EDP Finance BV

Annual Report

31 December 2014

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EDP FINANCE BV

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EDP FINANCE BV

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 BV;

2. That the annual report gives a true and fair view of the position as per the balance sheet date, the development during the financial year of EDP Finance BV in the annual financial statements, together with a description of principal risks it faces.

Amsterdam, 3 March 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 MANAGING DIRECTORS

The Managing Directors of EDP Finance BV (hereinafter "the Company") submit the annual report and the financial statements of the Company for the year ended 31st December 2014.

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. ("EDP SA") and the Company for group subsidiaries.

Results

During the year ended 31st December 2014, the Company recorded a profit of EUR 14.78 million. The increase in results during 2014 is essentially due to a reduction in the average cost of debt raised by EDP Finance BV by around 26 bps YoY. Such reduction is evidenced by the coupon of bonds issued during 2014, namely in April and September (2.625%), which is considerably lower than the average rate of the bond portfolio (around 4.5%), reflecting the improvement in market conditions. Further details on these issuances is provided ahead. This reduction was partially offset by a decrease in the average interest rate of Assets, particularly those remunerated at floating rates.

Major Developments

In 2014, EDP Finance BV took advantage of some windows of opportunity in the international capital markets to issue two Eurobonds and three USD Bonds, under the EDP SA and EDP Finance BV's "Programme for the Issuance of Debt Instruments" (EMTN) which includes a Keep Well agreement with EDP SA (see Note 4). On the first half of the year, a seven-year USD 750 million Bond was issued in January, a five-year EUR 650 million Eurobond was issued in April and in June the Company issued a five-year USD 100 million Bond which was privately placed.

In September the Company issued a long seven-year EUR 1,000 million Eurobond and in November a long five-year USD Bond in the amount of USD 750 million.

Regarding the loan markets, the Company replaced in June the EUR 2,000 million Revolving Credit Facility, dated 3rd November 2010 with maturity date 3rd November 2015, with a new five-year Revolving Credit Facility, in the amount of EUR 3,150 million and including a syndicate of 21 banks. Both facilities remained undrawn during the year. Furthermore, the Company entered into bilateral loans in the amount of USD 525 million and EUR 225 million.

These transactions allowed the Company and EDP Group to reach different markets and investors, obtaining the necessary funding for current and next year's redemptions as well as to strengthen the liquidity position, ahead of refinancing needs for the following years. In particular, the Company repaid a USD 1.5 billion Facility that matured in June and prepaid USD 750 million of a USD 1,050 million bilateral loan that matures in October 2015.

During 2014 the Company continued not to have Research and Development activities.

Subsequent Events

On the 22nd January the Company early repaid the remainder USD 300 million of the USD 1,050 million bilateral loan that matured in October 2015.

A lease agreement for a new office space for the Company was signed on the 24 February 2015 and the official address of the Company will be changed to Herikerbergweg 130, 1101 CM Amsterdam, The Netherlands.

On the 27th February, EDP Finance BV and EDP SA entered into a five year Euro Term Loan in the amount of €2,000 million. This new facility, involving 16 domestic and international banks, will replace the existing €1,600 million Euro Term Loan maturing in January 2018.

Debt

In 2014, EDP Finance BV's (nominal) consolidated debt totalled EUR 15,720 million. When compared to December 2013, the Company's debt increased by nearly EUR 446 million, mostly in order to fund the EDP's group subsidiaries through intercompany loans, which increased nearly EUR 525 million in 2014.

IFRS Debt - EDP Finance BV EUR millions

	Dec 2014	Dec 2013	Change
Debt - Short term	**2,756**	**3,126**	**-12%**
Bonds	1,581	1,377	15%
Bank loans	797	1,636	-51%
Intercompany loans	378	113	233%
Debt - Long term	**12,965**	**12,148**	**7%**
Bonds	10,321	8,743	18%
Bank loans	2,644	3,405	-22%
Nominal debt	**15,720**	**15,275**	**3%**
Interest accrued	298	294	2%
Fair value hedge adjustments	150	-4	-3849%
Debt under IFRSs	**16,169**	**15,564**	**4%**

In terms of currencies of EDP BV external debt, the USD financing contracted to fund the purchase and capex of EDP Renewables North America (formerly known as Horizon Wind Energy) justifies the Group's USD denominated debt (24% of EDP Finance BV's debt). The Euro continues to be the main funding currency of the EDP Group (76%).

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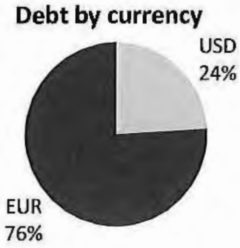

Rating

In January 2014, Standard & Poor's ("S&P") affirmed its "BB+" long-term and "B" short-term corporate credit ratings on EDP SA and the Company, removing the CreditWatch with negative implications. The outlook is stable. The affirmation and removal from CreditWatch followed S&P's similar action on Portugal.

In May, Moody's Investors Service Limited ("Moody's") maintained EDP SA and the Company's rating at "Ba1" with negative Outlook. In July, Moody's revised the outlook from negative to positive.

In July, Fitch Ratings ("Fitch") affirmed EDP SA and the Company's long-term rating at "BBB-", revising its outlook from Rating Watch Negative to Stable.

Already in January 2015, Fitch affirmed EDP SA and the Company's "BBB-" long-term rating and "F3" short-term rating. Fitch also maintained the outlook at Stable.

Risk Management

Please see Note 4 of the Notes to the Financial Statements.

Headcount

As at 31 December 2014, the Company has one employee (31 December 2013: the Company had no employees).

Expectations for 2015

Given the cash flow generated by the Group as well as the available liquidity, the company's refinancing needs are covered beyond 2015. The Company expect to continue to its normal course of business in 2015, raising funding in the international loan and capital markets so as to refinance debt that matures as well as to provide the necessary funding to EDP Group companies.

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 — Energias de Portugal, SA, will act as Audit Committee for the Company. This Committee is composed as follows:

Eduardo de Almeida Catroga: President

Victor Fernando da Conceição Gonçalves: Vice-President

António Sarmento Gomes Mota: Member

Manuel Fernando de Macedo Alves Monteiro: Member

Maria Celeste Ferreira Lopes Cardona: Member

Amsterdam, 3 March 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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Annual Financial Statements 2014

EDP Finance BV

Financial Statements

31 December 2014

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EDP Finance, BV

Company Income Statement
for the years ended 31 December 2014 and 2013

Thousands of Euros	Notes	2014	2013
Interest income	6	787,198	704,702
Interest expenses	6	-771,703	-707,516
Net interest income / (expense)		15,495	-2,814
Net other financial income and expenses	7	6,028	-8,448
Net financial income / (expense)		21,523	-11,262
Other operating income / (expenses)			
Services rendered	8	1,768	1,778
Supplies and services	9	-3,598	-3,256
Personnel costs		-1	
Profit / (Loss) before income tax		19,692	-12,740
Tax expense / (benefit)	10	-4,913	3,245
Net profit for the year		14,779	-9,495

The notes on pages 13 to 28 form an integral part of these financial statements

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Company Statement of Other Comprehensive Income as at 31 December 2014 and 2013

Thousands of Euros	2014	2013
Net profit for the year	14,779	-9,495
Items that are or may be reclassified to profit or loss		
Cash flow hedge reserve	645	-
Tax effect from the cash flow hedge reserve	-161	-
Other comprehensive income for the year (net of income tax)	484	-
Total comprehensive income for the year	15,263	-9,495

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EDP Finance, BV

Company Statement of Financial Position as at 31 December 2014 and 2013
(before proposed appropriation of profit)

