



ENERGY
WITH
INTELLIGENCE


ANNUAL
REPORT
2015

The background of the cover is a photograph of a modern building's glass facade. The image shows a series of horizontal and vertical lines forming a grid of glass panels. The lighting is soft, creating a clean and professional aesthetic. The text is overlaid on this background.

edp

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**Energy with inherent intelligence.
Energy that goes beyond.**

It stretches boundaries and is part of the EDP Universe. It is in every structure, building and piece of equipment within our Group, and in the people who work here and make us unique.

Taken from across the different latitudes where we are present, the following images reflect the values that define who we are: human, sustainable and innovative.

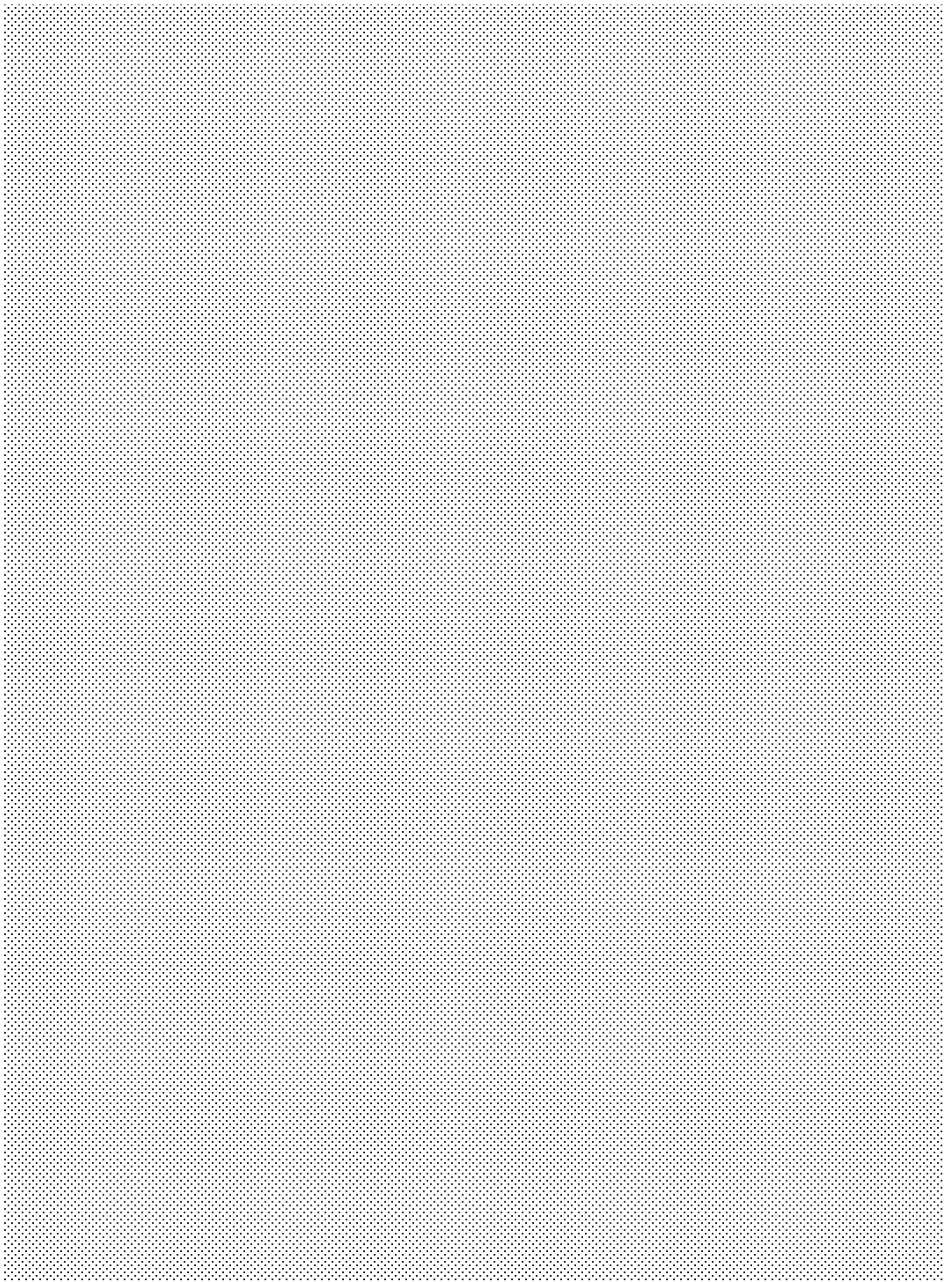
Join us on this tour through the universe of a global company that never stops seeking intelligent energy in any form.

The Annual report of EDP – Energias de Portugal, S.A. (“EDP”), which incorporates a chapter regarding Corporate Governance, is prepared in accordance with the provisions set out on Portuguese Companies Code and Securities Code and it also complies, more specifically with regard to the Corporate Governance report, with the provisions set out on CMVM’s Regulations no. 4/2013 and 5/2008, concerning Corporate Governance and Disclosure Requirements of the public companies. The financial statements presented in the report are prepared in accordance with the International Financial Reporting Standards (IFRS), adopted in the European Union.

The Annual Report, also aims to report on the performance of the company the different dimensions of sustainability, focusing on material issues and the under the standards of the Global Reporting Initiative, G4.

Additionally, EDP publishes a set of reports available at **www.edp.pt**:

- Annual Report of the General and Supervisory Board;
- Sectoral reports, in particular: Social Report, Biodiversity Report, Ethics Ombudsman’s Report and Stakeholders’ Report;
- Annual and sustainability reports of the companies Hidrocantábrico, EDP – Energias do Brasil and EDP Renováveis;
- Management Approach to Sustainability, which endorses the issues set by G4 methodology and explains the relation between organizational processes and material issues for EDP’s activities.





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Reflecting ingenuity

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A portrait of António Mexia, President of the Executive Board of Directors, wearing a dark suit, white shirt, and dark tie, with his hands clasped and wearing glasses.

ANTÓNIO MEXIA
President of the Executive
Board of Directors

MESSAGE FROM ANTÓNIO MEXIA

Dear Shareholder,

The year of 2015 was a challenging year for the Utility sector given a difficult market environment, but it was also a time in which future trends were defined. These trends validate the vision and strategy of EDP.

A SECTOR FACING CHANGE AND NEW CHALLENGES

The year of 2015 was a challenging year for the sector. At a macroeconomic level, geopolitical issues, the slowdown in China and in other emerging markets, particularly Brazil, resulted in a weak global growth, which registered its lowest level since 2009. The growth below the potential level of most economies led to an increase in global markets volatility, particularly in the commodities market where oil and coal prices dropped to the minimum levels of 2006, leading to energy prices depreciation. On top of this, electricity consumption in Europe remains at the same level as a decade ago, exacerbating the current existing overcapacity, namely in the Iberian Peninsula. It is also noteworthy that there are still imbalances and uncertainties in relation to fiscal and energy policies whose application to the sector in the past was discretionary. This naturally increases the risk perception around utilities.

Despite the challenges, we believe that 2015 was a key year for the sector. Globally,

the objectives set out in the Paris Convention (COP21), regardless the shortcomings of the existing market mechanisms, show the direction and the role that our sector will have against climate change and sustained growth, as well as the central role of renewables in the response to the desired electrification in the world. In Europe, the objectives established for 2030 came to reinforce the debate on the need to create a new market design with the European authorities launching a public consultation on Market Design, in order to establish a clear and stable framework that ensures the necessary market signals to encourage investment. In a sector where the proportion of fixed costs are getting higher and where it is expected to channel the investment towards renewable energies (which today compete with traditional technologies and have a marginal costs tending towards zero) it is crucial to find ex-ante competitive mechanisms to enable a more stable and predictable remuneration of the different technologies. The current market context, with the sharp reduction in commodity prices and the current inefficacy of the CO2 market, reinforces even more this necessity. Moreover, EDP also advocates the need to introduce capacity remuneration mechanisms as a structural element of the competitive energy markets.

In terms of challenges for the sector, EDP will continue to participate actively in world and european debates in order to contribute for a solution that enables the achievement of the set objectives and guarantees the sustainability of a competitive and innovative system, which should be designed primarily to ensure safe, clean and competitive energy to the end consumer.

A DISTINCTIVE PROFILE COMPLEMENTED BY ANTICIPATION AND EXECUTION CAPABILITIES

Given the challenging outlook for the year, the Board of Directors presented clear priorities for 2015 in line with the strategic principles of EDP's Business Plan 2014-17: (i) focused growth maintaining a low-risk profile, (ii) reduction of leverage, (iii) stability of results, (iv) continuation of an attractive dividend policy.

Given a very challenging market context, EDP's results prove once again the company's ability to overcome obstacles, thanks to its competitive profile and its anticipation and execution capabilities.

The EDP Group achieved an EBITDA of €3.924M, an increase of 8% compared to 2014. The increase in the Renewables and Brazil results offsets the decrease in the Iberia Peninsula (-3 %), particularly in Portugal where the results decreased by 6%. In a year of negative impacts from exchange rates and a weak renewable production - with a reduction in hydro production in Portugal (26% below the historical average) and in Brazil (hydro deficit of 15%), and a reduction in the wind output, to 3% below the historical average - EDP's recurrent EBITDA was €3,483M, an increase of 2% year-on-year.

In the Iberia Peninsula, despite low hydraulicity, the operating results remained at resilient levels (€1.925M) supported mainly by the diversification of the thermal/hydro portfolio and a high availability level of the electrical generation infrastructure, as a result of the operating excellence of our teams. In Portugal, it should be remarked that EDP consolidated its leadership position in the liberalized market reaching a portfolio of 3.7 million electricity customers (85% market share) and more than 500,000 gas customers (50% market share). This was the result of a continued development of innovative services proposals, a closer customer relationship and further investment in commercial processes and systems (particularly the launch of the new CRM system). EDP also pursued its commitment to Energy Efficiency, launching new services such as electrical and natural gas mobility for companies,

and *Energia Solar EDP*. Also to note that this year in Portugal, as always underlined by EDP, the sustainability of the sector was confirmed, with a reduction of the tariff deficit, 2016 should further accentuate this decline.

In the renewables sector, EDP continued to demonstrate its execution capability by achieving for the first time an EBITDA above €1.000M, in the value of €1.142M (+ 26% compared to 2014) and net profit of €167M (+32% compared to 2014). This growth is supported by the addition of 600MW of new capacity, the favourable USD-Euro exchange rate, and by the continue excellence operation of its assets. The year of 2015 was therefore a year of consolidation and implementation of the company's strategic plan, which exceeded its growth targets, while remaining faithful to its self-funding policy with asset rotation operations reaching around €800M by January 2016, already €100M above the 2017 targets.

In Brazil, despite an adverse macroeconomic context and a still low Hydrological year, EBITDA grew 38% compared to the previous year for a value of €857M in 2015. This result was influenced, in particular, by the integration of Pecém since May, and the capital gain achieved in this transaction. EDP added more than 360 MW to its portfolio, consolidating its position in the Brazilian market as a private generator, with a current installed capacity of 2,7 GW. Also in Brazil, on commercialization area, EDP acquired an energy efficiency firm called "APS", thus strengthening its involvement in the services offering and accelerating the establishment of this segment in Brazil in line with the Group strategy.

It should be noted that during 2015, EDP's focus on efficiency was materialized with the completion of the OPEX III program, which generated annual savings of €170M, c. 30% above initial expectations. Following the conclusion of OPEX III, EDP launched a new savings program to achieve further reductions in its cost base, thus underlining the company's commitment to further optimize its operational structure.

Note also that the Group's 2015 operational result was also influenced by positive one-off events, such as the purchase of Pecém I in Brazil at discount, the sale of non-strategic Gas assets in Spain and the impact of the incorporation of ENEOP in EDP Renewables in Portugal.

With regard to EDP's net income, despite the already mentioned 8% increase in EBITDA, the net income was €913M, a 12% reduction year-on-year, mainly driven by the capital gain of € 118M registered in 2014 with the sale of 50% of EDP Asia, by lower financial income and by higher results in the Renewables sector and in Brazil, which contributed to an increase of the minority interests.

Concerning net investment, there was a 4% reduction compared to 2014 to a total of €1.735M, with around 70% of this amount dedicated to capacity expansion, focused in wind and hydro projects and 30% used to maintain operations in the regulated grids in the Iberian Peninsula and Brazil.

The net debt at the end of the year was €17,4B, reflecting the impact of the appreciation of the USD against the Euro, the acquisition of 50% of the Pecém plant and the consolidation of the ENEOP assets as already mentioned.

In what regards the Group's funding policy, it shall be noted that EDP compromise with the reduction of the level of leverage and focus in maintaining a low risk profile, made the company achieve, in 2015, the investment grade status by Moody's. This underlined the strengthening of the Group's credit profile, which enabled the issuance of a 10-year bond (€750M), and the issuance of subordinated debt hybrid instrument (also of € 750M).

2015 was also a year of significant accomplishments for EDP. The completion of the construction of the new the Hydro plants of Ribeiradio Ermida, Baixo Sabor and Salamonde II, in the scope of the new Dam Plan, proves the quality of EDP teams and their execution capabilities in complex engineering projects. In Brazil, we continued with the implementation of the Cachoeira Caldeirão plant, with the expected commissioning in early 2016, 6 months ahead of what was initially estimated, thus repeating a result that had already been achieved with the early commissioning of the Santo Antônio Plant, in Jari, in 2014.

In renewables, the signing of further 200MW of PPAs in the United States, the strengthening in Brazil with a PPA for 140MW and the start of construction of the first project in Mexico are further evidences of the focus and execution capabilities of our company.

