dam	29,578	8,53%	18,47%	15,88%	14,88%	16,90%	7,22%	15,60%	2,52%	100,00%
Amoreira-Caliços Hydraulic Circuit	12,495	-	-	-	-	40,02%	17,09%	36,93%	5,96%	100,00%
Caliços-Pias Hydraulic Circuit	4,614	-	-	-	-	-	-	100,00%	-	100,00%
Caliços Machado Hydraulic Circuit	5,000	-	-	-	-	100,00%	-	-	-	100,00%
Brinches Pumping Station	14,561	-	37,52%	32,26%	30,22%	-	-	-	-	100,00%
Brinches Enxoé Pipeline	14,561	-	37,52%	32,26%	30,22%	-	-	-	-	100,00%
Serpa Dam	4,400	-	-	-	100,00%	-	-	-	-	100,00%
Torre do Lóbio Pumping Station, Serpa Pipeline and Serpa Norte Reservoir	4,400	-	-	-	100,00%	-	-	-	-	100,00%

The infrastructure for the use of the public waterways domain allocated to EFMA in the concession agreement signed between EDIA and the State, and forming part of the primary system (dams, hydroelectric power plants and primary network) of the Development are the property of the concessionaire for the duration of the concession.

At the end of the concession, the property referred to above, reverts without any compensation to the State, free of any obligation or charges, and in perfect condition for operation, usage and maintenance. Since these infrastructures are allocated to the “water” segment and as such, have been the subject of adjustment for impairment losses, with a zero net book value (see Note 8.4), no amortisation of said investments will be made.

Thus, the calculation of depreciation that would be reflected in the financial statements if they had not previously been recognised as impairment losses serves only to determine which part of the impairment losses was incorporated as a tax expense of each period, in accordance with Article 31-B of the IRC Code.

8.2. OTHER RIGHTS

The amount in the item “Other Rights” corresponds essentially to initial financial compensation paid by EDIA to the State, in the value of EUR 195,000,000, resulting from the “Concession Contract for the Use of the Public Waterways Domain assigned to EFMA”, of 17th October 2007, entered into between EDIA and the State for a period of 75 years.

This Contract enshrines the terms and conditions ruling the grantor-concessionaire relationship, specifying the content of the mission associated with the operation of the Development and defining the rules for the exercise of the said rights of private use of the public waterways domain. As this amount is directly related to the activity of water distribution (and not with the activity of energy production sub-concessed to EDP), which is in complete impairment, said EUR 195 million are covered by accumulated impairment losses of equal amount (see Note 8.4).

8.3. ONGOING TANGIBLE ASSETS AND INTANGIBLE ASSETS

The breakdown of “Ongoing Investments” is as follows:

	(in EUR)	
	31/DEC/17	31/DEC/16
Tangible Assets in Progress		
Regional Development	145,616	90,381
	145,616	90,381
Intangible Assets in Progress		
Primary Network	1,614,770	555,664
Alqueva Dam	22,140	-
Álamos	14,791	-
	1,651,701	555,664
TOTAL	1,797,317	646,045

The variance in this item is mainly due to the additions registered in this period, under “Ongoing Investments”, excluding capitalisations, which essentially refer to the following projects in the primary network:

	(in EUR)
PROJECTS	31/DEC/17
Roxo-Sado Pipeline Canal	736,673
Reguengos Hydraulic Circuit	114,420
Viana do Alentejo Hydraulic Circuit	59,903
Caliços-Machados Hydraulic Circuit	53,220
Amoreira Pias Pipeline	52,988
Póvoa-Moura Hydraulic Circuit	50,350
Outros(< € 50,000)	342,078
TOTAL	1,409,631

In order to optimize the benefit of the competitive advantages provided by the Project and the total use of the available water resources, EDIA developed a strategy to promote and increase irrigation by building infrastructures in areas bordering the Undertaking.

In view of the Undertaking’s development, potential irrigated areas were identified in contiguous areas of approximately 50,000 hectares, considering the expressed interest in these territories, as well as their technical, economic and environmental viability. Therefore, the supervision of studies for the purposes of developing execution projects for the various boundary areas, promoting new irrigation systems, has been one of this year’s priorities, as well as following-up studies on the hydraulic circuits of Reguengos de Monsaraz, Póvoa-Moura, Cuba-Odivelas, Évora, Viana do Alentejo, Vila Nova de São Bento and respective blocks.

By December 31st, 2017, the investment made in primary network projects in these bordering areas amounts of EUR 1,614,770, minus negative price revisions, as a consequence of the completion of works on the 1st phase primary network.

The amount of EUR 145,616 under "Ongoing Investment – Regional Development" essentially reflects the investment made in an installation system for self-consumption production units, whose objective is the production of electric energy by photovoltaic conversion of solar energy, to supply a Reservoir and Filtration Station.

The amount of EUR 22,140 under "Ongoing Investment – Alqueva Dam", reflects the value of services provided in natural resource management and exploitation.

The amount of EUR 14,791 under "Ongoing Investment – Alamos" corresponds to the investment made in execution projects, related to the installation of groups 3 and 4 of the Alqueva-Álamos Pumping Station.

8.4. IMPAIRMENT LOSSES

Following the 2010 definition of the water supply tariff for the primary system, EDIA estimated the recoverable amount of the "Water" segment assets by determining their value of use, and it was concluded, in the impairment tests since 2009, that the current value of future cash inflows associated with this segment is negative, so the loss of impairment on those dates corresponds to the total value of assets (net of inseparable liabilities-subsidies) allocated to this segment.

Thus, the net assets of amortization allocated to this with a gross value of EUR 1,519,200,624 as of December 31st, 2017, (EUR 1,517,061,067 as of December 31st, 2016) are fully offset by accumulated impairment losses in the same amount. are fully compensated by accumulated loss impairment of equal amount.

Impairment losses mentioned above have been recognized as "water" segment investment is made. Thus, since these assets already have a zero net book value through the recognition of impairment losses, investments in this segment will not be subject to any depreciation over the useful life of the respective infrastructure.

The amounts allocated to each of these segments (water, energy, others) under the item "Intangible Assets" (gross values) were as follows:

(in EUR)

INTANGIBLE ASSETS	31/DEC/17			31/DEC/16		
	WATER SEGMENT	ENERGY SEGMENT	OTHERS	WATER SEGMENT	ENERGY SEGMENT	OTHERS
Development Projects			116,949			116,949
Computer Programs		1,805,861	967,842		1,805,861	967,842
Other Rights	195,000,000		100	195,000,000		100
Land and Natural Resources	174,562,556	65,764,133		174,616,682	65,743,939	
Buildings and Other Constructions	1,109,708,469	237,771,332		1,108,571,117	237,769,510	
Basic Equipment	37,947,401	99,037,884		37,947,401	99,037,884	
Intangible Assets in Progress	1,651,701			555,664		
Advances on Investments	329,487			370,203		
TOTAL	1,519,199,613	404,379,209	1,084,891	1,517,061,067	404,357,194	1,084,891

Likewise, subsidies linked to the distribution of water, whose assets are (in the impairment tests performed over the years) fully impaired, have been derecognised under the registration of impairment losses for the respective assets, i.e., these losses are recognised in the Income Statement by the net value of the respective subsidies. At the reporting date, unpaid subsidies that were directly associated with expenses that were recognized in EDIA's intangible assets in December 2017, were specialised.

As they are subsidies that meet the set accounting requirements, that is, where there is reasonable assurance that the entity will comply with the conditions associated to it and that the subsidy will be received, it makes no sense to recognize impairment losses for values that we know will be offset by subsidies, so only proceeding to the specialization of these subsidies will it be possible to ensure, to the best possible extent, that the impairment losses are recognized correctly.

9. RELATED PARTIES

9.1. FINANCIAL HOLDINGS – OTHER METHODS

(in EUR)

CORPORATE NAME	SHARE CAPITAL	% SHAREHOLDING	NO. SHARES/UN. SHAREHOLDINGS	NOMINAL VALUE	ACQUISITION COST	SHAREHOLDING VALUE AS AT 31 st DECEMBER 2017	SHAREHOLDING VALUE AS AT 31 st DECEMBER 2016
Centro Operativo e de Tecnologia do Regadio	63,500	9,56	11 UP	500	6,070	6,070	6,070
Agência de Desenvolvimento Regional do Alentejo, S.A.	499,000	4,11	4,110 A	4,99	20,501	20,501	20,501
Águas do Vale do Tejo, S.A.	83,759,578	0,30	250,000 A	1	250,000	250,000	250,000
Lusofuel – Produção de Biocombustíveis e Derivados, S.A.	500,000	10,00	10,000 A	5	50,000	0	0
TOTAL					326,571	276,571	276,571

These shareholdings are recorded at acquisition cost (EUR 376,571), for EDIA does not hold a dominant or significant shareholding (which is assumed to happen when the shareholding is equal to or greater than 20%) in none of the companies identified above.

Decree-Law no. 34/2017, of March 24th, advocated the reversal of the aggregations made in 2014 that gave rise to “Águas de Lisboa and Vale do Tejo, S.A.”, having determined its division, and thus originating two new companies and changing their objective, as well as the redenomination of the previous company.

These companies were:

- / “Águas do Tejo Atlântico, S.A.” – in charge of granting exploration and management of the multi-municipal wastewater sanitation system of Greater Lisbon and Western Region, which constitutes a public service to be exercised exclusively; and
- / “SIMARSUL – Saneamento da Península de Setúbal, S.A.” – in charge of granting the exploration and management of the multi-municipal wastewater sanitation system of the Setúbal peninsula, which constitutes a public service to be exercised exclusively;

The redenominated company was:

- / “Águas de Lisboa and Vale do Tejo, S.A.” – in charge of managing the multi-municipal water supply and sanitation system of Vale do Tejo, renamed “Águas do Vale do Tejo, S.A.”.

This legal document came into effect on April 3rd, 2017, and “EPAL – Empresa Portuguesa das Águas Livres, S.A.” was responsible for operating and managing the systems on behalf of their respective companies (Águas do Tejo Atlântico, S.A. and SIMARSUL, S.A.) until June 30th, 2017, as detailed in article 61, paragraph 3, in conjunction with the respective concession agreements.

In view of the foregoing, the investment held at the nominal value of EUR 250,000, representing 0,15% of its share

capital (EUR 167,807,560) up to that time in the now defunct company Águas de Lisboa and Vale do Tejo, S.A. (ALVT) transited to the company Águas do Vale do Tejo, S.A. (AVT, S.A.) with a share capital of 83,759,578 EUR, in which EDIA, on December 31st, 2017, holds a 0,30% stake (corresponding to 250,000 shares with a nominal value of EUR 1 each).

Whenever there are indications that the asset may be impaired, an evaluation of these investments is made and any impairment loss is registered.

9.2. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

There are no: (a) balances of current accounts receivable (customers) from related parties, and (b) amounts payable or transactions with related parties.

In December 2015, the extinct company "ALVT, S.A." (current "AVT, S.A.") requested EDIA to reinforce the Monte Novo Reservoir under the Concession Agreement for water abstraction in this reservoir, to supply the municipalities of Évora, Reguengos de Monsaraz and Mourão.

EDIA started transferring water through EFMA infrastructures, which was provided continuously between December/2015 and May/2017.

Following this transfer, EDIA billed the service provided, and AVT, S.A. returned the invoices in March 2017, on the understanding that it did not have sufficient and enlightening elements to justify its payment.

In this context, a meeting was held in January 2018, in the presence of the Secretary of State for the Environment, Portuguese Environment Agency (APA), Águas de Portugal and EDIA, where it was decided to invoice APA for this service, for which credit notes were issued to the investee AVT, S.A. to cancel the issued invoices, and which in turn also annulled the related impairment, amounting to EUR 818,103.

9.3. REMUNERATION OF KEY MANAGEMENT PERSONNEL

FIXED REMUNERATION STATUTE

BOARD OF DIRECTORS (EXECUTIVE DIRECTORS)

CHAIRMAN

Shareholder ruling of 18/12/2014: (a)

Remuneration of EUR 4,864,34 (14 times a year) plus 40% for representation expenses in the amount of EUR 1,945,74 (12 times a year)

Remuneration applied: b)

Remuneration of EUR 5,465,43 (14 times this year)

Remuneration with reduction of (5%) – € 5,192,15 (provided in paragraph 1 of Article 12, of Law no. 12-A/2010, of June 30th)

Service Vehicle (purchase limit of 40,000,00 €); Driver; Mobile Phone (monthly limit of € 80,00); Health Insurance (€ 348,00 per year)

MEMBERS

Shareholder Ruling of 18/12/2014: (a)

Remuneration of EUR 3,891,47 (14 times a year) plus 40% for representation expenses in the amount of EUR 1,556,59 (12 times a year)

Remuneration applied: b)

Remuneration of EUR 4,675,41 (14 times this year)

Remuneration with reduction of (5%) – € 4,441,64 (provided in paragraph 1 of Article 12, of Law no. 12-A/2010, of June 30th)

Service Vehicle (purchase limit of 40,000,00 €); Driver; Mobile Phone (monthly limit of € 80,00); Health Insurance (€ 348,00 per year)

(a) The Unanimous Social Decision in Writing of December 20th, 2016, established the remuneration statute of the EDIA's Board members for the 2015-2017 term. However, the amendment was suspended due to the stipulation under the terms of no. 21 of RCM no. 16/2012 and no. 3 of RCM no. 36/2012, of the Order of the Secretary of State of the Treasury and Finance No. 764/SEFT/2012, of May 24th, in conjunction with article 256, paragraph 1, of Law 82-B/2014, of December 31st, which determines that, in 2017, remuneration effective of elected members of the Governing Bodies shall not exceed the amounts allocated as of March 1st, 2012.

(b) In the ambit of the adoption of a set of additional fiscal consolidation measures aimed at strengthening and accelerating excessive deficit reduction and control public debt growth under the Stability and Growth Program (PEC), the 5% salary reduction of public and equivalent managers was kept, as provided for in no. 1, of Article 12, of Law No. 12-A/2010, of June 30th.

Management awards are still not contemplated, as provided for in article 4 of Decree-Law no. 8/2012, of January 18th, and no. 4 of the Council of Ministers Decision no. 36/2012, of March 26th, in article 29 of Law no. 64-B/2012, of December 30th (LOE 2012), in article 37 of Law no. 66-B, of December 31st (LOE 2013), Article 41 of Law no. 83-C, of December 31st (LOE 2014), Article 41 of Law 82-B/2014 of December 31st (LOE 2015), Article 18 of Law 7-A/2016 of March 30th (LOE 2016), and article 19 of Law 42/2016 of December 28th (LOE 2017)..

10. INCOME TAX

Expenditure (income) on corporate income tax as at 31st December 2017 and 31st December 2016 is broken down as follows:

	(in EUR)	
	31/DEC/17	31/DEC/16
Current Tax		
Autonomous Taxation	92,173	95,086
TOTAL	92,173	95,086

The Company is subject to tax on profits as to Corporate Income Tax (IRC) at the standard rate of 23%, and the municipal tax fixed at a maximum rate of 1,5% of the taxable income. Under the terms of Article 88 of the IRC Code, the Company is subject to additional independent taxation on a range of charges, at the rates specified in said Article. However autonomous taxation rates are increased 10 %, since EDIA registered tax loss in the previous tax year.

The item's value reflects the estimated value of the autonomous taxation to be borne by EDIA in 2017.

In this financial reporting in accordance with IAS/IFRS, the Company did not recognize, in 2017 or in previous years, any deferred tax assets related to deductible temporary differences (including the losses generated by the impairment losses of the "water" segment) or the tax losses carried forward, for there is no reasonable assurance regarding the existence of future taxable income to allow the use of these deductible temporary differences and tax losses carried forward before they become extinct.

11. CAPTIVE DEPOSITS

The variation registered under “Captive Deposits” in Non-Current Assets results from the conclusion of the lawsuits with Portucel Recicla and Herdade da Pereira, and, consequently, the extinction of the escrow deposits made by EDIA in the medium and long term in banks, namely in favour of the Judicial Courts, within the scope of the aforementioned litigious legal and expropriation proceedings.

The two main captive deposits had a nominal value of EUR 8,280,914 and EUR 166,528 and were contracted using loans of the same amount, classified as “Financing Obtained”.

On December 31st, 2017, the account balance (EUR 90,745) corresponds to two deposits made by EDIA in a medium and long-term bank, specifically in favour of the Tax and Customs Authority, in the ambit of an inspection at IRC headquarters, in which EDIA was notified to make corrections and not agreeing; and, in order to request the suspensory effect of the tax assessment and respective compensatory interest, as well as being able to appeal, EDIA committed to make said deposits. (See Note 32).

12. INVENTORIES

As at 31st December 2017 and 31st December 2016, Company “Inventories” are as follows:

(in EUR)		
INVENTORIES	31/DEC/17	31/DEC/16
Products and Works in Progress (PWP)	2,662,937	1,841,662
Subsidiary Materials	306,254	213,275
Goods	45,931	46,867
TOTAL	3,015,122	2,101,804

Following the publication of Decree-Law No. 335/2001 of December 24th, which, with the exception of Infrastructure 12 forecasted the transfer to the State of infrastructures integrating the secondary irrigation network allocated to EFMA, from the year 2002, EDIA has shown, under “Inventories”, the cost of infrastructure works of the secondary irrigation network that hadn’t yet been transferred to the State or another entity.

Under the Concession Agreement on the Management, Operation, Maintenance and Conservation of the EFMA Secondary Network Infrastructures signed on April 8th, 2013 (in force until the end of 2020), EDIA delivered to the State (represented by DGADR) the already completed infrastructure regarding the secondary network, in which the latter assumes all inherent rights and obligations set by the current legislation.

Thus, the investment in these already completed infrastructures of the secondary network is shown under “Other accounts receivable” (sub account DGADR), net of corresponding investment subsidies, translating the value that EDIA expects to receive from the State as part of the compensation of the non-subsidized investment in the secondary network.

The variation in this item results from the transfer of “Products and Work in Progress” to “Finished and Intermediate Products”, which pertains to investments in irrigation blocks that were still under construction and were substantially completed, thus entering into operation. Subsequently, this amount was registered under “Other Accounts Receivable”, for the State (MAFDR), which owns all secondary network infrastructures.

The evolution of "Products and Work in Progress" in 2017 can be summarized as follows:

	(in EUR)				
	31/DEC/16	ADDITIONS	CAPITALISATIONS	TRANSFER TO OTHER ACCOUNTS RECEIVABLE	31/DEC/17
Products and Works in Progress	1,841,662	365,809	412,621	42,845	2,662,937

The variation of this "Products and Work in Progress" sub-account reflects investments in projects related to 2nd phase irrigation blocks under construction, in which infrastructure works for approximately 50,000 hectares in the so-called bordering areas are contemplated, namely in the following blocks:

	(in EUR)
PROJECTS	31/DEC/17
Reguengos Blocks	170,936
S. Matias Blocks	132,061
Others (< € 50,000)	62,812
TOTAL	365,809

13. CUSTOMERS, SALES AND SERVICES RENDERED

Revenue is measured at the fair value of the consideration received or receivable.

13.1. CUSTOMERS

This item breaks down as follows, by nature and segment:

	(in EUR)	
CUSTOMERS	31/DEC/17	31/DEC/16
General Customers	4,630,709	12,305,835
Customers – Water Segment	4,534,642	4,755,106
Customers – Energy Segment	0	7,388,186
Customers – Others	96,067	162,543
Customers – Pre-dated Checks	305,794	88,379
Customers – Water Segment	305,794	88,379
Customers – Fiscal Execution	153,950	219,183
Customers – Water Segment	153,950	219,183
Customers – Fiscal Execution	309,862	211,295
Customers – Water Segment	309,862	211,295
impairment losses	(309,862)	(211,295)
Customers – Water Segment	(309,862)	211,295
TOTAL	5,090,452	12,613,398

The main balances of “General Customers” are as follows:

GENERAL CUSTOMERS	(in EUR)	
	31/DEC/17	31/DEC/16
Associação de Regantes e Beneficiários de Campilhas e Alto Sado	256,805	-
Eurocompetência	143,529	106,086
Innolivo Portugal Unipessoal, LDA	100,568	1,165
Fitagro Grupo, SL	100,105	57,776
Reinaldo António G.Engrossa	99,274	32,384
Salto do Cervo – Agricultura e Pecuária, Lda	97,745	58,330
Herdade Fonte Boa Investimentos, S.A.	94,077	-
Associação de Beneficiários da Obra da Vigia	88,413	56,534
Águas Públicas do Alentejo	86,717	100,900
Alpendres de Lagares Unipessoal	83,165	78,109
Querida Primavera, Lda	81,399	-
Empresa Hidroelétrica do Guadiana	-	7,388,186
Águas do Vale do Tejo, S.A.	-	818,103
Fundação Eugénio de Almeida	-	352,011
Others (< € 80,000)	3,398,913	3,256,251
TOTAL	4,630,709	12,305,835

The decrease in this account balance mainly results from the debt settlement of the Empresa Hidroelétrica do Guadiana (Guadiana Hydroelectric Company). The outstanding amount on December 31st, 2016, reflected part of the billed and unpaid amount, rents (EUR 12,380,000/year) for 2013, 2014, 2015 and 2016, in the ambit of the “Operation Contract of the Alqueva and Pedrógão Hydroelectric Power Plants and Subconcession of the Public Water Domain” entered into with EDP in October 2007. The non-payment of this amount by the EDP Group company resulted from a dispute between the parties regarding revisability, arising from the change in investment for the Alqueva Power Reinforcement. This situation has been classified as a contingent liability, subject to due disclosure in the Annex.

In accordance with the Arbitral Tribunal’s decision, dated April 12th, 2017, there was a payment settlement, in which the Empresa Hidroelétrica do Guadiana paid EDIA the sum of EUR 6,332,680 and EDIA issued a credit note regarding the difference between the value of the invoiced rent (EUR 12,380,000) and the income amount defined by the Arbitral Tribunal (EUR 12,165,706), which amounted to was EUR 1,054,326 for the four years (2013 to 2016).

The cancellation of the amount of EUR 818,103 owed by the subsidiary AVT, S.A. in December 2017 also contributed to the variation in this item’s balance (see Note 9,2).

The majority of balances with a unit value under EUR 80,000, totalling EUR 3,398,913 as at December 31st, 2017, reflects the majority of the amounts receivable from provided water distribution services, resulting from compliance with Orders no. 9000/2010 and 3025/2017, which set the prices of irrigation water for agricultural use, within the framework of the EFMA public water service.

The balance of “Clients – Tax Enforcement” (EUR 153,950) reflects the amount of processes in tax lien, filed by EDIA, aimed at making quick and effective recovery of the credit which the Company holds.

These figures result from water distribution services provided by the Company, in which there was no compliance with the obligation, payment of the instalment, within the legal period, and previously the company has taken all reasonable steps to recover these credits.

The credits that are considered of doubtful collection after evaluation by the Company are subject to accounting recognition of the respective impairment.

Credit is considered in default when payment does not respect the deadline contracted between the Company and the purchaser and when it is a result of the normal activity of the Company.

13.2. SALES AND SERVICES RENDERED

SALES AND SERVICES RENDERED	(in EUR)	
	31/DEC/17	31/DEC/16
Vendas		
Energy – Mini-hydro	782,089	650,508
Noudar Nature Park	59,162	56,407
Energy – Photovoltaic	30,869	15,660
	872,120	722,575
Services Rendered		
Water Distribution	14,920,536	10,373,200
Energy Production	12,148,365	12,103,200
Cartography and Expropriation	121,632	501,784
Noudar Nature Park	117,792	115,584
	27,308,325	23,093,768
TOTAL	28,180,445	23,816,343

13.2.1. SALES

The EUR 872,120 in sales in 2017 mainly reflects the sales amount of energy transferred to the network: (i) by the Alvito, Odivelas, Pisão, Roxo and Serpa mini-hydro plants (EUR 782,089), (ii) the Alqueva photovoltaic plant (EUR 30 869) and the sale of live cattle and pastures in Noudar Nature Park (EUR 59,162).

13.2.2. PROVISION OF SERVICES

ENERGY PRODUCTION

The balance of the "Energy Production" account (EUR 12,148,365) is derived from the "Concession Contract for the Operation of the Alqueva and Pedrógão Hydroelectric Plants" (€ 12,141,958) celebrated, for 35 years, between EDIA and EDP.

Under this Contract, EDP is obliged to provide financial compensation to EDIA as follows:

- / An initial sum of EUR 195,000,000 plus VAT at the statutory rate and paid at the entry into force of this Contract; and
- / Throughout the contract period, an annual, periodic amount of EUR 12,380,000 (value updated in 2012) plus VAT at the statutory rate and paid annually on the same day and month of the entry into force of the contract, the first instalment being owed in 2008.

Within the scope of the Contract for the Operation of the Alqueva and Pedrógão Hydroelectric Power Plants and the sub concession of the public waterways domain and in accordance with the provisions of paragraph 2 of Annex VII, and as a result of changes in the volumes of water abstraction from the Alqueva and Pedrogão reservoirs, EDP was billed in the first half of 2017 the amount of EUR 1,253,102 pertaining to 2016, which corresponded to the income which was specialised in the accounts on December 31st, 2016 (EUR 1,018,782) .

As at 31st December 2017, EDIA, according to the accrual regime, specialized the amount of EUR 352,226 representing the estimated amount of financial compensation for the year 2017 and that results from revisability arising from changes in annual volumes of water abstractions from the Alqueva and Pedrogão reservoirs.

The balance of this account includes the value of EUR 37,021 of the THR component on the use of water in energy production of the Alqueva hydroelectric plant in 2017 (application of Decree-Law No. 97/2008).

The amount of EUR 389,247 (EUR 352,226 + EUR 37,021) shall be invoiced by EDIA to the EDP Group company in 2018.