Thousands of Euros	Notes	2014	2013
Assets			
Loans to and receivables from group entities	11	11,857,845	11,704,152
Derivative financial instruments	18	178,373	48,663
Total Non-Current Assets		12,036,218	11,752,815
Loans to and receivables from group entities	11	4,333,366	3,975,605
Derivative financial instruments	18	80,239	84,039
Debtors and other assets		1,548	2,471
Tax receivable		3,175	4,971
Cash and cash equivalents	12	193,365	238,173
Total Current Assets		4,611,693	4,305,259
Total Assets		16,647,911	16,058,074
Equity			
Share capital	13	2,000	2,000
Share premium	13	11,980	11,980
Reserves and retained earnings	14	114,655	123,666
Profit / (loss) for the year		14,779	-9,495
Total Equity		143,414	128,151
Liabilities			
Debt securities	15	10,466,159	8,728,180
Loans and credit facilities from third parties	15	2,643,765	3,404,831
Derivative financial instruments	18	124,685	63,937
Total Non-Current Liabilities		13,234,609	12,196,948
Debt securities	15	1,851,318	1,642,504
Loans and credit facilities from third parties	15	829,588	1,675,430
Loans from group entities	16	377,832	113,492
Amounts owed on commercial paper	17	210,000	280,000
Derivative financial instruments	18	-3,926	19,935
Trade and other payables		27	1,614
Tax payable		5,049	-
Total Current Liabilities		3,269,888	3,732,975
Total Liabilities		16,504,497	15,929,923
Total Equity and Liabilities		16,647,911	16,058,074

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Company Statement of Changes in Equity as at 31 December 2014 and 2013

Thousands of Euros	Total Equity	Share capital	Share premium	Cash flow hedge reserve	Retained earnings	Profit for the year
Balance as at 31 December 2012	**137,646**	**2,000**	**11,980**	**-**	**112,887**	**10,779**
Prior year profit					10,779	-10,779
Comprehensive income:						
Net profit for the year	-9,495	-	-	-	-	-9,495
Total comprehensive income for the year	-9,495	-	-	-	-	-9,495
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 year	14,779	-	-	-	-	14,779
Changes in the cash flow hedge reserve net of taxes	484	-	-	484	-	-
Total comprehensive income for the year	15,263	-	-	484	-	14,779
Balance as at 31 December 2014	**143,414**	**2,000**	**11,980**	**484**	**114,171**	**14,779**

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Company Statement of cash flows as at
31 December 2014 and 2013

Thousands of Euros	Dec 2014	Dec 2013
Cash flows from operating activities		
Profit / (loss) for the year	14,779	-9,495
Adjustments for:		
Net interest income / (expense)	-9,249	2,814
Net other financial income and expenses	-77,772	-2,712
Tax income	4,913	-3,245
	-67,329	-12,638
Changes in:		
Loans to and receivables from group entities	-1,379,809	-6,629
Debtors and other assets	924	-1,759
Amounts owed on commercial paper	-70,000	-200,000
Loans from group entities	2,021,571	13,381
Trade and other payables	-1,586	356
	503,771	-207,289
Interest received	336,751	273,185
Interest paid	-692,053	-573,778
Tax received / (paid)	1,771	-35,611
Net cash used in operating activities	150,240	-543,493
Cash flows from financing activities		
Proceeds from issued debt securities	2,836,571	1,531,023
Redemption of debt securities	-1,377,911	-350,000
Proceeds of loans and credit facilities from third parties	514,177	1,709,410
Redemption of loans and credit facilities from third parties	-2,175,976	-2,456,000
Net cash flow from financing activities	-203,139	434,433
Net increase / (decrease) in cash and cash equivalents	-52,899	-109,060
Cash and cash equivalents at the beginning of the year	238,173	343,585
Effect of exchange rate fluctuations on cash and cash equivalents held	8,091	3,648
Cash and cash equivalents at the end of the year (*)	193,365	238,173

(*) See details of "Cash and cash equivalents" in note 12 to the Financial Statements.

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The notes on pages 13 to 28 form an integral part of these financial statements

1. ECONOMIC ACTIVITY OF EDP FINANCE

EDP Finance B.V. ("the Company"), a corporation with limited liability, having its statutory seat in Amsterdam, The Netherlands, was incorporated under the laws of The Netherlands on 1 October 1999 with registered office at Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, the Netherlands. The ultimate parent company of EDP Finance BV, is EDP - Energias de Portugal, S.A. ("EDP S.A."), Lisbon, Portugal.

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

The Company's objective is to raise funds in the debt capital market and bank loan market to fund EDP Group (EDP) activities and investment plan. EDP Finance BV borrows funds from both markets and lends the funds to several EDP Group Companies. The financing of EDP Group activities is determined in accordance to the business plan approved for EDP, its debt maturity schedule and its conservative liquidity profile, considering the existing market conditions and the Group's strategic lines.

The company is managed prudently, taking into consideration the need to comply with its obligations and to fulfill the requirement of maintaining a positive Tangible Net Worth as agreed on the Keep-well agreement with EDP, S.A. (see paragraph in note 4).

As at 31 December 2014, the Company has one employee (31 December 2013: the company had no employees).

These financial statements are of an individual company.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and with the applicable sections of Part 9 of Book 2 of the Netherlands Civil Code. The Company's Managing Directors approved the financial statements (referred to as financial statements) on 3 March 2015.

The accompanying financial statements of the Company reflect the results of the Company's operations and the financial position for the years ended 31 December 2014 and 2013.

The financial statements of the Company have been prepared on the historical cost basis except for derivative financial instruments that have been measured at fair value. In addition, financial assets and liabilities subject to amortised cost measurement which form part of a qualifying hedge relationship have been measured at their relevant fair values in accordance with hedge accounting rules.

Accounting policies have been applied consistently in all periods presented in the financial statements.

As described in note 23, the Company adopted in the preparation of the financial statements as at 31 December 2014, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2014. The accounting policies used by the Company in preparing the the financial statements described in this note were adopted in accordance.

The financial statements are presented in Euros, which is the Company's functional currency, rounded to the nearest thousand.

The preparation of financial statements in conformity with EU-IFRS requires the Company to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are presented in note 3 (Critical accounting estimates and judgments in preparing the financial statements).

b) Foreign currency transactions

Foreign currency transactions are translated at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into Euros at the exchange rates at the statement of financial position date. These exchange differences arising on translation are recognised in the profit and loss.

Foreign currency non-monetary assets and liabilities accounted for at historical cost are translated using the exchange rates at the dates of the transactions. Foreign currency non-monetary assets and liabilities stated at fair value are translated into Euros at the exchange rates at the dates the fair value was determined.

The following exchange rates have been applied as at 31 December 2014 and 2013:

		Exchange rates at Dec 2014		Exchange rates at Dec 2013	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.214	1.329	1.379	1.328
Pound Sterling	GBP	0.779	0.806	0.834	0.849
Swiss Franc	CHF	1.202	1.215	1.228	1.231
Japanese Yen	JPY	145.230	140.306	144.720	129.663

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c) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised on the trade date at fair value. Subsequently, the fair value of derivative financial instruments is remeasured on a regular basis, and changes therein are generally recognised in profit or loss. Recognition, in profit or loss, of the resulting gains and losses on remeasurement of derivatives depends on the nature of the risk being hedged and of the hedge model used.

The fair value of derivative financial instruments corresponds to their market value as provided by an exchange, or is determined by using net present value techniques.

Hedge accounting

The Company uses financial instruments to hedge interest rate risk and exchange rate risk resulting from its financing activities. Derivatives not qualifying for hedge accounting under IAS 39 are accounted for as held for trading.

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

(i) At the inception of the hedge there is formal documentation of the hedge;
(ii) The hedge is expected to be highly effective;
(iii) The effectiveness of the hedge can be reliably measured;
(iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period;
(v) The forecast transaction being hedged must be highly probable and must be exposed to changes in cash flows that could ultimately affect profit or loss.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss, together with any changes in the fair value of the hedged assets and liabilities or group of hedged assets and liabilities that are attributable to the hedged risk. When the hedging relationship ceases to comply with the requirements for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged are amortised over the residual period to maturity of the hedged item.