In innovation there was a notable consolidation in the development of the WindFloat technology, the first floating offshore wind turbines installation project which, after an initial prototype stage, is now in a pre-commercial phase with the support of the European Union and prestigious international partners.

This year EDP's strategic partnership with China Three Gorges was also reinforced, with the closing of the sale of a minority stake of wind farms in Brazil and the announcement of the largest disposal to date of the partnership - the sale of a 49% stake in wind farms in Poland and Italy for an amount of € 390M. EDP continues , together with China Three Georges, to analyse co-investment opportunities in the renewable sector in order to diversify markets and mitigate the risk, always maintaining discipline and focus on value creation.

A SINGLE AND SUSTAINABLE VISION

EDP adopts a responsible role before all its stakeholders, reinforced in its Sustainable Development Principles and in the international commitments we have undertaken, notably the United Nations Global Compact initiative, focusing on 10 principles in the area of Human Rights, Employment, Environment and Anti-corruption. We maintain as distinctive marks, the environmental concern, technological innovation, social concern, investment in education and a focus on culture and art.

Sustainability continues to be a focus for EDP, which has committed with the new UN Sustainable Development Goals, for 2030, and was actively involved in the Paris Climate Change Conference (COP21), with the announcement of ambitious goals for the next few years in direct and indirect carbon emissions reductions. Furthermore, and for the 8th consecutive year, EDP was included in the Dow Jones Sustainability Index World with the highest grading in the Carbon Disclosure Project, 100 A.

In the social area, only in the year 2015, the EDP Group invested 27 million Euros, particularly in areas such as environment, health, education and social inclusion, supporting and developing projects that benefited more than 5 million people. In Portugal, through its Foundation (*Fundação EDP*) EDP has the largest private social investment programme, with initiatives such as *EDP Solidária*, which to date has invested more than 9 million Euros in a range of projects, and for the first time it was also launched in Spain.

In the area of culture, *Fundação EDP* is one of the largest sponsors in Portugal. The Electricity Museum is one of the most popular in the country, with 250,000 visitors in 2015. The new Arts Centre (MAAT), which is in its construction phase, is a key investment in the Lisbon riverside area and will be one of the largest innovation and culture hubs in the city. The company continues to invest in music and sport, with our energy having already taken more than 10 million Portuguese to the best sport and music events over the past six years.

2015 was also the year in which EDP inaugurated its new Headquarters bringing 800 employees together in an iconic and sustainable building in Lisbon in spaces designed in accordance with the state-of-the-art of contemporary offices. The Group's new Headquarters, in addition to providing a hub for the renewal of the area in which it is based, offers conditions for greater productivity and efficiency and facilitates both internal and external communication and closer contact with the community.

In terms of Employee development, in 2015 the Group's Corporate University delivered more than 440,000 hours of training to employees, thus reinforcing our lifelong learning culture and commitment to qualification and the professional and personal development of all.

EDP today has 12,084 people from 32 nationalities, in 14 countries in 4 continents. Our company is an example of success and was recognised in several areas, such as engineering, finance, ethics, management of human capital, environment, communication and social sustainability. This is the team that makes this company an undisputable international reference.

A PATH TO SUCCESS AND LEADERSHIP

In 2015, EDP's ability to deliver results was evident, with our shareholders receiving a rate of return 10% higher than those of our European counterparts. Our objective is to be different and better than the rest and we all work every day to achieve that goal. In our approach to our shareholders, we follow a responsible dividend distribution policy, and we will present in the General Meeting a proposal for a dividend of 18.5 cents per share, in line with the 2014 dividend, putting EDP at the top in terms of shareholder return among European integrated utilities.

This performance is possible as a result of the commitment and determination of all of our employees, to whom we are very grateful.


We would also like to take the opportunity to thank all those who are involved with our company - shareholders, customers, suppliers, government agencies, regulators, corporate bodies and, particularly, the General and Supervisory Board, for the challenge, their support and the trust they place in the whole team.

In 2016 will be an even more demanding year, bringing major changes and challenges to the sector. The challenge is further strengthened by the fact that our priorities in terms of investment allocation, in renewable and regulated assets, and in markets which present these characteristics, are now also the sector priorities. Our preferences are today what all others are seeking for.

We will face these challenges as we always have done - with confidence and determination. Together, we will overcome the obstacles we face and we will keep EDP on the path of success and leadership.

Thank you.

António Mexia
President of the Executive Board of Directors





renováveis

Present in 14 countries

CANADA

UNITED STATES OF AMERICA

UNITED KINGDOM

POLAND

BELGIUM

FRANCE

ROMANIA

PORTUGAL

SPAIN

ITALY

MEXICO

BRAZIL

ANGOLA

and has
9.7 MILLION
electricity
customers



EDP – Energias de Portugal, S.A. is a listed company (“sociedade aberta”), whose ordinary shares are publicly traded in the “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais”. EDP is established in Portugal, organized under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 500.697.256. Its registered head office is located at Avenida 24 de Julho, nr. 12, 1249-300 Lisboa, Portugal.

EDP was initially incorporated as a public enterprise (“empresa pública”) in 1976 pursuant to Decree-Law no. 502/76, of 30 June, as a result of the nationalisation and merger of the main Portuguese companies in the electricity sector in mainland Portugal. Subsequently, EDP was transformed into a limited liability company (“sociedade anónima”) pursuant to Decree-Law no. 7/91, of 8 January, and Decree-Law no. 78-A/97, of 7 April.

EDP is a vertically integrated utility company. It is the largest generator, distributor and supplier of electricity in Portugal, the third largest electricity generation company in the Iberian Peninsula and one of the largest gas distributors in the Iberian Peninsula.

EDP is one of the largest wind power operator worldwide with windfarms for energy generation in the Iberian Peninsula, the United States, Canada, Brazil, France, Belgium, Italy, Poland and Romania, has capacity under construction in Mexico and is developing wind projects in the United Kingdom. Additionally, EDP generates solar photovoltaic energy in Portugal, Romania and the United States. In Brazil, EDP is the fifth largest private operator in electricity generation, has 2 electricity distribution concessions and is the third largest private supplier in the liberalised market.

EDP has a relevant presence in the world energy landscape, being present in **14 countries**, with **9.7 million electricity customers**, **1.4 million gas customers** and more than **12 thousand customers** around the world. On December 31, 2015, EDP had an installed capacity of **24 GW** and generated **64TWh** during 2015, of which **58% from renewable sources**.



in the world

PORTUGAL

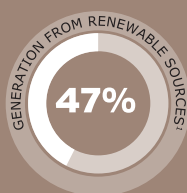
6,683 employees

5,443,510 electricity customers

567,907 gas customers

10,045 MW
installed capacity

23,505 MW
net generation



42,227 GWh
electricity distributed

6,907 MW
gas distributed

1,161 MW capacity under construction

SPAIN

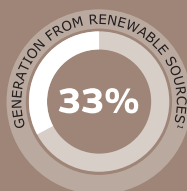
1,863 employees

1,011,941 electricity customers

836,668 gas customers

5,962 MW
installed capacity

17,024 MW
net generation



9,168 GWh
electricity distributed

27,093 MW
gas distributed

191 MW installed capacity equity²

FRANCE

48 employees

364 MW
installed capacity

785 GWh
net generation

24 MW
capacity under construction



BELGIUM

2 employees

71 MW
installed capacity

152 GWh
net generation



ITALY

22 employees

100 MW
installed capacity

210 GWh
net generation



POLAND

40 employees

468 MW
installed
capacity

951 GWh
net
generation

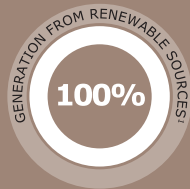


ROMANIA

33 employees

521 MW
installed
capacity

1,127 GWh
net
generation



UNITED KINGDOM

37 employees

CHINA
AND ANGOLA
offices

MEXICO

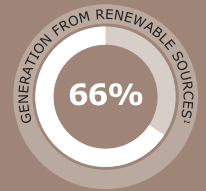
05 employees

200 MW
capacity under construction

BRAZIL

2,972 employees

3,256,829
electricity customers



2,601 MW
installed
capacity

8,849 MW
net generation

120 MW
capacity under
construction

25,713 GWh
electricity
distributed

187 MW
installed
capacity
equity²

341MW
capacity under
construction equity²

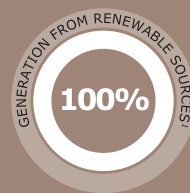
USA

373 employees

4,203 MW
installed
capacity

11,031 GWh
net
generation

179 MW
installed capacity equity²

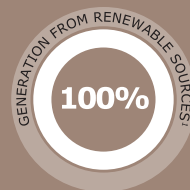


CANADA

05 employees

30 MW
installed
capacity

72 GWh
net generation

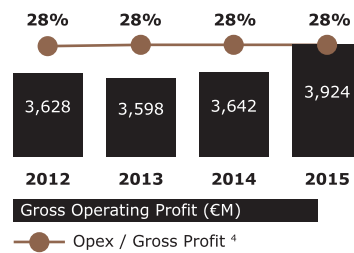
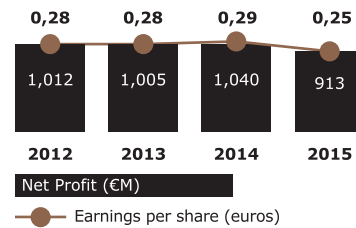
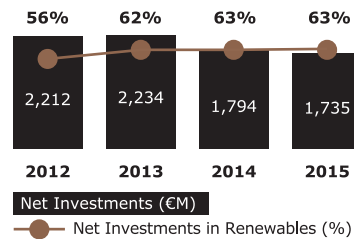
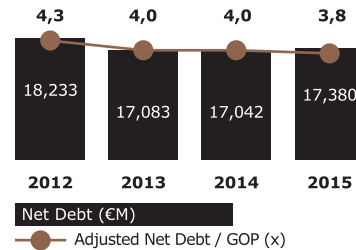


¹ Includes hydro, wind and solar

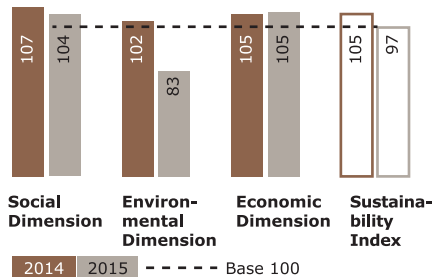
² Accounted according to the Equity Method

edp

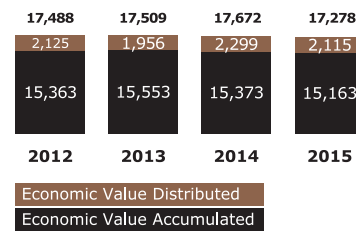
in numbers

GROSS OPERATING
PROFITNET PROFIT¹NET INVESTMENTS²NET DEBT³

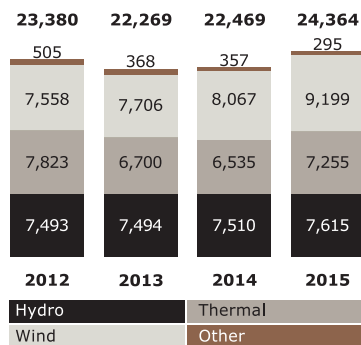
EDP SUSTAINABILITY INDEX



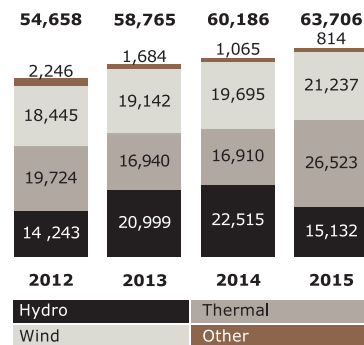
ECONOMIC VALUE GENERATED (€M)

¹ Net Profit attributable to EDP Equity holders.² Includes Capex, Financial Investments and Divestments ("Asset Rotation").³ Includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, net investment and fair value hedge and collateral deposits associated to financial debt and 50% of the amount related with the emission of subordinated debt instrument (hybrid).⁴ (Supplies and Services + Personnel Costs and Employee Benefits - Curtailment) / (Gross Profit + Income arising from Institutional Partnerships).