WATER DISTRIBUTION

The transposition of the Water Framework Directive was made through Law no. 58/2005, of 29th December, and developed by Decree-Law no. 226-A/2007, of 31st May and Decree-Law no. 97/2008, of 1st June, having enshrined the principle of the economic value of water, by force of which the current or potential shortage of this resource is recognised, as is the need for ensuring its economically efficient use with the recovery of the costs of water services, even in environmental and resource terms.

In compliance with order no. 9000/2010, of 27th April, which set prices for irrigation water for agricultural use, under the water public service of EFMA, EDIA initiated in the 2nd half of 2010 the invoicing procedure, whose legally foreseen breakdown (Article 23(2) of Decree-Law no. 97/2008, of 11th June) is governed by the following terms:

- / The water price values approved by Order No. 9000/2010 of April 27th, 2010, EUR 0,089/m³ and EUR 0,053/m³, already reflect the legally required effect on the end-user of the economic charge represented by the water resource rate (THR) and the upkeep and operation components, and are reduced by 70%, in the 1st year, increasing annually in equal increments from the subsequent year up to the 8th year, totalling that year the values defined;
- / The values set for the conservation component are EUR 50,00/ha/year for high pressure adduction and EUR 15,00/ha/year for low pressure adduction. These values undergo reductions as indicated in the previous paragraph.
- / The unit value for m³ of water consumption invoiced results from set tariffs, minus the upkeep component. The unit upkeep component considers an average annual consumption of 3,000 m³ per hectare.

The average annual variation rate in the consumer price index, excluding housing for Mainland Portugal from 2016 to 2017, was + 0,826%, which is used to set the price of irrigation water for agricultural use.

As a result of this update, the values applied for the upkeep component are EUR 53,97/ha/year for high pressure adduction, and EUR 16,19/ha/year for low pressure adduction.

In issued billing regarding high pressure water supply, variable values are established and applied according to the off-peak/super off-peak, partial-peak and peak hours.

Regarding the operation component, values applied to high and low pressure are EUR 0,0742/m³ and EUR 0,0479/m³, respectively.

In April 2017, Order No. 9000/2010 was revoked and Order No. 3025/2017 of April 11th, 2017 was approved, which sets the new applicable tariff to regarding the public water service associated with irrigation for agricultural use, within the scope of EFMA.

The legislator sought to create the right conditions for the price of the service to remain competitive, considering that the conditions are set to increase the Undertaking's competitiveness and attractiveness by reviewing the current tariff.

A set of standards was set to ensure the sustainable management of water resources through the internalisation of costs and benefits associated with water use, having established the rate of water resources and the tariff of the public water service as the determining instruments for this purpose.

It is necessary to take into account the need to strike a balance between the costs associated with the Undertaking's operation and conservation, including the primary system, as well as users' ability to pay, in the light of the economy of the installed crops. The tariff structure is based on a sensitive equilibrium equation, which must simultaneously internalize all costs to comply with sustainability requirements detailed in national and community legislation; be a factor of competitiveness and attractiveness for the region; and match users' payment capacity, for which it should hold a solidarity factor.

This order also sets the applicable tariff to the public water service for public supply and industrial use, taking into account the specificities of other uses, such as high levels of supply guarantee.

Thus, the following is determined:

- / The applicable tariff to the supply of irrigation water from the primary network, delivered to entities in charge of the operation and conservation of hydro-agricultural uses bordering the EFMA is EUR 0,030/m³;
- / The applicable tariff to water leaving the secondary network to supply agricultural holdings is broken down into a fixed component, the conservation rate, and a variable component, the exploitation rate, which are intended to cover infrastructure conservation and operation costs, applied annually to each benefited hectare and to each cubic meter of water supplied, respectively.

Under the terms referred to in the previous paragraphs, the tariff applicable is as follows:

- / On leaving the secondary network, for supplying water under high pressure to farms, the holding and operating rates are EUR 55,00/ha and EUR 0,059/m³ respectively;
- / On leaving the secondary network, for supplying water under low pressure to farms, the holding and operating rates are EUR 20,00/ha and EUR 0,032/m³ respectively;
- / For public supply: EUR 0,045/m³;
- / For industrial use: EUR 0,060/m³.

Pursuant to Article 67 (3) of the RJOAH, precarious users, that is, those who, for any purpose, use regulated water or water from the EFMA infrastructures outside the perimeter area, pay a fee corresponding to a holding fee of:

- / At the connection or origin, high pressure: EUR 0,077/m³;
- / At the connection or origin, low pressure: EUR 0,038/m³.

The amounts established in the previous numbers pertain to 2017 and are updated annually in light of the annual average variation of the consumer price index, excluding housing, in Mainland Portugal, published by the National Statistics Institute, I. P.

The above tariff will be applied in phases, as detailed below:

In the first year following completion of each of the EFMA irrigation perimeters' secondary networks, integrated in the 120,000 ha corresponding to the Undertaking's 1st phase, the tariffs to be applied should be 40%, increasing in subsequent years to 60% and 80%, respectively, reaching the final tariff in the 4th year.

The area benefited by the irrigation infrastructures and the volume of water supplied is considered for calculation.

In issued billing regarding THR components and operation, for high pressure water supply, variable values are established and applied according to the off-peak/super off-peak, partial-peak and peak hours.

Current Order No. 3025/2017 of April 11th, 2017, comes into effect the day after its publication. Because of this, billing issued in the first half of 2017 was distributed according to the two tariffs in force in that period.

In 2017, the following amounts were billed for the provision of "water distribution" services, reservoir reinforcement, irrigation perimeters and direct abstraction, taking the different components into account (water resource rate (THR), operation and conservation):

	IRRIGATION PERIMETERS			DIRECT ABSTRACTIONS		RESERVOIR REINFORCEMENT		TOTAL
	THR	OPERATION	CONSERVATION	THR	OPERATION	THR	OPERATION	
Pisão	4,947	319,442	86,128	0	0	0	0	410,517
Monte-Novo	11,503	1,364,135	261,943	0	0	3,963	283,916	1,925,460
Alvito-Pisão	7,504	1,100,066	431,124	0	0	0	0	1,538,694
Ferreira, Figueirinha and Valbom	3,847	500,574	204,083	0	0	0	0	708,503
Brinches	5,278	507,900	252,729	0	0	0	0	765,908
Brinches-Enxoé	8,338	722,924	217,084	0	0	0	5,616	953,963
Orada-Amoreira	5,035	348,775	137,515	0	0	0	0	491,324
Serpa	5,001	589,741	197,544	0	0	0	0	792,286
Alfundão	4,438	365,778	103,803	0	0	0	0	474,020
Ervidel	5,658	530,833	210,264	0	0	0	0	746,755
Loureiro-Alvito	554	100,206	20,002	0	0	0	0	120,762
Vale do Gaio	1,283	73,951	60,320	0	0	0	0	135,554
Pedróvão	2,787	452,908	155,044	0	0	0	0	610,739
Baleizão-Quintos	2,420	375,166	114,314	0	0	0	0	491,900
S.Pedro Baleizão	3,143	448,978	99,648	0	0	0	0	551,769
Cinco Reis and Trindade	588	267,922	55,313	0	0	0	0	323,823
Beringel-Beja	13,389	104,971	41,882	0	0	0	0	160,242
Caliços-Machado	4,951	45,970	26,032	0	0	0	0	76,954
Caliços-Moura	2,027	66,926	22,400	0	0	0	0	91,354
São Matias	11,598	204,235	69,739	0	0	0	0	285,572
Roxo-Sado	684	7,670	29,642	0	0	1,197	254,541	293,735
Pias	3,664	60,833	61,662	0	0	0	0	126,159
Direct Abstractions	0	0	0	70,527	781,180	0	0	851,706
TOTAL	108,639	8,559,906	2,858,214	70,527	781,180	5,160	544,074	12,927,698

(in EUR)

In 2017, income from operation components and THR, irrigation perimeters in operation, were estimated at EUR 1,641,816 and EUR 932,098 respectively, and EUR 627,205 in direct water catchment. Income from the reinforcement of reservoirs-primary network was also specialised, amounting to EUR 586,468.

Specializations for the 2016 financial year were annulled, as were the operating components (EUR 1,064,499) and direct funding (EUR 730,250), so the total "water distribution" account balance was EUR 14,920,536.

Invoicing related to the provision of "water distribution" services is made in February, April, July and October. In February, the operating and THR components for the 4th quarter of the previous year are invoiced. In April, the conservation components of the current year and the operating components and THR for the first quarter of the current year are invoiced. In July, the operating component for the 2nd quarter of the current year is invoiced. In October, the operating component for the 3rd quarter of the current year is invoiced.

Invoices are issued based on actual consumption counts. Income related to the "water distribution" component to be billed for consumptions occurring in the 4th quarter of 2017, read and validated at the date of the Financial Position Statement, were also registered based on actual consumption.

Under Decree-Law no. 313/2007, of September 17th, which approved the rules of the concession, EDIA holds, as the concessionaire for the management, operation and private use of the public waterways domain allocated to EFMA, the powers of administration of the said public waterways domain within its activity, the power to award certificates relating to water abstraction for irrigation and for electricity generation and also the powers to monitor its use by others, as well as the authority to start, prepare and sanction administrative offence proceedings in that area (article 7). Combining article 5(3) of the same decree, the THR is passed on to the respective end-users.

As described, based on bonds issued to direct funding and in accordance with the indicated water consumption (source of water in the primary system), EDIA, according to accrual accounting, registered in December 2017, by estimate, the value of EUR 627,205 of this component, which will be fully billed in 2018.

OTHER PROVISIONS OF SERVICES

The remaining value (EUR 239,424) in "Provision of Services" reflects: (i) the services provided by EDIA regarding expropriations, which aim to ensure various expropriation procedures (valuation, negotiation and acquisition of real estate) and cartography, providing services in the pertaining to the production of geographic information, associated with national projects that involve the production of cartography, topography, geodesy and land register (EUR 121 632); and (ii) services provided in the Noudar Nature Park essentially pertaining to activities associated with tourism and hotel operation (EUR 117,792).

14. ADVANCES TO SUPPLIERS

In 2017, EDIA continued analysing the composition and nature of advances made, urging the various suppliers to issue the lacking documents, and regularized some of those balances.

This balance reflects mostly the advances made on account of spending on supplies and services in 2017 and previous years, having internally complied with all validation and expense authorization procedures; although, without a legal document issued by the various entities in order to comply with minimum legal requirements. Upon receipt of the invoice, these funds will be transferred to the respective "Suppliers c/c" and "Investment Suppliers" items, thereby regularizing the amount of EUR 202,663 from the "Advances to Suppliers" account.

15. STATE AND OTHER PUBLIC ENTITIES

On December 31st, 2017, and December 31st, 2016, this heading included the following balances:

	(in EUR)	
	31/DEC/17	31/DEC/16
Current Assets		
VAT – Value Added Tax	945,170	985,502
IRC – Corporate Income Tax	163,851	145,830
TOTAL	1,109,020	1,131,332
Current Liabilities		
Social Security Contributions	74,830	81,295
Withholding Income Tax	83,341	102,590
Estimated IRC	92,173	95,086
TOTAL	250,344	278,971

In Current Assets, the balance of the “VAT – Value Added Tax” account translates the amounts included in the periodic declarations, in “excess to report”, of the tax recoverable from October, November and December 2017, as a result of the investment made in projects in areas bordering the 2nd phase of EFMA.

The balance of “IRC – Corporate Income Tax” presented in Current Assets refers to special payments on account of IRC (PEC) for the years 2014 through 2017.

Considering the tax’s time limit for its deduction (up to the following fourth taxable period) and in accordance with the provisions of article 93 of the IRC Code and the tax losses to report, in 2017 the Company made the corresponding recognition of the value of the SGP for the year 2013 as an expense, amounting to EUR 30,412.

The “Social Security Contributions” and “Income Tax Withholdings” values, presented in Current Liabilities, correspond to the Social Security and IRS amounts associated with the processing of EDIA’s employees’ salaries in December 2017.

The value of the “IRC Estimate” item reflects the amount of autonomous taxation to be borne by EDIA pertaining to 2017.

In financial reporting in accordance with IAS/IFRS, the Company did not recognise, in 2017 or in previous years, any deferred tax assets related to deductible temporary differences (including the losses generated by the impairment losses of the “water” segment) or the tax losses carried forward, for there is no reasonable assurance regarding the existence of future taxable income to allow the use of these deductible temporary differences and tax losses carried forward before they become extinct.

16. OTHER ACCOUNTS RECEIVABLE

As at December 31st, 2017 and December 31st, 2016, this heading was made up as follows:

		(in EUR)	
OTHER RECEIVABLE ACCOUNTS	31/DEC/17	31/DEC/16	
Concession Agreement_ IFRS 15 – Current Assets	5,238,560		
Concession Agreement_ IFRS 15 – Non-Current Assets	198,802,591		
	204,041,151		
Concession Agreement_DGADR_RS	136,880,945	140,544,637	
DGADR_IE12	70,794,862	70,842,717	
Debtors by Increase of Income	4,997,335	2,958,190	
Community Funds	32,470	1,811,869	
Other Debtors	65,084	242,370	
Impairment Losses	(22,943)	(22,943)	
TOTAL	416,788,903	216,376,840	

CONCESSION AGREEMENT – EDP_IFRS 15

In 2017, the Company adopted, for the first time, IFRS 15 – “Customer Contracts Revenue”, namely what pertains to the recognition of revenue in light of the concession agreement of October 24th, 2007 between EDIA and EDP – EDP (Power Generation Management), which awarded EDP the exploitation of the Alqueva and Pedrógão hydroelectric power plants for a period of 35 years. EDIA received a total of EUR 195 million.

Until 31 December 2016, EDIA recognised an associated liability and this concession agreement, but not the asset resulting from the agreement, that is, the right to remuneration in exchange for the service that the Company transferred to EDP, in order to reflect rights and not just obligations. Since both parties have fulfilled their contract obligations, the contract must be presented in the Financial Position Statement as an asset resulting from the contract or a liability arising from the contract, depending on the relationship between the entity’s performance and the client’s payment. The entity shall present all unconditional rights to the consideration separately, such as an account receivable.

On December 31st, 2017, EDIA recognised the amount of EUR 204,041,151 in an account receivable, since it currently has a right to payment, even if that amount may be reimbursed in the future.

DGADR – CC – SECONDARY NETWORK

					(in EUR)
OTHER RECEIVABLE ACCOUNTS	INVESTMENT	CAPITALIZATION	SUBSIDIES	TOTAL	
DGADR_CC_RS	637,393,898	22,549,504	(523,062,457)	136,880,945	
TOTAL	637,393,898	22,549,504	(523,062,457)	136,880,945	

The “DGADR_CC_RS” account (EUR 136,880,945 as at December 31st, 2017) reflects the amount that EDIA expects to receive from the State for the assignment of the completed secondary network infrastructures. As mentioned in Note 12, under the Concession Contract for the Management, Exploitation, Maintenance and Preservation of Infrastructures of the EFMA’s Secondary Network signed on April 8th, 2013, EDIA handed over to the State, represented by

the Directorate-General of Agriculture and Rural Development ("DGADR"), the already completed secondary network infrastructure, and transferred to the "Other accounts receivable" account (sub-account "DGADR_CC_RS") the investment made in these Infrastructures, net of the corresponding investment subsidies.

In November 2013, a new Delivery Agreement was signed between EDIA and the Portuguese State, represented by DGADR, in which the company delivers the infrastructure integrating the irrigation and drainage network as well as of all goods and equipment necessary for its operation and exploitation, of the Hydroagricultural Installation of Aljustrel.

With the completion of the irrigation perimeter infrastructures, on December 31st, 2016, contemplated in the Delivery Contract, the investments in these perimeters were transferred from the "Finished and Intermediate Products" sub-account to the DGADR Entity.

Investment in the already completed secondary network infrastructures (EUR 136,880,945) is fully reflected in the "Other Accounts Receivable" item in the State account (DGADR), which assumes all inherent rights and obligations in the current legislation.

The variation in this account balance (EUR 3,663,692) is mainly due to the receipt of subsidies amounting to EUR 3,620,847, associated with secondary network projects.

In April 2013, EDIA signed a 'Concession Agreement on the Management, Operation, Maintenance and Conservation of EFMA Secondary Network Infrastructures" with DGADR, effective until December 31st, 2020. This contract establishes that EDIA (concessionaire) shall supply the State (grantor), represented by DGADR, the infrastructure pertaining to the secondary network, drainage and agricultural roads, goods and equipment necessary for their operation and exploitation, and the areas acquired and expropriated for the implementation of EFMA's hydro-agricultural exploitation infrastructure.

According to the Shareholder, "only after completion of all infrastructures", scheduled for 2015, and "subsequent five-year consolidation period, will the set of indicators necessary to assess the best model to proceed with the management, the operation, maintenance and conservation of the Undertaking be available. The seven-year concession, that is until 2020, will guarantee an adequate consolidation period, fundamental for the management of the works' guarantee, the tariff's stabilization tendency, and the perception and optimization of the Undertaking's full operation, in sight of its effective contribution and integration of various values in the sustained development of the region."

Under this Concession Agreement, no provision was made to cover infrastructure charges, subject to the respective Delivery Agreements, related to the contractual obligation to maintain them during the concession period.

The non-constitution of the provision was based on the assumption that, during the concession period (7 years), there will be no major repairs and replacements in the respective infrastructures and equipment, with current maintenance and conservation of these assets being recognised as expenses in the years in which they occur.

DGADR – IE 12

(in EUR)				
OTHER RECEIVABLE ACCOUNTS	INVESTMENT	CAPITALIZATION	SUBSIDIES	TOTAL
DGADR_IE12	114,082,664	12,056,848	(55,344,650)	70,794,862
TOTAL	114,082,664	12,056,848	(55,344,650)	70,794,862

Decree-Law No. 335/01 of December 24th, established that the works on the design, implementation and construction of the EFMA secondary network infrastructure are owned by the state, except Infrastructure 12, which remains the property of EDIA under the concession regime to MAFDR. with the Regional and Hydraulic Development Institute (now Directorate-General for Agriculture and Rural Development – DGADR) in April 2006, of the assignment agreement for the management, operation, maintenance and upkeep of Infrastructure 12 for a period of 30 years, this investment and the associated subsidies are reflected, since 2006, under “Other Accounts Receivable” because EDIA is awaiting reimbursement from DGADR of the net value of the investment made.

As at December 31st, 2017, no change to this situation had been noted.

DEBTORS BY ACCRUED INCOME

“Debtors by Accrued Income” reflect, in general: (i) the specialisation of supply of water distribution services worth EUR 4,642,712; (ii) an estimated revisability arising from the change of the annual volume of water taken from the reservoirs of Alqueva and Pedrógão, for the year 2017, as set out in the “Contract for Operating the Hydroelectric Plants of Alqueva and Pedrógão and Sub-concession of Public Waterways Domain” signed with EDP in the amount of EUR 352,226; and (iii) the specialised amount of income related to the sale of electricity from small hydro plants for December 2017, amounting to EUR 2,397.

COMMUNITY FUNDS

The account “EU funds” includes subsidies in the amount of EUR 32,470 that EDIA estimates, with a high degree of certainty, that it will receive in related to already executed expenses in the ambit of FEDER-POCTEC and LIFE. The variation in this account is mainly due to the increase in investment made in 2017 compared to the investment made in 2016.

17. DEFERRALS

17.1. DEFERRALS (CURRENT ASSETS)

“Deferrals” presented in Current Assets, to the amount of EUR 216,200 (expenses to be recognised) refer to insurance premiums paid up to December 31st, 2017, corresponding to subsequent periods of validity. The most significant insurance amount pertains to personnel (EUR 168,230).

17.2. DEFERRALS (CURRENT AND NON-CURRENT LIABILITIES)

This heading (income to be recognised) shows the following breakdown between “Current Liabilities” and “Non-Current Liabilities”:

DEFERRALS (LIABILITIES)	(in EUR)			
	31/DEC/17		31/DEC/16	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Revenues of the Concession Contract_EDP_ IFRS 15	12,645,948	303,502,755	14,971,965	162,563,384
Investment Subsidies	1,928,671	121,649,758	1,797,501	126,798,025
TOTAL	14,574,619	425,152,513	16,769,466	289,361,409

17.2.1. INCOME FROM THE CONCESSION CONTRACT

The amount of deferred income from the "Concession Contract for the Operation of the Alqueva and Pedrogão Hydroelectric Plants" with EDP, demonstrated on December 31st, 2017 in "Non Current Liabilities" (EUR 303,502,755) and under "Current Liabilities" (EUR 12,645,948), stems from the receipt of EUR 195 million on November 1st, 2007, pursuant to subparagraph a) of paragraph 1 of Clause 6 of the "Contract for the Operation of the Alqueva and Pedrogão Plants and Subconcession of the Public Water Domain", concluded with EDP, as well as amounts annually received (EUR 12,380,000) under this contract for a 35 year period, as from November 1st, 2007.

Thus, these accounts of income to be recognised reflect: (i) part of the EUR 195 million that has not been recognised in income; and (ii) the difference between the amount received annually from EDP and the value of the revenue already recognized of the update of future cash flows at the effective rate of 3,5% (rate of 5,5% until 2016).

Amounts received and to be received from the EDP Group, under this contract, will be recognised as income throughout the duration of the contract (35 years). In financial year 2017, EUR 19,964,538 of income, of which EUR 12,645,948 refer to provision of services (see Note 13) and EUR 7,318,590 to interest (see Note 27).

17.2.2. INVESTMENT SUBSIDIES

The value of investment subsidies is recognised in "Non-Current Liabilities" and includes all subsidies received for investments, except those regarding the secondary network amounting to EUR 523,062,457, already transferred to the "DAGDR_CC_RS" account following the Contracts for the Delivery of Infrastructures already completed (which were deducted from the respective investment until delivery of infrastructure, and was reflected in "Inventories"); of those pertaining to Infrastructure 12 amounting to EUR 55,403,463 (transferred to the "DGADR_IE12" account, following the formalisation of an assignment agreement for the management, operation, maintenance and conservation of this infrastructure, in April 2006, which was deducted from the respective investment that, until then, was reflected in "Inventories"); and those associated with water distribution activity in the amount of EUR 660,264,375 (whose assets have been concluded to be fully impaired, so the corresponding subsidies are derecognised in the ambit of registering asset impairment losses).

Thus, the heading "Investment subsidies" reflects subsidies related to the energy segment amounting to EUR 120,804,307, to be recognised in income at the same depreciation rate of the subsidised goods (cumulative amount recognised in income already deducted by December 31st, 2014, EUR 31,148,423) and the secondary network infrastructures still underway (to be deducted from the investment in said infrastructures, currently evidenced in "Inventories", upon completion of works and delivery of infrastructures to DGADR – see Notes 8 and 12).

In Current Liabilities, the amount of EUR 1,928,671 corresponds to subsidies to be recognised in income within one year.

18. EQUITY

During the period between December 31st,2016 and December 31st,2017, EDIA's Equity had the following evolution:

EQUITY	(in EUR)			
	31/DEC/16	INCREASES	TRANSFERS	31/DEC/17
Subscribed Capital	464,341,070	64,960,330		529,301,400
Other Reserves	9,202,700			9,202,700
Retained Earnings	(878,333,129)	57,843,259	(14,076,369)	(834,566,239)
Net Profit for the Year	(14,076,369)	(341,899)	14,076,369	(341,899)
TOTAL	(418,865,728)	122,461,690	-	(296,404,038)

18.1. PAID-UP CAPITAL

EDIA's initial share capital of 500,000,000 Escudos (EUR 2,493,990), totally held by the Portuguese State, was successively increased in the period 1996-2009 until it attained its current value of EUR 387,267,750, on December 31st, 2009. Between 2010 and 2014, the Share Capital has not changed.

As of December 31, 2015, the Company's Capital Stock, fully subscribed and paid-up in the amount of EUR 407,975,580, comprised 81,595,116 shares. In 2015 there were four capital increases totalling EUR 20,707,830.

On December 31st, 2016, the Company's share capital, fully subscribed and paid-up, amounts to EUR 464,341,070, comprising 92,868,214 shares. The variation of EUR 56,365,490 and 11,273,098 new shares that occurred in 2016 derives from the following share issues with a nominal value of EUR 5 each:

- / In March 2016, 722,265 new shares were issued, with a nominal value of EUR 5 each, made in cash. The subscribed and paid-up amount was EUR 3,611,325;
- / In May 2016, 3,472,400 shares were issued, at EUR 5 each. This amount of EUR 17,361,998 was subscribed and paid-up by debt service conversion, maturing on May 31st, 2016, of the medium and long-term loan granted by DGTF;
- / In July 2016, 2,574,095 new shares were issued, with a nominal value of EUR 5 each, made in cash. The amount subscribed and paid-up was EUR 12,870,475;
- / In December 2016:
 - i. 1,058,514 nominative shares were issued, at 5 EUR each, made in cash. The amount subscribed and paid-up was EUR 5,292,557, and
 - ii 3,445,824 nominative shares were issued, at EUR 5 each. This amount of EUR 17,229,120 was subscribed and paid-up by debt service conversion, maturing on November 30th, 2016, of the medium and long-term loan granted by DGTF.