Cash flow hedge

Changes in the fair value of derivatives qualified as cash flow hedges are recognised in the Cash flow hedge reserve.

The cumulative gains or losses recognised in Cash flow hedge reserve are reclassified to the income statement when the hedged item affects the income statement.

When a hedging relation of a future transaction is discontinued, the changes in the fair value of derivative recognised in reserves remain recognised in reserves until the future hedged transaction occurs. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Effectiveness

For a hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Company performs prospective tests at the inception date of the hedge and prospective and retrospective tests in each quarter, to demonstrate the effectiveness, showing that any adjustments to the fair value of the hedged item attributable to the risk being hedged are offset by adjustments to the fair value of the hedging instrument. Any ineffectiveness is recognised in the income statement when it occurs.

d) Other financial assets

Financial assets are initially recognised at fair value plus transaction costs. Subsequently these assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

Financial assets are derecognised when (i) the contractual rights to receive their future cash flows have expired, (ii) the Company has transferred substantially, the risks and rewards of ownership or (iii) although retaining some, but not substantially all the risks and rewards of ownership, the Company has transferred control over the assets.

Impairment

At each statement of financial position date an assessment is performed as to whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured. Objective evidence that the financial asset measured at amortised cost is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events, among others:

- Significant financial difficulty of the issuer or obligor;
- Restructuring of an amount due to the Company on terms that it would not consider otherwise;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

If there is objective evidence of impairment, the recoverable amount of the financial asset is determined, and the impairment loss is recognised in profit or loss. An impairment loss is calculated as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

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For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in profit or loss, if the decrease can be related objectively to an event occurring after the impairment loss was recognised.

e) Cash and cash equivalents

Cash and cash equivalents include balances with a maturity of less than three months from the from the date of acquisition, including cash and deposits at banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

f) Other financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to liquidate capital and/or interests, through delivering cash or other financial assets to extinguish the contractual obligation, regardless of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method.

g) Provisions

Provisions are recognised when: (i) the Company has a present legal or constructive obligation, (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

h) Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest rate method. The effective interest rate include all fees and points paid or received that are an integral part of the effective interest rate. This includes transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities.

Interest income and interest expense presented in the Income statement include:

- Interest on financial assets and financial liabilities measured at amortized cost;
- Interest on hedging derivatives.

Interest is recognised in profit and loss on an accrual basis.

Costs and revenues are recognised in the year to which they refer regardless of when paid or received, in accordance with the accrual basis. Differences between amounts received and paid and the corresponding revenue and costs are recognised under the correspondent caption of financial assets or financial liabilities.

Differences between estimated and actual amounts are recorded in subsequent periods.

i) Net other financial income and expenses

Financial results include foreign exchange gains and losses, realised gains and losses, unrealised gains and losses from changes in the fair value of derivatives (including accrued interest of trading derivatives) and changes in the fair value of the hedged items (including the ineffective portion).

j) Income tax

Income tax recognised in profit and loss includes current tax. Income tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using the tax rates enacted or substantively enacted at the reporting date.

k) Statement of cash flows

The Statement of cash flows is presented under the indirect method, by which gross cash flows from operating and financing activities are disclosed.

l) Determination of operating segments

The Company determined one operating segment based on the information that is internally provided to the management and the chief operating decision maker.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN PREPARING THE FINANCIAL STATEMENTS

IFRS require the use of judgement and the making of estimates in the decision process about certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. Actual results may differ from these estimates.

The main accounting estimates and judgements used in applying the accounting policies are discussed in this note in order to improve the understanding of how their application affects the Company's reported results and disclosures. A broader description of the accounting policies employed by the Company is disclosed in note 2 to these Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Finance, the Company's reported results could differ if a different treatment was chosen. The Company believes that the choices made are appropriate and that the financial statements present fairly, in all material respects, the Company's financial position and results. The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Fair value of financial instruments

Fair values are based on listed market prices, if available, otherwise fair value is determined either by the price of similar recent transactions under market conditions or by pricing models based on net present value of estimated future cash flows techniques considering market conditions, time value, yield curves and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair values (see detailed information in note 21).

Consequently, the use of different methodologies or different assumptions or judgements in applying a particular model, could have produced different financial results from those reported.

Impairment of financial assets measured at amortised cost

Impairment of financial assets measured at amortised cost is considered as a annual accounting estimate (see note 2 d)).

4. FINANCIAL-RISK MANAGEMENT POLICIES

Financial risk management

EDP Finance BV's business is exposed to a variety of financial risks, including the effect of changes in foreign exchange and interest rates. The company's exposure to financial risks arises essentially from the loans granted to EDP Group companies and from its debt portfolio, resulting in interest rate, exchange rate, liquidity and counterparty risk exposures.

On 14 March 2001, EDP - Energias de Portugal, S.A. signed a Keep-well agreement with the Company. This agreement states that for as long as the Company has outstanding instruments under an external debt Programme and in case the Company shall have insufficient funds or other liquid assets to meet its payment obligations (including in respect of any Debt Obligations) at any time, EDP - Energias de Portugal S.A. shall make available to the Company funds sufficient to enable the Company to meet such payment obligations in full as they fall due. However, the Keep-well agreement is not a guarantee, direct or indirect, by EDP - Energias de Portugal, S.A. of any Debt Obligations or any other debt of the Company or any instrument issued by the Company.

The management of the financial risks of EDP Finance BV is carried out in accordance with the general risk management principles and exposure limits established for the EDP Group companies by EDP — Energias de Portugal, S.A., with specific adaptations according to the characteristics of each subsidiary. Financial risk management is implemented by the Financial Department of EDP — Energias de Portugal, S.A, under a service agreement signed between the latter and several EDP Group Companies, among which EDP Finance BV.

The unpredictability of the financial markets is analysed on an on-going basis in accordance with the EDP Group's risk management policy. Derivative financial instruments are used to minimise potential adverse effects, resulting from interest rate and/or foreign exchange rate risks on EDP Group's financial performance as further described below.

Exchange-rate risk management

EDP Finance BV is exposed to exchange rate risk through its debt denominated in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY) and Suiss Francs (CHF). The Group's objective is to mantain a matched position between assets and liabilities in each currency. Any residual exposure is closely monitered and fully hedged with derivatives instruments, hence, not generating relevant net exchange gains or losses. The amounts recorded in the P&L on exchange gains or losses are off-set by exchange gains or losses recorded in other P&L captions due to the different natures of the items denominated in foreign currencies. Currently, the exposure to EUR/USD exchange rate risk results essentially from the investments by the EDP Group in the USA through its subsidiary EDP Renewables, North America. EDP Finance BV issued USD loans and debt securities (bonds) as well as foreign exchange derivative financial instruments that convert the issued debt into USD, with the objective of mitigating the exchange rate risk related to the intercompany loans granted to finance the USD assets of the EDP Group. The exchange rate risk on the GBP, JPY and CHF bonds issued under the Medium Term Notes Program have been hedged as from their issuing date.

Under the aforementioned service agreement, the Financial Department of EDP — Energias de Portugal, S.A. manages EDP Finance BV's exchange rate risk exposure resulting from foreign currency funding, seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the Company through exchange rate derivative financial instruments and/or other hedging structures. Such instruments and structures have characteristics similar to those of the hedged asset or liability. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

Sensitivity analysis - exchange rate

Though the Company has loans to EDP Group companies and issued debt instruments in currencies other than Euro, the impacts on Equity or P&L due to changes in currency rates are not significant as the risk management policy in place aims to avoid material mismatches between assets and liabilities denominated in currencies other than Euro.

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Interest rate risk management

The aim of interest rate risk management policy is to reduce the financial charges and to reduce exposure to interest rate risk from market fluctuations through the settlement of derivative financial instruments.