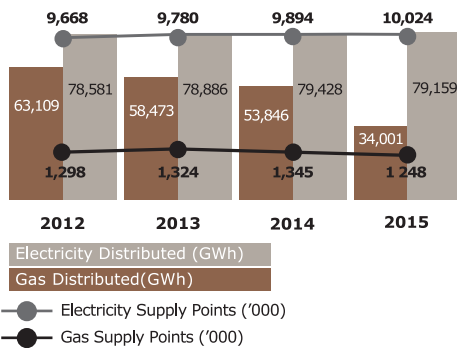
**ELECTRICITY GENERATION
INSTALLED CAPACITY (MW)**



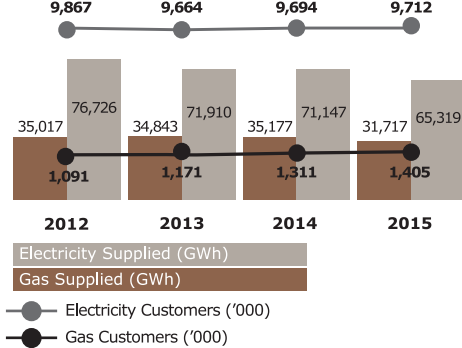
**ELECTRICITY GENERATION ⁵
NET GENERATION (GWh)**



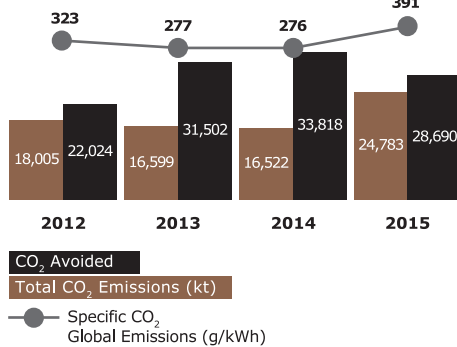
**ELECTRICITY
AND GAS DISTRIBUTION**



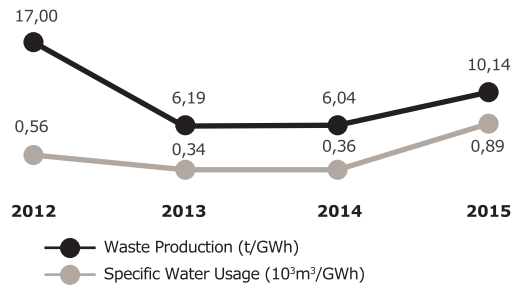
**ELECTRICITY
AND GAS SUPPLY**



CO₂ EMITTED AND AVOIDED



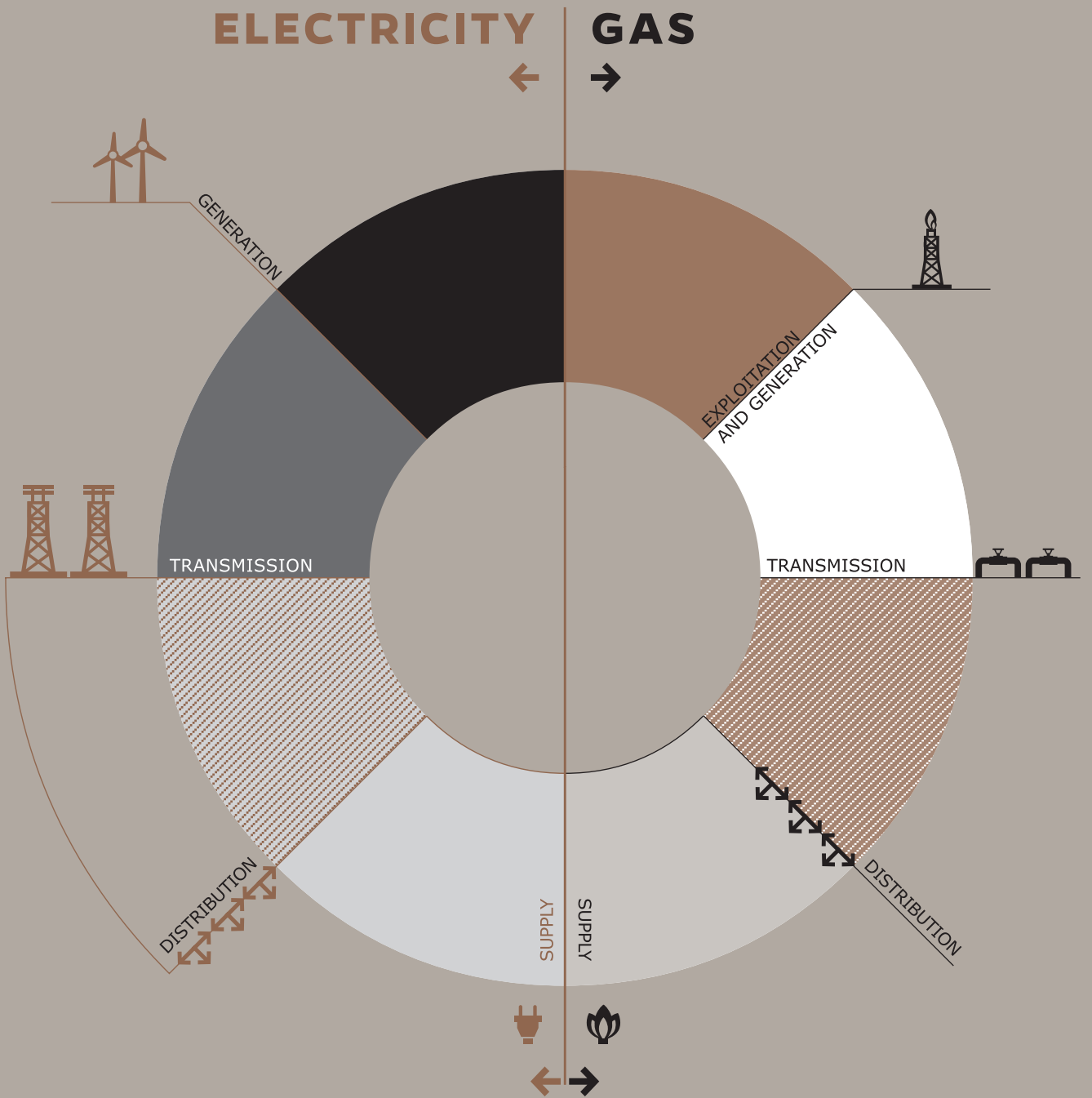
**WATER USAGE AND
WASTE PRODUCTION**



⁵ 2014 figures from Brazil were revised in the light of "Câmara de Comercialização de Energia Eléctrica" settlements.

edp

value chain



edp

vision

A global energy providing company, leader in creating value, innovation and sustainability.

values

INITIATIVE

Demonstrated through the behaviour and attitude of our people.

TRUST

Of shareholders, customers, suppliers and other stakeholders.

EXCELLENCE

In the way we perform.

SUSTAINABILITY

Aimed at improving the quality of life for present and future generations.

INNOVATION

With the objective of creating value within the various areas in which we operate.

commitments

SUSTAINABILITY

- . We assume the social and environmental responsibilities that result from our performance thus contributing toward the development of the regions in which we are operating.
- . We avoid specific greenhouse gas emissions with the energy we produce.
- . We ensure the participatory, competent and honest governance of our business.

PEOPLE

- . We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work.
- . We promote the development of skills and merit.
- . We believe that the balance between private and professional life is fundamental in order to be successful.

RESULTS

- . We fulfil the commitments that we embraced in the presence of our shareholders.
- . We are leaders due to our capacity of anticipating and implementing.
- . We demand excellence in everything that we do.

CLIENTS

- . We place ourselves in our clients' shoes whenever a decision has to be made.
- . We listen to our clients and answer in a simple and clear manner.
- . We surprise our clients by anticipating their needs.

organisation

GOVERNANCE

EDP's governance structure is based on the **dual model** and consists of the **General Meeting, Executive Board of Directors, General and Supervisory Board** and the **Statutory Auditor**.

The separation of management and supervision roles is embodied in an Executive Board of Directors, which is responsible for the management of the company's business, and a General and Supervisory Board, the highest supervisory body.

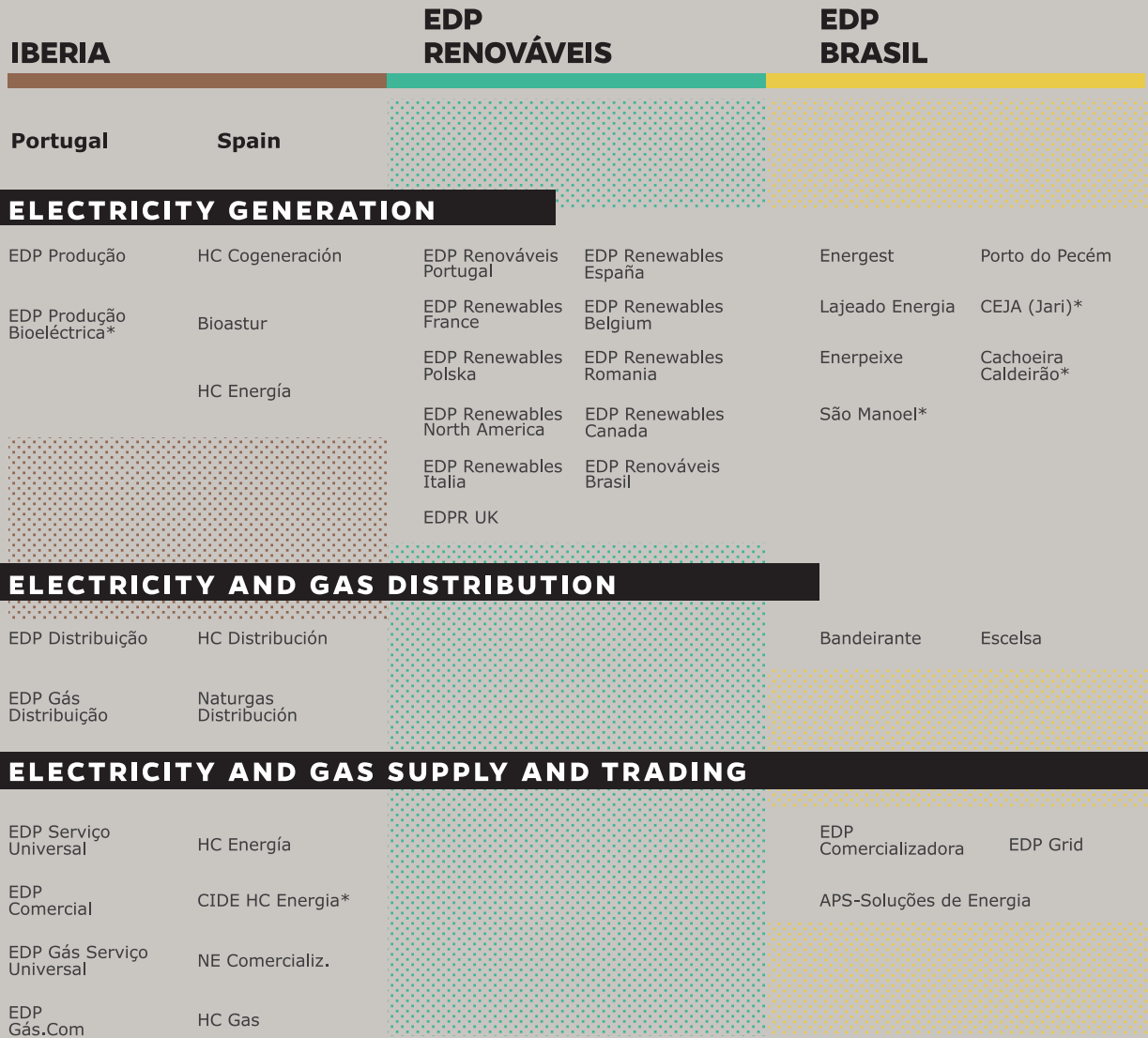
Considering this structure, we can say that the dual model of corporate governance in place in EDP has allowed effective separation of the company's supervision and management in pursuit of the goals and interests of EDP and its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of **trust and transparency** necessary for its adequate functioning and optimisation.

Furthermore, this model has proved appropriate to the company's shareholder structure as it allows supervision by key shareholders on the General and Supervisory Board.

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors, as well as the Statutory Auditor and alternate auditor and members of the other corporate bodies, including the Board of the General Meeting, the Remuneration Committee of the General Meeting and the Sustainability and Environment Board at the General Meeting of 21st April 2015, for the three-year period from 2015 to 2017. The term of office of these members of the corporate bodies therefore ends on 31 December 2017.



business structure



* Equity Consolidated Method

corporate bodies

BOARD OF THE GENERAL MEETING

António Manuel de Carvalho Ferreira Vitorino, **Chairman**

Rui Pedro Costa Melo Medeiros, **Vice-Chairman**

Maria Teresa Isabel Pereira, **Company Secretary**

STATUTORY AUDITOR

KPMG & Associados, SROC, S.A., represented by Vítor Manuel da Cunha Ribeirinho, Certified Auditor, **Permanent Statutory Auditor**

Susana de Macedo Melim de Abreu Lopes, Certified Auditor, **Deputy Statutory Auditor**

GENERAL AND SUPERVISORY BOARD

Eduardo de Almeida Catroga (in representation of China Three Gorges Corporation), **Chairman**

Luís Filipe Marques Amado, **Vice-Chairman**

Ya Yang (in representation of China Three Gorges New Energy Co. Ltd.)

Guojun Lu (in representation of China International Water & Electric Corp.)

Dingming Zhang (in representation of China Three Gorges (Europe), S.A.)

Shengliang Wu (in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)

Felipe Fernández Fernández (in representation of DRAURSA, S.A.)

Fernando Maria Masaveu Herrero

Nuno Manuel da Silva Amado (in representation of Banco Comercial Português, S.A.)

