

EDP FINANCE B.V.
Amsterdam

INTERIM REPORT
June 30, 2016

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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, 28 July 2016

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 2016.

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 2016, the Company recorded a profit of 7,612 thousand Euros (six-month period ending 30 June 2015 – loss 35,593 thousand Euros). The increase in results YoY is essentially due to a reduction in the average cost of its debt portfolio, reflecting the improvement in market conditions, partially offset by a decrease in the average return of its asset portfolio, particularly the portion exposed to floating interest rates.

Major developments in the first half year of 2016

In the first half of 2016, the Company took advantage of improved market conditions to issue a 7-year EUR 600 million Bond on 17 March, under the EDP SA and EDP Finance BV’s “Programme for the Issuance of Debt Instruments” (EMTN). The Company also entered into a bilateral loan in the amount of EUR 165 million in April and prepaid a USD 175 million loan in April that was due to mature in March 2019.

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.

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REPORT OF THE MANAGEMENT BOARD

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 Gomes Mota: President
- João Carvalho das Neves: Vice-President
- Alberto Barbosa: Member
- María del Carmen Rozado: Member
- Maria Celeste Ferreira Lopes Cardona: Member

Amsterdam, 28 July 2016

The Managing Directors:

EDP – Energias de Portugal S.A.

de Kanter, H. P.

Gortzen, M. M. L.

TMF Netherlands B.V.

EDP FINANCE Amsterdam**INTERIM FINANCIAL STATEMENTS****CONDENSED COMPANY INCOME STATEMENT FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2016 AND 2015**

Thousands of Euros	2016	2015
Interest income	318,687	364,484
Interest expenses	-315,575	-393,801
Net interest income / (expenses)	3,112	-29,317
Net other financial income and expenses	7,800	-17,566
Net financial income / (expenses)	10,912	-46,883
Other income / (expenses)		
Services rendered	609	851
Supplies and services	-1,356	-1,465
Personnel costs	-22	-20
Profit / (Loss) before income tax	10,143	-47,517
Tax (expense) / benefit	-2,531	11,924
Net profit for the period	7,612	-35,593

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INTERIM FINANCIAL STATEMENTS

**CONDENSED COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 AND 2015**

Thousands of Euros	2016	2015
Net profit for the period	7,612	-35,593
Items that are or may be reclassified to profit or loss		
Cash flow hedge reserve	-300	2,091
Tax effect from the cash flow hedge reserve	74	-523
Other comprehensive income for the period (net of income tax)	-226	1,568
Total comprehensive income for the period	7,386	-34,025

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INTERIM FINANCIAL STATMENTS

CONDENSED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016 AND 31 DECEMBER 2015

(Before proposed appropriation of profit)

Thousands of Euros	2016	2015
Assets		
Loans to and receivables from group entities	12,855,533	12,931,757
Derivative financial instruments	218,296	203,998
Deferred tax assets	10,005	10,005
Total Non-Current Assets	13,083,834	13,145,760
Loans to and receivables from group entities	1,263,488	1,631,137
Derivative financial instruments	40,917	84,587
Debtors and other assets	1,262	1,789
Tax receivable	5,075	5,075
Cash and cash equivalents	1,556	806
Total Current Assets	1,312,298	1,723,394
Total Assets	14,396,132	14,869,154
Equity		
Share capital	2,000	2,000
Share premium	11,980	11,980
Reserves and retained earnings	84,012	130,129
Profit / (loss) for the period	7,612	-45,891
Total Equity	105,604	98,218
Liabilities		
Debt securities	9,908,591	9,369,836
Loans and credit facilities from third parties	2,338,191	2,336,111
Derivative financial instruments	122,385	190,781
Total Non-Current Liabilities	12,369,167	11,896,728
Debt securities	1,229,613	2,524,513
Loans and credit facilities from third parties	210,031	211,250
Loans from group entities	488,311	34,268
Amounts owed on commercial paper	-	110,000
Derivative financial instruments	-10,463	-6,201
Trade and other payables	1,413	378
Tax payable	2,456	-
Total Current Liabilities	1,921,361	2,874,208
Total Liabilities	14,290,528	14,770,936
Total Equity and Liabilities	14,396,132	14,869,154

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INTERIM FINANCIAL STATMENTS

CONDENSED COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2016 AND 31 DECEMBER 2015

Thousands of Euros	Total Equity	Share capital	Share premium	Cash flow hedge reserve	Retained earnings	Profit for the period
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 period	-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
Comprehensive income:						
Net profit for the period	-10,298	-	-	-	-	-10,298
Changes in the cash flow hedge reserve net of taxes	-873	-	-	-873	-	-
Total comprehensive income for the period	-11,171	-	-	-873	-	-10,298
Balance as at 31 December 2015	98,218	2,000	11,980	1,179	128,950	-45,891
Prior year profit	-	-	-	-	-45,891	45,891
Comprehensive income:						
Net profit for the period	7,612	-	-	-	-	7,612
Changes in the cash flow hedge reserve net of taxes	-226	-	-	-226	-	-
Total comprehensive income for the period	7,386	-	-	-226	-	7,612
Balance as at 30 June 2016	105,604	2,000	11,980	953	83,059	7,612

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INTERIM FINANCIAL STATEMENTS

**CONDENSED COMPANY STATEMENT OF CASH FLOWS AS AT 30 JUNE 2016
AND 2015**

Thousands of Euros	Jun 2016	Jun 2015
Cash flows from operating activities		
Profit / (loss) for the year	7,612	-35,593
Adjustments for:		
Net interest income / (expense)	-3,073	29,449
Net other financial income and expenses	-85,888	545
Tax income	2,531	-11,924
	-78,818	-17,523
Changes in:		
Loans to and receivables from group entities	1,349,795	363,837
Debtors and other assets	147	962
Amounts owed on commercial paper	-110,000	55,000
Loans from group entities	-322,232	377,832
Trade and other payables	1,415	831
	840,307	780,939
Interest received	134,490	170,904
Interest paid	-314,516	-365,099
Tax received / (paid)	-	-1,849
Net cash used in operating activities	660,281	584,895
Cash flows from financing activities		
Proceeds from issued debt securities	595,476	744,893
Redemption of debt securities	-1,250,000	-1,582,366
Proceeds of loans and credit facilities from third parties	-	-110,021
Redemption of loans and credit facilities from third parties	-6,566	153,233
Net cash flow from financing activities	-661,090	-794,261
Net increase / (decrease) in cash and cash equivalents	-809	-209,366
Cash and cash equivalents at the beginning of the year	806	193,365
Effect of exchange rate fluctuations on cash and cash equivalents held	1,559	17,740
Cash and cash equivalents at the end of the period (*)	1,556	1,739

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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 2015 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

The Company allocated the loss for the year 2015, being 45,891 million Euros, to accumulated results.

5. ISSUED MEDIUM TERM NOTES

In the first half of 2016, the Company took advantage of improved market conditions to issue a 7-year EUR 600 million Bond on 17 March, 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 2016, the Company's net financial income was positive. This profit is due to a reduction in the average cost of debt portfolio, reflecting the improvement in market conditions, partially offset by a decrease in the average return of its asset portfolio, particularly the portion exposed to floating interest rates.

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OTHER INFORMATION

SUBSEQUENT EVENTS

There are no subsequent events to mention in this interim report.

AUDIT

The interim report is not audited.