In the floating rate financing context, EDP Finance BV uses, when appropriate, interest rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans. Long-term loans contracted at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments.

All hedging operations are undertaken on liabilities of EDP Finance BV's debt portfolio and mainly involve perfect hedges, resulting in a high level of correlation between the changes in the fair value of the hedging instrument and the changes in the fair value of the hedged item attributable to the risk being hedged.

Sensitivity analysis - Interest rates

Based on the financial instruments with exposure to interest rate risk as at 31 December 2014 and 2013, a 50 basis points change in the reference interest rates would lead to the following increases / (decreases) in equity and results of EDP Finance BV:

	Dec 2014			
	Results		Equity	
Thousands of Euros	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Liabilities				
Cash flow effect:				
Hedged debt	-18,421	18,421	-	-
Unhedged debt	-23,603	23,603	-	-
	-42,024	42,024	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	-	-
Trading derivatives (accounting perspective)	83	-70	-	-
	83	-70	-	-
	-41,941	41,954	-	-
Assets				
Cash flow effect:				
Unhedged loans	41,942	-41,942		
	41,942	-41,942	-	-

	Dec 2013			
	Results		Equity	
Thousands of Euros	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Liabilities				
Cash flow effect:				
Hedged debt	-12,561	12,561	-	-
Unhedged debt	-27,319	27,319	-	-
	-39,879	39,879	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	-	-
Trading derivatives (accounting perspective)	-2,428	338	-	-
	-2,428	338	-	-
	-42,307	40,217	-	-
Assets				
Cash flow effect:				
Unhedged loans	40,276	-40,276	-	-
	40,276	-40,276	-	-

This analysis assumes that all other variables, namely exchange rates and credit risk, remain unchanged.

Counterparty credit risk management

EDP Group's policy regarding the management of counterparty risk on financial transactions involves the analysis of the technical capacity, competitiveness, credit rating and exposure of each counterparty, so as to avoid significant concentrations of credit risk.

Counterparties in derivative financial instruments are credit institutions with strong credit ratings and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

EDP Finance BV documents its financial operations in accordance with international standards. Therefore, derivative financial instruments are contracted under ISDA Master Agreements, facilitating the transfer of the instruments in the market and ensuring compliance and consistency with EDP Group's policies.

The credit risk arising from loans granted to EDP Group companies is mitigated by the control that EDP — Energias de Portugal, S.A. has over the management of those companies. As at 31 December 2014 and 2013, all loans granted by EDP Finance BV had as counterparties companies controlled by EDP — Energias de Portugal, S.A. As per 31 December 2014 and 31 December 2013 no past due nor impairment triggers were identified with respect to loans issued to group companies.

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The maximum credit exposure equals the amount of total assets deducted by tax receivable as per 31 December 2014 and 31 December 2013 being Eur 16.6 billion and Eur 16.1 billion, respectively.

Liquidity risk management

Liquidity risk is managed by engaging and maintaining credit lines and financing facilities with a firm underwriting commitment with international financial institutions, as well as term deposits, allowing immediate access to funds. These lines are used to complement and backup commercial paper programmes, allowing for a diversification of EDP Finance BV's short-term financing sources (see note 12 and 15). The details of outstanding contractual commitments of EDP Finance B.V. are provided in note 19.

5. OPERATING SEGMENT REPORT

The Company determined one operating segment. The Company generates interest income by providing loans to EDP Group entities as well as through derivative financial instruments concluded with banks to hedge market risks. The loans are provided to EDP Group companies in Portugal and Spain.

These EDP Group companies are EDP - Energias de Portugal, S.A. (group parent company), EDP Renováveis, S.A., EDP Renováveis Servicios Financieros, S.L., EDP, S.A Sucursal en España, Hidroelectrica del Cantabrico, S.A., EDP Servicios Financieros (España), S.A., EDP Investments and Services, S.L. and Millennium Energy S.L.

6. INTEREST INCOME AND EXPENSES

Interest income and expenses are analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Interest income		
Loans and receivables to group entities	651,791	597,485
Derivative financial instruments	129,161	99,320
Other interest income	6,246	7,897
	787,198	704,702
Interest expenses		
Bank loans	179,864	191,311
Medium term notes	522,334	465,767
Derivative financial instruments	67,715	50,438
Other interest expenses	1,790	-
	771,703	707,516

Other interest expenses relates to EDP - Energias de Portugal, S.A., as included in the amount presented in the note 20 - Related parties.

7. NET OTHER FINANCIAL INCOME AND EXPENSES

Net other financial income and expenses are analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Other financial income		
Derivative financial instruments - Trading	29,960	27,532
Hedge ineffectiveness (see note 18)	-	-
Foreign exchange gains	65,070	20,789
Other	16,338	5
	111,368	48,326
Other financial expenses		
Derivative financial instruments - Trading	98,351	49,133
Hedge ineffectiveness - Fair value hedge (see note 18)	6,737	7,352
Foreign exchange losses	-	-
Other	252	289
	105,340	56,774
	6,028	-8,448

8. SERVICES RENDERED

Services rendered are analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Debt portfolio management	1,768	1,778
	1,768	1,778

The Company is remunerated for arranging, managing and maintaining the debt portfolios of EDP Group companies. Either party may terminate the service agreement by one month notice in writing to the other party. However, no such termination has taken place to date.

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9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Supplies and services:		
EDP, S.A. Services	2,059	1,959
Specialised works - Consulting services	733	604
Specialised works - Legal services	298	340
Other	508	353
	3,598	3,256

The Company has signed a service agreement with the EDP, S.A. This service agreement states that the Company has to pay an annual fee for services that EDP, S.A. provides to the Company by arranging, managing and maintaining all debt portfolios of the Company, based on the total amount of existing debt to manage. Either party may terminate the service agreement by one month notice in writing to the other party. However, no such termination has taken place to date.

10. TAX EXPENSE / (BENEFIT)

Thousands of Euros	Dec 2014	Dec 2013
Tax expense / (benefit)	-4,913	3,245
Profit / (Loss) before income tax	19,692	-12,740
Effective tax rate of the company	24.95%	25.47%

The effective corporate income tax rate of EDP Finance BV corresponds to the Dutch statutory tax rate of 25%.

The major components of tax expense / (benefit) are the following:

Thousands of Euros	Dec 2014	Dec 2013
Current tax expense / (benefit) in the year	-4,913	3,175
Adjustments for prior years	-	70
	-4,913	3,245

11. LOANS TO AND RECEIVABLES FROM GROUP ENTITIES

Loans to and receivables from Group entities are analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Loans to and receivables from group entities - Non current:		
EDP Energias de Portugal, S.A.	5,350,000	5,350,000
EDP Renováveis Servicios Financieros, S.L.	2,354,343	2,458,435
EDP, S.A. Sucursal en España	1,529,974	2,437,092
EDP Servicios Financieros (España), S.A.	1,389,618	-
EDP Renováveis, S.A.	368,506	324,417
Hidroeléctrica del Cantabrico, S.A.	521,852	850,250
Other	343,552	283,958
	11,857,845	11,704,152
Loans to and receivables from group entities - Current:		
EDP Energias de Portugal, S.A.	2,973,674	2,599,562
EDP, S.A. Sucursal en España	719,051	15,737
EDP Servicios Financieros (España), S.A.	239,081	34,241
Hidroeléctrica del Cantabrico, S.A.	198,397	1,070,987
Other	70,407	108,590
Accrued interest	132,756	146,488
	4,333,366	3,975,605
	16,191,211	15,679,757

These assets have on average maturity of 3 years and bear interest at an average rate of 3.8%.