Ferhat Ounoughi (in representation of Sonatrach)

Mohamed Ali Ismaeil Ali Al Fahim (in representation of Senfora BV)

António Sarmento Gomes Mota

Maria Celeste Ferreira Lopes Cardona

Ílídio da Costa Leite de Pinho

Jorge Avelino Braga de Macedo

Vasco Joaquim Rocha Vieira

Augusto Carlos Serra Ventura Mateus

João Carvalho das Neves

Alberto Joaquim Milheiro Barbosa

María del Carmen Fernández Rozado

António Manuel de Carvalho Ferreira Vitorino

EXECUTIVE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia, **Chairman**

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Fernando Melo Martins da Costa

João Manuel Veríssimo Marques da Cruz

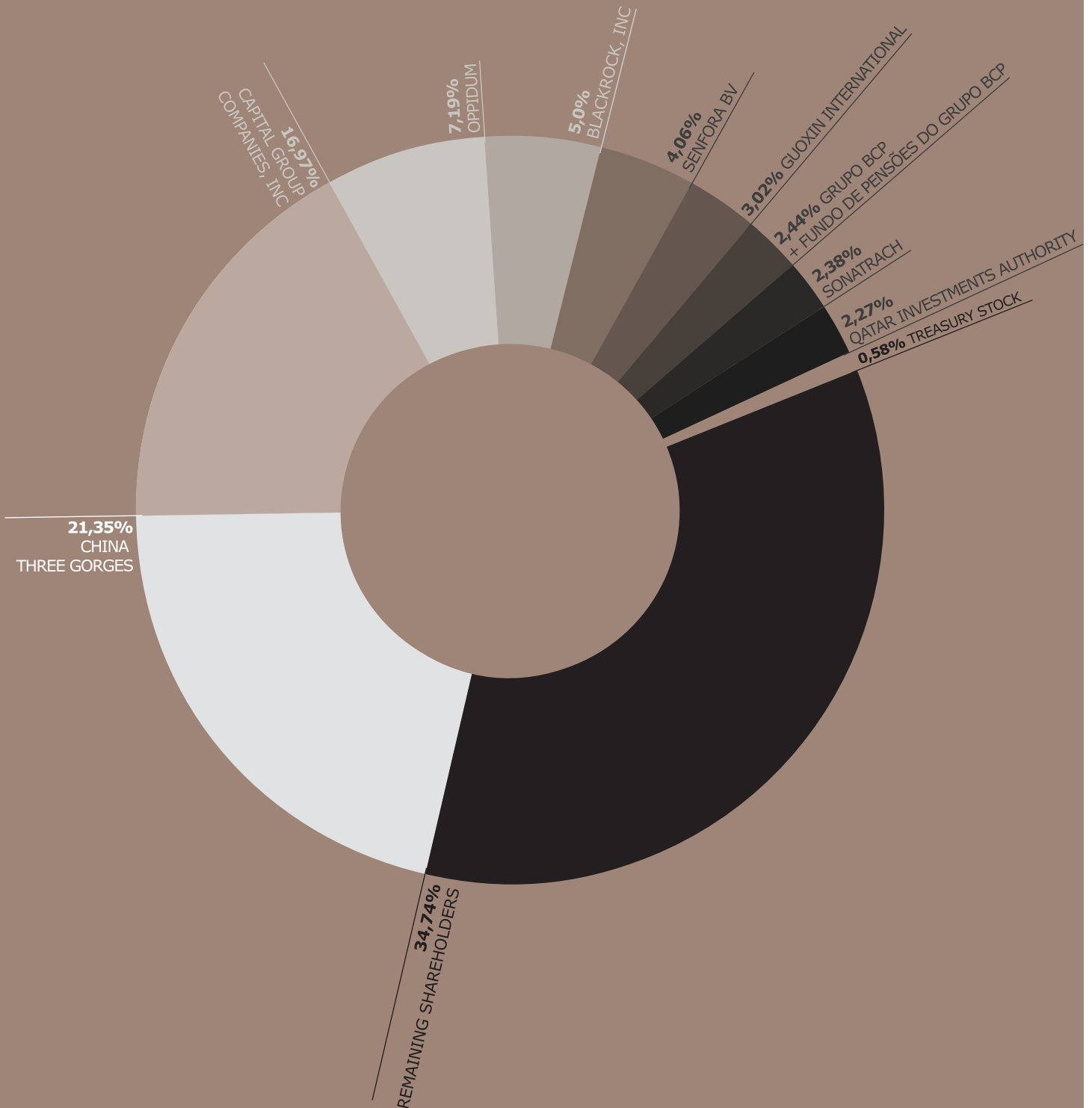
Miguel Stilwell de Andrade

Miguel Nuno Simões Nunes Ferreira Setas

Rui Manuel Rodrigues Lopes Teixeira

edp

shareholder's structure



RECOGNITION CORPORATE

EDP RECOGNISED BY THE CARBON DISCLOSURE PROJECT FOR COMBATING CLIMATE CHANGE

EDP obtained the maximum score of 100 A, and is now part of the "A Listers", which consists of 113 companies, 5% of the group of companies assessed.

EDP AMONGST THE WORLD'S BEST IN PLATTS INDEX

The Group is ranked amongst the world's best in the Top 250 Global Energy Companies, as compiled by Platts, a company specialised in the provision of information in the energy sector. EDP stands out for its financial performance, ranked 69th in the global table and 5th, considering the electric utilities segment in EMEA ("Europe, Middle East and Africa").

EDP IN THE 2015 ETHISPHERE INSTITUTE RANKING

For the fourth consecutive year, EDP is part of the international ranking of "The World's Most Ethical Companies - WME" compiled by Ethisphere Institute, a global leader in the promotion of ethical commercial practices and standards. EDP is therefore considered a standard setter in "Energy and Electric Utilities", on a par with four other companies on a global level.

EDP COMPRISES STOXX GLOBAL ESG LEADERS AND STOXX EUROPE SUSTAINABILITY INDEX

The indices are compiled by Sustainalitics and Bank Sarasin, respectively, in cooperation with STOXX.

EDP IS A CONSTITUENT OF ETHIBEL

Investment Register company status by demonstrating superior performance to the average of its sector in terms of Corporate Social Responsibility (CSR). EDP is included in the Ethibel Index Excellence Europe.

EDP IS THE BEST EUROPEAN COMPANY FOR INVESTOR RELATIONS

In the "IR Magazine Awards" 2015, the Group received reference awards for Investor Relations in Europe as the "best management team for investor relations in the segment large cap". It also came second in the "Regional Awards - South Europe" and in the Utilities sector, also coming fifth in "Best Financial Reporting". EDP Renováveis also received the award "best management team for investor relations in the segment small and mid-caps" and Rui Antunes as "best investor relations officer in the segment small and mid-caps".

EDP IS A CONSTITUENT OF THE FTSE4GOOD GLOBAL INDEX

The companies were evaluated based on a set of about 350 indicators grouped in 14 subjects divided into three pillars (environmental, social and governance).

EDP IS A CONSTITUENT OF ECPI INDICES

ECPI is an analyst and financial service provider that monitors companies based on public information to constitute Environmental, Social and Governance (ESG) indicators.

MOODY'S UPGRADES EDP'S RATING

The rating agency has upgraded the ratings of EDP and its subsidiaries EDP Finance B.V. and Hidroelectrica del Cantabrico from "Ba1" to "Baa3". Moody's upgraded the short-term rating of EDP, EDP Finance and HC Energía from "Not-Prime" to "Prime-3", with all ratings assigned an outlook of stable. Moody's has also factored in signs that the tariff deficit borne by Portugal's electricity system is gradually stabilising, and the lower likelihood that further regulatory cuts will be needed.

EDP IS PART OF THE DOW JONES WORLD SUSTAINABILITY INDEX

EDP is again part of the Dow Jones World Sustainability Index, produced by RobecoSAM in cooperation with S&P Dow Jones, one of the most prestigious and well-known sustainability indices. EDP has been a part of this group and global index since 2008 without fail.

ANTÓNIO MEXIA ELECTED BEST UTILITIES CEO IN EUROPE

A team of Buy Side analysts have elected António Mexia the best Utilities CEO in Europe, in an annual survey conducted by the magazine "Institutional Investor". EDP Group's Chief Financial Officer, Nuno Alves, and Investor Relations Officer Miguel Viana were also acknowledged. In the global assessment of listed European companies in all sectors, EDP rose 71 places over the previous year, now ranked 20th.

EDP HOLDS PRIME STATUS, BY OEKOM

OEKOM is an ESG financial analyst that provides sustainable information to financial services firms that manage a total of EUR 600 billion.

EDP LISTED ON THE Euronext Vigeo – World 120, Europe 120, Eurozone 120 Sustainability Indices

EDP is acknowledged as one of the world's best companies in terms of sustainability. Each of these indices distinguishes 120 listed companies for their social, environmental and corporate governance performance.

EDP IS A Thomson Reuters CRI Europe ESG Index Member (TRCRI Europe)

The Thomson Reuters indices measure companies' performance taking into account more than 225 ESG indicators. The assessment is based on information available in the Thomson Reuters ASSET4 ESG database.

A EDP IS PART OF THE MSCI ESG INDEXES

EDP is member of a set of Morgan Stanley Capital International indexes, such as the World ESG, Europe ESG, World Low Carbon Leaders and ACWI Low Carbon Leaders indexes. MSCI has more than 40 years of experience in building and maintaining indices.

EDP AMONG THE TOP 100 OF STOREBRAND

The 100 companies are characterized by their efficiency in operations, financial strength and response to the challenges of the future. EDP is classified for the SPP Global Topp 100 investment funds.

PORTUGAL

EDP WINS EUROPEAN EXCELLENCE AWARDS

The 1 century of energy campaign, on the documentary of creator Manoel de Oliveira, swept the board in the category "National and Regional Campaigns – Portugal", in the European Excellence Awards. These awards acknowledge the best global performance in public relations and communications.



EDP Comercial Leads the Field in Customer Satisfaction in the Gas and Electricity Segments

The quality of EDP Comercial's service was acknowledged in the ECSI Portugal study – National Customer Satisfaction Index. The studies carried out periodically by ECSI Portugal embrace the energy sector, dividing it into four categories: natural gas, electricity, dual and bottled gas. EDP Comercial obtained the best classification in the category Dual.

EDP RECEIVES GREEN FLEET AWARD FROM FLEET MAGAZINE

The award acknowledges the company with the greatest commitment to reducing CO₂ emissions when acquiring vehicles for its fleet. To determine this it measures the proportion of electric and hybrid vehicles in the existing fleets of several domestic companies.

EDP RANKED TOP IN 2014 WORKPLACE EXCELLENCE AWARD

The Heidrick & Struggles initiative in partnership with Diário Económico and INDEG-IUL has given the award to EDP in the category "Corporations - with more than one 1,000 employees", which also prevailed in the Industry and Energy sector.

RE:dy Distinguished in the Green Project Awards

The Re:dy service has been distinguished in the category "Information Technology". Re:dy permits customers to keep track of consumption by household electric equipment from any location via a website and smart phone.

SPAIN

THE CASTEJÓN COMBINED CYCLE THERMAL POWER STATION GIVEN AWARD BY FM GLOBAL

The international insurance company FM Global distinguished the power station with the award HPR ("Highly Protected Risk"). This award acknowledges the best performance in risk prevention.



EDP IN SPAIN ACKNOWLEDGED FOR RESPONSIBILITY IN EMPLOYING YOUNG PEOPLE

This recognition is part of the Spanish social responsibility strategy, which recognises all public and private organisations signing up to the strategy and carrying out concrete initiatives to achieve its objectives.

EDP RENOVÁVEIS

EDP RENOVÁVEIS DISTINGUISHED AT EURONEXT LISBON AWARDS 2015

With the best performance in the financial market in 2014, EDP Renováveis capital rose by 40%. These awards acknowledge institutions performing excellently in Portugal's capital market.

EDP RENOVÁVEIS' CORPORATE SITE IS ONE OF THE BEST IN PSI-20

According to communications company Investis, EDP Renováveis' website is one of the best corporate websites of companies traded on the Portuguese stock exchange.

EDP RENOVÁVEIS' REPORT AND ACCOUNTS ARE THE BEST IN THE NON-FINANCIAL SECTOR

This acknowledgement was made at the Investor Relations & Governance Awards, an initiative of Deloitte in partnership with Diário Económico, which recognises the best performance in the Portuguese market.

EDP RENOVÁVEIS NORTH AMERICA (NA) CROWNED CLEAN AIR CHAMPION FOR THE 4TH CONSECUTIVE YEAR

EDPR NA received the award from Houston-Galveston Area Council, recognising the company's efforts to promote the use of alternative employee transportation methods.

ERIDIAN WAY WIND FARM RECEIVES EMPLOYER ENGAGEMENT INITIATIVE CHAMPION LEVEL AWARD

The Meridian Way wind farm was recognised by Cloud County Community College (CCCC) and Kansas Board of Regents (KBOR) for its substantial contribution to the programme "College's Wind Energy Technology" (WET) and the development of wind energy students, to whom EDP provides remunerated apprenticeships.



EDP RENOVÁVEIS IS ONE OF THE 10 LARGEST COMPANIES TO WORK FOR IN SPAIN

For the fourth consecutive year EDP Renováveis has consolidated its position as one of the best companies to work for, and is still the only energy company to make the list. EDPR was ranked eighth in the category companies with between 250 to 500 employees

BRAZIL

EDP BRASIL AMONGST “THE BEST COMPANIES FOR SHAREHOLDERS IN 2015”

The magazine Capital Aberto, which specialises in Brazil's capital market, has attributed the highest governance rating amongst all companies evaluated and second place in the category companies with a market value of between R\$ 5 billion and R\$ 15 billion.

EDP BRASIL REMAINS IN THE CORPORATE SUSTAINABILITY INDEX (ISE)

For the tenth consecutive year, EDP is a part of the ISE portfolio compiled by BM&F Bovespa, and is one of the companies standing out for their commitment to sustainable development, equity, transparency and accountability.

EDP WINS TRANSPARENCY TROPHY FROM ANEFAC

For the third time and the second consecutive year, EDP has received the Transparency Trophy in the category "Listed Companies". The award is given by the National Association of Finance, Business Management and Accounting Executives (ANEFAC), and recognises companies with the best accounting practices and the most objective market information.

EDP HYDROELECTRIC POWER STATION RECEIVES GOLD SEAL FOR SUSTAINABLE ENERGY

The Peixe Angical hydroelectric power station has received the Gold Seal for sustainable energy awarded by Instituto Acende Brasil. This instrument evaluates the social and environmental performance of electricity distribution, transmission and generation companies in Brazil.



EDP BRASIL RECOGNISED BY 2015 ETHICS AWARD

The Ethics Seal has been attributed by Brazil's Federal Controller's Department (CGU), a government agency overseeing integrity, ethics and transparency. Of the 97 companies competing, 56 passed the evaluation stage and 19 were recognised.