By December 31st, 2017, the Company's share capital, fully subscribed and paid-up, amounts to EUR 529,301,400, comprising 105,860,280 shares. This variation of EUR 64,960,330 results from the issuing of 12,992,066 new shares with a nominal value of EUR 5 each, subscribed and paid-up by the Portuguese State:

- / On March 2nd, 2017, 2,783,068 new shares were issued, with a nominal value of EUR 5 each, made in cash. The amount subscribed and paid-up was EUR 13,915,340. This capital increase was used to cover financial needs arising from the payment to Papeles & Cartones de Europa resulting from the Supreme Court of Justice decision pertaining to the litigation with Portucel Recicla;
- / On March 13th, 2017, 1,663,024 shares were issued, in the amount of EUR 5 each, made in cash. This amount of EUR 8,315,120 was subscribed and paid-up.
- / On August 24th, 2017, 1,735,506 shares were issued, in the amount of EUR 5 each, made in cash. This amount of EUR 8,677,530 was subscribed and paid-up.
- / On December 11th, 2017, 6,810,468 shares were issued, at EUR 5 each, in the amount of EUR 34,052,340 subscribed and paid-up, as detailed below:
 - i. EUR 34,052,335,45 by conversion of credits held by the DGTF, which matured on November 30th, 2017;
 - ii. EUR 4,55 in cash, using the respective endowment of the State Budget for 2017.

The Shareholder sought to cover financing needs related to debt service through capital endowment, in amounts equal to amortisations and interest of the medium and long-term loan granted by the DGTF, and investments in the completion of the 1st phase of EFMA.

18.2. OTHER RESERVES

“Other Reserves” include: (i) EUR 8,479,554 in subsidies received in 1995, under the transfer to EDIA of the amounts included in the State Budget for the former Alqueva Steering Committee; (ii) EUR 592,267 pertaining to the transfer to the Company of said Committee’s assets; (iii) EUR 120,904 of subsidies allocated to the surplus areas (which are not amortisable investments); and (iv) EUR 9,975 pertaining to the gift of a wall painting for EDIA’s head office.

These reserves were not imposed by law or by statute, or recognised in accordance with contracts entered into by the Company.

18.3. RETAINED EARNINGS

The balance of “Retained Earnings”, by December 31st, 2017, amounts to negative EUR 834,566,239 and is related to the recognition of impairment losses in “Intangible Assets” of the “water” segment, with an accumulated value (net of the respective subsidies that have been being derecognised) of EUR 858,936, 251.

The variation in “Retained Earnings”, in 2017, is due to: (i) the adoption of IFRS 15 – “Revenue from Contracts with Customers”, namely regarding the recognition of revenue related with the concession contract celebrated between EDIA and EDP, EDIA adjusted the consideration value, since the goal is to recognise the revenue at a value that reflects what the agreed service price would have been if the customer had made the payment upon obtaining control. As the discount rate used until 2016 of 5,5%, changed in 2017 to 3,5%, the amount calculated for previous years is EUR 57,843,259; and (ii) the application of the previous year’s negative net result amounting to EUR 14,076,369.

19. INTANGIBLE ASSETS IMPAIRMENT

19.1 IMPAIRMENT OF DEPRECIABLE/AMORTISABLE INVESTMENTS

Following the transfer to EDP, for a 35-year period, of the exploitation of Alqueva and Pedrogão hydroelectric plants and of the rights of private use of the respective public water domain, since October 2007, the majority of revenue of exploration associated with the hydroelectric component of EFMA until the year 2042 had already been set. However, at the date of closure of the accounts for 2009 and earlier, the Tutelage had yet to set the tariff for supply of water from the primary system of the Development which would allow to evaluate to what extent the total operating revenues expected from the use of public water allocated to EFMA (those associated with the supply of water for irrigation and human consumption and those resulting from hydroelectric exploitation) would allow or not to retrieve the global investment provided within the scope of the EFMA.

However, it was already possible at the time of closing the accounts, both for 2009 and prior years, to forecast that the investments made in EFMA would have a reduced profitability and that, consequently, there would be impairment losses to be recorded.

However it is important to note that EFMA was conceived as an instrument of regional development in a depressed area of the country, with special focus on converting the non-irrigated agricultural sector into irrigated land.

EFMA represents a water resource harnessing development, associated with the River Guadiana and guaranteeing a strategic supply of water, contributing to a reversal of the trend towards population and economic decline in a vast region in Alentejo, and is, as such, of immense national interest, with the resulting benefits from its implementation, in terms of the improvement of the quality of life of the Alentejo people, as well as economic, social and environmental promotion.

This investment is intended to resolve huge shortages in the region related to water availability for human, agricultural and industrial supply.

In this sense, and also considering the positive externalities generated for national economic, the financial return on assets of EFMA exclusively resulting from revenues generated by EDIA's activity was never doubted. The basic assumption was to ensure that the future economic benefits were able to cover the operating costs of activities (excluding the amortisation of investments), generating positive operating results.

Since its inception, the Portuguese State assumed the nature of this multi-purpose Undertaking, whose implementation would result from the full and efficient use of the huge "strategic water reserve" to be stored in the Alqueva and Pedrogão reservoirs. As the sole holder of EDIA's capital, the Portuguese State has always ensured the necessary funds to achieve its objective, creating the conditions for the Company to meet the commitments it undertook during the implementation of the project.

The revenue from the water distribution service provided by EDIA is calculated according to the price of water set by the State, which in turn, takes into account a set of assumptions that go beyond the economic interest in the investments made.

As there was (from previous years) evidence that the assets of the "water" segment would be impaired, but it is not possible to estimate the recoverable amount of individual assets allocated to this segment, given the strong inter-connection of the cash inflows of various assets or groups of assets of the segment, EDIA determined the recoverable amount of the cash generating unit ("smallest identifiable group of assets that are generating cash inflows and is largely independent of the cash inflows from other assets or groups of assets") representing the entire "water" segment.

Since establishing the tariff for water supply from the primary system in 2010, EDIA has estimated the recoverable amount of the “water” segment assets by determining the respective value for use, and concluded that the present value of future cash flows associated with this segment value is negative, so the impairment loss on those dates corresponds to the total value of assets (net of inseparable liabilities-subsidies) allocated to this segment.

Thus, intangible assets related to this segment are fully offset by accumulated impairment losses in the same amount.

For this purpose, we considered cash flows up to the year 2082, the year that ends the concession contract to EDIA which includes the management, operation and private use of public water domain allocated to EFMA, under the provisions of Decree-Law no. 313/2007.

With the entry into force of Order No. 3025/2017, of April 11th, and consequent alteration of the applied tariff, impairment studies were carried out using new assumptions in 2017.

To update the future cash flows a discount rate of 6,77% was used based on the Weighted Average Cost of Capital (WACC), in order to reflect: (i) the time value of money for the periods up to 2082; (ii) expectations about possible amount variations or timing of cash flows; (iii) the price of bearing the uncertainty inherent in the asset; and (iv) other factors that market participants would reflect when appraising future cash flows that the Company expects to obtain from assets.

Bearing in mind that all future projections were made on the basis of assumptions deemed reasonable and affordable, in the current and future market, and that decisions taken in the latest projections/studies were approved by EDIA's Board of Directors, the main assumptions adopted are as follows:

- / Benefitted area 162,145 ha;
- / Rate of adherence to the water resource growing over 8 years;
- / Average water consumption of 4,000 m³/ha, in 80% of the covered area;
- / Weighted average allowance to be extracted from the dam 4,953,56 m³/ha;
- / Unit reference price for water supply for agricultural and industrial purposes, as well as public supply (in accordance with Order no. 3025/2017, of April 11th).

The assets and liabilities of the “water” segment, as well as recognised impairment losses, pertaining to December 31st, 2017 and December 31st, 2016, can be presented as follows:

	(in EUR)	
“WATER” SEGMENT	31/DEC/17	31/DEC/16
Intangible Assets – Gross Value	1,519,200,624	1,517,061,067
Investment Related Subsidies	(660,264,373)	(657,022,700)
Net Assets of Subsidies = Accumulated Impairment Loss	858,936,251	860,038,367
Impairment Losses (Reversals) Recognised in the Period	(1,102,116)	14,462,014

The reversal of impairment is essentially due to the receipt of subsidies being greater than the investment made in 2017.

The Alqueva Subsystem comprises the small hydro plants of Alvito, Pisão, Roxo, Odivelas and in Ardila Subsystem central the Serpa small hydro plant.

These infrastructures, having been transferred from "Intangible Assets in Progress" to firm and considered cash-generating units under IAS 36 – "Impairment of Assets", were subject to impairment tests for it to be possible to determine the portion of the investment that is impaired, specifically for the "electric" and "irrigation" components.

This study, like all studies of prospective nature, have their results strictly related to the validity of the different hypotheses of evolution considered in it, in particular, and among other assumptions regarding the volumes and unit energy costs, in the project horizon.

The breakdown of these costs into "electric" and "irrigation" components was obtained by separating the corresponding values for investment directly allocated to the production of energy from the rest, taking into account the values of the quantities of work and equipment in these infrastructures and which are directly related to the functions "electricity production" and "irrigation".

Bearing in mind these assumptions and the goal of the study compared to the analyses performed, the conclusion was that these cash generating units originate sufficient future economic benefits to ensure the return on investment, that is, they are not impaired.

It should be noted that, according to EDIA's studies and best projections, there is no impairment in terms of the assets in the "Energy" segment.

19.2. IMPAIRMENT OF DEBTS RECEIVABLE (LOSSES/REVERSALS)

Impairment losses that have been recognized relate mainly to loans in arrears for water distribution services provided by EDIA, when customers do not respect the period of contracted payment and the period of delay is significant.

20. PROVISIONS

EDIA periodically analyses potential obligations resulting from past events that must be recognised or disclosed.

Provisions are recognised only when the Company has a present obligation (legal or constructive) resulting from a past event and it is probable that, to settle the obligation, there is an outflow of resources and the amount of the obligation can be reasonably estimated.

The subjectivity inherent in the determination of the likelihood and amount of outflow of necessary resources for the settlement of liabilities may lead to significant adjustments, both by variation of that assumption and by the future recognition of provisions previously disclosed as contingent liabilities.

EDIA considered, based on the decision of the Board of Directors and the comprehensive analysis of each of the processes by the internal Legal Department and external lawyers that the conditions for the recognition of provisions referred in paragraph 14 of IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" were complied with.

In particular with regard to the condition that "it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation," the criteria set out in paragraph 23 of said IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" was used, considering as likely the outflow "if the event is more likely

than not to occur, that is, the probability that the event will occur is greater than the probability of not happening”.

This estimate is based on a thorough technical analysis of the Legal Department that issues for this purpose, a document which determines the best estimate of the amounts to be set aside, based on the experience of EDIA regarding the outcome of similar cases and based on information rendered by external lawyers who cooperate with the Company.

In the periods ended December 31st, 2017, and December 31st, 2016, in order to meet the legal proceedings and other present obligations arising from past events, EDIA made provisions but also made reversals because the amounts set aside are unnecessary or because the processes reached an end.

(in EUR)

PROVISIONS (DPF)	31/DEC/17				
	INITIAL BALANCE	INCREASES	DECREASES		FINAL BALANCE
			USES	REVERSALS	
Provisions					
Provision for Ongoing Lawsuits and Disputed Expropriation Procedures	14,937,921	393,377	13,903,997		1,427,301
IFRIC 12 Provision	12,651,173	1,451,749			14,102,922
TOTAL	27,589,094	1,845,126	13,903,997	0	15,530,223

(in EUR)

PROVISIONS (DPF)	31/DEC/16				
	INITIAL BALANCE	INCREASES	DECREASES		FINAL BALANCE
			USES	REVERSALS	
Provisions					
Provision for Ongoing Lawsuits and Disputed Expropriation Procedures	15,029,802	546,476	330,975	307,382	14,937,921
IFRIC 12 Provision	10,161,510	2,489,663			12,651,173
TOTAL	25,191,312	3,036,139	330,975	307,382	27,589,094

20.1. PROVISION FOR ONGOING LAWSUITS AND DISPUTED EXPROPRIATION PROCEDURES

As at 31st December 2014, various legal disputes are known, resulting from either ongoing lawsuits or expropriations associated with the EFMA investment, which may result in additional charges and liabilities for EDIA, and the Company made provision to cover these liabilities, based on its best estimate of future costs to be borne.

The amount of EUR 1,427,301 in the “Provisions” item, as at December 31st, 2017, results from the following ongoing lawsuits and proceedings taking place within the framework of contentious expropriation; the variation that this item presents in the year is essentially due to the dismissal of the judicial process between EDIA and Portucel Recicla.

	(in EUR)	
LEGAL PROCEEDINGS	31/DEC/17	31/DEC/16
Portucel Recicla – Indústria de Papel Reciclado, S.A.	-	13,903,997
Protective Order filed by Soares da Costa, S.A.	797,500	647,500
Reguengos de Monsaraz, Mourão, Portel, Moura and Alandroal Municipalities	190,000	190,000
Monte Adriano, S.A.	420,309	185,155
Others	15,396	6,995
	1,423,205	14,933,647
LITIGIOUS EXPROPRIATION PROCESSES		
H. São Sebastião	2,645	2,645
Texugueiras	222	-
Others	1,229	1,629
	4,096	4,274
TOTAL	1,427,301	14,937,921

Portucel Recicla, S.A. (current designation: Europa & C Kraft Viana, S.A.) filed an action against EDIA, which was settled by the Judicial Court of Reguengos de Monsaraz, for payment of a certain sum, in the form of ordinary procedure to claim the payment of EUR 8,280,914 (corresponding to the amount already invoiced, EUR 7,832,833 plus default interest). EDIA filed and Execution Embargo against Portucel Recicla, S.A., arguing that it owes nothing to Portucel Recicla, S.A., because the assumptions under which the expropriation judicial ruling was granted have changed. In order to cover any liabilities arising out of this process, EDIA constituted, until 2012, a provision of EUR 5,529,082, which was estimated at half the amount claimed. In 2013, this provision was reinforced by EUR 490,418, corresponding to the update of interest earned on capital.

The Trial Court issued a judgment in 2014, and EDIA filed an appeal with the Evora Court of Appeal, requesting the grant of suspensory effect. However, the Trial Court's decision was unfavourable to EDIA, and it was considered prudent to estimate the dismissal of the Execution Embargoes, and the determination of compensation amounting to the total claimed by Portucel Recicla, thus reinforcing, in 2014, the provision in the value of EUR 6,133,650 (EUR 5,529,082 corresponding to the difference for the amount claimed and EUR 604,568 corresponding to the restatement of accrued interest on capital).

Early in the proceedings, EDIA provided a security of EUR 8,280,914, which was recently reinforced by the provision of a bank guarantee in the amount of EUR 2,777,250.

After the judgement by the Court of Appeal of Évora, Portucel Recicla, S.A. deducted an incident clearance from the assignee, to whom they requested that the amount in question be paid. The incident clearance was declared inadmissible by the Judicial Court of Reguengos de Monsaraz in December 2015.

When the Execution Embargoes suit was appealed to the Supreme Court of Justice, EDIA's chances of success were jeopardized by confirmation of the decision on the factual record in appeal. In 2015, EDIA increased the provision in the amount of EUR 1,090,221, thus restating the requested value, with interest capitalization, to the amount of EUR 13,357,521.

On December 31st, 2016, the amount was restated, with capitalized interest (EUR 546,476), bringing the total to EUR 13,903,997.

On December 14th, 2016, the Supreme Court of Justice delivered judgement, which was final and unappealable by January 12th, 2017, dismissing the appeal filed by EDIA, confirming the decisions of the Trial Court and the Court of Appeal of Évora, which had been unfavourable to EDIA.

Once the substance was decided, EDIA awaited decision on the incident clearance, in order to legitimize the person to whom the payment would be made. In fact, Portucel Recicla, in a timely fashion, granted the litigious claim it held on EDIA to another company, justifying the casual business underlying that assignment of credit.

The incident clearance hearing was expected to conclude during the first quarter of 2017, for which the value was restated in 2017 and amounted to 13,959,031 EUR.

On March 13th, 2017, EDIA, Europa & C Kraft Viana, S.A. and Papeles & Cartones de Europa, S.A. reached a settlement and filed a transaction, agreeing that:

- / Paper & Cardboard Europe would replace Europe & C Kraft Viana in the executive action, as current holder of the credits previously held by Europa & C Kraft Viana against EDIA;
- / EDIA recognised itself as a debtor to Papeles & Cartones de Europa in the amount of EUR 14,134,147, by reference to January 12th, 2017, to be settled within 15 days of the homologation of the transaction;
- / Upon full payment of the debt, Papeles & Cartones de Europa would recognise the right of EDIA to terminate the guarantee granted to the suit.

On March 15, 2017, the Court delivered an order confirming the transaction granted by the parties.

In March, the State carried out a capital increase in EDIA, amounting to EUR 13,915,340, to effectively cover the financial needs arising from the payment to European Papers & Cards.

On 23 March 2017, EDIA settled its liability, amounting to EUR 14,134,147. The suit expenses account was waived, because there are no amounts owed under it and no liability will be added to EDIA.

At the date of this report, the suit has been formally dismissed, and the order for the dismissal of the guarantee and reinforcement provided by EDIA has been verified.

In 2014, Sociedade Construções Soares da Costa, S.A., submitted an application for the tender for the Contract for the Construction of the Roxo-Sado Hydraulic Circuit. It was rejected and so it filed an injunction to suspend the tender and brought the respective main action asking that the contract subject to tender be awarded. What is at stake is the stoppage of the tender and the award of the contract to Soares da Costa. The likelihood that the measure will be enacted is, according to EDIA, very low. This meant that the company Soares da Costa, in principle, will not do the work and the price will be that of the competitor. If Soares da Costa were to win the case, it would be entitled to compensation for loss of earnings, but it would be a compensation of a value not exceeding 3,5% of the tender value (EUR 18,500,000). EDIA appealed from an order issued by the Beja Court to the South Administrative Central Court (TCAS), which did not hold a hearing for a clarification request, nor did it allow the second expert, which made it more difficult to reverse the jurisprudential stance unfavourable to EDIA and goes along the lines of the stance defended by Soares da Costa. This is an urgent procedure, which means that the deadlines are all substantially short, so sentencing should be announced by the end of the current year or the first quarter of 2018. In case of appeal, it is reasonable to assume that the process will continue for a further 2,3, or a maximum of 4 years from the present date. It is a very complex action where it would be foolhardy to move, at this time, with an idea about the outcome. Given the above, EDIA recorded a provision amounting to EUR 647,500, which, in the first half of 2017, was prudently

increased by EUR 150,000, an estimated amount for potential future liabilities (costs, fees and other expenses) should the situation decay. The total provisioned amount for this process, as of December 31st, 2017, is EUR 797,500.

In 2012, five municipalities within the Alqueva backwater area (**Reguengos de Monsaraz, Mourão, Portel, Moura and Alandroal**) brought an action with respect to the payment of rent allegedly owed by EDIA to those municipalities under the provisions of Decree-Law No. 424/83, dated December 6th, requiring EDP, as holder of power plants, to pay certain annual amounts to the allocated municipalities. No exact request is made due to the alleged lack of elements to apply the formula for calculating the value of the rents provided by law. EDIA contested, but its operational management of primary infrastructures and energy estimated a value of rents of around EUR 190,00. EDIA was acquitted because the Beja Judicial Court considered itself incompetent. The case was referred to the competent court, i.e. the Beja Administrative and Fiscal Court. There has been no development at this time. Given that the process is only in the pleadings phase, it is not possible to safely make a judgment on the outcome of the action, although EDIA's defence arguments appear to be consistent. In the event of a decay, EDIA's financial liabilities will be approximately EUR 190,000, for which the provision for this procedure was set up. Considering the time elapsed without any procedural development, the lawsuit is now expected to be concluded by December 31st, 2018.

In 2012, a lawsuit was filed by the construction company **Monte Adriano S.A.**, under the Contract for the Contract for the construction of 3rd stretch of the Pisão-Roxo pipeline (Penedrão-Roxo) and of the Penedrão dam. The contractor claims payment for work valued at EUR 370,310, claiming that this amount was paid due to misinterpretation of EDIA pertaining to the scope of work of a given item in the bill of quantities. EDIA contested and provisioned 50% (EUR 185,155) from the amount requested by the contractor, which is considered as the best estimate of the expenditure to be incurred. This action is awaiting the appointment of prior hearing or judgment since March 13th, 2015, and EDIA, at this procedural stage, cannot make predict its outcome. If EDIA's defence is upheld at the preliminary hearing, whether in exceptional cases or substantively, the lawsuit would follow. If this does not happen, the lawsuit goes to trial, then a judgement will be announced, and the losing party will surely appeal.

This may be a lawsuit that won't be concluded within 6 to 8 years (including appeals), but that could also happen much sooner or later. Once the lawsuit was reassessed, the amount provisioned was reinforced to a total of EUR 235,155, which includes costs, and both judicial and legal fees. As of December 31st, 2017, this provision amounts to EUR 420,309.

It should be noted that the fact that several of the provisions for ongoing legal proceedings have been quantified in 50% of the amounts claimed by plaintiffs, results from the measuring process of the provision, i.e., it was considered that 50% of the amount claimed would be the best estimate of the expenditure required to settle the obligation at the end of the reporting period in accordance with IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets".

The constitution of provisions within the context of contentious expropriation proceedings conducted by EDIA obeys a set of assumptions that, depending on the development stage of the process and values provisionally established in each one (proposal of EDIA, arbitration, expertise, judgment and possible appeals), will determine the variation of the value of each provision made. Regarding pending expropriation proceedings, in addition to involving low value amounts, they are mostly in court for reasons unrelated to the existence of litigation (lack of ownership, litigation among heirs, and others).

As of December 31st, 2017, regarding these litigation expropriations proceedings, in relation to the homologous period, the provisioned amounts were used, given that, through the Arbitral Panel, the respective amounts were obtained, the proceedings were terminated, and there was a reinforcement of the provisioned amounts, resulting from a new suit.

20.2. PROVISION IFRIC 12

The infrastructure for the use of the public waterways domain allocated to EFMA in the concession agreement signed between EDIA and the State, and forming part of the primary system (dams, hydroelectric power plants and primary network) of the Development are the property of the concessionaire for the duration of the concession.

The provision under IFRIC 12, arises from the requirement, established in the concession contract with the State in October 2007, to maintain/preserve, over the concession period, the infrastructure allocated to energy production activities and distribution of water, which revert to the State at the end of the concession period. This provision covers only those major repairs and replacements that are anticipated to be made during the concession period, not including the maintenance and conservation of these assets, which are recognised as expenses in the period in which they occur.

This provision is recognised and measured based on the assumptions of the economic and financial feasibility study used:

- / Total value of investment in operations, specifically equipment and civil construction, without considering the value of submersed or surplus land;
- / Application of an estimated 0,2% of the investment for the activity of water distribution, to determine the average cost of major annual repairs;
- / The costs of major repairs for the activity of energy production are not considered, because under the sub-concession contract with EDP, these costs are its responsibility;
- / The estimated timescale for dealing with major repairs to equipment and civil construction is 20 and 30 years, respectively;
- / The average rate of financing for the period 2013-2082; and
- / The forecast of Euribor is made on the basis of Bloomberg spot rates.

Since September 2011, the bank financing for the State Corporate Sector is managed by the Secretary of State for Treasury and Finance, and since then, EDIA arranged several short-term loans in various banks with a high funding average rate.

In November 2014, following the entry of EDIA in the consolidation perimeter of public accounts, EDIA signed a loan agreement with DGTF (to repay short-term debt that had hitherto), amounting to EUR 189,209,285, consisting of two tranches, the first one amounting to EUR 10,100,000 with a financing rate of 1,62%, and the second tranche of EUR 179,109,285, with a financing rate of 1,66%.

Within the scope of implementing IFRIC12 – Service Concession Agreements in relation to infrastructure already in operation (EUR 1,578,598,410), there was an increase in the average financing rate (3,35% in 2016 and 3% in 2017) and this provision was increased in the amount of EUR 1,451,749, totalling EUR 14,102,922.

In 2017, with the implementation of some spare investment in those infrastructures, and in order to update the initial estimate of the provision, EDIA has already begun the process of securing a study to be carried out by a credible external entity to corroborate its internal analysis of said responsibility.

21. FUNDING OBTAINED

The financing of investments for the completion of the implementation of various infrastructure of EFMA, to date involved the hiring of several bond loans, a loan from the European Investment Bank (BEI) and many short-term bank loans. As at December 31st, 2017 and December 31st, 2016, the funding obtained breaks down as follows:

FUNDING OBTAINED	31/DEC/17		TOTAL	31/DEC/16		TOTAL
	CURRENT	NON-CURRENT		CURRENT	NON-CURRENT	
	Bond Loans	305,372,183		138,081,455	443,453,637	
DGTF Loan	31,534,881	94,604,642	126,139,523	31,534,881	126,139,523	157,674,404
European Investment Bank – BEI	6,684,783	61,219,807	67,904,589	6,684,783	67,904,589	74,589,372
Accounts by Judge's Order			–	8,447,442		8,447,442
Credit Balances of Demand Deposits			–	44,211		44,211
TOTAL	343,591,846	293,905,904	637,497,750	53,450,602	637,353,689	690,804,291

(in EUR)

BEI – EUR 135,000,000,00

- / Contract start date: 1999
- / Term: 20 years
- / Period of grace: 7 years
- / The amount of EUR 135,000,000 reflected in the loan account, results from the full use of tranches A, B, C and D
- / Repayment of this loan will be made as follows:
 - / EUR 35,000,000 – Tranche A – 18, consecutive annual repayments starting in September 2007;
 - / EUR 35,000,000 – Tranche B – 23, consecutive annual repayments starting in September 2007;
 - / EUR 32,500,000 – Tranche C – 18, consecutive annual repayments starting in March 2009;
 - / EUR 32,500,000 – Tranche D – 23, consecutive annual repayments starting in March 2009;
- / Interest Rate: rate determined by BEI according to procedures established by its Board of Directors, which cannot exceed the 3-month Euribor rate, plus 0,15%.
- / Repayment until 30/12/2017: EUR 67,095,411
- / Amount Due: EUR 67,904,589

DEBENTURE LOAN – EUR 300,000,000

- / Contract start date: 2003
- / Term: 15 years
- / Repayment: total, at end of contract (2018)
- / This debenture loan was contracted with BNP Paribas and Caixa-Banco de Investimento.
- / The coupons are quarterly and they are bullet-maturity bonds;
- / Interest Rate: 3 months Euribor + 0,10% Spread.