Loans to and receivables from group entities by maturity, are analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Loans to and receivables from group entities:		
Up to 1 year	4,333,366	3,975,605
From 1 to 5 years	10,808,425	9,189,504
More than 5 years	1,049,420	2,514,648
	16,191,211	15,679,757

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The maturity of loans to group entities split in different currencies, are analysed as follows:

Thousands of Euros	2015	2016	2017	2018	2019	Following years	Total
Loans to and receivables from group entities:							
Euro	3,341,448	213,551	-	6,042,127	1,603,406	1,049,420	12,249,952
US Dollar	991,918	-	-	2,034,921	914,420	-	3,941,259
	4,333,366	213,551	-	8,077,048	2,517,826	1,049,420	16,191,211

Loans to group entities are not collateralized.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Bank deposits:		
Current deposits	1,513	670
Term deposits	191,852	237,503
	193,365	238,173

Cash and cash equivalents are free disposable to be used by the company.

13. SHARE CAPITAL AND SHARE PREMIUM

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.

Share capital and Share premium are analysed as follows:

	Share capital	Share premium
Balance as at 31 December 2012	2,000	11,980
Movements during the year	-	-
Balance as at 31 December 2013	2,000	11,980
Movements during the year	-	-
Balance as at 31 December 2014	2,000	11,980

14. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Cash flow hedge reserve	484	-
Retained earnings	114,171	123,666
	114,655	123,666

These amounts represent the accumulated results before the appropriation of results for the year.

15. DEBT SECURITIES AND LOANS AND CREDIT FACILITIES FROM THIRD PARTIES

This caption is analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Debt securities and Loans and credit facilities from third parties - Non Current		
Debt securities	10,320,906	8,743,467
Fair value of the issued debt hedged risk	145,253	-15,287
	10,466,159	8,728,180
Loans and credit facilities from third parties	2,643,765	3,404,831
	13,109,924	12,133,011
Debt securities and Loans and credit facilities from third parties - Current		
Debt securities	1,581,236	1,376,628
Fair value of the issued debt hedged risk	4,553	11,292
Accrued interest	265,529	254,584
	1,851,318	1,642,504
Loans and credit facilities from third parties	796,733	1,636,170
Accrued interest	32,855	39,260
	829,588	1,675,430
	2,680,906	3,317,934
	15,790,830	15,450,945

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EDP Finance BV has a medium term Revolving Credit Facility (RCF) of 3,150,000 thousands of EUR for liquidity management needs in USD and EUR, with a firm underwriting commitment and five years of maturity and a medium term RCF of 100,000 thousands of EUR for liquidity management needs in EUR, with a firm underwriting commitment and two years of maturity, which as at 31 December 2014 are totally available.

Debt securities issued under the Euro Medium Term Notes program were as follows:

Date Issued	Interest rate	Type of hedge	Conditions / Redemption	Nominal amount Euro'000
Aug-02	Fixed rate GBP 6.625% (i)	Fair Value	Aug/17	320,000
Dec/02	Fixed rate EUR (iii)	n.a.	Dec/22	93,357
Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000
Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000
Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000
Nov/07	Fixed rate USD 6.00 %	n.a.	Feb/18	823,655
Nov/08	Fixed rate GBP 8.625% (i)	Fair Value	Jan/24	410,314
Nov/08	Zero coupon (iii)	n.a.	Nov/23	160,000
Jun/09	Fixed rate JPY (i), (iii)	n.a.	Jun/19	68,856
Jun/09	Fixed rate EUR 4.75%	n.a.	Sep/16	1,000,000
Sep/09	Fixed rate USD 4.90 %	n.a.	Oct/19	823,655
Feb/10	Floating rate USD (iii)	n.a.	Feb/15	82,366
Mar/10	Fixed rate EUR 3.25% (i)	Fair Value	Mar/15	1,000,000
Feb/11	Fixed rate EUR 5.875%	n.a.	Feb/16	750,000
Sep/12	Fixed rate EUR 5.75%	n.a.	Sep/17	750,000
Nov/12	Fixed rate CHF 4.00% (i)	Fair Value/ Cash Flow	Nov/18	103,922
Sep/13	Fixed rate EUR 4.875%	Fair Value	Sep/20	750,000
Nov/13	Fixed rate EUR 4.125%	n.a.	Jan/21	600,000
Jan/14	Fixed rate USD 5.25%	n.a.	Jan/21	617,742
Apr/14	Fixed rate EUR 2.625% (ii)	Fair Value	Apr/19	650,000
Jun/14	Floating rate USD (iii)	n.a.	Jun/15	82,366
Sep/14	Fixed rate EUR 2.625% (i)	Fair Value	Jan/22	1,000,000
Nov/14	Fixed rate USD 4.125%	n.a.	Jan/20	617,742

(i) These issues by EDP Finance BV have associated interest rate swaps and/or currency swaps.
(ii) Part of this loan has associated interest rate swaps.
(iii) These issues correspond to private placements.

Debt securities and Loans and credit facilities from third parties by maturity, are analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Debt securities:		
Up to 1 year	1,851,318	1,642,504
From 1 to 5 years	5,811,790	5,670,967
More than 5 years	4,654,369	3,057,213
	12,317,477	10,370,684
Loans and credit facilities from third parties:		
Up to 1 year	829,588	1,675,430
From 1 to 5 years	2,643,765	3,404,831
	3,473,353	5,080,261
	15,790,830	15,450,945

Future payments of principal and interests are detailed in note 19.

The remaining maturity of debt securities and loans and credit facilities from third parties and interest by currency are analysed as follows:

Thousands of Euros	2015	2016	2017	2018	2019	Following years	Total
Debt securities							
Euro (i)	1,720,251	2,245,831	1,019,989	103,149	651,187	3,432,278	9,172,685
US Dollar (ii)	131,067	-	-	821,854	969,781	1,222,090	3,144,792
	1,851,318	2,245,831	1,019,989	925,003	1,620,968	4,654,368	12,317,477
Loans and credit facilities from third parties:							
Euro	578,602	74,527	389,397	1,767,130	412,711	-	3,222,367
US Dollar	250,986	-	-	-	-	-	250,986
	829,588	74,527	389,397	1,767,130	412,711	-	3,473,353
	2,680,906	2,320,358	1,409,386	2,692,133	2,033,679	4,654,368	15,790,830

(i) These issues include CHF and GBP bonds that were converted into EUR cross currency swaps
(ii) These issues include a JPY bond that was converted into USD cross currency swaps

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16. LOANS FROM GROUP ENTITIES

Loans from Group entities are analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Loans from Group entities - Current:		
EDP Servicios Financieros (España), S.A.	377,832	113,492
	377,832	113,492

Loans from Group entities refers to the current acount with EDP Servicios Financieros (España), S.A. remunerated on an arm's length terms.

17. AMOUNTS OWED ON COMMERCIAL PAPPER

As at 31 December 2014, this caption refers to a trade of commercial paper of 210,000 thousands of Euros which was settled on January 2nd 2015 (31 December 2013: trade of commercial paper of 280,000 which was settled on January 2nd 2014).

18. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with IAS 39, EDP Finance BV classifies derivative financial instruments as fair value hedges of recognised assets or liabilities (Fair value hedge) and as cash flow hedges of recognised liabilities and highly probable future transactions (Cash flow hedge).

In 2014 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
Thousands of Euros	Assets	Liabilities	Up to 1 year	From 1 to 5 years	Over 5 Years	Total
Fair value hedges						
Interest rate swaps	111,241	-	1,000,000	350,000	1,500,000	2,850,000
Cross currency interest rate swaps	138,637	-35,640	-	423,922	410,314	834,236
Cash flow hedges						
Cross currency interest rate swaps	931	-	-	74,755	-	74,755
Derivatives held for trading						
Cross currency interest rate swaps	-	-85,119	-	253,099	298,123	551,222
Foreign exchange forwards	7,803	-	227,743	-	-	227,743
	258,612	-120,759	1,227,743	1,101,776	2,208,437	4,537,956

In 2013 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
Thousands of Euros	Assets	Liabilities	Up to 1 year	From 1 to 5 years	Over 5 Years	Total
Fair value hedges						
Interest rate swaps	58,315	-	-	1,000,000	500,000	1,500,000
Cross currency interest rate swaps	62,393	-60,056	177,911	423,922	410,314	1,012,147
Derivatives held for trading						
Interest rate swaps	11,994	-7,858	500,000	-	-	500,000
Cross currency interest rate swaps	-	-13,860	-	-	69,099	69,099
Foreign exchange forwards	-	-2,098	113,040	-	-	113,040
	132,702	-83,872	790,951	1,423,922	979,413	3,194,286

The company enters into interest rate and cross currency interest rate swaps classified as held for trading to economically hedge exposures to changes in the fair value of its fixed rate debt as well as foreign exchange exposures from debt denominated in other currencies. In addition, the company contracts fx forwards classified as held for trading to economically hedge net exposures in foreign currencies.