ABRINQ ACKNOWLEDGES EDP COMPANIES AS “CHILD FRIENDLY”

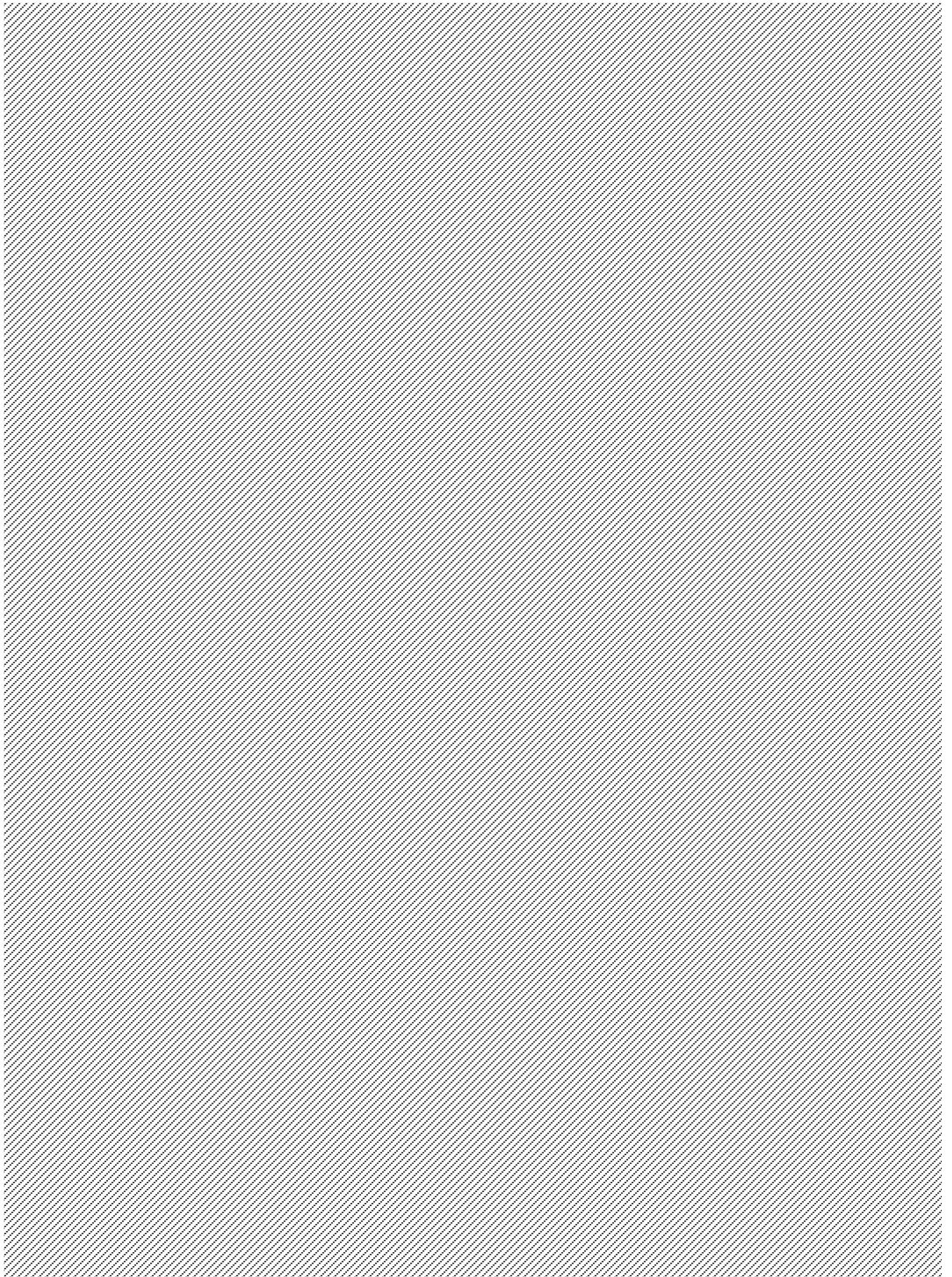
EDP's distribution companies in the states of São Paulo and Espírito Santo have been recognised as Child Friendly by Abrinq Foundation for the 11th consecutive year. Production company Enerpeixe has also been recognised for the fifth consecutive year. The maintenance of this award testifies to their contribution to building a better future for young people in the areas the companies operate in.

EDP BRASIL RANKED IN CLIMATE DISCLOSURE LEADERSHIP INDEX (CDLI)

EDP is one of the leading companies in Brazil in climate management, comprising the 2015 version of the CDLI report prepared by the Carbon Disclosure Project.

EDP RECEIVES GOLD SEAL FOR THE 6TH CONSECUTIVE TIME

EDP Brasil's 2014 greenhouse gas inventory has been given the Gold Seal for the sixth consecutive year. EDP Brasil has followed the Greenhouse Gas Protocol (GHG) Brazil methodology since 2008, the year this initiative was launched.





ENERGY WITH INTELLIGENCE

ANNUAL
REPORT
2015

02. strategic approach

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**ENERGY
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A breath of fresh energy

**ENERGY
WITH
INTELLIGENCE**

**ANNUAL
REPORT
2015**

02. STRATEGIC APPROACH

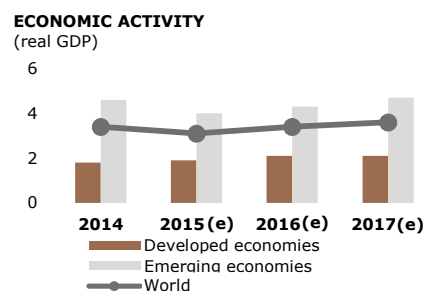
1. BUSINESS FRAMEWORK

1.1. MACROECONOMIC CONTEXT

In 2015, the world economy registered the lowest level of growth since 2009. The slowdown in emerging economies, in a context of persistent structural weaknesses, the exchange rate depreciation and the sharp drop of commodity prices in international markets, along with a moderate level of growth in developed countries resulted, according to the projections of the International Monetary Fund (IMF), in a world GDP growth of 3.1%.

The growth below the potential level of most economies and the drop of commodity prices, specifically the oil price, resulted in a higher deflationary pressure and increased uncertainty in financial markets, prompting some central banks to increase the degree of accommodation of its monetary policies. Among these banks, is included the European Central Bank (ECB), which in March implemented a public and private debt securities purchase programme. On the other hand, the US Federal Reserve (Fed) announced in December, a rise in the interest rates by 25 basis points – for the first time since 2006 - which contributed to the strengthening of the dollar's appreciation trajectory, in particular against the euro and the currencies from emerging commodity exporting countries. The divergence between the expansionist actions of the ECB and the Bank of Japan, on one hand, and the posture by the Fed of normalizing the monetary policy, on the other hand, was reflected in the relative evolution of the stock market indices of its respective economic blocs, with both the European and Nipponese indices finishing the year with gains, as opposed to the weaker US counterparts.

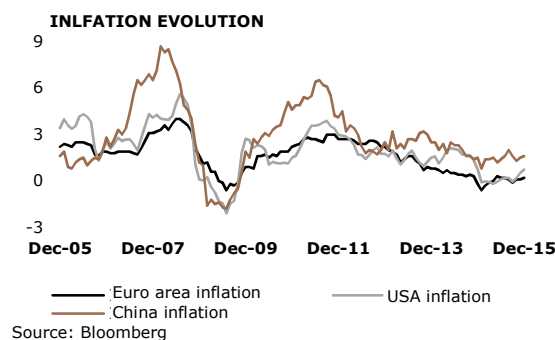
In 2016, the vulnerability of the economic and financial situation of the emerging countries, in particular China, the international geopolitical tensions and the uncertainty about the evolution of the US monetary policy, are important downside risks for the global activity and for the stability of financial markets.



Source: FMI WEO Update Jan 16

GLOBAL INFLATION PRESSIONED BY THE DROP OF OIL PRICES

According to the IMF estimates, in 2015, the overall inflation rate decreased from 3.5% to 3.3%. However, this behaviour reflects differences between the developed and the emerging economies. In the developed economies, the reduction of oil prices limited the evolution of aggregate prices, placing the inflation rate well below the objectives of the central banks. In the emerging economies, despite the decrease of commodity prices and the slowdown of activity, the sharp depreciation of its currencies has resulted in strong domestic inflationary pressures and consequently in a rise of inflation. In 2016, while the effects of the oil price drop dissipate, both in developed and emerging economies, the inflation rate is expected to rise slightly.

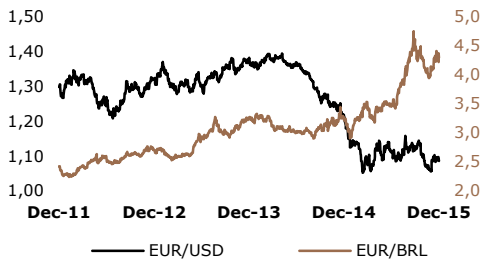


Source: Bloomberg

IN 2015 THE FINANCIAL MARKETS MOVED IN AN ERRATIC WAY

In 2015, the uncertainty regarding the progress of the global economy, as a result of the deceleration of emerging markets and of the beginning of the normalization of the US monetary policy process (after about ten years of a strong tendency towards an expansionist policy), has resulted in a global financial markets volatility increase. Within this environment, the US stock market indices recorded zero or negative valuations, as opposed to gains of about 10% from its European and Nipponese counterparts, where central banks have chosen to maintain, or even to strengthen the degree of accommodation of its monetary policies.

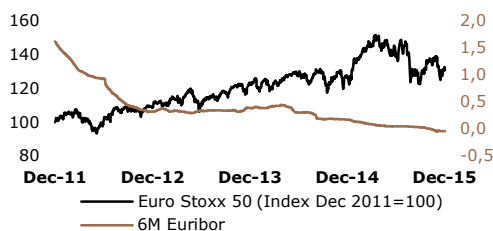
FOREX MARKETS



Source: Bloomberg

In the forex market, it is worth highlighting the general appreciation trajectory of the US dollar along the year, a development which assumed a particularly intensity against the emerging commodity exporting economies. In a global context of uncertainty, the high risk bond securities devalued up, while the high quality credit debt securities remained relatively stable. A dichotomy that contrasts with the one observed in previous years. In what concerns the securities issued by the Member States of the euro area, unlike what had been observed between 2013 and 2014, the introduction of a public debt purchase programme by the ECB had a very limited contribution towards reducing the risk premia. Conversely, in the monetary market, the impact of the accommodative monetary policies of the ECB was very significant, with the Euribor interest rates reaching levels below zero for periods up to six months, which happened just after the reduction of the facility rates to negative values.

STOCK INDEXES AND 6M EURIBOR (euro area)



Source: Bloomberg

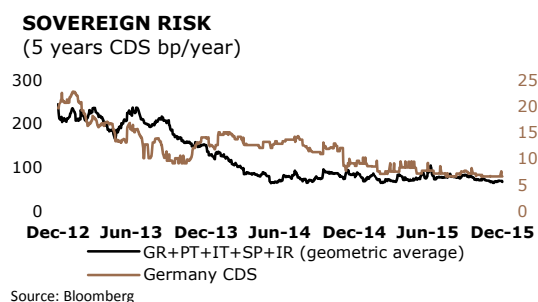
In 2016, the potential risks related to the economic and financial condition of the emerging markets, the impact of the US monetary policy normalization process and the persistence of important geopolitical tension points may condition the performance of financial markets.

MODERATE RECUPERATION OF THE EURO ZONE ECONOMY

The euro area economy expanded 1.5% in 2015, which represents an acceleration when compared to the previous year (0.9%). The greater dynamism of all the euro area countries was attributable to several favourable circumstances, among which stand out, the decrease of prices in most of commodities, the effective depreciation of the euro, the strengthening of the accommodative level of the ECB monetary policies and the neutrality of fiscal policies (after years of strong austerity). However, the recovery process remains moderate, with the European Commission (EC) projecting a GDP growth of 1.7% in 2016, conditioned by a challenging external environment, in particular due to the slowdown of emerging economies and due to the intensification of international geopolitical tensions, to which we should add the internal risks associated with the need to continue important structural reforms with the aim of reducing high levels of debt and unemployment in several Member States.

The permanence of the product below its potential value in conjunction with the sharp decrease of the oil prices and of other commodities, has resulted in very low levels of inflation in 2015. These factors should continue to condition the evolution of the inflation rate in 2016, with the EC projecting a 0.5% inflation rate for the euro area, a figure that is well below the ECB's price stability objective.

The persistence of the deflationary pressure prompted the ECB to strengthen the degree of accommodation of its monetary policy in 2015, namely through the introduction of a public and private debt securities purchase programme, which has led to the depreciation of the euro against the major international currencies.

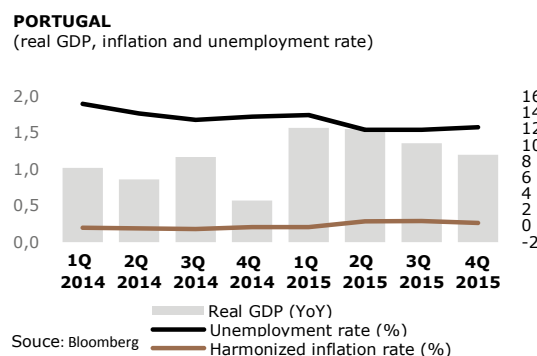


CONSOLIDATION OF THE PORTUGUESE ECONOMY RECOVERY

In 2015 the Portuguese economy registered the highest level of growth from the last four years, thus continuing the recovery process started in 2014. Taking into account that the level of investment decreased from the previous year, GDP growth, which stood at 1.5%, has been supported mainly by the acceleration of private consumption and by the robustness of exports, which benefited from the continuing strong demand from the European area and the effective depreciation of the euro. Indirectly, the economic activity has also benefited from the effects of structural reforms implemented during the adjustment program.