Amortisation of 100% of this debenture loan, with reimbursement in 2018.

DEBENTURE LOAN – EUR 56,180,000

- / Contract start date: 2007
- / Term: 20 years
- / Repayment: total, at end of contract (2027)
- / This debenture loan was contracted with Millennium BCP and BPI.
- / The coupons are half yearly and they are bullet-maturity bonds;
- / Interest Rate: 3 months Euribor + 0,005% Spread.

DEBENTURE LOAN – EUR 94,350,000

- / Contract start date: 2010
- / Term: 20 years
- / Repayment: from February 2017, inclusive, 28 half-yearly, equal and successive payments;
- / This debenture loan was taken up with the Banking Syndicate comprising Banco Infrastruttura Innovazione e Sviluppo, SpA (BIIS); Banco BPI, S.A. (BPI); Banco Santander Totta, S.A. (Santander); Caixa – Banco de Investimento, S.A. (CaixaBI); Dexia Sabadell, S.A. – Portugal Branch (Dexia);
- / Interest Rate: 6 months Euribor + 2,65% Spread.

All debenture loans were paid-up with the unconditional and irrevocable endorsement of the Portuguese Republic.

In November 2014 and following the entry of EDIA in the consolidation perimeter of public accounts, the State (DGTF) grants EDIA a medium and long term loan in the amount of EUR189,209,285, to settle the short term loans within the various banks (EUR 184,209,285) plus EUR 5,000,000 which are intended to meet the financing needs related to the Company's debt service.

Interest at an annual nominal fixed rate for use of loans, equivalent to the cost of financing of the Republic, to be determined on the date of each disbursement, according to the price to be obtained from IGCP and to forward to the Borrower by the Lender.

The interest is due each half year in arrears. The loan will be repaid in twelve equal and successive half yearly instalments of capital, beginning on May 31st, 2016, and ending on November 30th, 2021.

DGTF LOAN – EUR 189,209,285

1st tranche

- / Amount: EUR 10,100,000
- / Interest rate: 1,62%
- / Beginning: 28/11/2014
- / Repayment: twelve half-yearly instalments of equal and successive capital, beginning on May 31st, 2016 and ending on November 30th, 2021
- / Reimbursements until 31/12/2017: EUR 3,366,667
- / Outstanding amount: EUR 6,733,333

2nd tranche

- / Amount: EUR 179,109,285
- / Interest rate: 1,66%
- / Beginning: 27/11/2014
- / Repayment: twelve half-yearly instalments of equal and successive capital, beginning on May 31st, 2016 and ending on November 30th, 2021
- / Reimbursements until 31/12/2017: EUR 59,703,095
- / Outstanding amount: EUR 119,406,190

The Shareholder sought to cover financing needs related to debt service through capital endowment, in amounts equal to amortisations and interest.

The DGTF, by Order No. 514/17-SET, dated July 10th, by the Secretary of State of the Treasury, informed EDIA that it had authorized the deferral of the loan debt service payment, due on May 31st, 2017, to November 30th, 2017, without additional costs.

The Millennium BCP (EUR 8,280,914) and Novo Banco (EUR 166 528) financing accounts designated "Current Accounts with Judge Order", corresponding to loans to finance the constitution of deposits, both to the Court of Reguengos de Monsaraz, within the scope of the judicial process under way with Portucel Recicla and litigious expropriation processes, respectively, were closed, given that said processes came to an end in the 1st half of 2017.

The grading of constant debt in the Financial Position Statement on December 3st, 2017, and December 31st, 2016, with maturity longer than 5 years, amounts to EUR EUR 144,574,961 and EUR 157,999,030 respectively.

	(in EUR)	
	31/DEC/17	31/DEC/16
Non-Convertible Debenture Loans		
2007 Debenture Loan (56,18 mEUR)	56,180,000	56,180,000
2010 Debenture Loan (94,35 mEUR)	53,914,285	60,653,571
Debts to Banks		
European Investment Bank (135 mEUR)	34,480,676	41,165,459
TOTAL	144,574,961	157,999,030

In 2017, expenditures were capitalised at an average rate of 0,168%, amounting to EUR 10,754 (in 2016, the average rate was 20,60% and amounted to EUR 1,483,067). This decrease results essentially from the start of operation of the various infrastructures, whose associated expenses are no longer capitalised, but also from the change in the preconditions of the capitalisation policy adopted until December 31st, 2016.

22. SUPPLIERS AND OTHER ACCOUNTS PAYABLE

SUPPLIERS AND OTHER ACCOUNTS PAYABLE	(in EUR)			
	31/DEC/17		31/DEC/16	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Suppliers				
Suppliers C/C	3,621,022	-	4,162,625	-
TOTAL	3,621,022	-	4,162,625	-
Other Accounts Payable				
Community Funds – Advances	5,420,112	1,603,100	-	-
Creditors for Accrued Expenditure	4,678,876	-	2,803,397	-
Investment Suppliers	551,825	-	857,179	-
Other Creditors	46,052	-	211,274	-
TOTAL	10,696,865	1,603,100	3,871,850	-

22.1. SUPPLIERS A/C

The balances of suppliers associated with investments in the secondary network, shown under "Inventories", are recorded under "Suppliers consolidated account" instead of "Investment Supplier" because they do not derive from investments in tangible and intangible fixed assets but from building work under "External Supplies and Services".

The this account's variation results from the decrease in investment made, mainly in secondary network projects, in 2017.

The balance mainly reflects the outstanding amount with the following entities: Endesa Energia, S.A.; Seguras-siste-Soc.Ass.Med.Seguros; and Adm.Gestão de Sist.Salubridade AGS, S.A.

22.2. COMMUNITY FUNDS

As part of the Rural Development Program 2014-2020 (PDR2020), EDIA submitted a payment request as an advance for the 2nd phase of the Álamos Adduction Facility project, in the amount of 7,015,000 EUR.

In such cases, and in accordance with Article 63 of Commissions' Regulation (EC) no. 1305/2013 of December 27th, the Board of Directors (by means of a written guarantee issued to the competent paying agency – Fisheries and Agriculture Financing Institute, IP) guaranteed the compensation to 100% of the advance amount if the entitlement to the advance cannot be proven.

Regarding the advance application, by the end of 2017, EDIA did not submit expenses that justify the amounts granted.

22.3. CREDITORS BY ACCRUED EXPENSES

The "Creditors by Accrued Expenses" account essentially reflects: (i) the specialised value of the expenses with the THR component, mainly related to the use of water by irrigation perimeter customers in 2016 and 2017, in the amount of EUR 1,801,991; and (ii) interest on funding obtained, mainly debenture loans, in the total amount of EUR 1,404,324.

This item includes other specialised amounts, including the estimated amounts of: (i) electricity costs (EUR 726,352), fuel (EUR 13,553), and communications (EUR 1,591), totalling EUR 741,496, invoiced in January 2018, and whose consumption pertain to the previous month; and (ii) EDIA employees' holiday expenses and holiday pay, EUR 369,162 and EUR 361,903, respectively.

22.4. INVESTMENT SUPPLIERS

This account's balance also includes the amount of withholdings made by EDIA, as owner of the work, under Decree-Law no. 59/99, in order to guarantee the works' execution/maintenance, in situations in which the contractor hasn't submitted a bank guarantee for this purpose, still within the scope of the work's guarantee term.

The companies that most contribute to this account's balance are: DST, S.A.; Tecnovia-Soc.Empreitados, S.A.; and Procecl – Engª Hidráulica.

23. VARIATION IN PRODUCTION INVENTORIES

Variation in production inventories, as at December 31st, 2017, and December 31st, 2016, is broken down as follows:

	(in EUR)	
PRODUCTS AND WORK IN PROGRESS	2017	2016
Final Inventory	2,662,937	1,841,662
"Other Accounts Payable" Transfers	42,845	141,864,133
Initial Inventory	(1,841,662)	(129,706,453)
Variation in Production Inventories	778,431	13,999,342
	778,431	13,999,342

Following the publication of Decree-Law No. 335/2001 of December 24th, which, with the exception of Infrastructure 12 and the Luz Perimeter, forecasted the transfer to the State (MAFDR) of infrastructures integrating the secondary irrigation network allocated to EFMA, EDIA, from 2002 onward, has shown the cost of the secondary irrigation network's infrastructure works under "Inventories".

With the entry into operation of all completed blocks, on December 31st, 2016, and according to treatment given in previous years to other infrastructures of the same nature, the value associated with these infrastructures was transferred from the account "Products and Works in Progress" to the account "Finished and Intermediate Products".

With the delivery contracts celebrated with the State (DGADR) in April and November 2013, the balance of the "Finished and Intermediate Products" account, pertaining to the secondary network, as well as investments in the substantially completed and already in operation perimeters, was transferred to the account "Other Accounts Receivable" (DGADR account), bearing in mind that the State owns all the secondary network infrastructures that EDIA built on its behalf.

The investments made in the 2nd phase secondary network infrastructures, which correspond essentially to projects pertaining to the blocks still under construction, continue being registered in the “Products and Work in Progress” sub-account.

24. OWN WORK CAPITALISED

This heading records the allocation of ongoing investment (under “Tangible Fixed Assets”) of expenditure assigned to the Company’s operational areas directly associated with the construction of EFMA infrastructures. These expenses are directly allocated to the primary network and the mapping centre, made under direct administration of the Company, as explained in Note 3,1.f.

25. EXTERNAL SUPPLIES AND SERVICES

	(in EUR)	
EXTERNAL SUPPLIES AND SERVICES	2017	2016
Electricity	14,076,863	9,482,882
Conservation and Repairs	1,294,895	963,553
Specialised Works	859,240	900,719
Insurance	428,135	433,644
Rentals and Leases	386,096	400,758
Subcontracts	247,988	12,406,660
Surveillance and Safety	207,488	243,385
Fuel	204,031	206,522
Publicity	193,231	45,851
Legal Fees	160,709	172,069
Cleaning and Hygiene	135,200	138,733
Tolls and Parking	105,282	51,576
Communication	97,398	111,020
Tools and Equipment	30,425	51,456
Travel and Accommodation	21,479	15,975
Office Supplies	19,275	21,751
Other Fluids	16,474	9,934
Water	14,595	8,145
Litigation	10,427	93,699
Representation Costs	9,866	7,782
Books and Technical Documentation	4,605	4,432
Corporate Gifts	1,000	-
Others	285	100
TOTAL	18,524,986	25,770,643

The “External Supplies and Services” item shows a significant year-on-year decrease, as a result of: (i) a sharp decrease in the “Subcontracts” sub-account due to the small volume of investment in the secondary network (as evidenced in the “Inventories” item), this decrease in expenses being offset by a decrease of a similar amount in the item “Variation in Production Inventories”; and (ii) the set of credit notes of negative price revision (ICP update), pertaining to infrastructure contracts for the 1st phase secondary network, the final accounts of which were completed in the first half of 2017.

The increase recorded in the "Electricity" and "Maintenance and Repair" sub-accounts is mainly due to a larger number of operating infrastructures.

Compared to the same period last year, the other items remained similar.

26. PERSONNEL EXPENSES

The number of EDIA employees in 2017 and 2016 was 179.

The Company's "Personnel Expenses" were composed as follows:

	(in EUR)	
PERSONNEL EXPENSES	2017	2016
Salaries	4,505,337	4,590,432
Social Charges	995,996	1,020,458
Other Personnel Costs	347,570	455,988
TOTAL	5,848,904	6,066,878

In 2017 and in the same period in 2016, members of EDIA's management bodies were paid the following remunerations for the performance of their duties:

	(in EUR)	
	2017	2016
Board of Directors	204,955	201,041
Statutory Auditor	15,102	37,884
Supervisory Board	36,345	35,229
Board of the General Meeting	1,325	950

In 2017, the financial statements reflect the twelfths of the 2017 holiday pays (payable in 2018) and Christmas subsidy. Compared to the same period of the previous year, there was an increase in the Governing Bodies' monthly expenses, mainly due to the progressive cancellation of the remuneration reductions in 2016, which added to the 5% remuneration reduction (detailed in Article 12, of Law no. 12-A/2010, of June 30th) and which ceased to exist as of October 1st, 2016.

In 2017, the SEE cost reduction measure was kept in force, prohibiting any acts involving remuneration of office-holders and other personnel identified in article 2, paragraph 9, of Law no. 75/2014, of September 12th.

27. OTHER INCOME AND GAINS

	(in EUR)	
OTHER INCOME AND GAINS	2017	2016
Interest Concession Agreement_EDP_ IFRS 15	7,318,590	3,750,406
Allocation of Investment Subsidies	1,957,824	2,337,775
Other income	121,110	611,413
TOTAL	9,397,523	6,699,594

27.1. INTEREST

Under the “Operation Concession Contract for the Alqueva (CHA) and Pedrógão (CHP) Hydroelectric Plants” celebrated between EDP and EDIA, the latter received an initial amount of EUR 195,000,000 and will receive EUR 12,380,000 (value updated in 2012) annually for 35 years.

The amount of EUR 7,318,590 shown under the “CHA and CHP operation concession interest” account corresponds to the remuneration portion (established in the contract with EDP) which reflects the capital update (fair value of the subconcession calculated on the contract date), on the basis of an implicit rate of 3,5% (5,5% in 2016).

27.2. ALLOCATION OF INVESTMENT SUBSIDIES

The heading “Allocation of Investment Subsidies” reflects recognition under subsidy income associated with investments, insofar as the latter are depreciated. Does not include:

- / Subsidies for the construction of the secondary irrigation network, which are disclosed under “Deferrals” in Non Current Liabilities, since the related assets are owned by the State. These subsidies were, mostly, deducted from investment, evidenced under “Inventories” and later transferred to the DGADR account when the contracts for the delivery of the completed infrastructures was celebrated because EDIA made said investments with equity, representing the State, resulting from the Concession Agreement signed in April 2013 with the DGADR; and
- / Subsidies linked to distribution of water, whose assets are fully impaired, have been derecognised under the registration of impairment losses for the respective assets, i.e. these losses are recognised in the Comprehensive Income Statement by the net value of the respective subsidies.

28. OTHER EXPENSES AND LOSSES

On the amount shown under “Other Expenses and Losses” (EUR 2,089,694), it is worth noting: (i) EUR 1,432,571 pertaining to the payment of fees for the use of water resources in several of EDIA infrastructures, such as Alqueva and Pedrógão; (ii) EUR 528,208 pertaining to the allocation of subsidies to the water and energy segments of previous years; (iii) EUR 74,932 pertaining to contributions; and (iv) EUR 30,412 pertaining to the SGP’s value derecognition by 2013 IRC.

29. INTEREST AND SIMILAR INCOME OBTAINED AND INTEREST AND SIMILAR COSTS INCURRED

	(in EUR)	
FINANCIAL EXPENSES	2017	2016
Interest expenses	5,188,992	4,618,769
Warranty fees	1,047,144	1,059,538
Bank services	169,770	36,905
TOTAL	6,405,906	5,715,212

29.1. FINANCIAL INCOME AND GAINS

The “Interest and similar expenses incurred” account includes the interest associated with loans contracted by the Company, with emphasis on the medium and long-term DGTF loan and debenture loans.

“Other Financial Expenses and Losses” essentially refer to banking services and guarantee fees of the debenture loans granted by the Portuguese State (see Note 21).

30. DEPRECIATION AND AMORTISATION EXPENSES/REVERSALS

Expenses/reversals of depreciation and amortisation, in 2017 and 2016, broke down as follows:

	(in EUR)	
DEPRECIATION AND AMORTISATION EXPENSES/REVERSALS	2017	2016
Tangible Fixed Assets		
Land and Natural Resources	-	-
Building and Other Construction Works	276,112	276,398
Basic Equipment	64,725	89,150
Transport Equipment	64,129	57,863
Office Equipment	46,554	42,751
Other Tangible Assets	44,625	52,983
	496,145	519,145
Intangible Fixed Assets		
Land and Natural Resources	859,239	858,937
Building and Other Construction Works	3,120,778	3,117,853
Basic Equipment	1,281,430	1,288,147
Other Intangible Assets		
Software	9,465	10,758
	5,270,913	5,275,695
TOTAL	5,767,058	5,794,840

31. OPERATIONAL SEGMENTS

EDIA's activity focuses on two business segments (Water and Energy). The other business areas, such as tourism, environment, culture and cartographic production were grouped into one single segment (Special Projects) due to their size.

The Water segment concerns the management of the use of the public waterways domain allocated to EFMA, to ensure its distribution using criteria of rigour and sustainability, which comprises two strands: that of Water Storage, with highlight to the major reservoirs (Alqueva and Pedrógão dams), and that of Water Supply, through the various Irrigation Subsystems (Alqueva, Pedrógão and Ardila).

The Water Storage activity aims at supplying water both for agricultural, industrial or population consumption purposes, and for electrical generation. This “subactivity” presents revenues, essentially, internal.

After the entry into operation of the various irrigation perimeters and after the administrative resolution by the State, through Order no. 9000/2010 from the Ministry of Finance and Public Administration, the Ministry for Agriculture, Rural Development and Fisheries and the Ministry for the Environment and Regional Planning, on the price to apply to water distribution, EDIA truly began the operation activity of the Water Distribution component, and a future, gradual increase of income is anticipated, necessarily linked to the entry into operation of new perimeters, with the strengthening of adherence to irrigation and the use of water for industrial and tourism purposes.

The Energy segment consists of generating electricity through the Alqueva and Pedrógão hydroelectric power plants,

of the Alvito, Odivelas, Pisão, Roxo and Serpa hydro plants and of the Alqueva Photovoltaic Plant. The turnover results essentially from the receipts in the form of rent pertaining to the concession contract for the Alqueva and Pedrógão hydroelectric plants to EDP for a 35-year period. However, note also goes to the operation during this period of all small hydro plants, and this activity is remunerated by the provision of electricity delivered to the national grid.

The Special Projects segment, as noted above, covers several areas, of which the following stand out:

- / Cartography Centre, a project originally created as a support to the investment made by EDIA, involving both cartography and topography, now arising as a new business opportunity;
- / The PNN which has emerged as an environmental mitigation project as a result of the construction of the Alqueva dam, but that is complemented with the agricultural and tourist areas;
- / The Museum of Luz represents a space of memory and interpretation of all the previously unknown processes of relocating Aldeia da Luz and is a developing cultural project in the new village.

The results per segment for 2017 and 2016 are as follows:

(in EUR)					
2017					
ITEMS	WATER	ENERGY	SPECIAL PROJECTS	NOT ALLOCATED	TOTAL
External Revenue	14,920,536	12,960,364	298,152	1,394	28,180,445
Operating Costs	(21,363,036)	(123,686)	(927,615)	(438,982)	(22,853,319)
Inter-segment Revenue/Costs	1,188,720	(1,492,767)	304,047	–	0
Gross Margin	(5,253,780)	11,343,911	(325,416)	(437,588)	5,327,126
Other Income and Gains	138,477	9,200,373	114,613	13,879	9,467,342
Other Costs and Losses	(3,905,245)	(13,709)	(60,294)	(26,733)	(4,005,982)
Result Before Depreciation and Financial Costs	(9,020,549)	20,530,575	(271,098)	(450,442)	10,788,487
Depreciation and Amortisation	(68,316)	(5,274,158)	(220,107)	(178,866)	(5,741,445)
Impairment Losses	1,102,116	–	–	–	1,102,116
Operating Result	(7,986,748)	15,256,417	(491,204)	(629,307)	6,149,158
Interest and Financial Income Obtained	–	–	–	–	–
Interest and Financial Costs Incurred	(6,391,419)	–	–	(7,465)	(6,398,884)
Result per Business Segment	(14,378,167)	15,256,417	(491,204)	(636,773)	(249,726)
				INCOME TAX	(92,173)
				NET PROFIT OR LOSS FOR FINANCIAL YEAR	(341,899)

(in EUR)

2017					
ITEMS	WATER	ENERGY	SPECIAL PROJECTS	NOT ALLOCATED	TOTAL
Assets	225,083,807	545,383,515	11,423,265	30,640,574	812,531,160
Liabilities	632,897,710	472,417,707	2,618,887	1,000,895	1,108,935,198

(in EUR)

2016					
ITEMS	WATER	ENERGY	SPECIAL PROJECTS	NOT ALLOCATED	TOTAL
External Revenue	10,373,200	12,769,368	673,448	326	23,816,343
Operating Costs	(14,069,308)	(285,349)	(924,762)	(319,840)	(15,599,259)
Inter-segment Revenue/Costs	5,012,271	(5,210,329)	198,058	(0)	0
Gross Margin	1,316,163	7,273,691	(53,256)	(319,514)	8,217,084
Other Income and Gains	442,177	6,044,111	573,608	(15,618)	7,044,277
Other Costs and Losses	(3,263,521)	(16,946)	(118,633)	824	(3,398,277)
Result Before Depreciation and Financial Costs	(1,505,181)	13,300,856	401,718	(334,308)	11,863,085
Depreciation and Amortisation	(66,217)	(5,273,819)	(258,645)	(68,463)	(5,667,143)
Impairment Losses	(14,462,014)	–	–	–	(14,462,014)
Operating Result	(16,033,411)	8,027,037	143,074	(402,771)	(8,266,071)
Interest and Financial Income Obtained	–	–	–	–	–
Interest and Financial Costs Incurred	(5,703,528)	(231)	–	(11,453)	(5,715,212)
Result per Business Segment	(21,736,939)	8,026,806	143,074	(414,223)	(13,981,283)
				Income Tax	(95,086)
				Net Profit or Loss for Financial Year	(14,076,369)

(in EUR)

2016					
ITEMS	WATER	ENERGY	SPECIAL PROJECTS	NOT ALLOCATED	TOTAL
Assets	235,092,258	352,801,317	12,109,265	13,977,363	613,980,203
Liabilities	689,911,880	340,197,079	2,483,542	253,430	1,032,845,931

32. OTHER RELEVANT INFORMATION

This note was used for the disclosure of other information not foreseen in previous notes, which turns out to be necessary and indispensable for a better understanding of the EDIA's financial position and results.

TAX INSPECTION

According to current legislation, tax returns are subject to revision and correction by the Tax Authorities for a period of four years. Based on this assumption, the tax returns of the Company for the years 2008 to 2011 were subject to review by the Tax Authority (AT).

In October 2012, within the scope of tax inspection for IRC, AT proposes a correction to the years 2008 through 2011, with regard to the amount of amortisations of submerged land, as it believes that not all investments made by EDIA are subject to depreciation under the tax law, which excludes the possibility of tax depreciation of the value of submerged land, because it understands that these are not in a state of degradation.

The majority of assets currently recorded under "Intangible Assets" were at the date of entry into force of the Accounting Standardisation System on 1st January 2010, shown under "Tangible Fixed Assets", and then reclassified to "Intangible Assets", as provided for in IFRIC 12 – Service Concession Arrangements applicable to the concession contract signed with the Ministry of Environment, Spatial Planning and Regional Development, as expressly recognised by the Accounting Standards Board on 20th January 2011.

The submerged lands in question, and that were amortised by EDIA, are included in EFMA and are the object of the concession contract concluded on 17th October 2007 between the Portuguese State and EDIA, called "Concession contract concerning use of water resources for the abstraction of water intended for irrigation and power production in the primary system of EFMA", for a duration of 75 years.

Pursuant to Clauses 8 and 9 of this contract, all goods included in EFMA, including submerged lands subject to depreciation revert to the Portuguese State at the end of the respective concession contract.

As outlined under: (i) article 13 of Decree No. 2/90 of January 12th, effective for the period that the tax inspection refers to "The elements of fixed assets acquired or produced by concession entities and that under the terms of the concession contract are revertible at the end of the latter can be reintegrated or amortised or depending on the number of years remaining of the concession when it is less than the minimum period of useful life" and (ii) Clauses 8 and 9 of the concession contract, where the amortised land, as well as all assets integrated in EFMA revert to the State at the end of the Contract, all legal requirements for acceptance of the amortisation as a tax cost are met and no correction to IRC should be made, which is the position taken by the Company.

In May 2013, EDIA presents a Judicial Appeal of the decision to reject the Administrative Claim of the IRC settlement statements concerning financial years 2008, 2009, 2010 and 2011, and thus requests that Hon. Judge of the Tax Court of Beja cancel all of the IRC settlement statements and interest, as well as the replacement of tax losses due to this correction made due to a tax inspection, for the four years.

In January 2014, similarly to the Administrative Claims and Judicial Appeals submitted for previous years (2008-2011), EDIA presented an Administrative Claim for the year 2012. In February, AT announced its refusal by invoking, on the same grounds, that the amortisation considered was improper, so technical correction was necessary, since the cause of action is exactly the same as those of IRC processes of previous years.

Given the above, EDIA presented Judicial Appeals to the correction made by inspection, referring to the year 2012.

In the year 2015 and in the first half of 2016, still in the scope of this IRC tax inspection, EDIA was notified by the Tax Administration, which made a correction to the taxable income 2013 and 2014, respectively, with which EDIA does not agree. At the end of 2016 and according to the procedure adopted in previous situations, EDIA presented a Judicial Impugnation for the year 2014.

EDIA informs that, despite the respect that the interpretation carried out by the Tax Administration deserves, and having been notified, through the Settlement of Accounts Statement for 2008, 2009 and 2010, to pay the amounts of EUR 15,022, EUR 17,121 EUR and EUR 55 125 respectively, requested the suspensory effect of the tax assessment and its corresponding compensatory interest, and pledged to provide guarantee and deposit, to the Tax Authority, in the amounts of EUR 20,138 and EUR 90,745 respectively, under the terms and for the purposes of article 69, subparagraph f), and article 199 of the Code of Tax Procedure and Proceedings.

