

EDP FINANCE B.V.
Amsterdam

INTERIM REPORT
June 30, 2015

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RESPONSIBILITY STATEMENT

The Managing Directors of the Company wish to state:

1. That the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of EDP Finance B.V.;
2. That the interim report gives a true and fair view of the position as per the balance sheet date, the development during the financial period of EDP Finance B.V. in the semi-annual financial statements, together with a description of principal risks it faces.

Amsterdam, 30 July 2015

The Managing Directors:

EDP – Energias de Portugal S.A.

de Kanter, H. P.

Gortzen, M. M. L.

TMF Netherlands B.V.

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REPORT OF THE MANAGEMENT BOARD

The Managing Directors of EDP Finance B.V. (hereinafter "the Company") submit the interim report and the condensed financial statements of the Company for the period ended 30 June 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

General

The Company was incorporated under the laws of The Netherlands on 1st October 1999.

Activities

The principal activity of the Company is to act as a finance company to EDP Group. The policy of the group is to centralize financing in EDP – Energias de Portugal S.A. (hereinafter "EDP S.A.") and the Company.

Results

During the six-month period under review, ending on 30 June 2015, the Company recorded a loss of 35,593 thousand Euros (six-month period ending 30 June 2014 – profit 3,843 thousand Euros). This loss is due to the fact that the majority of the assets, that constitutes Finance B.V. portfolio, are variable rate assets, which promptly incorporated the current decrease of the short-term market interest rates, without a corresponding decrease on the liabilities side, affecting negatively the results, and the average interest rate of assets. Interest expenses increased mostly due to a one-off event from the early recognition of costs of a loan discount paid, as a result of an early repayment of the referred loan, and the adverse YoY FX variation, that was mostly set-off by the reduction in the average interest rate of loans resulting from the refinancing transactions that were conducted in the past 12 months.

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REPORT OF THE MANAGEMENT BOARD

Major developments in the first half year of 2015

In the first half of 2015, the Company took advantage of improved market conditions to issue a 10-year EUR 750 million Bond on 21st April, under the EDP SA and EDP Finance BV's "Programme for the Issuance of Debt Instruments" (EMTN). The Company also entered into a facility agreement in February, composed of a five-year Term Loan in the amount of 1,500 million Euros (Facility A), which was fully drawn on 6th March, and a five-year 500 million Euros Revolving Credit Facility (Facility B), which was drawn in the amount of 400 million EUR as at 30th June 2015.

FUTURE DEVELOPMENTS

Given the cash flow expected to be generated by the Group as well as the available liquidity, the company expects to continue its normal course of business during the second half of the year, as in the previous years.

KEEP WELL AGREEMENT

During the period under review, there were no changes to the keep-well agreement between EDP S.A. and the Company, signed on 14 March 2001.

AUDIT COMMITTEE

The Company makes use of the exemption to establish its own Audit Committee, based on Article 3a of the Royal Decree of 26 July 2008 implementing article 41 of the EU Directive 2006/43/EG. The Audit Committee of the parent company, EDP S.A., will act as Audit Committee for the Company. This Committee is composed as follows:

- António Sarmento Gomes Mota: Chairman
- João Carvalho das Neves: Vice-Chairman
- Alberto Barbosa: Member
- María del Carmen Rozado: Member
- Maria Celeste Cardona: Member

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REPORT OF THE MANAGEMENT BOARD

Amsterdam, 30 July 2015

The Managing Directors:

EDP – Energias de Portugal S.A.

de Kanter, H. P.

Gortzen, M. M. L.

TMF Netherlands B.V.

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INTERIM FINANCIAL STATEMENTS

CONDENSED COMPANY INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015 AND 2014

Thousands of Euros	2015	2014
Interest income	364,484	393,397
Interest expenses	-393,801	-377,559
Net interest income / (expense)	-29,317	15,838
Net other financial income and expenses	-17,566	-9,842
Net financial income / (expense)	-46,883	5,996
Other operating income / (expenses)		
Services rendered	851	926
Supplies and services	-1,465	-1,805
Personnel costs	-20	-
Profit / (Loss) before income tax	-47,517	5,117
Tax expense / (benefit)	11,924	-1,274
Net profit for the period	-35,593	3,843

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**CONDENSED COMPANY STATEMENT OF OTHER COMPREHENSIVE
INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015 AND
2014**

Thousands of Euros	2015	2014
Net profit for the period	-35,593	3,843
Items that are or may be reclassified to profit or loss		
Cash flow hedge reserve	2,091	-
Tax effect from the cash flow hedge reserve	-523	-
Other comprehensive income for the period (net of income tax)	1,568	-
Total comprehensive income for the period	-34,025	3,843

INTERIM FINANCIAL STATEMENTS

**CONDENSED COMPANY STATEMENT OF FINANCIAL POSITION AS AT
30 JUNE 2015 AND 31 DECEMBER 2014**

(Before proposed appropriation of profit)