In 2016, the consolidation of the economic recovery is expected to continue supported by the domestic demand, which will continue to benefit from the decrease of energy prices, the increase in employment and in disposable household income, the low level of interest rates and the incentives for investment under the new European funding framework from which Portugal 2020 takes part. Concerning external demand, the strong growth in exports may retract if the risks of an international economic slowdown materializes. On the domestic side, the main focus of uncertainty for economic activity comes from the potential inability of domestic demand to sustain the recovery trend, considering the high levels of indebtedness of companies and also families.

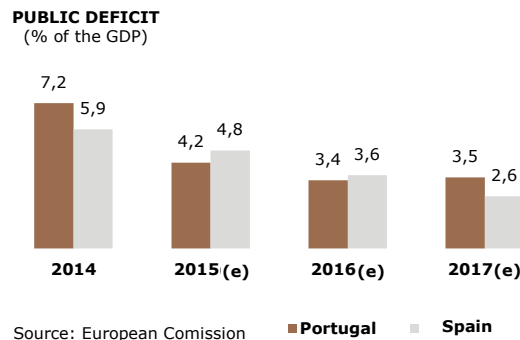
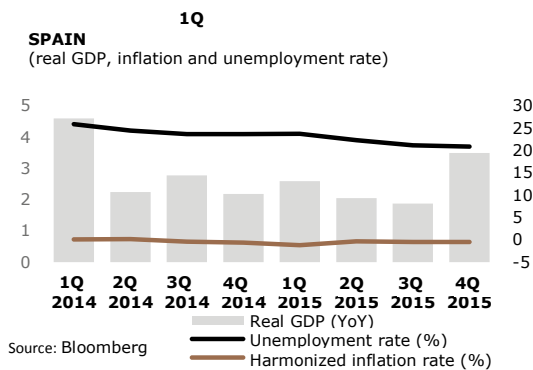
In 2015, the annual average inflation rate in Portugal was 0.5%, the highest value from the past three years. The increase in prices - albeit modest - resulted from the evolution of the non-energy component, since energy prices registered a decrease following the sharp drop of the oil price. The inflation upward trend shall continue moderately in 2016, in line with the recovery of the Portuguese and international economies.



SPAIN IN STRONG RECOVERY

In 2015, the Spanish economy stood out positively among the euro area countries presenting a 3.2% growth. Such performance is the result of a framework with a greater economic and financial stability, after several years of recession, a greater dynamism of domestic demand, in accordance with the increase of employment and of disposable income, a decrease in the commodity prices in international markets and finally a low levels of interest rates. The GDP growth, along with more favourable financing conditions in the capital markets, contributed to the improvement of the public finances in 2015, thus continuing the fiscal consolidation process initiated after the economic and financial crisis. In 2016, the EC forecasts that the Spanish economy shall continue to register a robust growth level, driven by the dynamism of domestic demand. The main risk of this forecast is the potentially adverse impact of the political uncertainty that surrounds the government formation following the parliamentary elections held in late December.

In what concerns the inflation rate, the strong reduction of the oil price contributed for a decrease in inflation to negative values in 2015. In 2016, the EC forecasts a slight increase of the price index, however, conditioned by the still moderate levels of capacity utilization.

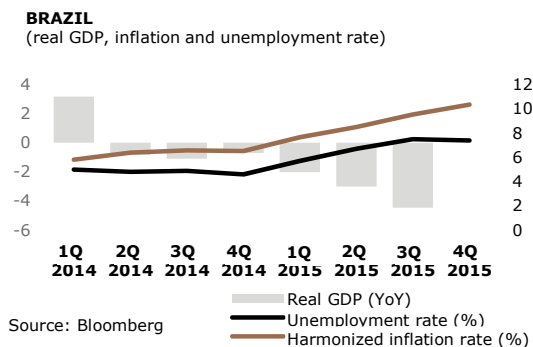


BRAZILIAN ECONOMY FACES A SERIOUS RECESSION

The decrease of commodity prices and the slowdown of the main emerging economies, along with the dollar appreciation, aggravated the risk of unsustainability of the consumption stimulus growth model, which ruled in Brazil during the first decade of the XXI century. Consequently, it was observed in 2015 a strong contraction of the GDP, which the IMF estimated to have reached 3.8%, a worsening of the budget deficit and of the balance of current accounts, which resulted in the loss of the investment status of government bonds from the major rating agencies. In this context, the Brazilian financial assets suffered a sharp devaluation and the Brazilian real depreciated significantly.

The political instability associated with the blowing of several corruption cases in some major Brazilian companies and political parties, is hindering the implementation of a set of reforms and of fiscal consolidation measures

necessary to reverse the current framework recession therefore, the IMF continues to predict a recession in 2016 with a similar magnitude of the one observed in 2015.



Within this context of strong currency devaluation, the rising price of imported goods was transferred to domestic prices. This situation, along with a rise of prices of regulated goods contributed to an upward inflation trend thus leading the central bank, despite the recession faced in Brazil, to adopt a more restrictive monetary policy.

US ECONOMY GROWS FOR THE SIXTH CONSECUTIVE YEAR BUT UNCERTAINTY REGARDING THE SUSTAINABILITY OF THE EXPANSIONIST CYCLE AGGRAVATES

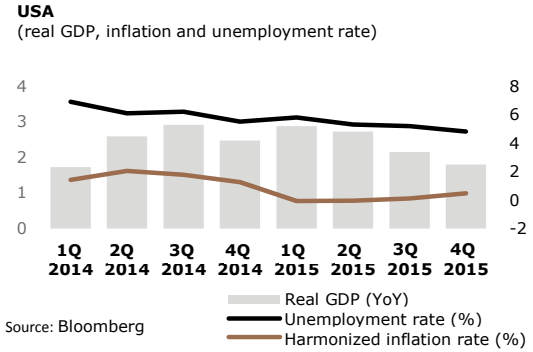
In 2015, the US economy continued with a moderate pace of expansion, which is in line with the recovery pattern that followed the economic and financial crisis at the end of the last decade. The GDP growth stood at 2.4%, and as in the previous year this growth was driven by the dynamism of private consumption and of residential investments, items that benefited from the increase in employment and disposable income together with the low level of interest rates. In contrast, the sharp decrease of the fossil fuel prices and the appreciation of the US dollar translated negatively on business investments, particularly in the extractive industries and in exports. The extent of the economic recovery cycle, which is already in place for six years, along with the improvement of the labour market conditions allowed the Fed to initiate a standardization process of the monetary policy by means of increasing its policy rate by 25 basis points, something which had not occurred since 2006.

In 2016, the robustness of the labor market and the low level of energy costs shall contribute positively to the expansion of private consumption, offsetting the impact on investment and exports which may result from the intention of the Fed to raise the interest rates once more. The sustainability of expansionary economic cycle underway may be revised in case of material deterioration of the emerging markets situation or of significant corrections in the financial markets.

The prospect of normalizing the interest rates together with, the appreciation of the dollar, the fragility of the emerging markets and the effect of the growth trend in corporate profits, limited the risk tendency of investors,

which in turn resulted in a poor performance of the riskier assets classes such as corporate shares and debt from lower quality credit companies. The most outstanding path from the evolution of the public debt market was the lack of direction defined in the yields, perhaps justified by the high degree of uncertainty associated with the Fed course of monetary policy and with the sustainability of global economic recovery.

Despite the internal domestic inflationary pressures caused by the increase in unit labor costs and in rents, the inflation rate remained the whole 2015 around zero, reflecting the impact of the preponderance of the oil prices decrease and of the dollar appreciation. For 2016 it is expected a deceleration in the decrease of commodity prices, which shall lead to a gradual rise in inflation.



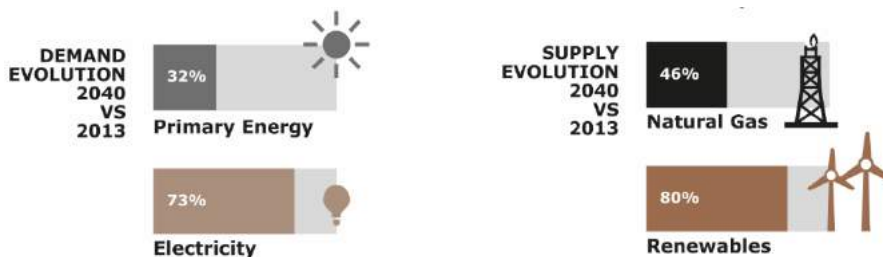
1.2. GLOBAL ENERGY MACRO-TRENDS

The energy sector in rapidly changing, facing unprecedented challenges to endure a sustainable future.

The energy sector is witnessing a deep transformation due to shifting supply and demand patterns. The energy map is redesigned, with demand moving to South/East in emerging countries and supply growing in the West, particularly in the Americas. Despite this transformation requiring structural changes at the global energy mix, with relevant impact on the traditional business models, it also encompasses relevant growth opportunities.

Additionally, growing environmental concerns lead to new challenges to ensure sustainability in coming years and 2015 has been a reference year in

this matter, with the global climate change agreement settled in Paris by the end of the year. In parallel, the sharp imbalance in the global oil market – characterised by excess supply, along with weak demand and a slowing global economy – led to a harsh drop in prices and the year closed with the Brent barrel quoted at 36 USD. Overcoming these challenges will require a new energy paradigm with high levels of investment supported by a strong technological development and innovation, as well as regulatory framework and energy policy fitted to support these changes.



Source: AIE, *World Energy Outlook 2015, New Policies Scenario*

ENERGY DEMAND

Global demand for energy has been consistently increasing, being expected this trend to continue in the medium/long term as a result of economic and population growth. The International Energy Agency (IEA) estimates that world's primary energy demand will grow by 32%, between 2013 and 2040, despite an expected reduction in energy intensity. Regarding final energy, electricity is the energy form that should register the highest growth, about 70% between 2013 and 2040, as a result of increasing urbanisation and electricity penetration in new sectors, such as transports.

The strong growth in global energy consumption should be entirely driven by the emerging economies, while the OECD countries are expected to drop by 3% until 2040. The increase in energy consumption should be concentrated in Asia (India and China are expected to account for almost half of the consumption increase), Africa, Middle East and Latin America.

This high demand growth brings strong environmental concerns and enormous challenges for the energy sector. Despite the efforts to decarbonize the energy sector and the various measures announced by several governments in the context of the United Nations summit in Paris at the end of 2015 (COP21), forecasts point to an overall increase in emissions consistent with a rise in temperature that could reach 2.7°C. This runs counter to the goal of limiting the temperature rise to 2°C, compared to the pre-industrial era figures. The agreement reached at COP 21 establishes, for the first time that the effort must be more ambitious, aiming to limit the increase in temperature to 1.5 ° C.

ENERGY SUPPLY

Although the supply of all energy forms is expected to grow in the medium / long term, the geographical differences are significant and only renewables and natural gas are projected to grow all over the world. Until 2040, the oil consumption should shrink in the OECD countries. Likewise, the coal consumption is also expected to fall in developed countries and also in China. In absolute values, renewables and natural gas will be the forms of energy presenting higher growths up to 2040 (80% and 46% vs 2013, respectively). The weight of fossil fuels in the global energy mix should progressively reduce and it is expected that in 2040 each of the three fossil fuels

(oil, coal and natural gas), represent 1/4 of the consumption. Renewables and nuclear make up the remainder, contributing with 19% and 7% respectively.

Regarding renewables, growth should be divided between traditional bioenergy, hydro, as well as wind and solar, amongst other. Despite strong bioenergy growth, as a result of increasing population in developing countries, its share in the renewables mix is expected to decline from 74% to 56%, up to 2040. Hydro growth should occur also focused on the developing countries, where there is still significant hydro potential to be exploited. In this sense, up to 2040, the other renewables (such as wind and solar) are the ones expected to increase their weight in the renewables energy mix, surpassing even the hydro, due to the recent technological evolution with a strong impact on the cost reduction of these technologies. The United States, China and Europe are predicted to lead renewables growth, up to 2040. The electric sector will be the driver of renewable growth and the weight of these sources in the electricity generation mix will increase from the current 22% to 34% in 2040.

Natural gas consumption increase is the result of strong global energy market dynamics, explained by the recent shale gas technological developments and growing international trade of Liquefied Natural Gas (LNG). LNG contributes significantly to increase the flexibility of supply, thus offering greater protection against disruptions on gas supply. These technological and transport infrastructure evolutions, along with the intensification of measures to reduce emissions, should contribute to an increase in natural gas competitiveness, leading to replacement of coal and oil for natural gas in industry, transports and electricity generation.

ELECTRIC SECTOR

Electricity is expected to be the final energy form that will have the highest growth and increase in all sectors and world regions. Currently, electricity represents only 18% of energy final consumption, a figure that should reach 24% in 2040. The strong electricity consumption growth should be sustained by organic growth in the demand along with two additional factors: access to electricity and replacement of traditional fuels for electricity.

Currently, still about 1.2 billion people don't have access to electricity (17% of world's population). About 87% of the increase in electricity consumption in the world will occur in non-OECD countries, driven by the economic development in these regions and associated with the growth of electrification rate. The same economic growth, increasing urbanisation and industrialisation of these societies will sustain the organic growth of electricity consumption.

In addition, the replacement of traditional fuels for electricity, mainly supported by technological developments and environmental sustainability, contributes to the increase in consumption, compensating a relatively higher decrease in other fuels. Other forms of energy traditionally used to meet the needs of heating and cooling and transport will be gradually replaced by more efficient and cleaner technologies, in particular heat pumps and mobility solutions based on electrical technologies.