The still deductible tax loss declared by EDIA, for the years 2013 through 2016, amounts to EUR 31,866,557. However, in light of the facts established in the Tax Authority's inspection procedure, the technical adjustments in IRC calculated by direct valuation amounted to EUR 4,453,285, of which the Company can only deduct the corrected losses, in the event of an unfavourable result of EDIA's Judicial Impugnation, up to EUR 27,413,272.

As of the date of this financial report, EDIA is unaware of any further information regarding these processes, and Management believes that there will be no additional settlements of significant value in the context of the financial statements.

ENVIRONMENTAL ISSUES

The Concession Contract signed between EDIA and the State on 17th October 2007, for the Use of the Public Waterways Domain, sets out the terms and conditions that apply to the grantor-concessionaire relationship, specifying the contents of the task associated with the operation of the Development and setting out the rules for the exercise of the rights to private use of the public waterways domain.

The activity of the Company is essentially "non-industrial" and the incorporation of material input in its processes is relatively reduced. The weight of the environmental impacts of the Company's activity is, in relative terms, much lower than its contribution to value creation in the economic and social fabric of the region.

However, in addition to ensuring the implementation of minimisation measures defined in the Environmental Management Plan, the concessionaire undertakes to implement, during the construction phase, a set of measures which, after completion of work in the areas concerned, will eliminate any sign of intervention, restoring the original situation. In terms of environmental policy, the Company intends to have all aspects of legal compliance covered and dominated and thus has made commitments for continual improvement in environmental performance with highlight to the compliance with the legislation, the analysis of environmental impacts arising from the Company's activity and training and raising awareness of employees.

The environment-related expenditures are incurred and identified to prevent, reduce or repair damage to the environment which arise from the Company's normal environmental activity.

In this sense, taking into account (i) the nature and extent of the Company's activity and the types of problems associated with its activity, and (ii) information about its environmental performance, such as, reducing atmospheric emissions, waste removal; there is no responsibility of an environmental nature that may give rise to provisioning, since it is not viewed as materially relevant.

DEBTS TO THE TAX AUTHORITIES AND INSTITUTE OF SOLIDARITY AND SOCIAL SECURITY

From the information legally required in other laws, notably in Articles 66, 324, 397, 447 and 448 of the Commercial Companies Code (CSC), the legal provisions under Decree Law no. 534/80 of November 7th by the Ministry of Finance and Social Security and the provisions of Decree Law no. 110/2009 of 16th September from the Ministry of

Employment and Social Security, it should be noted that EDIA, through the reporting document, declares that is not in breach of its obligations either to the State or to Social Security.

GUARANTEES PROVIDED

- / In the ambit of primary and secondary networks, EDIA performs horizontal drilling on roads. To this end, it must apply for licensing at Estradas de Portugal, S.A.. For each crossing, EDIA is required to provide a bank guarantee in its favour (Estradas de Portugal, S.A.), without any expiry date and/or for five year term. As of December 31st, 2017, the total amount was EUR 20,811.
- / In October 2012, within the scope of tax inspection for IRC, AT proposes a correction to the years 2008-2011, with regard to the amount of amortisation of submerged land, as it believes that not all investments made by EDIA are subject to depreciation under the tax law, which excludes the possibility of tax depreciation of the value of submerged land, because it understands that the latter is not in a state of degradation. EDIA contested and had to provide the AT with two bank guarantees with no expiry date in the total amount of EUR 20,138, intended to guarantee the suspension of the tax enforcement proceedings carried out by the Finance Services. Until December 31st, 2017, there was no reinforcement of these guarantees.
- / Under the contract celebrated with Galp Energia, Petróleos de Portugal-Petrogal, S.A., EDIA provided a bank guarantee intended to "secure the timely payment of fuel expenses using the GALP Frota card". On December 31st, 2017, the amount was EUR 1,746.
- / In May 2015 and April 2016, two guarantees were provided to EDP Distribuição-Energia, S.A., amounting to EUR 95,640 and EUR 60,930, respectively. These constitute the security deposit required for the provisional reception of the interconnection line between EDIA's infrastructures, in which it assumes the obligation to pay the due compensation for the repair of any defect in equipment and/or construction/assembly processes that arise during the warranty period. As of December 31st, 2017, these guarantees are still in force.
- / In June 2016, a guarantee was provided in favour of Alentejo Public Water (AGDA), in the amount of EUR 3,721. This constitutes the collateral predicted for the execution of an Agreement for the Provision of Expropriation and Property Services, which is still in force on December 31st, 2017.

The total value of the guarantees provided (EUR 202,986) is as follows: (i) CCAM of Beja and Mértola – EUR 140,310 and (ii) BCP – EUR 62,676.

CONTINGENT ASSETS AND LIABILITIES

COMMISSION REGULATION (EC) NO. 1305/2013 OF DECEMBER 27TH

The guarantees provided under the provisions of Article 63 of Regulation (CE) No. 1305/2013 of the European Parliament and Council, of December 27th, are commitments made by EDIA that are not included in the Statement of Financial Position.

Within the scope of the Rural Development Program 2014-2020 (PDR2020), and in accordance with the terms and pursuant to paragraph 4 of Article 25 of Ordinance No. 229/2016, of August 26th, EDIA made a payment request as an advance, within the amount allowed by said regulations, for project no. PDR2020-341-035424 "2nd phase of the Alamos Adduction Installation", amounting to 7,015,000 EUR.

In such cases, and in accordance with Article 63 of Commissions' Regulation (EC) no. 1305/2013 of December 27th, the Board of Directors (by means of a written guarantee issued to the competent paying agency – Fisheries and Agriculture Financing Institute, IP) guaranteed the compensation to 100% of the advance amount if the entitlement to the advance cannot be proven.

Authorization of the provision of guarantees by the Company falls within the powers of the Board of Directors, either under article 15 of EDIA's statutes, in particular, or under paragraph 1 (c) and, especially, pursuant to article 406 (f) of the Commercial Companies Code, applicable under the provisions of article 7 of Decree-Law No. 558/99 of December 17th.

Regarding the advance application, by the end of 2017, EDIA did not submit expenses that justify the amounts granted.

EDP

EDIA signed with EDP on 24th October 2007, an operating contract of hydroelectric power plants of Alqueva and Pedrógão and the sub concession of public waterways domain. In consideration of the exploitation rights assigned by contract, EDP paid EDIA an initial value in cash, and undertook to pay an annual compensation for the concession period (35 years). In addition to this cash consideration, EDP also undertook to finance and build the Alqueva and Pedrógão power boosts, and, by the functioning of the contractual arrangements, only the strengthening of Alqueva was materialized. Under the contract, the responsibility for the design, project design, financing, construction and operation of power boosts is of exclusive responsibility of the Assignee of Exploration, i.e., EDP. Also according to the contract and for each of the power boosts, it EDP's responsibility to promote a tender for the General Contract for Construction and another for the Supply of Equipment.

The responsibility of EDP by the associated investment to design, preparation of projects and construction of the Alqueva power boost – the only one carried out, however, it has as a limit by the reference value of the investment stated in the contract (EUR 145 million at constant prices of 2006), and, if the investment exceeds this benchmark, the annual compensation should be adjusted according to the review mechanism also stipulated in the contract. The investment to be made in the construction of power enhancement is calculated by adding the value of the awards resulting from the respective public tenders for the "General Contract for Construction" and the "Supply of Equipment" plus 7% for "Project Management and Monitoring". If the investment to be made in the enhancement, calculated in accordance with the preceding paragraph, higher or lower than the reported value of reference, the amount of the annual financial compensation shall be reduced or increased by the full impact of the difference over a period of four years and in conditions that will ensure financial neutrality, and using an annual interest rate of 5,5% for such.

In the case of reinforcement of Alqueva, the application of said revisability mechanism stipulated in the contract led to different interpretations by each Party with regard to:

- a) Increase in the value of the equipment;
- b) Connection to the National Transport Network;
- c) Method to update values in question.

Hiring of equipment for the Alqueva power enhancement was made to the competitor with the lowest value proposition, though for a value EUR 3,144,412 over the value of the award. This was the result of an amendment to the proposed value, according to EDP, for adequacy of the proposal to the requirements of the specifications. EDP also says that even with that increase in charges, the contracted value is less than the second proposal for a lower value. Regarding the RNT connection the initial project included a T-connection, estimated at EUR 100 000. Later, after having already launched their respective tenders, REN rejected this technical solution, requiring the installation of a line panel that involves an extra burden on the amount resulting from the sum of the values of the award in the amount of EUR 2,179,549. This line panel was also not included in the initial project, however, it is essential to the operation of the line, EDP considers that the respective cost should be borne by EDIA. Finally, as regards methods of updating values to be reviewed, EDP assumes a methodology that it is clearly favourable, claiming it is the methodology underlying EDP's business proposal that gave rise to the exploration contract of the plants.

EDP claimed from EDIA, under the terms and conditions presented, the sum of EUR 5,263 m, which according to the principle of financial neutrality and taking into account the phasing of payment in four years, with an update rate of 5,5% required an annuity of EUR 1,501 million.

EDIA did not share EDP's understanding, stated above, and considered that the contractual requirements under no circumstances supported it. For the reasons that motivated EDP, EDIA was considered creditor of EUR 2,839 million, which according to the principle of financial neutrality and taking into account the phasing of payment in four years, with an update rate of 5,5%, implied an annuity of EUR 0,801 million.

EDIA established contacts to probe EDP's willingness to reach some kind of understanding, unsuccessfully. EDIA made itself available to find a solution that reciprocally annulled the claims of each party, on behalf of the risk of a contested outcome, but was always faced with EDP's irreducibility.

EDIA filed action against EDP for a claim in which it was entitled to receive an annual financial compensation of EUR 12,360,000 for the duration of concession period, from which EDP would not be able to deduct the amount of EUR 1,501,424/year, for a period of 4 years. It should be noted that EDP has already deducted that amount in 2013, 2014, 2015 and 2016, having concluded all deductions.

This was not a value that EDIA would have to pay, in the event of a conviction, since it did not receive it, nor would it receive in 2016. In that event, EDIA would not have to pay, rather, the credit arrogated to EDP would be satisfied.

The pleadings phase was exceptionally long and went on until the response to the Rejoinder, and the statement on documents submitted after the Rejoinder.

After various events, the Court decided to consider itself competent to examine the substance of the Counterclaim and to determine the terms in which the EDIA could use the number of hours to question their witnesses, once the parties were set.

EDIA submitted two oppositions to the Court's decisions, intended to declare the judgment to be delivered invalid.

The trial ended, oral and written allegations were filed in September 2016.

Near the trial's conclusion, EDIA's conviction remained. The proof produced reaffirmed the likelihood of EDIA winning the case. EDIA's Administration was convinced that it very likely that no net burden would be borne by EDIA (considering the EUR 5,263 million claimed by EDP and the EUR 2,839 million claimed by EDIA), with EDP being required to pay in full lease values pertaining to the concession of the Centre's operation that it has been holding.

We were dealing with an arbitration procedure, whose the regulation dated August 31st, 2015, with a period of 18 months for the final judgment to be given. The Court extended the validity period for a further six months, however, this case expired on April 12th, 2017, and the Arbitral Tribunal partially granted EDIA's request.

Regarding the annual financial compensation of EUR 12 380 000, plus VAT, EDP was to pay only EUR 10,878,576, plus VAT, claiming additional costs to be deducted in the 4-year period.

The Court set the annual financial compensation payable for the four years in question at EUR 12,165,706/ /year, instead of the EUR 10,875,576 EDP was to pay. The arbitration agreement further was established that this would not be subject to appeal. EDIA contested two nullities that could uphold annulment of the arbitral ruling.

Although EDIA did not agree with some of the judgement's decision-making segments, only one could be amended through annulment. This segment pertained to the analysis of each of the cost headings that were negotiated by EDP with the consortium, once the openings of tenders were submitted. The segment that decided not to order EDP to pay interest to EDIA could hardly benefit from the annulment of the judgment because it was a decision of law, covered by the arbitration clause.

In light of these figures, EDIA chose not to argue for the judgement's nullity and settle with EDP in accordance with the judgment, which already took place, and EDIA received the sum of EUR 6,332,680.

Regarding this Arbitration Process, already concluded, the final amount has been prepared and invoiced to EDIA, in July, pertaining only to fees, within the scope of legal services provided, in the amount of EUR 44,380 (plus VAT at the statutory rate in force).

POWER REINFORCEMENT INVESTMENTS CARRIED OUT BY EDP IN THE ALQUEVA PLANT

Under the provisions of Law Decree No. 313/2007, of 17th September, which approved the foundations of the concession granted by contract between the State and EDIA on 17th October 2007, EDIA holds, whilst concessionaire for the management, operation and private use of the public water domain under EFMA, powers of administration of the referenced water domain within the framework of its activity, the competences for allocation of titles relating to water abstraction for irrigation and electricity production and, furthermore, inspection powers over its use by third parties, and the jurisdiction to start, prepare and sanction administrative offence proceedings in this context.

In fact, based on the regulations contained in the recent legislative package of water resources, EDIA is simultaneously a concessionaire for the Undertaking's management and operation and the exclusive owner of the rights of private use of the public water domain allocated to the EFMA for irrigation and hydroelectric exploitation.

The Concession Agreement thus fulfilled the conditions to be met by the grantor-concessionaire relationship, specifying the mission content associated with the operation of Undertaking and setting the rules for the exercise of said rights of private use of the public water domain.

In this context, Decree-Law No. 313/2007, of September 17th, framed the concession of the operation rights of the Alqueva and Pedrógão Hydroelectric Power Plants, respecting the rights acquired by third parties under previous legislation.

In view of the foregoing, on 24th October 2007, a contract was signed between EDIA and EDP – Gestão da Produção de Energia, S.A (EDP), which assigns to EDP, for 35 years, the operation of Alqueva hydroelectric plant (260 MW), on a market basis, and the Pedrógão one (10MW), under a special scheme, as well as the rights of private use of the respective water domain. This contract has enhanced the electric value of the Alqueva-Pedrógão system.

Following the signing of the Concession Agreement with the Ministry of Environment, Territorial Planning, and Regional Development, on October 17th, 2007, regarding the use of water resources for abstraction of water for irrigation purposes in the EFMA primary system, EDIA was granted the management and operation of EFMA, as well as the use of the public water domain allocated to the Undertaking.

In fact, based on the regulations contained in the recent legislative package of water resources, EDIA is simultaneously a concessionaire for the Undertaking's management and operation and the exclusive owner of the rights of private use of the public water domain allocated to the EFMA for irrigation and hydroelectric exploitation.

Under this contract for the operation of the power plants, for a period of 35 years, EDP built the power reinforcement of the Alqueva plant. Regarding the transfer of these assets carried out by EDP at the end of the concession period (year 2042) to EDIA, and the Company's responsibility to keep an updated inventory of concession assets with the State, EDIA consulted the documentation submitted by EDP, in the recent litigation concerning the revocation of the concession contract, for the investment made in power reinforcement, the total value of which was EUR 175,598,748 (EUR 73,317,730 – Construction Contract; EUR 100,281,170 – Equipment; and EUR 1,999.848 EUR-Line Panel).

INVESTMENT INCENTIVE

EDP-Gestão da Produção de Energia, S.A. presented an investment incentive for the Alqueva Hydroelectric Power Plant to the Directorate-General for Energy, which was approved by the Director General's order on April 1st, 2011, in spite of EDIA's contest of the decision. EDIA did not settle and filed a Special Administrative Action, filed in Court on June 28th, 2011.

EDIA requests that: (i) the orders of April 1st, 2011 and May 5th, 2011 be annulled, rejecting the author's request for recognition of the right to the investment incentive in production capacity provided for in Ordinance No. 765/2010; and (ii) the right to an incentive to invest in long-term electricity generation capacity be recognised to EDIA, referencing the investment made in the construction of the Alqueva Hydroelectric Plant, granting it such right under the terms in which it was granted to EDP, with amounts accrued by default interest due and becoming due.

The action was awarded the value of EUR 4,800,000 and a first instance decision is awaited. It has been concluded for sentencing, since June 6th, 2016. The decision most likely won't be issued in 2017, but it is expected in 2018. It is difficult to assess the likelihood of success, but EDIA believes that the arguments put forward are well founded.

It should be borne in mind that, even in the most unfavourable scenario, the decision will not subject EDIA to liabilities, other than those pertaining to the proceeding expenses and legal representation fees. The amount of liability may amount to EUR 60,000, considering the action's value and potential appeals.

The losing party will, most likely, appeal. Taking into account the current delays of the Administrative Courts, the judgement on the appeal is not expected within 4 years from it being filed.

In any event, if the decision is favourable to EDIA, in the sense that EDP was not entitled to the incentive it was granted, this does not mean that the very same incentive will be automatically granted to EDIA.

ALQUEVA LEFT BANK ABSTRACTIONS

The use of water resources in hydrographic basins of shared rivers between Portugal and Spain has been the subject of various agreements between the two countries, dating back to the Treaty of Boundaries of 1864, where it was established that international river sections would act as frontiers, as well as the importance of using existing water resources on these frontier sections for mutual benefit and without prejudice to the other party.

In this context, the signing of the 1968 Arrangement, which regulates the use and hydraulic exploitation of the international sections of the Minho, Lima, Tejo, Guadiana, Chança rivers and their tributaries, and which, in Article 3 (e) and (f), allots the hydraulic use between Portugal and Spain, granting Portugal with the use of the entire section of the Guadiana River, between the latter's points of confluence with the Caia and Cuncos rivers.

Thus, according to the 1968 Arrangement, the use of the section between the confluence of the Caia with the Guadiana, and this river's confluence with Cuncos belongs to Portugal. In 1999, abstractions from the left bank of the Guadiana, on this stretch, were regulated. This matter was initially followed up by the International Rivers Commission (CRI) and subsequently by the Convention Application and Development Commission (CADC), a cooperating body between the Albufeira Convention Parties. This matter will be followed-up by the Commission, with the aim of applying the EFMA tariff to water abstractions in this area.

The total volume allocated to these abstractions is over 47 hm³/year: 42,9 hm³/year for irrigation; 4 hm³/year for industrial use; and 0,175 hm³/year for public supply. Other requests under are still analysis within the CADC, as well as abstractions intended for use only in emergency situations. Overall, the volume in question will exceed 50 hm³/year, 55% of which pertains to abstractions under the 152 quota (9% pertains to abstractions between quotas 147 and 152, and 46% to pertains to abstractions under the 147 quota).

According to CADC resolution II/6 (Annex VI of the II Meeting minutes), abstractions made in the reservoir will be subject to a tariff whenever benefit from its exploitation can be proven.

Such abstraction is only possible due to regulation of water flow infrastructures built by Portugal, namely the Alqueva-Pedrógão system, as evidenced by the lack of regulation reservoirs in the estates in question, whereby abstraction of water for irrigation will always take place outside the wet period, when the Guadiana river's flow would not allow it.

In summary, these direct abstractions in the Alqueva reservoir, located on the left bank, under Spanish administration, should be subjected to the tariff set for EFMA, bearing in mind the aforementioned CADC decision, under penalty of market distortions. This matter should be followed-up within the framework of said Commission, with the aim of applying the EFMA tariff to water abstractions in this area.

Applying the established amount of 0,038 EUR/m³ for irrigation water for agricultural use abstracted directly from the primary system, by the Order **3** establishing the price of irrigation water for agricultural use provided by EDIA, in the scope of the EFMA public water service; and taking into account that, according to the available self-monitoring data, collected volumes varied between 16,6 hm³/year and 28,5 hm³/year, produces a revenue between EUR 879,800/year and EUR 1,510,500/year. On December 31st, 2017, EDIA considers that this situation reflects the existence of a contingent asset, not recognized in the Company's accounts, but disclosed in this note describing its nature, potential value and the expectation on the its eventual implementation. Gains will not be recorded until the final decision is effectively secured.



STATUTORY AUDITS AND REPORTS BY THE AUDITORS AND THE SUPERVISORY BOARD

LEGAL CERTIFICATION OF THE ACCOUNTS AND AUDIT REPORT PREPARED BY THE AUDITOR REGISTERED AT THE CMVM



EDIA – Empresa de Desenvolvimento e Infra-estruturas do Alqueva, S.A.
CERTIFICAÇÃO LEGAL DAS CONTAS E RELATÓRIO DE AUDITORIA
EXERCÍCIO DE 2017

CERTIFICAÇÃO LEGAL DAS CONTAS E RELATÓRIO DE AUDITORIA

RELATO SOBRE A AUDITORIA DAS DEMONSTRAÇÕES FINANCEIRAS

Opinião com reservas

Auditámos as demonstrações financeiras anexas de EDIA – Empresa de Desenvolvimento e Infra-estruturas do Alqueva, S.A. que compreendem a demonstração da posição financeira em 31 de dezembro de 2017 (que evidencia um total de 812.531.160 euros e um total de capital próprio negativo de 296.404.038 euros, incluindo um resultado líquido negativo de 341.899 euros), a demonstração do rendimento integral, a demonstração das alterações no capital próprio e a demonstração dos fluxos de caixa relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, exceto quanto aos possíveis efeitos das matérias referidas nos 1º e 2º parágrafos na secção “Bases para a opinião com reservas”, as demonstrações financeiras anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira da EDIA – Empresa de Desenvolvimento e Infra-estruturas do Alqueva, S.A. em 31 de dezembro de 2017 e o seu desempenho financeiro e fluxos de caixa relativos ao ano findo naquela data de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião com reservas

A rubrica Outras contas a receber engloba créditos, contabilizados na conta da Direção Geral de Agricultura e Desenvolvimento Rural (DGADR), de cerca de 207,7 milhões de euros (211,4 milhões de euros em 31 de dezembro de 2016), correspondentes aos investimentos, liquidados dos subsídios aos mesmos associados, na Infraestrutura 12 (70,8 milhões de euros) e Rede Secundária do Empreendimento de Fins Múltiplos do Alqueva (136,9 milhões de euros em 31 de dezembro de 2017 e 140,5 milhões de euros em 31 de dezembro de 2016). Embora a EDIA venha transferindo o valor dos investimentos em causa para a conta da DGADR, esta não efetuou qualquer pagamento, pelo que parte relevante do saldo apresenta antiguidade significativa. Em resposta ao pedido de confirmação de saldos, a DGADR diz não reconhecer o saldo mencionado. Para além do valor registado em Outras contas a receber, também o saldo da conta Inventários, no valor de cerca de 2,7 milhões de euros (1,8 milhões de euros em 2016) se refere a custos com infraestruturas da rede secundária que, à data da demonstração da posição financeira, se encontravam em fase inicial de construção, incluindo o saldo da conta Diferimentos passivos 0,4 milhões de euros (igual quantia em 2016) referentes a subsídios afetos aos investimentos em causa. Não obstante as trocas de impressões que efetuámos com os Serviços da EDIA e com o seu Conselho de Administração, não foi possível esclarecer quando e de que modo poderá a Empresa ser ressarcida dos valores dos investimentos realizados nas infraestruturas, ao abrigo do Decreto-Lei nº 42/2007, de 22 de fevereiro, pelo que existe uma incerteza material relativamente à realização dos ativos atrás identificados, que ascendem a cerca de 210,0 milhões de euros (212,8 milhões de euros em 2016).


Praxity
 CONSULTORES

Em 31 de dezembro de 2017 o passivo evidencia uma provisão de 14,1 milhões de euros (12,7 milhões de euros em 31 de dezembro de 2016), para fazer face aos investimentos a efetuar pela EDIA na sua infraestrutura durante o período da concessão, determinada e registada nos termos da IFRIC 12 essencialmente em exercícios anteriores, num período pré-exploração da infraestrutura. Com a entrada da exploração daquelas infraestruturas em 2017, a atualização da estimativa inicial daquela provisão é um objetivo da EDIA. Na data deste relatório, está em curso uma análise interna para atualização daquela responsabilidade, tendo já a EDIA iniciado o processo de obtenção de um estudo a efetuar por uma entidade externa credível, para corroborar a sua análise interna. Tendo em consideração que até à data deste relatório não são ainda conhecidos os resultados daquela análise interna e estudo externo, não nos é possível concluir quanto à razoabilidade da provisão acima referida.

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção “Responsabilidades do auditor pela auditoria das demonstrações financeiras” abaixo. Somos independentes da Entidade nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião com reservas.

Ênfases

Conforme decorre do Balanço, e por via dos sucessivos prejuízos apurados, o capital próprio da EDIA apresenta-se negativo em 296,4 milhões de euros, situação que cai no âmbito do artigo 35º do Código das Sociedades Comerciais. Para além das garantias que o Acionista tem vindo a prestar aos financiamentos obtidos, realçam-se os sucessivos aumentos de capital na prossecução dos objetivos estratégicos de intervir numa área importante do Alentejo, permitindo criar expectativas empresariais naquela região suscetível de atrair e fixar novas atividades económicas, promovendo a sua diversificação e do tecido empresarial. A EDIA tem essa missão, pelo que não é expectável que o seu acionista deixe de manter o apoio que tem vindo a prestar.

Tal como descrito na nota 2.2 do Anexo, a EDIA aplicou antecipadamente a Norma Internacional de Relatório Financeiro nº 15 – Rédito de Contratos com Clientes, relativamente ao contrato de concessão da exploração das centrais hidroelétricas de Alqueva e de Pedrógão, pelo que o balanço evidencia saldos em Outras contas a receber no valor de 204 milhões de euros, em Diferimentos passivos no valor de 141 milhões de euros, em Resultados transitados no valor de 58 milhões de euros e em rendimentos no valor de 5 milhões de euros

A nossa opinião não é modificada em relação a estas matérias.