Thousands of Euros	2015	2014
Assets		
Loans to and receivables from group entities	11,252,564	11,857,845
Derivative financial instruments	208,899	178,373
Total Non-Current Assets	11,461,463	12,036,218
Loans to and receivables from group entities	4,356,883	4,333,366
Derivative financial instruments	41,575	80,239
Debtors and other assets	586	1,548
Tax receivable	11,377	3,175
Cash and cash equivalents	1,739	193,365
Total Current Assets	4,412,160	4,611,693
Total Assets	15,873,623	16,647,911
Equity		
Share capital	2,000	2,000
Share premium	11,980	11,980
Reserves and retained earnings	131,002	114,655
Profit / (loss) for the year	-35,593	14,779
Total Equity	109,389	143,414
Liabilities		
Debt securities	10,265,677	10,466,159
Loans and credit facilities from third parties	2,987,799	2,643,765
Derivative financial instruments	178,340	124,685
Total Non-Current Liabilities	13,431,816	13,234,609
Debt securities	1,497,996	1,851,318
Loans and credit facilities from third parties	570,830	829,588
Loans from group entities	-	377,832
Amounts owed on commercial paper	265,000	210,000
Derivative financial instruments	-2,267	-3,926
Trade and other payables	859	27
Tax payable	-	5,049
Total Current Liabilities	2,332,418	3,269,888
Total Liabilities	15,764,234	16,504,497
Total Equity and Liabilities	15,873,623	16,647,911

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INTERIM FINANCIAL STATEMENTS

**CONDENSED COMPANY STATEMENT OF CHANGES IN EQUITY AS AT
30 JUNE 2015 AND 31 DECEMBER 2014**

Thousands of Euros	Total Equity	Share capital	Share premium	Cash flow hedge reserve	Retained earnings	Profit for the year
Balance as at 31 December 2013	128,151	2,000	11,980	-	123,666	-9,495
Prior year profit	-	-	-	-	-9,495	9,495
Comprehensive income:						
Net profit for the period	3,843	-	-	-	-	3,843
Total comprehensive income for the period	3,843	-	-	-	-	3,843
Balance as at 30 June 2014	131,994	2,000	11,980	-	114,171	3,843
Comprehensive income:						
Net profit for the period	10,936	-	-	-	-	10,936
Changes in the cash flow hedge reserve net of taxes	484	-	-	484	-	-
Total comprehensive income for the period	11,420	-	-	484	-	10,936
Balance as at 31 December 2014	143,414	2,000	11,980	484	114,171	14,779
Prior year profit	-	-	-	-	14,779	-14,779
Comprehensive income:						
Net profit for the year	-35,593	-	-	-	-	-35,593
Changes in the cash flow hedge reserve net of taxes	1,568	-	-	1,568	-	-
Total comprehensive income for the period	-34,025	-	-	1,568	-	-35,593
Balance as at 30 June 2015	109,389	2,000	11,980	2,052	128,950	-35,593

CONDENSED COMPANY STATEMENT OF CASH FLOWS AS AT 30 JUNE 2015 AND 2014

Thousands of Euros	Jun 2015	Jun 2014
Cash flows from operating activities		
Profit / (loss) for the period	-35,593	3,843
Adjustments for:		
Net interest income / (expense)	29,449	-15,838
Net other financial income and expenses	545	-4,786
Tax income	-11,924	1,274
	-17,523	-15,507
Changes in:		
Loans to and receivables from group entities	363,837	1,009,776
Debtors and other assets	962	112
Amounts owed on commercial paper	55,000	-200,000
Loans from group entities	377,832	644,314
Trade and other payables	831	-387
	780,939	1,438,308
Interest received	170,904	126,492
Interest paid	-365,099	-324,107
Tax received / (paid)	-1,849	1,771
Net cash used in operating activities	584,895	1,242,464
Cash flows from financing activities		
Proceeds from issued debt securities	744,893	1,256,334
Redemption of debt securities	-1,582,366	-1,177,911
Proceeds of loans and credit facilities from third parties	-110,021	200,075
Redemption of loans and credit facilities from third parties	153,233	-1,526,322
Net cash flow from financing activities	-794,261	-1,247,824
Net increase / (decrease) in cash and cash equivalents	-209,366	-5,360
Cash and cash equivalents at the beginning of the year	193,365	238,173
Effect of exchange rate fluctuations on cash and cash equivalents held	17,740	-1,086
Cash and cash equivalents at the end of the period (*)	1,739	231,727

INTERIM FINANCIAL STATEMENTS

1. GENERAL

The principle activity of the Company is to act as a finance company.

2. ACCOUNTING POLICIES

The financial information presented in this Interim Report was prepared under the same accounting principles as in the 2014 Annual Report.

3. ISSUED SHARE CAPITAL

The authorised share capital of the Company consists of 80,000 shares of 100 Euros each, of which 20,000 shares have been issued and fully paid-up.

4. UNDISTRIBUTED RESULTS

On 21st April 2015, the Annual General Meeting of the shareholder of the Company allocated the gain for the year 2014, being 14.779 million Euros, to accumulated results.

5. ISSUED MEDIUM TERM NOTES

In the first half of 2015, the Company took advantage of improved market conditions to issue a 10-year EUR 750 million Bond on 21st April, under the EDP SA and EDP Finance BV's "Programme for the Issuance of Debt Instruments" (EMTN).

6. NET FINANCIAL INCOME

During the first semester of 2015, the Company's net financial income was negative. This loss is due to the fact that the majority of the assets, that constitutes Finance B.V. portfolio, are variable rate assets, which promptly incorporated the current decrease of the short-term market interest rates, without a corresponding decrease on the liabilities side, affecting negatively the results, and the average interest rate of assets. Interest expenses increased mostly due to a one-off event from the early recognition of costs of

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a loan discount paid, as a result of an early repayment of the referred loan, and the adverse YoY FX variation, that was mostly set-off by the reduction in the average interest rate of loans resulting from the refinancing transactions that were conducted in the past 12 months.

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OTHER INFORMATION

SUBSEQUENT EVENTS

There are no subsequent events to mention in the first semester of 2015.

AUDIT

The interim report is not audited.