The installed capacity should increase from 6 TW in 2014 to 10.6 TW in 2040, which implies an addition of 6.7 TW during this period, of which about 2.3 TW will be necessary to replace power plants that will reach their end of useful life. This need for renewing the fleet is more acute in developed countries, particularly in Europe. Overall, the IEA estimates that in the period 2015-2040 is necessary to invest 20 trillion USD in the electric sector, of which 57% will be directed to generation and the rest of it is going to transmission and distribution networks.

The electricity generation mix should undergo a major transformation, with the decline of the share of fossil fuels (especially coal and oil) and the strong increase of the renewables' weight, which will grow from 6% weight in 2013's mix for 20% in 2040 (excluding hydro). Both hydro and nuclear technologies should keep their weight in the mix, representing approximately 17% and 13% in 2040.

Technological development and the associated drop in renewables' costs is the growth engine of these technologies (mainly wind and solar photovoltaic), also driven by a set of policies supported on environmental concerns and reduced external dependence (particularly in Europe). The high penetration of renewables in the mix has far-reaching implications. The intermittent feature of most of these technologies poses additional challenges in the management of electrical systems and the need for backup capacity to ensure security of supply. Additionally, the traditional model of centralised production will be faced with the distributed generation model, where each consumer is also a producer, and networks work as batteries for backup and management of energy flows.

Also regarding the networks, the combination of information technology and energy is outlining a new world of smart grids, disruptive against the traditional, where information flows in all directions. By 2040, 75% of the total investment in networks will be applied to distribution networks. On commercial topics such as demand response, energy management, real-time prices and customer relationship management will enable better energy system's management.

1.3. EDP MARKETS' ENERGETIC AND REGULATORY FRAMEWORK

EUROPEAN FRAMEWORK ELECTRICITY DEMAND AND SUPPLY

Europe has been witnessing a strong destruction of consumption since it peaked in 2008, and has not yet recovered to pre-crisis values. In response to the challenges faced by the European industry in terms of competitiveness, it has been specialising in low-energy-intensive sectors. On the other hand, as a response to the Energy Efficiency Directive, the implementation of energy saving measures as been reinforced. Therefore, the gains in energy intensity and energy efficiency should dictate a slow recovery in consumption.

On the supply side, renewables have been increasing their penetration in the mix, despite some regulatory uncertainties. From the combination of falling demand with the increase of renewables, consumption fuelled by conventional thermal production has been decreasing, with strong impacts on the operating systems of thermal power plants and, consequently, on the economic viability of some of those plants. Additionally and despite the slight recovery in CO₂ price in 2014 and 2015, it is still considerably low. The CO₂ low price, combined with coal and natural gas prices, allow coal-powered production to remain more competitive than the combined cycle and natural gas plants (CCGT) in most European markets, thereby obstructing the path of decarbonisation advocated by the European Union (EU).

EUROPEAN ENERGETIC POLICIES

In October 2015, the European Environment Agency (EEA) published the "Trends and projections in Europe" report, assessing the progress towards meeting the European energy and environmental policies' targets. It is to recall that the 20-20-20 package sets the following targets for 2020:

- /// 20% cut in Greenhouse Gas (GHG) Emissions, from 1990 levels;
- /// 20% of renewable energy in total energy consumption mix (with binding targets at the Member States' level)
- /// 20% improvement in energy efficiency, reducing primary energy consumption)compared to the baseline scenario).

According to this report, the EU is on track to meet and surpass the 20% reduction in emissions by 2020. The report states that GHG emissions decreased by 23% in Europe (from 1990 to 2014) and it is expected to achieve a 24% reduction by 2020. As for renewable energy sources, the EU should also meet the global 2020 target. Regarding energy efficiency, despite the progresses attained, the collective efforts should not suffice to meet the 20% primary energy savings' target, raising the need to adopt supplementary measures.

Following 2020 targets, in late 2014, the EU adopted the following targets for 2030:

- ⋮ a 40% cut in greenhouse gas emissions compared to 1990 levels;
- ⋮ at least a 27% share of renewable energy consumption;
- ⋮ an indicative target of at least 27% energy savings;
- ⋮ an indicative target of 10%/15% for interconnections to be reached by 2020/2030.

At the end of 2014, the European Commission (EC) announced the implementation of the **European Energy Union**, a political initiative aimed at creating a consolidated energy strategy for Europe, based on five pillars:

- ≡ Ensuring security of supply;
- ≡ Building a single internal energy market;
- ≡ Raising energy efficiency;
- ≡ Decarbonising national economies;
- ≡ Promoting research and innovation.

In order to stimulate the investment in the real economy, the EC announced an investment plan for Europe of 315 billion euros (Juncker investment plan) and the creation of the European Fund for strategic Investments (EFSI), approved by the European Parliament on 24th June, 2015.

On the 7th July 2015, the European Parliament approved the implementation of the Emission Trading System (ETS) reform by establishing a CO₂ market stability reserve, to be in force since 2019. With this mechanism, the allowances available in the market will be automatically adjusted in order to progressively eliminate the surplus of existent allowances in the ETS.

On the 15th July 2015, the EC presented a set of documents known as the "Summer Package", which includes a new framework for energy consumers, energy labelling, revised directive on ETS allowances and a new European electricity market configuration.

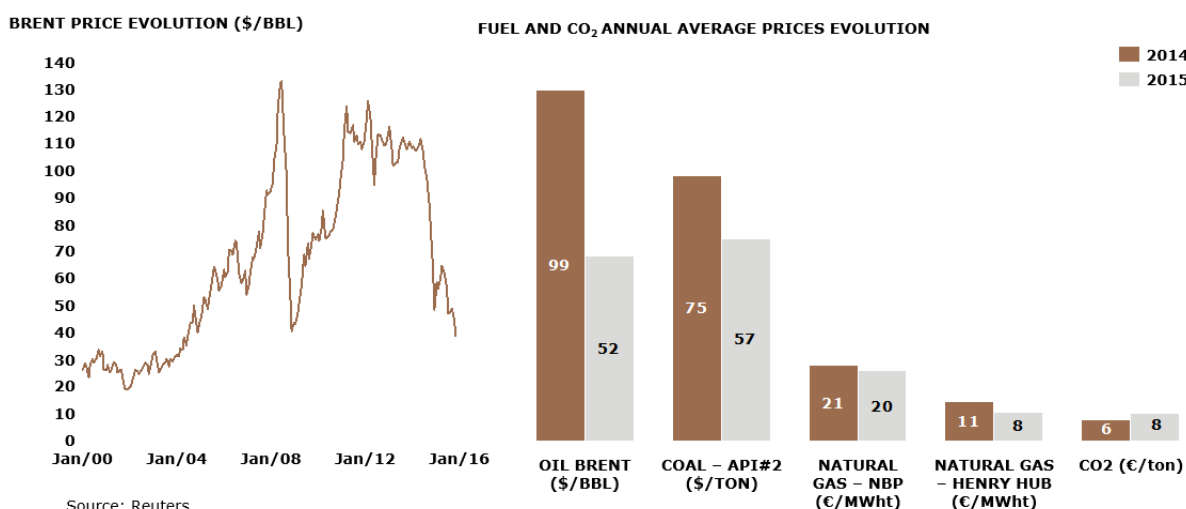
The latter communication launched a public consultation on electricity market design as to adapt it to the sector's new reality, namely the need to attract investments in renewables. The developments toward a low carbon economy leads to a sector increasingly based in fixed costs. Not only investment in low-carbon technologies are capital intensive (such as renewable and nuclear) but also the management of renewable intermittency is achieved through storage, interconnections and under-utilisation of thermal power backup, that is, a structure of mostly fixed costs.

Moreover, the current energy-only market models, are not able to produce the price signals necessary to attract these investments, since it is structurally not possible to recover all overhead costs in marginal markets. As the penetration of renewables increases, the number of hours with null marginal price increases, downward pressing pool prices. Additionally, several markets have explicit price ceilings (e.g. MIBEL), which prevents energy price spikes that are critical to the recovery of fixed costs. In this context, the current market models require capacity remuneration mechanisms.

In a world where fixed costs are increasingly relevant, the key competitive factor is the cost of capital, which can be reduced through risk mitigation mechanisms. However, in the present scenario, the investor carries a high number of risks (regulatory, political, economic cycle, etc.) far beyond the ones manageable (construction, operation, financing), which requires very high risk premiums, thereby penalising the cost of capital, with direct impact on electricity prices for end consumers. In this context, the stability and predictability of revenues is crucial, and the market design should evolve to include stable long-term contracts.

FUEL E CO₂

2015 was clearly impacted by a stiff drop in oil prices, closing at 36 USD/bbl, a 70% decrease in 18 months. The decrease in oil prices is connected to the slowdown of the consumption and the oversupply. Penalising the demand growth is the deceleration of the economic growth in China and other emerging markets. The overproduction results from unconventional oil exploitation made by the US and the reluctance of OPEC countries (namely Saudi Arabia) to decrease production.



Contrary to what happens with oil price, natural gas price continues to be dictated by regional markets. Thus, while both Europe and the US have seen a drop in natural gas prices, the European price (NBP, European index) remain almost twice as high as the US prices (Henry Hub, American index). On the other hand, the natural gas price in the Asian markets has fallen, having virtually eliminated the UE-Asia spread, thereby reducing the opportunities for shifting volumes from Europe to Asia.

Coal price in Europe fell $\frac{1}{4}$ in 2015 compared to 2014, ending with an average value of 57 USD/ton. By the end of 2015, the European price index API#2 had values below 50 USD/ton. The decrease in coal prices is largely explained by the slow economic growth in China and India and the replacement of coal consumption for natural gas consumption in the US.

The CO₂ price in the European market had a significant percentual increase compared to 2014. However, the annual average price of 7.7 EUR/ton is still low and not enough to cause the reversal of order of merit between coal and gas in most European electricity markets. Despite the backloading process (removal of 900Mton from the volume to be auctioned in 2014-2016) and the approval of the stability reserve mechanism, the oversupply and the uncertainty atmosphere are still limiting the price increase.

1.3.1. IBERIAN ELECTRICITY AND GAS MARKET ELECTRICITY

2015 seems to mark the beginning of the economic recovery, as the electricity consumption remained stable in Portugal and rose in Spain, during the year:

- /// **+0.3%**: slight increase in consumption in **Portugal**
- /// **+1.8%**: increase in consumption in **Spain**

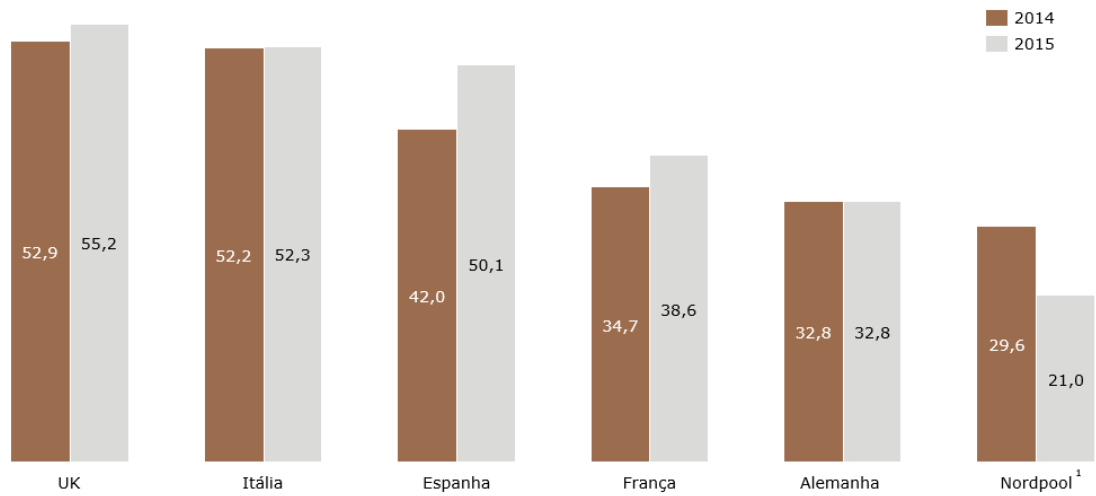
Correcting for temperature and working days effects, the consumption in the Iberian Peninsula in comparison with 2014 rose slightly less (0.1% in Portugal and 1.6% in Spain).

Unlike 2014, which was a wet year (HPI - hydro production index of 1.27 in Portugal and 1.20 in Spain), 2015 was dry (0.74 of HPI in Portugal and 0.70 in Spain). The wind production index (WPI) has also fallen (from 1.11 in 2014 to 1.02 in 2015 in Portugal).

The combination of increased consumption and renewable production reduction (namely hydro and wind) led the Residual Thermal Demand in Iberia to be considerably above 2014, raising from about 80 TWh to 100 TWh. The thermal plants' operating regime (both coal and natural gas) increased, remaining coal more competitive than CCGT. This dynamic reflects the combination of fuel prices and low CO₂ prices, defeating the purpose of decarbonisation of the sector.

The higher residual thermal demand led to the increase in the wholesale price of electricity in Iberia for about 50 EUR / MWh, closer to the values observed in Italy and the United Kingdom. Still, the daily additional markets are an increasingly important source in the generation results.