Fair value of derivative financial instruments is based on quotes indicated by external entities. These entities use generally accepted discounted cash flow techniques and data from public markets. As such, according to IFRS13 requirements, the fair value of the derivative financial instruments is classified as of Level 2 (note 21), and no changes of levels were made during this period.

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The changes in the fair value of hedging instruments and the hedged risks are analysed as follows:

			Thousands of Euros			
			2014		2013	
			Changes in fair value		Changes in fair value	
Type of hedge	Hedging instrument	Hedged risk	Instrument	Risk	Instrument	Risk
- Fair value	Interest rate swap	Interest rate	44,607	-45,340	-14,600	14,371
- Fair value	Cross currency interest rate swaps	Interest and exchange rate	102,641	-108,645	-90,860	83,737
- Cash flow	Cross currency interest rate swaps	Interest and exchange rate	931	-286	-	-
			148,179	-154,271	-105,460	98,108

During 2014 and 2013 the following market inputs were considered for the fair value calculation:

Instrument	Market input
Cross currency interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M; and exchange rates: EUR/CHF, EUR/GBP, EUR/USD and USD/JPY.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M.
Foreign exchange forwards	Fair value indexed to the following exchange rate: EUR/USD.

The changes in the fair value reserve related to cash flow hedges in 2014 and 2013 were as follows:

Thousands of Euros	Dec 2014	Dec 2013
Balance at the beginning of the year	-	-
Fair value changes	931	-
Recycling FX results from cash flow hedge reserve to income statement	-286	-
Balance at the end of the year	645	-

The gains and losses on the financial instruments portfolio booked in the profit and loss in 2014 and 2013 are as follows:

Thousands of Euros	Dec 2014	Dec 2013
Derivatives held for trading	-68,391	-21,601
Fair value hedges:		
- Derivatives	147,248	-105,460
- Hedged liabilities	-153,985	98,108
Cahs flow hedges:		
- Recycling FX results from cash flow hedge reserve to income statement	286	-
	-74,842	-28,953

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2014 are as follows:

	EUR'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,850,000	EUR	[3.28% - 0.95%]	[4.88% - 2.63%]
Currency interest rate				
CIRS (currency interest rate swaps)	730,314	EUR / GBP	[4.07% - 1.80%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	68,856	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	103,922	EUR / CHF	[4.37% - 4.21%]	4.01%
CIRS (currency interest rate swaps)	482,366	EUR / USD	[2.13% - 0.26%]	[1.94% - 0.01%]

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2013 were as follows:

	Notional EUR'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,000,000	EUR	[3.85% - 1.10%]	[5.5% - 2.74%]
Currency interest rate				
CIRS (currency interest rate swaps)	730,314	EUR / GBP	[4.22% - 1.84%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	69,099	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	281,833	EUR / CHF	[4.52% - 2.93%]	[4.01% - 3.51%]

All derivative transactions entered into with external counterparties are under an ISDA agreement. EDP Finance B.V. has not applied any offsetting in its balance sheet as at reporting date.

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19. COMMITMENTS

The contractualised commitments relating to short and medium/long term financial debt and respective interest are disclosed, as at 31 December 2014 and 2013, by maturity, as follows:

	Dec 2014				
		Contractual Commitments outstanding by maturity			
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including interest	18,251,208	3,341,580	5,552,699	4,491,276	4,865,653
	18,251,208	3,341,580	5,552,699	4,491,276	4,865,653

	Dec 2013				
		Contractual Commitments outstanding by maturity			
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including interest)	17,944,898	3,723,685	5,924,782	4,784,308	3,512,123
	17,944,898	3,723,685	5,924,782	4,784,308	3,512,123

The short and long term debt corresponds to the balance of borrowings and related interest, contracted by the EDP Finance BV with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based on interest rates in force at the year-end.

The short term commitments are ensured by the term deposits available, the 3,150 millions of Euros revolving credit facility and a 100 million of Euros bilateral which are completely available. Additionally, EDP Finance BV has short term assets with other Group companies, mainly with EDP SA, in a total amount of 4,333 millions of Euros that may not be renewed, in whole or in part, upon maturity. EDP Finance BV also expects to raise funds in the debt capital market and / or bank loan market during 2015, depending on market conditions.

20. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal, S.A. holds 100% of EDP Finance, BV's share capital.

Other Related Parties

TMF Netherlands BV fulfills administrative services to the Company and provides three statutory directors to the Company.

Remuneration of directors

The charges regarding remuneration of directors and former directors amounts to 29,896 Euros (2013: 35,756 Euros) with no outstanding balances as at 31 December 2014 and 2013.

Other management services

The charges regarding Other management services amounts to 496,833 Euros (2013: 454,313 Euros) with no outstanding balances as at 31 December 2014 and 2013.

Balances and transactions with related parties

As at 31 December 2014, the **outstanding assets** with related parties are analysed as follows:

Thousands of Euros	Loans Granted	Derivatives	Other assets	Total
EDP - Energias de Portugal, S.A.	8,396,069	81,902	154	8,478,125
EDP Renováveis Servicios Financieros, S.L.	2,355,025	-	-	2,355,025
EDP, S.A. Sucursal en España	2,282,402	-	56	2,282,458
EDP Servicios Financieros (España), S.A.	1,642,020	7,803	10	1,649,833
EDP Renováveis, S.A.	368,600	-	1,330	369,930
Hidroeléctrica del Cantabrico, S.A.	727,349	-	-5	727,344
Other	419,746	-	1	419,747
	16,191,211	89,705	1,546	16,282,462

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As at 31 December 2013, the **outstanding assets** with related parties are analysed as follows:

Thousands of Euros	Loans Granted	Derivatives	Other assets	Total
EDP - Energias de Portugal, S.A.	8,024,182	10,372	-	8,034,554
EDP Renováveis Servicios Financieros, S.L.	2,459,163	-	-	2,459,163
EDP, S.A. Sucursal en España	2,482,304	-	696	2,483,000
EDP Servicios Financieros (España), S.A.	34,241	-	-	34,241
EDP Renováveis, S.A.	324,499	-	637	325,136
Hidroeléctrica del Cantabrico, S.A.	1,956,887	-	1,106	1,957,993
Other	398,481	-	3	398,484
	15,679,757	10,372	2,442	15,692,571

As at 31 December 2014, the **outstanding liabilities** with related parties are analysed as follows:

Thousands of Euros	Loans Obtained	Derivatives	Other liabilities	Total
EDP - Energias de Portugal, S.A.	-	59,975	210,000	269,975
EDP Servicios Financieros (España), S.A.	377,832	-	-	377,832
	377,832	59,975	210,000	647,807

As at 31 December 2013, the **outstanding liabilities** with related parties are analysed as follows:

Thousands of Euros	Loans Obtained	Derivatives	Other liabilities	Total
EDP - Energias de Portugal, S.A.	-	5,570	281,614	287,184
EDP Servicios Financieros (España), S.A.	113,492	2,098	-	115,590
	113,492	7,668	281,614	402,774

Income and **expenses** related to transactions with related parties as at 31 December 2014, are as follows:

Thousands of Euros	Interest on Intra-Group Financial Mov.	Other	Total
EDP - Energias de Portugal, S.A.	250,331	-2,059	248,272
EDP Renováveis Servicios Financieros, S.L.	136,812	-	136,812
EDP Servicios Financieros (España), S.A.	53,063	11	53,074
EDP, S.A. Sucursal en España	140,103	627	140,730
EDP Renováveis, S.A.	16,134	693	16,827
Hidroeléctrica del Cantabrico, S.A.	76,259	418	76,677
Other	29,203	19	29,222
	701,905	-291	701,614

Income and **expenses** related to transactions with related parties as at 31 December 2013, are as follows:

Thousands of Euros	Interest on Intra-Group Financial Mov.	Other	Total
EDP - Energias de Portugal, S.A.	156,061	-1,959	154,102
EDP Renováveis Servicios Financieros, S.L.	134,490	-	134,490
EDP, S.A. Sucursal en España	162,724	696	163,420
EDP Renováveis, S.A.	15,984	637	16,621
Hidroeléctrica del Cantabrico, S.A.	111,991	428	112,419
Other	20,662	17	20,679
	601,912	-181	601,731

Other includes the expenses related with the service agreement with EDP, S.A (see note 9) as well as the services rendered to EDP Group companies (see note 8).

In the normal course of its activity, EDP Finance performs business transactions and operations with its related parties based on normal market conditions.

EDP — Energias de Portugal, S.A. and the Company entered into a keep-well agreement on March 14, 2001 which remains applicable, details of which are provided in note 4.

21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through internal models, which are based on cash flow discounting techniques and option valuation models or through quotations supplied by third parties. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors, including credit risk.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg). The credit risk factor in the data is based on the credit spread of similar companies in the market.

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As at 31 December 2014 and 2013 the following table presents the interest rate curves of the major currencies to which the Company is exposed used for cash flow discount (in addition to the rates listed below, the company adjusts discount rates for credit risk):

	31 December 2014		31 December 2013	
	Currency		Currency	
	EUR	USD	EUR	USD
3 months	0.08%	0.26%	0.29%	0.25%
6 months	0.17%	0.36%	0.39%	0.35%
1 year	0.33%	0.63%	0.56%	0.58%
2 years	0.18%	0.90%	0.52%	0.48%
3 years	0.22%	1.30%	0.73%	0.86%
4 years	0.28%	1.58%	1.00%	1.31%
5 years	0.36%	1.78%	1.25%	1.75%
6 years	0.44%	1.93%	1.48%	2.12%
7 years	0.53%	2.05%	1.68%	2.43%
8 years	0.62%	2.14%	1.85%	2.67%
9 years	0.72%	2.21%	2.01%	2.87%
10 years	0.81%	2.28%	2.15%	3.03%

Fair value of assets and liabilities as at 31 December 2014 and 31 December 2013 is analysed as follows:

	Dec 2014			Dec 2013		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Loans and receivables to group entities	16,191,211	16,995,110	803,899	15,679,757	16,159,042	479,285
Derivative financial instruments	258,612	258,612	-	132,702	132,702	-
Cash and cash equivalents (assets)	193,365	193,365	-	238,173	238,173	-
	16,643,188	17,447,087	803,899	16,050,632	16,529,917	479,285
Financial liabilities						
Debt securities	12,317,477	13,012,342	694,865	10,370,684	10,757,359	386,675
Loans and credit facilities from third parties	3,473,353	3,707,405	234,052	5,080,261	4,509,230	-571,031
Loans from group entities	377,832	377,832	-	113,492	113,492	-
Amounts owed on purchased debt securities	210,000	210,000	-	280,000	280,000	-
Derivative financial instruments	120,759	120,759	-	83,872	83,872	-
	16,499,421	17,428,338	928,917	15,928,309	15,743,953	-184,356

The market value of the medium/long term loans is calculated based on the discounted cash flows at market interest rates at the date of the statement of financial position, increased by the best estimate, at the same date, of market conditions applicable to the Company's debt, based on its average term. Regarding short term debt (current account), the market value does not differ substantially from the book value.

According to IFRS 13, EDP Finance BV established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 — Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 — Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 — Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

The fair value of EDP Finance BV financial assets and liabilities, in 2013 and 2014, is included in Level 2, described above.

The Company does not transfer financial assets nor liabilities between categories.

22. SUBSEQUENT EVENTS

EDP Finance early repayment

On January 22nd the Company early repaid USD 299,6 million of a USD 1,049.6 million Multi-currency Term Loan Facility, dated 19th October 2012. As a result, the loan was totally repaid and there is no amount outstanding.

EDP Finance new office adress

A lease agreement for a new office space for the Company was signed on the 24 February 2015 and the official address of the Company will be changed to Herikerbergweg 130, 1101 CM Amsterdam, The Netherlands.

New facility 5Y Euro Term Loan

On the 27th February, EDP Finance BV and EDP SA entered into a five year Euro Term Loan in the amount of €2,000 million. This new facility, involving 16 domestic and international banks, will replace the existing €1,600 million Euro Term Loan maturing in January 2018.

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23. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretations that have been issued and are effective and the Company has applied on its financial statements with no significant impact can be analysed as follows:

- IAS 32 (Amendment) - Offsetting financial assets and financial liabilities
- IAS 36 (Amended) - Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 (Amended) -Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting

The standards, amendments and interpretations issued but not yet effective for the Company can be analysed as follows:

- IFRS 9 - Financial instruments

  The International Accounting Standards Board (IASB) issued in November 2009, IFRS 9 - Financial instruments part I: Classification and measurement, with effective date of mandatory application for periods beginning on or after 1 January 2018, being allowed its early adoption. This standard has not yet been endorsed by the European Union.

  This standard is included in phase I of the IASB's comprehensive project to replace IAS 39 and relates to issues of classification and measurement of financial assets. The main issues considered are as follows:

  - The financial assets can be classified in two categories: at amortised cost or at fair value. This decision will be made upon the initial recognition of the financial assets. Its classification depends on how the entity presents these financial assets and the contractual cash flows associated to each financial asset in the business;

  - Debt instruments model can be measured at amortised cost when the contractual cash-flows represent only principal and interest payments, which means that it contains only basic loan features, and for which an entity holds the asset to collect the contractual cash flows. All the other debt instruments are recognised at fair value; and

  - Equity instruments issued by third parties are recognised at fair value with subsequent changes recognised in the profit and loss. However an entity could irrevocably elect equity instruments at initial recognition for which fair value changes and the realised gain or loss are recognised in fair value reserves. Gains and losses recognised in fair value reserves cannot be recycled to profit and loss. This is a discretionary decision, and does not imply that all the equity instruments should be treated on this basis. The dividends received are recognised as income for the year.

  The Company is evaluating the impact of adopting this standard after endorsement by the EU.

- IAS 1 (Amended) - Initiative Disclosures

  The International Accounting Standards Board (IASB), issued in December 2014, IAS 1 - Presentation of Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2016, being allowed its early adoption. This amendment has not yet been adopted by the European Union.

  The following narrow scope amendments have been made to IAS1:

  - Materiality and aggregation: clarifies that an entity should not obscure useful information by aggregating our disaggregating information; and that materiality considerations apply to the primary statements, notes and any specific disclosure requirements in IFRSs, i.e. disclosures specifically requiredby IFRSs need to be provided only if the information is material;

  - Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income: clarifies that the list of line items specifid by IAS 1 for these statements can be disaggregated as relevant. Additional guidance has been on the presentation of subtotals in these statements;

  - Presentation of items of Other Comprehensive Income ("OCI"): clarifies that an entity's share of OCI of equity-accounted a in associates and joint ventures shoul be be presented in aggregate as single line items basd on whether or not it will subsequently be reclassified to profit or loss;

  - Notes: clarifies that entities have the flexibility when designing the structure of the notes and provides guidance on how to determine a systematic order of the notes.