Matérias relevantes de auditoria

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias.

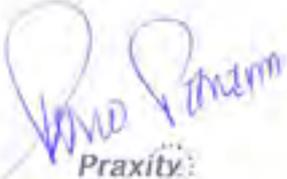
Considerando o enquadramento referido, elegemos, para além das matérias referidas nas “Bases para a opinião com reservas”, os seguintes riscos de distorção material:



Riscos de distorção material mais significativos	Resposta do auditor a esses riscos
1) Teste de imparidade dos ativos intangíveis	
<p>Conforme divulgado nas notas 3.1.c; 8 e 19 do Anexo, a EDIA realiza testes de imparidade ao segmento "Água" tendo, para o efeito, identificado que ao segmento referido corresponde apenas uma unidade geradora de Caixa. No âmbito do estudo da imparidade foram admitidos, em exercícios anteriores, um conjunto de pressupostos que não têm sido objeto de revisão, incluindo a estimativa dos fluxos de caixa futuros. Em consequência do referido estudo, tem a Empresa concluído que o valor presente dos fluxos de caixa futuros associados ao segmento "Água" é insuficiente para recuperar o investimento global já realizado relativamente aquele segmento. Com base nesta conclusão a EDIA tem registado nas suas contas uma perda de imparidade de valor igual ao dos ativos líquidos do segmento.</p> <p>A relevância da área identificada advém, entre outros aspetos, da apreciação dos pressupostos e dos fluxos de caixa estimados, decorrentes da complexidade e nível de julgamento envolvidos.</p>	<p>Os procedimentos que realizámos para mitigação do risco identificado foram os seguintes:</p> <ul style="list-style-type: none"> - Compreender o modelo utilizado para o teste de imparidade; - Validar a razoabilidade dos pressupostos utilizados no que se refere aos fluxos de caixa previstos face ao histórico dos fluxos obtidos e às perspetivas de evolução das quantidades de água a fornecer e da tarifa, bem como validar a aderência do principal gasto de exploração (consumo de eletricidade) considerado no estudo e o gasto efetivo ocorrido nos últimos anos, tendo-se concluído que as estimativas consideradas pela EDIA no estudo são mais otimistas que a informação histórica. Por outro lado, não existe informação disponível que leve a concluir que os pressupostos admitidos para a receita e para os principais gastos possam ser mais favoráveis que os assumidos; - Verificar as evidências quanto à revisão de outros pressupostos, nomeadamente taxa de desconto utilizada; - Validar cálculos; - Verificar a adequação das divulgações que forem apresentadas no Anexo.


 Praxity

Riscos de distorção material mais significativos	Resposta do auditor a esses riscos
2) Subsídios ao investimento Conforme divulgado na nota 17.2.2, os subsídios ao investimento relacionados com bens afetos ao segmento "Água" são deduzidos ao custo do investimento para efeito de determinação da respetiva imparidade, enquanto que os subsídios relacionados com bens afetos ao segmento "Energia" são reconhecidos como rendimentos a reconhecer e objeto de imputação a resultados durante o período da respetiva amortização. Por tais motivos, existe risco significativo de inadequada associação ao ativo a que respeitam e, consequentemente, do reconhecimento dos rendimentos do ano.	Para fazer face ao risco referido, foi estabelecida a seguinte estratégia de auditoria: <ul style="list-style-type: none"> - Obter uma reconciliação entre as quantias evidenciadas na contabilidade referentes aos segmentos Água e Energia com a informação preparada pelo Departamento de Planeamento e Controlo de Investimentos; - Obter a decomposição do saldo da conta Subsídios ao investimento à data de 31/12/2017 e verificar que apenas inclui subsídios relacionados com investimentos do segmento "Energia"; - Selecionar os principais investimentos obtendo as respetivas fichas, validando que nestas consta informação sobre o montante do respetivo subsídio e que o período de reconhecimento não diverge da vida útil definida para o investimento; - Validar a adequação das divulgações que forem apresentadas no Anexo.


 Praxity

Riscos de distorção material mais significativos	Resposta do auditor a esses riscos
3) Reconhecimento do rédito A EDIA divulga nas notas 3.1.o) e 13.2 do Anexo as bases utilizadas no reconhecimento do rédito. Face aos procedimentos instituídos, poderá existir risco de distorção e, conseqüentemente, uma inadequada quantificação dos rendimentos, nomeadamente em razão das estimativas quanto ao valor dos fornecimentos de água do 4º trimestre do ano e ainda relativamente à plenitude da faturação.	Os procedimentos desenvolvidos para fazer face ao referido risco foram os seguintes: <ul style="list-style-type: none"> - Validar o valor do rendimento contabilizado associado ao contrato de concessão com a EDP face às disposições contratuais e os procedimentos contabilísticos adotados; - Obter os consumos de água referentes ao 4º trimestre de 2017 e concluir sobre se os rendimentos contabilizados estão adequadamente periodificados; - Verificar que as tarifas consideradas para efeito da contabilização do rédito são as que estão aprovadas; - Obter explicações para consumos de água que não se tenham traduzido em faturação; - Efetuar procedimentos de confirmação externa dos saldos referentes às entidades com créditos mais significativos e concluir sobre a adequação dos mesmos a 31/12/2017.
4) Provisões para processos judiciais em curso Tal como divulgado na nota 20.1 do Anexo, a EDIA tem reconhecidas provisões para processos judiciais e expropriações litigiosas, cuja quantificação envolve risco de incerteza.	De modo a avaliarmos o efeito desse risco, foram desenvolvidos os seguintes procedimentos: <ul style="list-style-type: none"> - Solicitação de informações aos advogados externos que têm a seu cargo os respetivos processos e ao departamento jurídico da EDIA; - Análise da informação obtida e comparação com o valor contabilizado; - Verificação da adequação das divulgações apresentadas nas demonstrações financeiras.

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa da Entidade de acordo com Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia;
- elaboração do relatório de gestão nos termos legais e regulamentares aplicáveis;
- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorção material devido a fraude ou erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e
- avaliação da capacidade da Entidade de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira da Entidade.

Responsabilidades do auditor pela auditoria das demonstrações financeiras

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras como um todo estão isentas de distorções materiais devido a fraude ou erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança, mas não é uma garantia de que uma auditoria executada de acordo com as ISA detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISA, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- identificamos e avaliamos os riscos de distorção material das demonstrações financeiras, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno da Entidade;
- avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;
- concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade da

Entidade para dar continuidade às suas atividades. Se concluirmos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém acontecimentos ou condições futuras podem levar a que a Entidade descontinue as suas atividades;

- avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e acontecimentos subjacentes de forma a atingir uma apresentação apropriada;
- comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificado durante a auditoria;
- das matérias que comunicamos aos encarregados da governação, incluindo o órgão de fiscalização, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras do ano corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública;
- declaramos ao órgão de fiscalização que cumprimos os requisitos éticos relevantes relativos à independência e comunicamos todos os relacionamentos e outras matérias que possam ser percecionadas como ameaças à nossa independência e, quando aplicável, as respetivas salvaguardas.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras e as verificações previstas nos números 4 e 5 do artigo 451.º do Código das Sociedades Comerciais.

RELATO SOBRE OUTROS REQUISITOS LEGAIS E REGULAMENTARES

Sobre o relatório de gestão

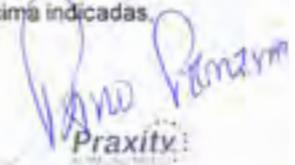
Dando cumprimento ao artigo 451.º, n.º 3, al. e) do Código das Sociedades Comerciais, somos de parecer que o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras auditadas e, tendo em conta o conhecimento e apreciação sobre a Entidade, não identificámos incorreções materiais.

Sobre o relatório de governo societário

Dando cumprimento ao artigo 451.º, n.º 4, do Código das Sociedades Comerciais, somos de parecer que o relatório de governo societário inclui os elementos exigíveis à Entidade nos termos do artigo 245º-A do Código dos Valores Mobiliários, não tendo sido identificadas incorreções materiais na informação divulgada no mesmo, cumprindo o disposto nas alíneas c), d), f), h), i) e m) do referido artigo.

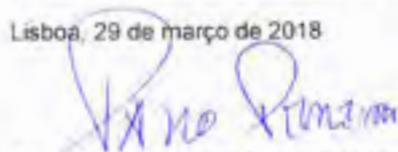
Sobre os elementos adicionais previstos no artigo 10º do regulamento (EU) n.º 537/2014

Dando cumprimento ao artigo 10º do Regulamento (EU) n.º 537/2014 do Parlamento Europeu e do Conselho, de 16 de abril de 2014, e para além das matérias relevantes de auditoria acima indicadas, relatamos ainda o seguinte:



- Fomos nomeados revisores oficiais de contas da Entidade pela primeira vez na assembleia geral de acionistas realizada em 19 de dezembro de 2016 para o período final do mandato compreendido entre 2015 e 2017.
- O órgão de gestão confirmou-nos que não tem conhecimento da ocorrência de qualquer fraude ou suspeita de fraude com efeito material nas demonstrações financeiras. No planeamento e execução da nossa auditoria de acordo com as ISA mantivemos o ceticismo profissional e concebemos procedimentos de auditoria para responder à possibilidade de distorção material das demonstrações financeiras devido a fraude. Em resultado do nosso trabalho não identificámos qualquer distorção material nas demonstrações financeiras devido a fraude.
- Confirmamos que a opinião de auditoria que emitimos é consistente com o relatório adicional que preparámos e entregámos ao órgão de fiscalização da Entidade em 29 de março de 2018.
- Declaramos que não prestámos quaisquer serviços proibidos nos termos do artigo 77º, número 8, do Estatuto da Ordem dos Revisores Oficiais de Contas e que mantivemos a nossa independência face à Entidade durante a realização da auditoria.
- Informamos que, para além da auditoria, não prestámos à Entidade quaisquer outros serviços.

Lisboa, 29 de março de 2018



RCA – Rosa, Correia & Associados, SROC, S.A.
representada por Paulo Fernando da Silva Pereira, ROC

SUPERVISORY BOARD REPORT AND OPINION

Relatório Anual

e

Parecer do Conselho Fiscal Sobre Relatório e Contas do Exercício de 2017 da EDIA, S.A.**INTRODUÇÃO**

Nos termos das disposições legais e estatutárias, designadamente do previsto na alínea b) do artigo 19.º dos atuais Estatutos da EDIA – Empresa de Desenvolvimento e Infraestruturas do Alqueva, S.A., doravante designada abreviadamente como EDIA, e nos artigos 420.º e 452.º do Código das Sociedades Comerciais (CSC), cumpre ao Conselho Fiscal (CF) apresentar o relatório da ação fiscalizadora e emitir parecer sobre o Relatório de Gestão e Contas e a proposta de aplicação de resultados, relativos ao exercício findo em 31 de dezembro de 2017, atento à Certificação Legal emitida pelo Revisor Oficial de Contas (ROC) e às informações constantes no Relatório Adicional de Auditoria. Acresce ainda as conclusões contidas no Relatório de Auditoria do Auditor Externo sobre as demonstrações financeiras desse exercício, as quais são consistentes com as conclusões da revisão legal efetuada às contas da EDIA.

Em conformidade com as orientações do acionista Estado, nomeadamente as constantes no ofício-circular da Direção-Geral do Tesouro e Finanças (DGTF) n.º 588, de 7 de fevereiro de 2018, compete, igualmente, ao Conselho Fiscal (CF) o seguinte:

- a. Aferir o cumprimento das orientações legais vigentes para o Setor Empresarial do Estado (SEE), designadamente o cumprimento das orientações relativas às remunerações vigentes em 2017;
- b. Aferir o cumprimento da apresentação do Relatório anual de Boas Práticas do Governo Societário (RGS), conforme previsto no n.º 2 do artigo 54.º do Regime Jurídico do Sector Público Empresarial (RJSPE), aprovado pelo Decreto-Lei n.º 133/2013, de 3 de outubro, e alterado pela Lei n.º 75-A/2014, de 30 de setembro, do qual deve constar informação atual e completa sobre aquelas matérias nos termos previstos do n.º 1 da citada disposição legal.

ENQUADRAMENTO

A EDIA é uma empresa pública, que se rege pelo direito privado, com as especificidades dos seus estatutos e do Decreto-Lei n.º 133/2013, de 3 de outubro, na sua versão atual, diploma que aprovou o RJSPE. O seu capital social em 31 de dezembro de 2017 é de € 529.301.400,00, integralmente deído pelo Estado Português, através da Direção-Geral do Tesouro e Finanças, encontrando-se totalmente subscrito e realizado.

A empresa encontra-se ainda sujeita ao Código de Governo das Sociedades definido pela Comissão do Mercado de Valores Mobiliários (CMVM), pelo facto de ser emitente de obrigações cotadas em bolsa (Obrigações "EDIA/2010-FLOATING RATE GUARANTEED BONDS DUE 2030").

A empresa tem por finalidade a utilização do domínio público hídrico afeto ao Empreendimento de Fins Múltiplos do Alqueva (EFMA), para fins de rega e exploração hidrelétrica; a conceção, execução e construção das infraestruturas que integram o sistema primário do EFMA, bem como a sua gestão, exploração, manutenção e conservação, a conceção, execução, e a construção das infraestruturas que integram a rede secundária afeta ao empreendimento, em representação do Estado, mediante contrato de concessão celebrado em 8 de abril de 2013. Pode ainda desenvolver outras atividades económicas cujo aproveitamento contribua para a melhoria das condições de utilização dos recursos afetos ao empreendimento.

O relatório de gestão e as demonstrações financeiras da EDIA do exercício de 2017 submetidos à apreciação deste CF foram aprovados pelo Conselho de Administração (CA) e elaborados em conformidade com os artigos 65º, 66º e 66º-A do CSC. O relatório de gestão em apreço inclui a declaração prevista no artigo 245.º do Código dos Valores Mobiliários.

Em 31 de dezembro de 2017 a EDIA detinha participações financeiras noutras empresas, nomeadamente no Centro Operativo e de Tecnologia do Regadio (9,56 %), na Agência de Desenvolvimento Regional do Alentejo, S.A. (4,11%), na Águas do Vale do Tejo, S.A. (0,30%) e ainda na Lusofuel - Produção de Biocombustíveis e Derivados, S.A. (10%). Nenhuma das participações é dominante ou significativa, pelo que encontram-se reconhecidas nas demonstrações financeiras apresentadas pelo custo de aquisição, deduzido de eventuais perdas por imparidade.

A EDIA integra o perímetro das Administrações Públicas para efeitos de Contas Nacionais, nos termos dos Regulamentos da União Europeia e do Sistema Europeu de Contas e Regionais (SEC 2010).

SÍNTESE DA AÇÃO DESENVOLVIDA PELO CF

No âmbito das suas funções, o CF acompanhou, durante o exercício, os aspetos mais relevantes da atividade da EDIA, sua evolução, e, com a frequência e extensão consideradas aconselháveis e adequadas, efetuou várias reuniões, não tendo tomado conhecimento de qualquer situação que não respeitasse os estatutos e os preceitos legais aplicáveis.

Neste contexto, destacam-se, em particular, as seguintes atividades:

- Acompanhou a evolução da atividade e gestão da empresa através dos relatórios trimestrais e semestral do seu CA, de contactos e reuniões efetuadas com o mesmo e com o Revisor Oficial de Contas, e da leitura das atas relevantes, tendo solicitado e obtido os esclarecimentos que foram considerados necessários;
- Analisou o Relatório de atividade e a informação financeira referente ao exercício de 2016 e emitiu o respetivo parecer, em cumprimento das obrigações legais, bem como apreciou a Proposta de Plano de Atividades e Orçamento apresentado pelo CA para o exercício de 2017;
- Analisou e emitiu os respetivos pareceres sobre os relatórios trimestrais e semestral do exercício de 2017, tendo em conta as conclusões e recomendações de auditoria elaborados pelo ROC;
- Tomou conhecimento e analisou o relatório semestral de auditoria às contas elaborado pelo auditor externo da Baker Tilly, PG & Associados, SROC, SA.;
- Contou com os esclarecimentos prestados pelos serviços da EDIA, sendo mais frequentes com as direções financeira, de planeamento e controlo, indispensáveis para atividade do CF, nomeadamente para a emissão dos seus pareceres ao longo de 2017.

Assim sendo, na prossecução dos trabalhos que veio realizando ao longo do ano de 2017 e nos termos das suas competências, o CF analisou o Relatório de Gestão e Contas referente ao exercício de 2017, tendo sido aferido, igualmente, a apresentação de um Relatório autónomo de Boas Práticas de Governo Societário, como previsto no n.º 1 do artigo 54.º do regime jurídico aplicável ao SEE.

Adicionalmente, o Conselho Fiscal apreciou os termos da Certificação Legal de Contas e do Relatório Anual e Adicional de Auditoria emitidos pelo ROC, bem como o Relatório de Auditoria do Auditor Externo, ambos sobre as referidas demonstrações financeiras de 2017, com cujas conclusões concorda, e que inclui, designadamente, uma opinião com duas reservas. A primeira decorre da incerteza quanto à data e ao modo como a EDIA irá recuperar os créditos contabilizados na rubrica Outras contas a receber referente à dívida da Direção-Geral de

Agricultura e Desenvolvimento Rural, correspondentes aos investimentos realizados por conta do Estado na rede secundária, no montante de € 136,9 milhões, e os associados à Infraestrutura 12, no montante de € 70,8 milhões. Esta reserva recai ainda sobre o saldo da conta de inventários relativos aos custos com infraestruturas em curso, à data das demonstrações financeiras, relativos, também, à rede secundária de rega, num total de € 2,7 milhões. A segunda reserva refere-se ao facto de a empresa ter considerado uma provisão de 14,1 milhões de euros para fazer face aos investimentos a efetuar na sua infraestrutura durante o período da concessão, cuja razoabilidade não é possível aferir enquanto não forem conhecidos os resultados da análise interna e estudo externo promovidos pela empresa e que estavam em curso à data da emissão da certificação legal.

ATIVIDADES DESENVOLVIDAS EM 2017 PELA EDIA

Resultante do enquadramento atrás referido, a operação da empresa envolveu a realização de um conjunto de atividades, conforme mencionado no Relatório de Gestão em apreciação, destacando-se o encerramento da 1.ª fase de investimentos no empreendimento, o enfoque na sua exploração e os trabalhos preparatórios para o arranque da 2.ª fase do empreendimento.

Na programação dos investimentos e financiamentos do EFMA, a EDIA prossegue os objetivos atribuídos à empresa pelo acionista Estado, tendo em conta os recursos financeiros disponíveis, designadamente o apoio do acionista, através de dotações para aumento do capital social e empréstimos e o recurso aos fundos comunitários acessíveis nos diversos programas operacionais destinados ao EFMA. Para completar as necessidades de financiamento, a empresa recorreu também à emissão de 3 empréstimos obrigacionistas, um dos quais a reembolsar totalmente em 2018 e outro em fase de amortização, e um empréstimo bancário do Banco Europeu de Investimento. Em 2017 a empresa contou, essencialmente, com os recursos próprios, sendo de assinalar os aumentos de capital social do acionista Estado, no montante total de 64.960.360 euros.

Sublinha-se que o EFMA, localizado em pleno Alentejo, representa o maior investimento nacional hidroagrícola realizado em Portugal, cujo investimento, após a conclusão da 1.ª fase do projeto, em 2017, ascende a € 2.351 milhões, não incluindo as capitalizações de encargos de estrutura e financeiros, beneficiando uma área de influência de 10.000km², distribuídos por 20 concelhos daquela região, incluindo 69 barragens, açudes e reservatórios, cerca de 2.000 Km de canais e condutas e, ainda, 46 estações elevatórias, 5 mini hidricas e uma central fotovoltaica.

Como se referiu, concluída a 1.ª fase dos investimentos do EFMA, coloca-se à EDIA o desafio de atingir, em 2018, a exploração dos cerca de 120.000 ha de área beneficiada, correspondente à totalidade dos perímetros de rega afetos à 1.ª fase do Empreendimento, e o início da infraestruturação da 2.ª fase, que visa aumentar o perímetro do Alqueva dos atuais 120.000 ha para 170.000 ha. A EDIA estima que o investimento adicional necessário será superior a 235 milhões de euros, num horizonte temporal de 5 anos. No final de 2017 foi aprovado, pelo Banco Europeu de Investimento e pelo Banco de Desenvolvimento do Conselho Europeu, empréstimos que permitirão viabilizar o financiamento da construção da 2.ª fase de infraestruturação do EFMA.

Note-se, em termos de exploração, que o número de adesões tem vindo a evoluir positivamente, tendo passado de 58.540 ha de área inscrita em 2016 para 71.484 ha em 2017, porém, longe ainda de esgotar a capacidade instalada. Em termos de consumo de água o aumento registado foi bastante superior, devido às elevadas temperaturas e pela fraca precipitação que se fizeram sentir na primavera e no verão.

Refira-se, ainda, que os investimentos realizados em 2017 foram marginais face aos € 40,6 milhões previstos na proposta de Plano de Atividades e Orçamento, com os valores a refletirem esta realidade, num total de cerca € 1,8 milhões, relativos, sobretudo, a despesas decorrentes de fechos de contratos dos projetos da 1.ª fase do EFMA.

Assim, adiado o arranque da 2.ª fase dos investimentos no EFMA, pelo atraso verificado na aprovação dos respetivos financiamentos comunitários provenientes do Banco Europeu de Investimento (BEI) e Banco de Desenvolvimento do Conselho Europeu (CEB), a empresa prevê que em 2018 sejam lançadas várias empreitadas, nomeadamente a relativa ao reforço da potência da Estação Elevatória dos Álamos do EFMA, à ligação ao sistema de adução a Morgavél, à 2.ª fase da estação elevatória do circuito hidráulico de Pedrogão – Margem Direita, à 2.ª fase da estação elevatória de S. Pedro (reforços de adução), e aos circuitos hidráulicos de Cuba-Odivelas e de Évora. Está previsto ainda, para a rede primária, o lançamento dos concursos referentes às obras que visam os reforços do Sifão Álamos-Loureiro, da 2.ª fase da estação elevatória de Pedrogão – Margem Esquerda e dos circuitos hidráulicos de Viana, Póvoa-Moura e Reguengos. Para a rede secundária, prevê-se o início, em 2018, dos fornecimentos dos equipamentos das 2.ªs fases das estações elevatórias do Loureiro – Alvito, da Laje e do Estácio e também das empreitadas dos blocos de Cuba-Odivelas e Évora, bem como o lançamento dos concursos para os fornecimentos de equipamentos das 2.ªs fases das estações elevatórias do Penedrão, Pedrógão 1 e 3 e das empreitadas de construção dos blocos de Reguengos, Viana do Alentejo e de Póvoa – Moura.

Tal como verificado no ano anterior, a empresa prosseguiu a aposta em fontes de energia renovável, com a exploração da Central Fotovoltaica de Alqueva e das centrais hidroelétricas de Odivelas, Roxo, Serpa e Pisão, tendo sido produzidos, durante o exercício em análise, o total de 9.057 MWh de fontes hidroelétricas, o que representa um aumento da produção de 2.216 MWh face a 2016, e 235 MWh de fonte fotovoltaica, mais 31 MWh face ao exercício anterior.

Merecem, ainda referência, as seguintes atividades mencionadas no Relatório de Gestão da empresa:

- O desenvolvimento do “Portal do Regante”, como ferramenta de apoio aos utilizadores de regadio do EFMA, permitindo a consulta das componentes financeira, exploração e agrícola, associadas à área beneficiada;
- A elaboração do Anuário Agrícola de Alqueva 2017, que visa a sistematização de toda a informação técnico-económica sobre as culturas com potencial na área do EFMA, bem como a sua divulgação;
- A continuidade de dinamização da Bolsa de Terras, como entidade gestora operacional (GeOP);
- A manutenção e beneficiação dos povoamentos instalados, assim como a realização e acompanhamento de projetos de compensação florestal, visando cumprir os compromissos ambientais assumidos decorrentes dos impactos da construção do Empreendimento¹;
- A continuidade da divulgação das atividades do Museu da Luz, do Parque Natural de Noudar e do Sistema de Informação Geográfica e Cartografia, como projetos especiais da EDIA.

¹ Assinala-se a este propósito que, no final de 2017 o património rústico da EDIA era composto por 367 prédios (646,8 ha), dos quais 310 prédios (345 ha) estavam disponíveis para arrendamento. Destes, 109 (193 ha) encontravam-se arrendados total ou parcialmente. Existiam, ainda, 57 prédios não arrendáveis (302 ha), dos quais 6 (3 ha) estão afetos à obra e os restantes 51 encontravam-se em gestão direta e ainda 3 cedidos (24 ha).

ANÁLISE FINANCEIRA E PATRIMONIAL

Conta de Resultados

A EDIA apresentou, para o exercício findo a 31 de dezembro de 2017, um Resultado Líquido negativo de € 0,3 milhões, o que revela um prejuízo bastante inferior em cerca de € 13,7 milhões face ao obtido em 2016, justificado, essencialmente, pela:

- Diminuição das imparidades em investimentos amortizáveis em cerca de € 15,6, associada, sobretudo, à fraca atividade construtiva verificada em 2017 na rede primária;
- Reconhecimento das receitas correspondentes à parcela da remuneração estabelecida no contrato com a EDP relativo à exploração das centrais hidroelétricas de Alqueva e de Pedrógão, com efeitos nas rubricas Vendas e prestações de serviços (+€ 1,6 milhões) e Outros rendimentos e ganhos (+€ 3,4 milhões), resultante da adoção antecipada em 2017 do definido na IFRS 15 - Rêdito de Contratos com Clientes²;
- Aumento dos gastos com o consumo de eletricidade (+ €4,6 milhões), contabilizados ao abrigo da rubrica Fornecimentos e serviços externos, devido à entrada em exploração de mais perímetros de rega da 1ª fase e a um maior consumo de água registado resultante de um ano hidrologicamente muito seco;
- Aumento das prestações de serviços relativamente ao ano anterior em cerca de € 4,4 milhões, decorrente do acréscimo verificado sobretudo no segmento de água, como resultado dos fatores mencionados anteriormente.

