

EDP FINANCE B.V.
Amsterdam

INTERIM REPORT
June 30, 2017

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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, 27 July 2017

The Managing Directors:

EDP – Energias de Portugal S.A.

de Kanter, H. P.

Gortzen, M. M. L.

TMF Netherlands B.V.

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 2017.

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 2017, the Company recorded a profit of 2,387 thousand Euros (six-month period ending 30 June 2016 – profit 7,612 thousand Euros). The decrease in results YoY is essentially due to a decrease on the interest received on loans, as well as on the interest rate of assets, particularly the portion exposed to floating interest rates, which was partially offset by the reduction in the average cost of its debt portfolio reflecting the improvement in market conditions on the refinancing transactions that were conducted in the past 12 months.

Major developments in the first half year of 2017

In the first half of 2017, the Company issued two bonds: in January, a long 6-year EUR 600 million Bond maturing in September 2023 and in June a 7-year USD 1,000 million Bond under Rule 144A and Regulation S of the U.S. Securities Act of 1933, maturing in July 2024. The bonds were issued under EDP SA and EDP Finance BV’s Programme for the Issuance of Debt Instruments (“MTN”).

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 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, 27 July 2017

The Managing Directors:

EDP – Energias de Portugal S.A.

de Kanter, H. P.

Gortzen, M. M. L.

TMF Netherlands B.V.

INTERIM FINANCIAL STATEMENTS

**CONDENSED COMPANY INCOME STATEMENT FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2017 AND JUNE 2016**

Thousands Euros	2017	2016
Interest income	282,531	318,687
Interest expenses	-279,482	-315,575
Net interest income / (expenses)	3,049	3,112
Net other financial income and expenses	574	7,800
Net financial income / (expenses)	3,623	10,912
Other income / (expenses)		
Services rendered	796	609
Supplies and services	-1,224	-1,356
Personnel costs	-19	-22
Profit / (Loss) before income tax	3,176	10,143
Tax (expense) / benefit	-789	-2,531
Net profit for the period	2,387	7,612

**CONDENSED COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 AND JUNE 2016**

Thousands Euros	2017	2016
Net profit for the period	2,387	7,612
Items that are or may be reclassified to profit or loss		
Cash flow hedge reserve	-350	-300
Tax effect from the cash flow hedge reserve	88	74
Other comprehensive income for the period (net of income tax)	-262	-226
Total comprehensive income for the period	2,125	7,386

INTERIM FINANCIAL STATMENTS

**CONDENSED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30
JUNE 2017 AND 31 DECEMBER 2016**

(Before proposed appropriation of profit)

Thousands Euros	2017	2016
Assets		
Loans to and receivables from group entities	11.150.741	12.942.089
Derivative financial instruments	107.633	156.700
Deferred tax assets	1.537	2.239
Total Non-Current Assets	11.259.911	13.101.028
Loans to and receivables from group entities	3.489.462	1.100.769
Derivative financial instruments	52.366	69.077
Debtors and other assets	2.664	1.865
Tax receivable	5.049	5.075
Cash and cash equivalents	497.398	219.037
Total Current Assets	4.046.939	1.395.823
Total Assets	15.306.850	14.496.851
Equity		
Share capital	2.000	2.000
Share premium	11.980	11.980
Reserves and retained earnings	107.315	83.730
Profit / (loss) for the period	2.387	23.847
Total Equity	123.682	121.557
Liabilities		
Debt securities	10.307.327	10.021.509
Loans and credit facilities from third parties	2.062.434	2.359.359
Derivative financial instruments	55.409	77.377
Total Non-Current Liabilities	12.425.170	12.458.245
Debt securities	2.044.816	1.202.056
Loans and credit facilities from third parties	432.070	206.890
Loans from group entities	-	337.678
Amounts owed on commercial paper	180.000	85.000
Derivative financial instruments	98.474	83.630
Trade and other payables	2.638	1.795
Total Current Liabilities	2.757.998	1.917.049
Total Liabilities	15.183.168	14.375.294
Total Equity and Liabilities	15.306.850	14.496.851

INTERIM FINANCIAL STATEMENTS

CONDENSED COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2017 AND 31 DECEMBER 2016

Thousands Euros	Total Equity	Share capital	Share premium	Cash flow hedge reserve	Retained earnings	Profit for the period
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
Comprehensive income:						
Net profit for the period	16,235	-	-	-	-	16,235
Changes in the cash flow hedge reserve net of taxes	-282	-	-	-282	-	-
Total comprehensive income for the period	15,953	-	-	-282	-	16,235
Balance as at 31 December 2016	121,557	2,000	11,980	671	83,059	23,847
Prior year profit	-				23,847	-23,847
Comprehensive income:						
Net profit for the period	2,387					2,387
Changes in the cash flow hedge reserve net of taxes	-262			-262		
Total comprehensive income for the period	2,125	-	-	-262	-	2,387
Balance as at 30 June 2017	123,682	2,000	11,980	409	106,906	2,387

INTERIM FINANCIAL STATEMENTS

CONDENSED COMPANY STATEMENT OF CASH FLOWS AS AT 30 JUNE 2017
AND JUNE 2016

Thousands Euros	Jun 2017	Jun 2016
Cash flows from operating activities		
Profit / (loss) for the year	2.387	7.612
Adjustments for:		
Net interest income / (expense)	-3.049	-3.073
Net other financial income and expenses	950	-85.888
Tax income	789	2.531
	1.077	-78.818
Changes in:		
Loans to and receivables from group entities	-514.052	1.349.795
Debtors and other assets	-2.533	147
Amounts owed on commercial paper	95.000	-110.000
Loans from group entities	-589.197	-322.232
Trade and other payables	2.583	1.415
	-1.007.122	840.307
Interest received	128.450	134.490
Interest paid	-272.298	-314.516
Tax received / (paid)	25	-
Net cash used in operating activities	-1.150.944	660.281
Cash flows from financing activities		
Proceeds from issued debt securities	1.479.121	595.476
Redemption of debt securities	-	-1.250.000
Proceeds of loans and credit facilities from third parties	-125.000	-
Redemption of loans and credit facilities from third parties	75.000	-6.566
Net cash flow from financing activities	1.429.121	-661.090
Net increase / (decrease) in cash and cash equivalents	278.177	-809
Cash and cash equivalents at the beginning of the year	219.037	806
Effect of exchange rate fluctuations on cash and cash equivalents held	183	1.559
Cash and cash equivalents at the end of the period (*)	497.396	1.556

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 2016 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 profit for the year 2016, being 23,847 thousand Euros, to accumulated results.

5. ISSUED MEDIUM TERM NOTES

In the first half of 2017, the Company took advantage of improved market conditions in the international capital markets to issue in January a long 6-year EUR 600 million Bond maturing in September 2023 and in June a 7-year USD 1.000 million Bond, under Rule 144A and Regulation S of the U.S. Securities Act of 1933, maturing in July 2024. The bonds were issued under EDP SA and EDP Finance BV's Programme for the Issuance of Debt Instruments ("MTN").

6. NET FINANCIAL INCOME

During the first half of 2017, the Company's net financial income was positive. This profit is due to a decrease on the interest received on loans, as well as on the interest rate of assets, particularly the portion exposed to floating interest rates, which was partially offset by the reduction in the average cost of its debt portfolio reflecting the improvement in market conditions on 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 this interim report.

AUDIT

The interim report is not audited.