  The Company is evaluating the impact of adopting this amendment.

- Annual Improvement Project (2010-2012): no significant impact in the Company is expected from the adoption of this amendment.
- Annual Improvement Project (2011-2013): no significant impact in the Company is expected from the adoption of this amendment.
- Annual Improvement Project (2012-2014): no significant impact in the Company is expected from the adoption of this amendment.

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24. AUDIT AND NON AUDIT FEES

KPMG has audited the financial statements of EDP Finance B.V. for 2014 and 2013. Fees and expenses incurred for professional services are rendered as follows (VAT excluded):

Thousands of Euros	Dec 2014	Dec 2013
Audit and statutory audit of accounts	124	134
Other services	16	9
Total	**140**	**143**

Amesterdam, 3 March 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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EDP FINANCE BV

OTHER INFORMATION

Statutory provisions concerning appropriation of results

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholders in accordance with article 20 of the Articles of Association of the company.
Furthermore, Dutch law prescribes that a company may take distributions to the shareholders and other persons entitled to distributable profits only to the extent that is shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law or the articles.

Proposed appropriation of result

The Managing Directors proposes to add the profit for the financial year ended 31 December 2014 in the amount of EUR 14,778,608.87 to the accumulated results.

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Independent auditor's report

To: The General Meeting of Shareholders of EDP Finance B.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of EDP Finance B.V. (the Company), based in Amsterdam.

In our opinion the financial statements give a true and fair view of the financial position of EDP Finance B.V. as at December 31, 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements comprise:

1 the statement of financial position as at December 31, 2014;

2 the following statements for 2014 the income statement, the statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of EDP Finance B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Accountants N.V., ingeschreven bij het handelsregister in Nederland onder nummer 33263683, is lid van het KPMG-netwerk van zelfstandige ondernemingen die verbonden zijn aan KPMG International Cooperative ('KPMG International'), een Zwitserse entiteit.

Materiality

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 5 million. The materiality is determined with reference to the Company's total equity (4%) as solvency is considered more relevant than the profit before tax given the activities of the Company as financing entity for EDP – Energias de Portugal, S.A. ('EDP S.A.') and its subsidiaries.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Managing Directors that misstatements in excess of EUR 250,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professioual judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Managing Directors and Audit Committee of EDP S.A. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the financial statements as a whole and iu forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation uncertainty for financial instruments measured as fair value

Financial instruments are measured either at cost or at fair value in the statement of the financial position of the Company. In addition in the Note 21 to the financial statements the fair values of all financial instruments held by the company are disclosed, including those measured at cost in the statement of financial position. This note also includes the fair value hierarchy for each of the fair values disclosed.

The determination of fair values requires Managing Directors' judgment and introduces estimation uncertainty. The level of uncertainty varies depending on whether observable market prices or market parameters are available for the respective instruments. Such availability decreases the estimation uncertainty.

As part of our audit we have used our own valuation specialists to assist us with our audit of the fair values. The company applied a model based approach in the absence of identical instruments traded on an active market.

For these model based valuations we have tested the appropriateness of the model and the inputs used by the Company by comparing the model based fair values with the values calculated independently by our valuation specialist. In testing fair values we have also placed emphasis on the incorporation of credit risk in the Company's valuation models. Finally we assessed whether the fair value hierarchy as required by IFRS 7 was appropriate considering the input used by the company to determine its fair values.

Based on our procedures we found that the fair values of the derivative financial instruments are stated within an acceptable range of supportable outcomes in accordance with the company's accounting policies as set out in Note 2. For the fair valuation of financial instruments recorded at cost in as included in Note 21 we found that the assumptions applied for assumed credit risk are acceptable and derived from observable market data for listed debt of Group entities of EDP S.A.

The inclusion of all financial instruments in level 2 is acceptable given the insignificant influence of the non-observable input related to the specific credit spread included in the fair valuation of these instruments.

Uncertainty in respect of the application of hedge accounting

The Company manages its exposure to interest rate and foreign currency risk by means of derivative financial instruments. To avoid an accounting mismatch in its financial statements, the Company applied hedge accounting.

The accounting treatment of the hedged item and the hedging instrument is dependent on whether the hedge relationship qualifies for hedge accounting or not. Qualifying hedges are designated as either fair value hedges or cash flow hedges. The Company applies fair value hedge accounting for hedging its exposure to changes in fair value of the hedged item due to interest rate and foreign exchange differences and cash flow hedge accounting to mitigate its exposure to uncertainties in future cash flows in foreign currencies.

In accordance with IAS 39, hedge effectiveness testing is required to be performed both prospectively and retrospectively for each reporting period. Any ineffectiveness is included in the income statement in the period in which it occurs. An overview of the Company's hedging activities is included in Note 18.

Given the significance of the application of hedge accounting for the financial position as a whole and the inherent complexity we have paid specific attention during our audit to the application of hedge accounting. We have evaluated the Company's hedge documentation and identification process for new hedge relationships. Our procedures included assessing the calculation method of the defined hedged risk as well as the set-up of cash flow hedge accounting that was applied for the first time as of this reporting year. We evaluated the Company's hedge effectiveness testing, also by involving valuation experts and assessed whether the strict accounting requirements were met for each hedge relationship. We also assessed whether the disclosure requirements were met in the financial statements.

Based on our procedures we conclude overall that hedge accounting has been applied in accordance with the company's accounting policies as set out in Note 2. We have also concluded that the disclosures in the financial statements in Note 15 and 18 have been prepared in accordance with the company's accounting policies as set out in Note 2.

Estimation uncertainty in respect of the valuation of Loans and receivables Group entities

The Company is a financing entity entering into financing arrangements to fund EDP S.A. and its subsidiaries. In the event of insolvency of the Group, the Company, as at the date of this auditor's report, has no substantial assets other than the loans and receivables from Group entities. The Company is therefore interrelated and dependent on the performance of the Group as a whole for repayment of its debt instruments and meeting its financial obligations. This is highlighted in Note 4 of the financial statements.

To address this credit risk, our audit procedures included an assessment of the financial robustness of the financial position and liquidity of the Group to assess whether the respective Group entities are able to meet their contractual obligations. To this end we have performed the following procedures with respect to the exposure on Group entities:

- Inspect the audited 2014 financial statements of EDP Group entities;
- Inquire and discuss recent developments in the financial position and cash flows of the Group and whether any conditions existing as at, or subsequent to the reporting date that may lead to the Group's inability to meet its contractual obligations with the Group auditor KPMG Portugal.

Based on our audit procedures we found that the loans and receivables to Group entities of EDP S.A. are appropriately valued in accordance with the company's accounting policies as set out in Note 2.

Responsibilities of the Managing Directors and the Audit Committee of EDP S.A. for the financial statements

The Managing Directors are responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of Managing Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Managing Directors are responsible for such internal control as the Managing Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Managing Directors are responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Directors should prepare the financial statements using the going concern basis of accounting unless the Managing Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The Managing Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Audit Committee of EDP S.A. is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Directors.
- Concluding on the appropriateness of the Managing Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Managing Directors and the Audit Committee of EDP S.A. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Managing Directors and the Audit Committee of EDP S.A. with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Managing Directors and the Audit Committee of EDP S.A., we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Report on the report of Managing Directors and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the report of Managing Directors and other information),:

- We have no deficiencies to report as a result of our examination whether the report of Managing Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the report of Managing Directors, to the extent we can assess, is consistent with the financial statements.

Engagement

We are engaged by the Managing Directors as auditor of EDP Finance B.V. for more than 10 year. We have been re-engaged for the audit for the year 2014 on April 11, 2014. Based on the requirements of the Audit Firms Supervision Act (Wta) as of January 1, 2016 we can no longer act as statutory auditors of EDP Finance B.V.

Amstelveen, March 3,2015

KPMG Accountants N.V.

M.J. Kooyman RA