Note-se que, embora em 2017 não se tenham registado imparidades significativas devido ao fraco investimento realizado no segmento de água, a conta de exploração dos anos anteriores foi fortemente penalizada pelas mesmas, as quais resultam do método adotado para mensuração dos ativos do segmento água, em que prevalece uma lógica de mercado, o que pressupõe a prática de preços de acordo com os mecanismos de mercado. Porém, resulta claro do relatório de gestão e das notas explicativas das demonstrações financeiras, que o empreendimento gerido pela empresa *"foi concebido como instrumento de desenvolvimento regional de uma zona deprimida do interior do país"* e *"gera externalidades positivas na economia nacional"* que não estão refletidas no preço. Deste modo, e tal como referido em relatórios anteriores, a utilização, por um lado, de critérios de mercado para mensuração de ativos segundo o valor de uso e o valor de venda envolve necessariamente um elevado grau de subjetividade, e por outro lado, dificilmente se poderá perspetivar o retorno financeiro dos investimentos com base apenas nas tarifas de água, tendo presente que os preços são definidos pelo governo no âmbito de objetivos de políticas públicas, tendo em consideração os princípios estabelecidos na Lei n.º 58/2005, de 29 de Dezembro, mas que efetivamente não estão a permitir a recuperação dos custos totais da provisão do serviço.

EBITDA

O EBITDA, conforme consta do relatório e contas, apresenta uma diminuição de cerca de € 1,2 milhões (-9,76%) face ao mesmo período homólogo.

Esta variação, encontra-se justificada, sobretudo, pelos seguintes factos:

² Não obstante esta nova norma IFRS 15 só entrar em vigor obrigatoriamente a partir de 1 de janeiro de 2018, a sua adoção antecipada é permitida nos termos da mesma, de forma a apresentar previamente aos utilizadores da informação financeira o impacto da sua aplicação nas demonstrações financeiras.

- Aumento dos Gastos operacionais em mais €4,7 milhões, não incluindo os gastos relativos à rede secundária e consequentemente à variação da produção, o qual não foi compensado totalmente pelo aumento do volume de negócios (+€4,4 milhões);
- Diminuição dos Subsídios à exploração em menos €0,3 milhões;
- Redução em €1,6 milhões na rubrica dos Trabalhos para a própria empresa, devido à redução da capitalização de gastos referente a perímetros entretanto concluídos;
- Redução da rubrica de Provisões³ em €1,19 milhões decorrente de reversões ou por processos judiciais que findaram em 2017;
- Aumento dos Outros Rendimentos e Ganhos⁴ em € 2,70 milhões decorrente da adoção da IFRS 15 já referida anteriormente;
- Aumento nos Outros gastos e perdas em € 1,38 milhões justificado essencialmente pela alteração de critério adotado pela empresa no que diz respeito à estimativa das taxas de recursos hídricos;

Balanço

A 31 de dezembro de 2017, a EDIA apresentava um ativo líquido de € 812,5 milhões, observando-se um aumento de € 198,6 milhões face ao registado em 2016, justificado, em larga medida, pelas seguintes variações:

- Aumento na rubrica “Outras Contas a Receber” do ativo não corrente, em € 198,8 milhões, pelo facto da EDIA, a 31 de dezembro de 2017, ter reconhecido, por aplicação da mencionada IFRS 15³, o montante de € 204 milhões, relativo ao ativo a que tem direito no âmbito do contrato de subconcessão celebrado com a EDP para a exploração as centrais hidroelétricas de Alqueva e de Pedrógão. Destaca-se que em 31 de dezembro de 2016, a empresa já havia reconhecido um passivo associado a este contrato de concessão, faltando a parte correspondente ao ativo⁴;
- Diminuição da rubrica de Depósitos Cativos em cerca de € 8,4 milhões decorrentes, essencialmente, da resolução do processo de expropriação litigiosa da Portucel Recicla, desfavorável à EDIA, e consequente anulação da respetiva caução e da qual resultou num pagamento de uma indemnização no montante de € 13,9 milhões;
- Diminuição da rubrica de Clientes em cerca de € 7,5 milhões, justificada, sobretudo, pela decisão do tribunal arbitral relativa ao processo que opunha a EDIA à EDP, que terminou com o pagamento à empresa dos valores retidos devido às cláusulas contratuais da revisibilidade do anteriormente referido contrato de subconcessão de exploração.

No que se refere ao Capital próprio, apresentou, face ao ano de 2016, uma variação positiva de € 122,5 milhões, decorrente dos aumentos de capital efetuados pelo acionista ao longo do exercício, no montante de 64,96 milhões, do efeito positivo em Resultados transitados (€ 43,77 milhões) devido à adoção da IFRS 15 já em 2017 e à diminuição conseguida dos prejuízos em 2017 no montante € 13,7 milhões.

Apesar dos continuados aumentos de capital, o capital próprio da EDIA mantém-se negativo a 31 de dezembro de 2017 (€-296,4 milhões), pelo que existe a obrigação de serem implementadas medidas suscetíveis de regularizar essa situação, nos termos previstos do artigo 35º do CSC, tal como tem sido enfatizado em relatórios anteriores. Esta situação foi objeto de uma ênfase na Certificação Legal das Contas emitida pelo Revisor Oficial de Contas, bem como no Relatório do Auditor Externo.

³ Conforme consta da nota 16 do Anexo.

⁴ Refere-se que a referida norma de relato financeiro internacional consiste no facto de uma entidade reconhecer o crédito para refletir a transferência de bens e serviços contratados para o cliente, num montante que tenha em consideração o que a entidade espera ter direito a receber como contrapartida da entrega desses bens e serviços, sendo, neste caso, correspondente ao direito à retribuição em troca do serviço que a EDIA transferiu para a EDP.

Destaque-se ainda que, ao abrigo do artigo 35º do RJSPE, as empresas que apresentem capital próprio negativo nos últimos três exercícios económicos consecutivos, como é o caso da EDIA, deve o órgão de administração propor obrigatoriamente medidas destinadas a superar essa situação, tendo para o efeito, o Conselho de Administração proposto no Ponto 1 do Capítulo III – ESTRUTURA DE CAPITAL do Relatório de Governo Societário de 2017, *"como medida corretiva, face aos capitais próprios negativos verificados há mais três anos, a continuidade de novas dotações de capital por parte do Acionista Estado."*

Por último, importa destacar que do lado do passivo, verificou-se um ligeiro aumento quando comparado a 31 de dezembro de 2016, no montante de € 70,1 milhões. Ainda, assim, importa destacar as seguintes variações:

- Diminuição da rubrica Provisões, no montante de € 12 milhões, a qual se deve, essencialmente, à extinção do anteriormente referido processo judicial que existia com a Portucel Recicla;
- Variação positiva da rubrica de Diferimentos justificada pelo reconhecimento das receitas decorrentes das alterações da adoção antecipada da IFRS 15 relativo ao registo dos rendimentos referentes ao contrato de subconcessão das centrais hidroelétricas de Alqueva e Pedrógão à EDP;
- Diminuição da rubrica Financiamentos obtidos (correntes e não correntes), no montante de € 53,3 milhões, resultantes do pagamento do serviço da dívida vencido em 2017. Importa assinalar que a empresa conseguiu assegurar a totalidade das necessidades de financiamento relativas àquelas obrigações mediante as dotações de capital realizadas pelo Estado para aquele efeito.

CUMPRIMENTO DAS ORIENTAÇÕES LEGAIS E TUTELARES VIGENTES

Nos termos das já referidas competências, cabe ao Conselho Fiscal proceder à análise, conforme se apresenta seguidamente, do cumprimento pela empresa das orientações vigentes para o SEE, das orientações constantes do referido ofício circular da DGTF n.º 588, de 7 de fevereiro de 2018, designadamente as relativas às reduções remunerações e à exigência da apresentação do mencionado Relatório anual de Boas Práticas de Governo Societário, o qual deverá conter informação atual e completa sobre todas as matérias reguladas pelo referido regime jurídico aplicável ao SEE.

Relatório de Gestão

Da conformidade com o previsto nos artigos 65º, 66.º e 66.º-A do CSC, o Relatório de Gestão traduz, na opinião do Conselho Fiscal, a observância daquelas disposições e de outras matérias legalmente em vigor, cumprindo, na generalidade, com as orientações aplicáveis ao SEE, nomeadamente decorrente do RJSPE.

Adicionalmente, nos termos previstos na alínea c) do n.º 1 do artigo 245.º do Código dos Valores Mobiliários, a informação constante no referido Relatório expõe, tanto quanto é do conhecimento do Conselho Fiscal, a informação prevista na alínea a) do artigo supracitado, incluindo os documentos de prestação de Contas, tendo a mesma sido elaborada em conformidade com as normas contabilísticas aplicáveis, dando uma imagem verdadeira e apropriada do ativo e do passivo, da situação financeira e dos resultados da EDIA, e que o relatório de gestão expõe, ainda, fielmente a evolução dos negócios, do desempenho e da posição da empresa, contendo ainda uma descrição dos principais riscos e incertezas com que a mesma se defronta.

Relatório de Boas Práticas de Governo Societário

Em cumprimento do determinado pelo n.º 1 do artigo 54º do RJSPE, confirma-se que o Conselho de Administração apresentou um Relatório Autónomo de Boas Práticas de Governo Societário referente ao exercício de 2017, obedecendo à estrutura definida para o efeito pela Unidade Técnica de Acompanhamento e Monitorização do Setor Público Empresarial (UTAM), sobre o qual, e ao abrigo do estabelecido no n.º 5 do artigo 420.º do CSC, somos de parecer que o mesmo inclui os elementos exigíveis à entidade nos termos previstos do

artigo 245.º-A do CVM, e das demais disposições legais em vigor, incluindo as orientações aplicáveis, não tendo sido identificadas incorreções materialmente relevantes na informação divulgada no mesmo.

Todavia, e sem pôr em causa a opinião acima, salientam-se os seguintes factos:

- Na última Assembleia Geral, de 30 de outubro de 2017, O acionista Estado considerou que não se encontravam reunidas as condições para deliberar sobre as orientações estratégicas, conforme dispõe o n.º 1 do artigo 38.º do RJSPE;
- Nesta circunstância, a atividade da empresa foi norteada, por mais um ano, pela proposta de Plano de Atividades e Orçamento para 2017, ainda que não aprovada pela tutela financeira, as orientações emanadas pela DGTF para elaboração daquela proposta, as instruções da Direção-Geral do Orçamento (DGO) para a elaboração da proposta de orçamento de Estado para 2017, bem como o que veio a ser determinado pela Lei do Orçamento do Estado para 2017 (Lei n.º 42/2016, de 28 de dezembro) no que se refere às matérias aplicáveis ao SEE;
- A estrutura de governo da EDIA, atualmente em vigor, composta por um Conselho de Administração com três elementos (um Presidente e dois Vogais), um Conselho Fiscal, e um Revisor Oficial de Contas, mostra-se adequada à respetiva dimensão e complexidade, pelo que cumpre o disposto na lei, nomeadamente o artigo 30.º e seguintes do RJSPE;
- Em termos estatutários, o mandato dos órgãos sociais tem a duração de 3 anos renováveis, tendo terminado o atual mandato no final de 2017;
- A EDIA tem vindo a adotar, desde há vários anos, um modelo que é também seguido por muitas outras entidades públicas, que contempla para além dos órgãos de fiscalização (ROC e Conselho Fiscal) a existência de um auditor externo, assegurado, a partir de 12 de janeiro de 2017, pela Baker Tilly, PG & Associados, S.A., para cumprimento do previsto no artigo 45º do RJSPE e aplicável à EDIA enquanto empresa pública do Grupo B;
- Por fim, existe a referência a um relatório anual através do qual são identificados os factos suscetíveis de constituir infração penal ou disciplinar, encontrando-se disponível no sítio da internet da empresa uma versão datada de abril de 2015. Não obstante existir a indicação que o mesmo se encontra em fase de revisão, sugere-se que o Conselho de Administração promova a conclusão da referida atualização logo que seja possível.

Orientações legais e tutelares

Dando cumprimento às orientações do titular da função acionista, vertidas no referido ofício da DGTF de fevereiro de 2018, em observância com o artigo 420.º do CSC, e para além das matérias acima indicadas sobre o Relatório de Gestão, apreçamos a informação específica constante no seu Capítulo 2, e que visa destacar a avaliação do cumprimento das orientações legais aplicáveis à empresa, pelo que importa destacar o seguinte:

- À semelhança do verificado no anterior, não existem orientações ou objetivos de gestão para 2017, conforme dispõe o n.º artigo 38º do RJSPE, sendo a atividade da empresa norteada fundamentalmente, conforme se disse anteriormente, pela proposta de Plano de Atividades e Orçamento para 2017, cuja respetiva aprovação não se verificou até à data, e pelas orientações do acionista e demais legislação aplicável ao SEE;
- No que se refere à gestão de risco financeiro, e em conformidade com o disposto no Despacho n.º 101/2009 – SETF, de 30.01, salienta-se que a atividade da EDIA encontra-se exposta ao risco de taxa de juro e ao risco de liquidez. Quanto ao primeiro, importa salientar que a EDIA não detém à data de 31 de dezembro de 2017, nenhum instrumento financeiro de cobertura de taxa de juro, apesar dos seus

empréstimos estarem indexados a taxas de juro variáveis, com exceção do empréstimo obtido junto da DGTf em 2014. Ainda, assim, a taxa média dos financiamentos em vigor em 2017 situa-se próxima dos 1,01%. No que se refere à análise de sensibilidade efetuada pela empresa para uma variação de 1% na taxa de juro, o impacto estimado nos resultados de 2017 seria de cerca de (+/-) € 5,11 milhões;

- Quanto ao risco de liquidez, sublinha-se que, como referido anteriormente, desde de setembro de 2014, a EDIA foi reclassificada para o perímetro das administrações públicas, passando as suas necessidades de financiamento a serem asseguradas pelo Orçamento de Estado, através de empréstimos a conceder pela DGTf ou através de novas dotações de capital pelo acionista Estado, tal como se verificou no ano em análise;
- Pela mesma razão referida anteriormente, e em termos de endividamento, não sendo possível à empresa recorrer a empréstimos bancários junto da banca comercial desde de 2015, as suas necessidades de financiamento foram supridas, no ano em análise, unicamente através de aumentos de capital, no montante global de € 64,96 milhões, que lhe permitiu assegurar o serviço da dívida (amortização e juros) e aos investimentos realizados na conclusão da 1.ª fase do EFMA;
- Esta política ativa de reforço de capitais permanentes por parte do acionista Estado, quer através da entrada de capital quer através da conversão de dívida em capital (€ 34 milhões), permitiu à empresa reduzir o seu passivo remunerado em € 53,3 milhões (-7,72%) quando comparado a 31 de dezembro de 2016;
- A EDIA demonstra o cumprimento das disposições sobre reduções remuneratórias previstas na Lei n.º 12-A/2010, de 30 de junho, (para os gestores públicos e equiparados, a partir de 1 de junho de 2010), no entanto, para os restantes cargos e demais pessoal abrangidos, com a entrada em vigor da Lei n.º 159-A/2015, de 30 de dezembro e da Lei n.º 7-A/2016, de 30 de março (OE 2016), foram progressivamente eliminadas as reduções remuneratórias, tendo sido totalmente eliminadas a partir de outubro de 2016, mantendo-se a redução de 5% no que se refere aos vencimentos dos gestores públicos.
- Neste contexto, e ao abrigo do disposto no n.º 4 do artigo 124.º do Decreto-Lei n.º 25/2017, de 3 de março (Decreto-Lei de Execução Orçamental para 2017), a empresa indica que os gastos com pessoal, corrigidos dos encargos decorrentes das reposições, salariais das indemnizações por rescisão e dos efeitos decorrentes da aplicação do disposto nos artigos 20.º e 21.º da LOE de 2017, foram inferiores ao registado em 31 de dezembro de 2016.
- Ainda assim, conforme é referido no relatório, a redução no total dos Gastos com o pessoal reflete, sobretudo, a diminuição das indemnizações pagas por rescisões contratuais (- €0,14 milhões).
- Conforme decorre do relatório, e em cumprimento com o determinado no artigo 32º do Estatuto do Gestor Público, destaca-se que o Conselho de Administração não utilizou cartões de crédito⁵ nem foram reembolsadas despesas incorridas a título de representação pessoal;
- Sublinha-se ainda que em 2017, a empresa manteve o procedimento de não atribuir prémios de gestão, cumprindo desta forma com o previsto legalmente sobre esta matéria;
- No âmbito dos procedimentos da contratação pública, a EDIA rege-se pelo Código dos Contratos Públicos. Nessa medida, para a realização de despesas cujo valor estimado seja superior a € 5 milhões, utiliza o recurso ao procedimento de ajuste direto o que implica, em regra, o convite a pelo menos cinco entidades, contendo a fundamentação da necessidade de recurso àquele procedimento, em especial

⁵ Incluindo outros meios de pagamentos similares.

sobre a impossibilidade de satisfação da necessidade por via dos recursos próprios da Administração Pública;

- Refira-se igualmente que, no ano de 2017, a EDIA adjudicou um contrato com valor superior a € 5 milhões, no âmbito da empreitada para a construção do reforço de potência da Estação Elevatória dos Álamos do EFMA, pelo valor de € 9,2 milhões;
- No que se refere ao Sistema Nacional de Compras Públicas (SNCP), recorda-se que a EDIA aderiu àquele sistema⁶, através da Entidade de Serviços Partilhados da Administração Pública, I.P. (ESPAP). Em 2017, e tal como já verificado em 2016, as aquisições efetuadas pela EDIA, via aquela plataforma, foram referentes a viaturas em regime de compra ou de aluguer operacional;
- Decorrente do previsto legalmente, cabe às empresas com EBITDA positivo assegurar a redução do peso do conjunto dos gastos com consumos, fornecimentos e serviços externos e pessoal no volume de negócios. Nesta medida, a EDIA apresentou uma melhoria deste indicador de 35,26% em relação a 2016, justificado, essencialmente, pelo menor montante de investimento da rede secundária face ao ano de 2016 (-23,39%) e pelo aumento do volume de negócios com a entrada em funcionamento de novos perímetros de rega (+18,32%);
- A empresa assegurou em 2017, nos termos da informação reportada para o efeito, a redução de custos nas rubricas de comunicações (-12,3%), despesas com deslocações e estadas (-1,89%) e ajudas de custo (-9,10%) face ao ano de 2016;
- O Prazo Médio de Pagamento (PMP), apurado pela empresa, agravou-se, em 2017, em mais 1 dia face a 2016, passando dos 60 para os 61 dias, o que revela um incumprimento implícito justificado pelo processo moroso das descativações orçamentais de parte das dotações das rubricas de "Aquisição de Bens e Serviços";
- A 31 de dezembro de 2017, a empresa não identificou pagamentos em atraso ("arrears"), nos termos previstos do Decreto-Lei N.º 65-A/2011, de 17 de maio;
- Em termos de frota automóvel, verifica-se que o número de viaturas é igual e os gastos inferiores aos registados em 2016 em cerca de €0,01 milhões (-3,2%);
- Já quanto ao número total de trabalhadores, de órgãos sociais e dirigentes, manteve-se idêntico face ao ano anterior, ou seja, nos 185 trabalhadores;
- No que diz respeito ao cumprimento da Unidade de Tesouraria do Estado (UTE)⁷, a EDIA manteve, em 2017, a quase totalidade das suas disponibilidades em contas abertas junto da Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E (IGCP), registando no final do exercício uma taxa de centralização de 97,25%. Ainda assim, e apesar daquele esforço no cumprimento daquele princípio, a EDIA solicitou formalmente a dispensa cumprimento integral da UTE, nos termos previstos no n.º 3 do artigo 28.º do Decreto-Lei n.º 133/2013, de 3 de outubro e no artigo 86.º da Lei n.º 7-A/2016, de 30 de março, abrangendo a parte das disponibilidades que mantém obrigatoriamente fora do IGCP, não tendo o mesmo sido aprovado, o que pode determinar o eventual incumprimento integral daquela obrigação.

⁶ No entanto, sublinha-se que a EDIA decidiu não aderir ao Sistema de Gestão do Parque de Veículos do Estado (SGPVE), atendendo às especificidades de aquisições desta plataforma não se coadunarem com as necessidades e prazos de contratação da empresa.

⁷ Nos termos do Decreto-Lei n.º 191/99, de 5 de junho, que aprovou o Regime da Tesouraria do Estado, conjugado com o artigo 123.º da LOE 2014 e do artigo 15.º do DLEO 2014, e do artigo 28.º do Decreto-lei n.º 133/2013, de 3 de outubro (RJ/SPE).

10
RJSPE

Outras Recomendações do Acionista

Relativamente ao cumprimento das demais orientações, salienta-se as recomendações pelo acionista emanadas na Assembleia Geral Anual da empresa realizada em 30 de outubro de 2017, para as quais a empresa identifica no relatório o cumprimento de todas, apresentando, para o efeito, os fundamentos ou as condicionantes não imputáveis à empresa que explicam o não cumprimento integral da recomendação em causa.

PARECER

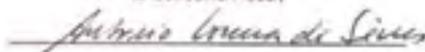
De acordo com o que precede e tendo em consideração os elementos disponibilizados, bem como as conclusões constantes da Certificação Legal de Contas, do Relatório Adicional de Auditoria e do Relatório de Auditoria Externa sobre as Demonstrações Financeiras, o Conselho Fiscal é de parecer que:

- 1 - Seja aprovado o Relatório e Contas de 2017, atento às reservas e às ênfases expressas na Certificação Legal das Contas;
- 2 - Seja aprovada a proposta de aplicação de resultados apresentada pelo Conselho de Administração em conformidade com as disposições legais em vigor, no sentido do Resultado Líquido negativo, no montante de € 341.899, seja levado a resultados transitados;
- 3 - Seja apreciada positivamente a medida corretiva proposta pelo Conselho de Administração, conforme exposto no Relatório autónomo de Boas Práticas de Governo Societário, em cumprimento do previsto no artigo 35º do RJSPE.

Por último, o Conselho Fiscal regista com apreço e agradece toda a colaboração que lhe foi prestada ao longo do ano de 2017 pelo Conselho de Administração e pelos colaboradores da EDIA.

Lisboa, 18 de abril de 2018.

O Conselho Fiscal,



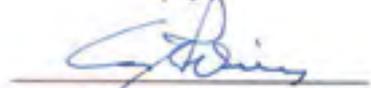
António Bernardo de Meneses e Lorena de Sêves

(Presidente)



Nelson Costa Santos

(Vogal)



Carlos Lopes Pereira

(Vogal)

CONTRACTUAL AUDIT REPORT

RELATO SOBRE A AUDITORIA DAS DEMONSTRAÇÕES FINANCEIRAS**Opinião com reservas**

Auditámos as demonstrações financeiras anexas da EDIA – Empresa de Desenvolvimento e Infra-estruturas do Alqueva, S.A. (“Entidade”), que compreendem o balanço em 31 de dezembro de 2017 (que evidencia um total de 812.531.160 euros e um total de capital próprio negativo de 296.404.038 euros, incluindo um resultado líquido negativo de 341.899 euros), a demonstração do rendimento integral, a demonstração das alterações no capital próprio e a demonstração dos fluxos de caixa relativas ao ano findo naquela data e as notas anexas às demonstrações financeiras, que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, exceto quanto aos possíveis efeitos das matérias referidas nos parágrafos 1 e 2 da secção “Bases para a opinião com reservas” as demonstrações financeiras anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materialmente relevantes, a posição financeira da EDIA – Empresa de Desenvolvimento e Infra-estruturas do Alqueva, S.A. em 31 de dezembro de 2017 e o seu desempenho financeiro e fluxos de caixa relativos ao ano findo naquela data, de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião com reservas

1. Em 31 de dezembro de 2017, o ativo corrente inclui contas a receber da Direção-Geral de Agricultura e Desenvolvimento Rural (de ora em diante “DGADR”), de cerca de 207,7 milhões de euros (cerca de 211,4 milhões de euros em 31 de dezembro de 2016), relacionada com os investimentos liquidados dos subsídios atribuídos aos bens, efetuados pela Entidade na Infraestrutura 12 (cerca de 70,8 milhões de euros) e na Rede Secundária do Empreendimento de Fins Múltiplos de Alqueva (EFMA) (cerca de 136,9 milhões de euros em 31 de dezembro de 2017 e cerca de 140,5 milhões de euros em 31 de dezembro de 2016), por conta da DGADR. Adicionalmente, em 31 de dezembro de 2017, o ativo corrente inclui Inventários de cerca de 2,7 milhões de euros (cerca de 1,8 milhões de euros em 31 de dezembro de 2016) e o passivo inclui subsídios de 0,4 milhões de euros atribuídos aos bens, relacionados com investimentos em curso na Rede Secundária e que após a sua conclusão, serão transferidos para aquela conta a receber. Tendo em consideração que o procedimento adotado está em conformidade com os termos definidos no Decreto-Lei n.º 42/2007, de 22 de fevereiro, ainda que até à data deste relatório, não esteja esclarecida a forma de realização daquela conta a receber, a Entidade entende que a mesma é realizável. Tendo em consideração a antiguidade daquela conta a receber e a informação limitada disponível relacionada com esta situação, não nos é possível concluir quanto ao seu momento e valor de realização.
2. Em 31 de dezembro de 2017, relacionado com o contrato de concessão celebrado em outubro de 2007 entre a Entidade e o Estado Português, registado nos termos da IFRIC 12, o passivo evidencia uma provisão de cerca de 14,1 milhões de euros (cerca de 12,7 milhões de euros em 31 de dezembro de 2016) para fazer face aos investimentos a efetuar pela Entidade nas respectivas infraestruturas durante o período da concessão. Com o início da exploração daquelas infraestruturas em 2017, a atualização da estimativa inicial da provisão em questão é um objetivo da Entidade. Na presente data, está em curso uma análise interna para a atualização daquela responsabilidade, tendo a Entidade iniciado também um processo de obtenção de um estudo a efetuar por uma entidade externa credível, para corroborar a sua análise interna. Tendo em consideração que na presente data ainda não são conhecidos os resultados das análises em curso, não nos é possível concluir quanto à razoabilidade e suficiência do saldo da provisão acima mencionada em 31 de dezembro de 2017.

BAKER TILLY, PG & ASSOCIADOS, SROC, S.A. | Inscrição na CMVM n.º 20161528 e na OROC n.º 235 | Capital Social 70.000 Euros | NIPC 509 224 547

A Baker Tilly, PG & Associados, SROC, S.A. é uma firma membro da Baker Tilly International. A Baker Tilly International Limited é uma sociedade de direito inglês. A Baker Tilly International não presta serviços profissionais a clientes. Cada firma membro é uma entidade autónoma e independente, assumindo-se como tal. A Baker Tilly UK Group LLP é a proprietária da marca Baker Tilly. A Baker Tilly, PG & Associados, SROC, S.A. não atua como agente da Baker Tilly International e não tem poderes para vincular a Baker Tilly International ou atuar em nome da Baker Tilly International. Adicionalmente, nem a Baker Tilly International nem qualquer outra firma membro têm a capacidade de exercer o controlo de gestão de qualquer outra firma membro.

An Independent member of Baker Tilly International

Sede: Edifício Taurus, Campo Pequeno, 48 - 8º Esq. 1000-081 Lisboa, Portugal | Escritório no Porto: Rua João Dias, 204 Office 312 4150-318 Porto | Escritório em Leiria: Galerias Eurosol, Rua D. José Alves Correia da Silva, 2414-019 Leiria

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria ("ISA"), demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção "Responsabilidades do auditor pela auditoria das demonstrações financeiras" abaixo. Somos independentes da Entidade nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião com reservas.

Ênfases

1. As demonstrações financeiras em 31 de dezembro de 2017, foram preparadas no pressuposto da continuidade das operações, embora naquela data, estas evidenciem perdas acumuladas de cerca de 834.568.000 euros e um capital próprio negativo de 296.404.038 euros, estando perdido metade do capital social, situação que determina a aplicação das disposições previstas nos artigos 35.º e 171.º do Código das Sociedades Comerciais. Por outro lado, naquela data o ativo inclui outras contas a receber de 217.986.312 euros (Nota 16 do anexo às demonstrações financeiras), e o passivo inclui empréstimos obtidos de instituições financeiras e empréstimos obrigacionistas, nos montantes de 443.453.637 euros e 67.904.589 euros (dos quais 300 milhões de euros vencem-se em novembro do presente ano) (Notas 21 do anexo às demonstrações financeiras), respetivamente, cuja regularização depende da realização dos ativos acima referidos, bem como da continuação do apoio do acionista. Nestas circunstâncias, a continuidade das operações da Entidade, a realização dos seus ativos, em particular dos ativos intangíveis e outros créditos a receber, bem como a classificação e liquidação dos seus passivos, no curso normal das suas operações, depende do sucesso futuro das mesmas e da manutenção do apoio financeiro do seu acionista e parceiros financeiros.
2. Até 31 de dezembro de 2016, o contrato de concessão celebrado em outubro de 2007 entre a Entidade e o Estado Português, vinha sendo registado na base dos fluxos financeiros, tendo sido reconhecido um ativo de 195.000.000 Euros correspondente ao valor inicial pago ao Estado (reconhecido como gasto de forma linear durante o período da concessão), bem como os valores pagos mensalmente. Em 31 de Dezembro de 2017 a Entidade adoptou de forma antecipada a IFRS 15, a qual é de aplicação obrigatória a partir de 1 de Janeiro de 2018. Em resultado desta situação, a Entidade registou um activo, um passivo, uma variação patrimonial positiva e um impacto positivo no resultado do ano de 2017 de cerca de 204 milhões de euros, 141 milhões de euros, 58 milhões de euros e 5 milhões de euros, respetivamente (Nota 2.2. do anexo às demonstrações financeiras da Entidade em 31 de dezembro de 2017).

A nossa opinião não é modificada com respeito a estas matérias.

Matérias relevantes de auditoria

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias.

1. Teste de Imparidade dos ativos intangíveis

Descrição da matéria relevante

Conforme divulgado nas notas 3.1.c; 8 e 19 do Anexo, a Entidade realiza testes de imparidade ao segmento "Água" tendo, para o efeito identificado que ao segmento em questão corresponde um única unidade geradora de caixa. No âmbito do estudo da imparidade foram admitidos, em exercícios anteriores, um conjunto de pressupostos que não têm sido objeto de revisão, incluindo a estimativa dos fluxos de caixa futuros. Em consequência do referido estudo, tem a Entidade concluído que o valor presente dos fluxos de caixa futuros associados ao segmento "Água" é insuficiente para recuperar o investimento já realizado naquele segmento. Com base nesta conclusão a Entidade tem registado nas suas contas uma perda de imparidade de valor igual ao dos ativos líquidos do segmento.



A relevância deste tema advém, entre outros aspetos, da complexidade e elevado grau de julgamento necessário à apreciação dos pressupostos adotados.

A nossa resposta

Os nossos principais procedimentos de auditoria incluíram:

- Análise do modelo adotado para a realização do teste de imparidade;
- Análise da adequação dos pressupostos adotados na determinação dos fluxos de caixa estimados atendendo ao histórico dos fluxos obtidos e às perspectivas de evolução futura do negócio. As conclusões das análises realizadas indicam que as estimativas são mais optimistas que o histórico;
- Validação dos cálculos realizados; e
- Verificação da adequação das divulgações realizadas no Anexo às demonstrações financeiras.

2. Reconhecimento do rédito

Descrição da matéria relevante

A Entidade divulga nas notas 3.1.o) e 13.2 do Anexo às demonstrações financeiras as bases adotadas no reconhecimento do rédito. Face aos procedimentos seguidos, poderá existir o risco de distorção e, conseqüentemente, uma inadequada quantificação dos rendimentos, nomeadamente em resultado das estimativas relativas ao fornecimento de água do último trimestre do ano e ainda relativamente à plenitude da faturação.

A nossa resposta

Os nossos principais procedimentos de auditoria incluíram:

- Relativamente ao valor do rédito contabilizado no que diz respeito ao contrato com a EDP, testamos o mesmo tendo em consideração as disposições contratuais em vigor e os procedimentos contabilísticos adotados;
- Foram testados os dados relativos aos consumos de água do último trimestre do exercício e os valores dos rendimentos reconhecidos;
- Foi verificada a adequação dos preços adotados tendo em consideração as tarifas em vigo.

3. Subsídios ao Investimento

Descrição da matéria relevante

Conforme divulgado na nota 17.2.2, os subsídios relacionados com bens afetos ao segmento “Água” são deduzidos ao custo do investimento para efeito de determinação da respetiva imparidade, enquanto que os subsídios relacionados com bens afetos ao segmento “Energia” são reconhecidos como rendimentos a reconhecer e objeto de imputação a resultados durante o período de vida útil dos bens. É nosso entendimento que existe o risco inerente de inadequada associação ao ativo a que respeitam e, conseqüentemente, do seu inadequado reconhecimento como rendimento.

A nossa resposta

Os nossos principais procedimentos de auditoria incluíram:

- Revimos a reconciliação entre as quantias contabilizadas, relacionadas com os segmentos “Água” e “Energia” e a informação preparada pelo Departamento de Planeamento e Controlo de Investimentos;
- Revimos o detalhe do saldo da rubrica Subsídios ao investimento, em 31 de dezembro de 2017;
- Revisão dos investimentos afetos aos principais investimentos e período de reconhecimento consistente com a vida útil estimada dos bens;
- Revisão da adequação das divulgações realizadas no Anexo às Demonstrações Financeiras.

4. Provisões para processos judiciais em curso

Tal como divulgado na nota 20.1 do Anexo, a ENTIDADE tem reconhecidas provisões para processos judiciais e expropriações litigiosas, cuja quantificação envolve risco de incerteza.

Os nossos principais procedimentos de auditoria incluíram:

- Revisão das respostas de advogados externos, responsáveis pelo acompanhamento de processos judiciais em curso;
- Revisão da adequação dos valores reconhecidos (provisionados) nas demonstrações financeiras;
- Revisão da adequação das divulgações efectuadas no Anexo às demonstrações financeiras.

Responsabilidades do Órgão de Gestão e do Órgão de Fiscalização da Entidade Gestora pelas demonstrações financeiras

O Órgão de Gestão responsável pela preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa da Entidade, de acordo com os as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia; a elaboração do relatório de gestão nos termos legais e regulamentares; a criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorção material devido a fraude ou erro; a adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e, a avaliação da capacidade da Entidade de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades. O Órgão de Fiscalização da Entidade é responsável pela supervisão do processo de preparação e divulgação da informação financeira da Entidade.

Outras matérias

As demonstrações financeiras em 31 de dezembro de 2016, apresentadas para efeitos comparativos, foram examinadas por outra sociedade de revisores oficiais de contas, cuja Certificação Legal das Contas, datada de 27 de março de 2017, inclui uma reserva e uma ênfase relacionadas com as matérias descritas no paragrafo 1 da secção “Bases para a opinião com reservas” e paragrafo 1 da secção “Ênfases”, respetivamente. A nossa revisão sobre as mesmas, teve como único objetivo, emitirmos o Relatório de Auditoria sobre as demonstrações financeiras em 31 de dezembro de 2017, pelo que não emitimos qualquer parecer sobre aquelas demonstrações financeiras.

Responsabilidades do auditor pela auditoria das demonstrações financeiras

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras como um todo estão isentas de distorções materiais devido a fraude ou erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança, mas não é uma garantia de que uma auditoria executada de acordo com as ISA detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISA, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também (i) identificamos e avaliamos os riscos de distorção material das demonstrações financeiras, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno; (ii) obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno da Entidade; (iii) avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo Órgão de Gestão da Entidade; (iv) concluímos sobre a apropriação do uso, pelo Órgão de Gestão da Entidade, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade da Entidade para dar continuidade às suas atividades. Se concluímos que existe uma incerteza material,

devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que a Entidade descontinue as suas atividades; (v) avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e acontecimentos subjacentes de forma a atingir uma apresentação apropriada; (vi) comunicamos com os encarregados da governação da Entidade, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificado durante a auditoria; e (vii) das matérias que comunicamos aos encarregados da governação da Entidade, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras do ano corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública.

Lisboa, 6 de março de 2018



BAKER TILLY, PG & ASSOCIADOS, SROC, S.A.

Representada por Paulo Jorge Duarte Gil Galvão André

Conselho Fiscal

DECLARAÇÃO DE CONFORMIDADE

Nos termos previstos na alínea c) do n.º 1 do artigo 245.º do Código dos Valores Mobiliários, os membros do Conselho Fiscal declaram que, tanto quanto é do seu conhecimento:

A informação constante no Relatório de Gestão expõe fielmente a evolução do negócio, do desempenho da empresa, contém uma descrição dos acontecimentos mais relevantes ocorridos no ano e o seu impacto nas respetivas demonstrações financeiras, destacando os principais riscos e incertezas com que se defronta; e

A informação constante no Relatório de Gestão e dos demais documentos de prestação de contas, foi elaborada em conformidade com as normas contabilísticas aplicáveis, dando uma imagem verdadeira e apropriada do ativo, do passivo, da situação financeira e dos resultados da EDIA – Empresa de Desenvolvimento e Infraestruturas do Alqueva, S.A.

Lisboa, 18 de abril de 2018

O Conselho Fiscal,



António Bernardo de Meneses e Lorena de Séves

(Presidente)



Nelson Costa Santos

(Vogal)



Carlos Lopes Pereira

(Vogal)

STATEMENT OF COMPLIANCE

STATEMENT OF COMPLIANCE FROM THE BOARD OF DIRECTORS

Dear Shareholders

Under the terms of article 245 (1) (c) of the Securities Code we inform you that, to the best of our knowledge:

- a. The information contained in the Management Report faithfully sets out the important events of the year 2017 and the impact on the respective financial statements, and contains a description of the main risks and uncertainties faced; and
- b. The information contained in the individual financial statements, and their annexes, has been prepared in accordance with the applicable accounting standards, and give a true and fair view of the assets and liabilities, the financial position and the profits and losses of EDIA – Empresa de Desenvolvimento e Infra-estruturas do Alqueva, S.A. and the companies included in the consolidation.

Beja, 6th de March 2018

The Board of Directors

José Pedro Mendes Barbosa da Costa Salema
(Chairman)

Augusta Manuel Pereira de Jesus Cachoupo
(Member)

Jorge Manuel Vazquez Gonzalez
(Member)

STATEMENT ON THE REMUNERATION POLICY OF MEMBERS OF THE GOVERNING AND SUPERVISORY BODIES OF EDIA, S.A. PROVIDED UNDER LAW 28/2009

In section 1,4. of the Unanimous Board Resolution in Writing of July 22nd, 2015, the non-election of the Remuneration Committee was ruled.



ACRONYMS AND ABBREVIATIONS

ACRONYMS AND ABBREVIATIONS

A

ABB – Alexandre Barbosa Borges S.A.

ACA – Águas do Centro Alentejo

AdSA – Águas de Santo André

AFN – Autoridade Florestal Nacional
(Portuguese Forest Authority)

AgSA – Águas Públicas do Alentejo

AIA – Avaliação de Impacte Ambiental
(Environmental Impact Assessment)

ALVT – Águas de Lisboa e Vale do Tejo

APA – Associação Portuguesa do Ambiente
(Portuguese Environment Association)

APCER – Associação Portuguesa de
Certificação (Portuguese Certification
Association)

B

BCP – Banco Comercial Português
(Portuguese Commercial Bank)

BCSD – Conselho Empresarial para o
Desenvolvimento Sustentável (Corporate
Council for Sustainable Development)

BE – Boletim Económico (Economic Bulletin)

BEI – Banco Europeu de Investimentos
(European Investment Bank)

BES – Novo Banco

BP – Banco de Portugal (Bank of Portugal)

BPI – Banco Português de Investimentos
(Portuguese Investment Bank)

BTL – Bolsa de Turismo de Lisboa
(Lisbon Tourism Fair)

C

CARALQUEVA – Comité de Acompanhamento
do Regadio de Alqueva (Committee for the
Monitoring of Alqueva Irrigation)

CCDRA – Comissão de Coordenação e
Desenvolvimento Regional do Alentejo
(Alentejo Regional Development and
Coordination Committee)

CCP – Código dos Contratos Públicos
(Public Procurement Code)

CCDR – Comissão de Coordenação e Desenvolvimento Regional (Regional Development and Coordination Committee)

CD – Centro de Documentação (Documentation Centre)

CE – Comunidade Europeia
(European Community)

CEB – Banco de Desenvolvimento do Conselho da Europa (Council of Europe Development Bank)

CGD – Caixa Geral de Depósitos (General Deposits Bank)

CHA – Central Hidroeléctrica de Alqueva
(Alqueva Hydroelectric Plant)

CHP – Central Hidroeléctrica de Pedrógão
(Pedrógão Hydroelectric Plant)

CIEFMA – Aplicação web para consulta do Cadastro de Infraestruturas do EFMA e Gestão de Regantes (Web application to consult the EFMA Infrastructure Registry and Management of Irrigators)

CMB – Câmara Municipal de Beja
(Beja City Council)

COTR – Centro Operativo de Tecnologias do Regadio (Operational Centre for Irrigation Technologies)

CSC – Código das Sociedades Comerciais
(Code of Commercial Companies)

D

DGADR – Direcção Geral de Agricultura e Desenvolvimento Rural (Directorate-General for Agriculture and Rural Development)

DGO – Direcção Geral do Orçamento
(Budget Directorate-General)

DGT – Direcção Geral do Tesouro
(Directorate-General for the Treasury)

DGTF – Direcção Geral do Tesouro e Finanças
(Directorate-General for the Treasury and Finance)

DIA – Declaração de Impacte Ambiental
(Environmental Impact Statement)

DR – Diário da República (Official State Gazette)

DRACALEN – Direcção Regional de Cultura do Alentejo (Regional Culture Department of the Alentejo)

DSUE – Deliberação Social Unânime por Escrito
(Unanimous Company Decision in Writing)

DUP – Declaração de Utilidade Pública
(Declaration of Public Utility)

E

EBITDA – *Earnings Before Interest, Taxes, Depreciation and Amortization*

EDIA – Empresa de Desenvolvimento e Infraestruturas do Alqueva, S.A.

EDP – Energias de Portugal
(Portugal Energy Company)

EFMA – Empreendimento de Fins Múltiplos de Alqueva (Alqueva Multipurpose Development)

EGP – Estatuto do Gestor Público
(Public Manager Statute)

EIA – Estudo de Impacte Ambiental
(Environmental Impact Study)

EP – Empresas Públicas (Public Companies)

EPR – Empresas Públicas Reclassificadas
(Reclassified Public Companies)

F

FEADER – Fundo Europeu Agrícola de Desenvolvimento Rural (Agricultural European Fund for Rural Development)

FEDER – Fundo Europeu de Desenvolvimento Regional (European Regional Development Fund)

FMI – Fundo Monetário Internacional (International Monetary Fund – IMF)

G

GeOp – (Entidade) Gestora Operacional (Operating Managing Entity)

GEE – Gabinete de Estratégia e Estudos (Department of Strategy and Economic Research)

H

ha – Hectare

hm³ – Cubic hectometer

I

IAS – *International Accounting Standard*

IASB – *International Accounting Standard Board*

IBERLINX – Ação Territorial Transfronteiriça para a Conservação do Lince Ibérico (Cross-Border Territorial Preservation Action for the Iberian Lynx)

ICNF – Instituto de Conservação da Natureza e das Florestas (Institute for the Conservation of Nature and Forests)

IFRIC – *International Financial Reporting Interpretations Committee*

IFRS – *International Financial Reporting Standards*

IGCP – Agência de Gestão da Tesouraria e da Dívida Pública (Public Debt and Treasury Management Institute)

IHPC – Índice Harmonizado de Preços do Consumidor (Harmonised Consumer Price Index)

IGCP – Instituto de Gestão da Tesouraria e do Crédito Público, I.P. (Public Credit and Treasury Management Institute)

INALENTEJO – Programa Operacional Regional do Alentejo 2007/2013 (Regional Operational Programme of the Alentejo 2007/2013)

INVASEP – Lucha contra las especies invasoras en las cuencas de los ríos Tajo y Guadiana en la Península Ibérica

IoT – *Internet on Things*

IPB – Instituto Politécnico de Beja (Polytechnic Institute of Beja)

IPC – Índice de Preços no Consumidor (Consumer Price Index)

IHPC – Índice Harmonizado de Preços do Consumidor (Harmonised Consumer Price Index)

IRC – Imposto sobre o Rendimento das Pessoas Coletivas (Corporate Income Tax)

IRS – Imposto sobre o Rendimento de Pessoas Singulares (Income Tax)

ISQ – Instituto de Soldadura e Qualidade (Institute of Welding and Quality)

IVA – Imposto sobre o Valor Acrescentado (VAT – Value Added Tax)

K

Km – kilometer

Km² – Square kilometers

kWh – kilowatt hour

L

LCPA – Lei dos Compromissos e Pagamentos em Atraso (Commitments and Overdue Payments Law)

LGT – Lei Geral Tributária (General Taxation Law)

LNEC – Laboratório Nacional de Engenharia Civil (National Civil Engineering Laboratory)

LO (SAP) – Controlo de Contratos de Empreitadas, Fornecimento de Equipamentos e Prestação de Serviços (Control of Works Contracts, Equipment Supply and Services Rendered)

LOE – Lei do Orçamento de Estado (State Budget Law)

M

MAFDR – Ministério da Agricultura, Florestas e Desenvolvimento Rural (Ministry of Agriculture, Forestry and Rural Development)

MAMAOT – Ministério da Agricultura, do Mar, do Ambiente e do Ordenamento do Território (Ministry of Agriculture, the Sea, Environment and Land Use)

MF – Ministério das Finanças (Ministry of Finance)

MW/h – MEGA WATT hour

N

NCRF – Normas Contabilísticas e de Relato Financeiro (Accounting and Financial Reporting Standards)

NERBE – Núcleo Empresarial da Região de Beja (Business Nucleus of the Beja Region)

O

OCDE – Organização para a Cooperação e Desenvolvimento Económico (Organisation for Economic Co-operation and Development)

OCS – Orgão de Comunicação Social (Media Organisation)

OE – Orçamento de Estado (State Budget)

P

PAAP – Programa das Albufeiras de Alqueva e Pedrógão (Alqueva and Pedrógão Reservoirs Programme)

PAEF – Programa de Ajustamento Económico e Financeiro (Financial and Economic Adjustment Programme)

PBG – Princípios do Bom Governo (Good Governance Principles)

PDR 2020 – Programa de Desenvolvimento Rural do continente 2014-2020 (Rural Development Programme for Mainland Portugal 2014-2020)

PE – Programa de Estabilidade (Stability Programme)

PEC – Programa de Estabilidade e Crescimento (Stability and Growth Programme)

PGA – Programa de Gestão Ambiental (Environmental Management Programme)

PGF – Planos de Gestão Florestal (Forest Management Plans)

PIB – Produto Interno Bruto (GDP – Gross Domestic Product)

PIDDAC – Programa de Investimentos e Despesas de Desenvolvimento da Administração Central (Central Administration Development Investment and Expenditure Programme)

PMP – Prazo Médio de Pagamentos (Average Payment Time)

PNN – Parque de Natureza de Noudar (Noudar Nature Park)

POAAP – Plano de Ordenamento das Albufeiras de Alqueva e Pedrógão (Land Planning for the Alqueva and Pedrogão Reservoirs)

POC – Plano Oficial de Contabilidade (Official Accounting Plan)

POCTEP – Programa de Cooperação Transfronteiriça Portugal – Espanha (Portugal-Spain Crossborder Cooperation Programme)

POSEUR – Programa Operacional de Sustentabilidade e Eficiência no Uso dos Recursos (Operational Programme for Sustainability and Efficient Use of Resources)

POVT – Programa Operacional Temático de Valorização do Território (Land Recovery Thematic)

PRODER – Programa de Desenvolvimento Rural (Rural Development Programme)

PUT – Princípio da Unidade de Tesouraria do Estado (State Treasury Unit Principle)

Q

QCA – Quadro Comunitário de Apoio (Community Support Framework)

QREN – Quadro de Referência Estratégico Nacional (National Strategic Reference Framework)

R

RCM – Resolução de Conselho de Ministros (Cabinet Resolution)

RJSEP – Regime Jurídico do Setor Público Empresarial (Legal regime of the Corporate Public Sector)

ROC – Revisor Oficial de Contas (Statutory Auditor)

S

S.A. – Sociedade Anónima (Public Limited Company)

SAP – Sistemas, Aplicativos e Produtos para Processamento de Dados (Systems, Applications and Products for Data Processing)

SEE – Sector Empresarial do Estado (State Business Sector)

SEL – Setor Empresarial Local (Local Business Sector)

SIG – Sistema de Informação Geográfica (Geographical Information System)

SIGO – Sistema de Informação de Gestão Orçamental (Budget Management Information System)

SIRHAL – Sistema de Informação de Recursos Hídricos de Alqueva (Information System for the Alqueva Water Resources)

SISAP Elaboração de Cartas de Aptidão Cultural para o Perímetro de Rega do Alqueva (Preparation of Cultural Aptitude Charts for the Alqueva Irrigation Perimeter)

SISMS – Sistema de Informação de Suporte à Monitorização dos Solos do EFMA due (EFMA Information System to Support Monitoring of Soil)

SNC – AP – Sistema de Normalização Contabilística para as Administrações Públicas (Accounting Standards System for Public Administrations)

SNCP – Sistema Nacional de Compras Públicas (Public Procurement National System)

SOE – Sistema de Informação da Elaboração Orçamento de Estado (State Budget Drafting Information System)

SROC – Sociedade de Revisores Oficiais de Contas (Audit Firm)

T

TCAS – Tribunal Central Administrativo Sul (South Administrative Central Court)

TRH – Taxa de Recursos Hídricos (Water Resource Rate)

U

UE – União Europeia (European Union)

URSA – Unidades de Recirculação de Subprodutos de Alqueva (Alqueva Byproduct Recirculation Units)

UTAM – Unidade Técnica de Acompanhamento e Monitorização do Setor Público Empresarial (Technical Units for Corporate Public Sector Monitoring and Supervision)

UTE – Unidade de Tesouraria do Estado (State Treasury Unit)

V

VAB – Valor Acrescentado Bruto (Gross Value Added)

VSA – Volta Solidária de Alqueva (Solidarity Race of Alqueva)

W

WADI – Water-tightness Detection Implementation



EDIA

Empresa de Desenvolvimento
e Infra-estruturas do Alqueva, S.A.

REPORT & ACCOUNTS FISCAL YEAR 2017

EDIA – Empresa de Desenvolvimento e Infra-estruturas do Alqueva, S.A.

Original photographs: António Cunha / EDIA

Translation: António Rodrigues – dupladesign.pt

Design and production: Paulo Froes – dupladesign.pt