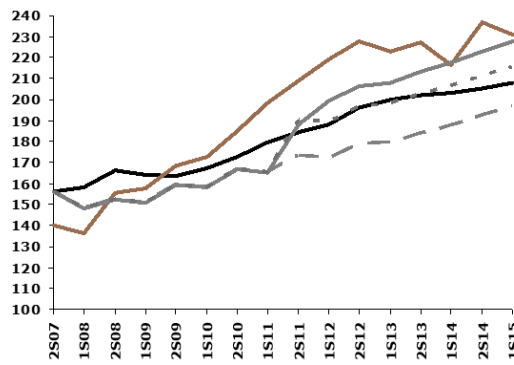
WHOLESALE POWER PRICES IN EUROPEAN MARKETS (€/MWh)



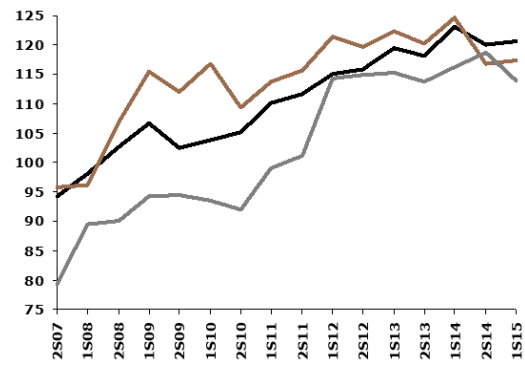
¹ Includes Norway , Sweden , Finland , Denmark , Estonia , Latvia and Lithuania
Source: Reuters; IHS

Regarding the supply, there has been a growing liberalisation in the sector. By the end of 2015, the liberalised market represented 90% of the total electricity supplied in Portugal and 87% in Spain. The final selling prices for domestic clients remain above EU average, both in Portugal and in Spain, being this true after the VAT increase in October of 2011 from 6% to 23% in Portugal. For industrial customers, prices in Portugal have remained below the EU average.

ELECTRICITY PRICES FOR DOMESTIC CUSTOMERS¹
(€/MWh)



ELECTRICITY PRICES FOR INDUSTRIAL CUSTOMERS²
(€/MWh)



Source: Eurostat

1. Prices for Dc range (annual consumption between 2,500 and 5,000 kWh), including all taxes

2. Prices for Ic range (annual consumption between 500 and 2,000 MWh), excluding VAT and other recovered taxes

NATURAL GAS

Consumption of natural gas is typically divided into two main uses: conventional consumption (domestic and industrial consumption, which includes cogeneration units) and the electricity sector consumption. In 2015, the consumption in the Iberian Peninsula increased 5%, driven by the consumption in the electricity sector (+18% in Spain and +242% in Portugal). Overall, the increase of natural gas demand in Iberia was:

- /// **+15.5%: higher consumption in Portugal**
- /// **+4.5%: higher consumption in Spain**

Although the consumption has increased, the contracted quantities continue to exceed demand, leading to the need for large natural gas volumes to be deviated to international markets. Nevertheless, the downfall in European gas prices added to the intense decline in Asian gas price (with the traditional Europe-Asia spread almost eliminated) makes CCGT's electricity generation the most profitable destination, increasing the pressure to comply with the take-or-pay clauses associated with gas supply contracts.

REGULATION PORTUGAL

Under the financial adjustment programme, the Portuguese Government has launched a series of regulatory packages affecting the energy sector since 2012, with an estimated impact in the energetic sector of approximately €3/€3.5 billion, during the period of the financial adjustment programme. In 2015, the extraordinary contribution to the energy sector (CESE) was applied for the second time and may be in force until 2018. CESE is translated in a 0.85% tax on the electricity, oil and natural gas sectors' fixed tangible and intangible assets, representing a revenue of about €150 million, which is assigned to the Fund for Systemic Sustainability of the Energy Sector (FSSSE). Two-thirds of the FSSSE until the limit of €100 million, will be used to finance the social and environmental policies from energy sector, related with energy efficiency measures. The remaining will be used for the reduction of the tariff deficit of the National Electricity System.

In July 2015 was published the ordinance nº. 225/2015, amending the implementing rules of Decree-Law nº. 74/2013, which establishes a regulatory mechanism in order to ensure the balance of competition in wholesale electricity market, primarily as a result of different fiscal schemes between Portugal and Spain. The impact of the designated "extra-market events" started to be determined by the government member in charge of the Energy issues. For power plants participating in the market (excluding CCGT with generation below 2,000 equivalent hours), the defined parameters set the amount of 6.5EUR/MWh to be paid, deducted from a variable term which depending on the CESE and the Social Tariff contribution.

In November 2015, the new Portuguese government has been sworn in. In the energy sector, the Government program includes several relevant objectives, such as retake the investment in renewables, boost energy efficiency, expand electrical mobility and develop a technological cluster for energy. Concrete measures and the details of its implementation are yet to be defined.

SPAIN

During 2014 and 2015, following the reform started in July 2013 by RDL 9/2013 and with the new Law 24/2013 of the Electricity Sector, the Spanish government carried on with a set of regulatory changes. The most positive result of the actions undertaken in recent years was that 2014 was the first year since 2004 in which it was documented a revenue surplus from the electric system (EUR 550 million), it is also expected that 2015 has generated revenue surplus.

The regulatory reform is not exclusive for the electricity sector, also covering the natural gas sector. On May 2015, the law 8/2015 was approved, amending the law 34/1998 on the hydrocarbons sector. The main consequence is the adoption of the decree-law 984/2015 in October 2015, which regulates the organised gas market and third party access to the natural gas network. This decree brings major changes to the gas system's contracting capacity and launches a new wholesale gas market.

In June 2015 the system operating procedures were approved, which allow the beginning of billing with real hourly load curve for household electrical consumers benefiting from the regulated tariff (Voluntary Price for the Small Consumer), which began in October.

In October 2015, the royal decree 900/2015 was approved. For the first time, self-consumption is faced as a state standard. This law establishes the fees to pay for energy generated for self-consumption, depending on the power and type of installation. The rationale is to offset system costs not directly related with energy consumed (e.g. solidarity with extra-peninsula systems, the tariff system debt generated in the past and incentives to renewables). However, those who produce and consume their own energy without any physical connection to the grid do not pay these costs. In addition, payment exemptions are applied to the variable terms of the tariff for self-generation plants with installed capacity up to 10 kW.

Also in October, the lower chamber of the Spanish Parliament approved the “2015-2022 Electricity Transmission Grid Planning”. This planning document indicates that there will not be electricity demand coverage problems in the medium term, as it is expected an increase in the installed capacity in this time frame, mainly wind and solar PV. According to this document, the additions to renewable installed capacity will have to stand between 4.5 and 6.5 GW, in order to fulfil the targets set by the EU to 2020. Nevertheless, at the end of the period, the government reveals the possibility of reserve margins below the desirable, which may imply the need for new firm capacity. The document does not mention the possible hibernation of 6 GW of CCGT, which was foreseen in the document’s draft versions.

The operating system procedures that equate renewables and cogeneration to conventional generation for participation in the ancillary services market were approved in December 2015, following the new regulations on renewable energy in accordance with the new law for the electricity sector and the royal decree 413/2014.

Under the energy reform, there are some aspects still pending of approval, namely aspects concerning capacity mechanisms and rules for plants hibernation.

1.3.2. EDP RENOVÁVEIS’ MARKETS

2015 was a record year for the wind industry as annual installations crossed the 60 GW mark for the first time, bringing total capacity to 432 GW.

In **Europe**, 12.8 GW of wind were installed during 2015, an increase of 6.5% compared to 2014 installations. Germany, that added 6 GW, was again the largest market, both in terms of cumulative capacity and new installations. Poland came second with 1.3 GW added, more than twice the annual installations in 2014. France was third with 1.1 GW, followed by UK which managed to connect 1 GW.

Although 2015 was a relatively quiet year for European onshore wind, it was an outstanding year for offshore. EWEA (European Wind Energy Association) reported that 3,019 MW of offshore wind capacity were installed in European waters, a 108% increase over 2014. These results make cumulative installed capacity amounting to 11,027 MW, consolidating European leadership in terms of offshore wind. Overall, in Europe, wind power was the energy technology with the highest installation rate, reaching 44% of all new installations. Solar PV came second with 8.5 GW (29% of 2015 installations) and coal third with 4.7 GW (16%). Globally, renewables accounted for 77% of new installations.

2015 was also a very good year for **North American** wind, primarily driven by US installations: 8.598 MW (a 77% increase over 2014). The US ended 2015 with 74,472 MW, consolidating its second position (after China) in terms of total installed capacity. Mexico installed 714 MW, amid the implementation of its comprehensive electricity market reform, while Canada 1,508 MW, slightly less than in 2014.

In **Latin America**, Brazil lead the way, installing a record 2,754 MW, with cumulative capacity reaching 8.7 GW. It also worth noting that Uruguay added 316 MW, 60% increase versus its 2014 capacity.

Other **emerging economies** also achieved important additions as for example India (2,623 MW, surpassing Spain and becoming the fourth largest market), South Africa (483 MW), Panama (235 MW) or Ethiopia (153 MW), among others.

In 2015, the main drivers for wind energy growth were its increasingly competitiveness, the need to fight climate change and reduce pollution (particularly choking smog that is dangerously threatening people’s health in many countries). Energy security, increasing power demand in emerging countries, insulation from volatile fuel markets, job creation and local industrial development were also decidedly key, but price and environmental concerns stood out as main drivers in 2015.

REGULATION

In **France**, the “Energy Transition bill”, whose aim is to build a long-term and comprehensive energy strategy, was finally passed in July 2015. In 66 articles, the text has the following targets:

- ≡ Cut France's GHG emissions by 40% between 1990 and 2030 (and divide them by four by 2050),
- ≡ Halve the country's energy usage by 2050,
- ≡ Reduce the share of fossil fuels in energy production,
- ≡ Cap the total output from nuclear power at 63.2 GW,
- ≡ Bring the share of renewables up to 32% of the energy mix.

Wind economics, energy policies and environmental issues continue to drive wind energy globally.

Following the provisions of the "Energy Transition Law", the French government disclosed a draft decree with the details of a new remuneration scheme for renewables. According to this text, renewables will be remunerated by contract-for-difference scheme. However, the implementation for wind energy will probably be delayed to 2018 and up until then, new wind farms will be remunerated according to the current feed-in tariff scheme.

In **Poland**, a new Renewables' Act was approved in February 2015, introducing a different support system for new renewables plants. According to the law, the current Green Certificate (GC) system will be replaced by a tender scheme. However, the current GC scheme will be maintained (with some adjustments) for operating plants. These plants will have the choice to remain under the GC scheme or shift to the new scheme through specific tenders for operating assets.

In **Italy** a new draft decree envisaging new wind tenders for at least the two next years. According to the draft, 800 MW of onshore wind could be tendered, with a reference tariff of 110€/MWh. The publication of the final decree is expected for the first quarter of 2016.

In the **United Kingdom**, on February 26, DECC (Department of Energy and Climate Change) and National Grid, published the results of the first "Contract for Difference" (CfD) auction. Over 2,1 GW of capacity across 27 projects was awarded a CfD contract. Successful projects include 15 onshore wind projects, 2 offshore wind and 5 solar PV, among others.

UK energy secretary Amber Rudd announced a "new direction for UK energy policy" in a speech on 18 November. According to it, the strategy is likely to be focused on gas, nuclear, and provided it cuts its costs, offshore wind. With regards to offshore, she announced that the government would fund three auctions before the end of the decade, with the first probably to be held by end 2016. However, this funding will depend on offshore wind capacity to lower its costs.

Regarding **Romania**, the EC disclosed in May 2015, its clearance to the Romanian Renewables support scheme amendments notified in 2013 and 2014. Therefore, the amendments have been declared compatible with European regulation. On December 2015 the Government set the value of the GC quota for 2016 at 12.15%.

In the **USA**, the President signed in December 2015 the Consolidated Appropriations Act, 2016, which includes the extension of energy-related tax incentives for wind power in the country. As a result of this Act, wind energy projects that begin construction before January 1st 2020 will qualify for 10 years of Production Tax Credits ("PTC") on the electricity output. Previous to this extension, PTCs were available for wind energy projects that had begun construction before January 1st 2015.

The 5-year extension also includes a phase down according to which the PTC value shall be reduced by 20% in the case facility construction begins after December 31st, 2016, and before January 1st, 2018; by 40% if construction begins after December 31st, 2017, and before January 1st, 2019; and by 60% if construction begins after December 31st, 2018, and before January 1st, 2020.

Wind projects also have the option to choose, in lieu of the PTC, an Investment Tax Credit ("ITC") on the project cost during the same period and with the same phase down percentages.

1.3.3. ELECTRICITY MARKET IN BRAZIL

In Brazil, 2015 was a year full of uncertainties. The political and economic instability that lasted all year was deeply reflected into the Brazilian families' consumption, investment decisions and the industrial production. The economic slowdown impacted several sectors, including the energy one. The crisis felt in Brazil influenced negatively the market results and the National Interconnected System (SIN) charges in 2015, which registered a decrease comparing to 2014, a clear setback to the trends observed in recent years.

As it regards regulation, in 2014, the distribution companies experienced a scenario of high tariff deficits, as a result of the tariff reductions carried out by the government in early 2013. To recover the distribution companies' revenues and normalize the sector's economic and financial balance, in February 2015, the regulator adjusted the tariffs through an extraordinary review, which resulted in an increase of over 50% in energy prices.

In January 2015, the "tariff flag" system was adopted. Through a coloured flag included in the monthly bills, this system aims to maintain consumers informed of the changes on electricity generation costs, allowing the distribution companies to pass on to end-users the price variations associated with thermoelectric generation.

There are three flags—green, yellow and red. If the flag is green, The tariff does not have special increases; yellow, the tariff increase R\$ 0.025 for each kWh consumed; red, the tariff has an additional value of R\$0.045/kWh, excluding taxes. With this information, customers can take actions to minimize energy consumption and reduce the amount to be paid.

The hydroelectric system performance also impacts the electric sector sustainability, since 71% of the country's electricity is generated by hydro sources, according to data released by the National Electric System Operator (ONS). In hydrological terms, 2015 was one of the worst periods in history, resulting in a sharp drop in storage levels in Southeast and Midwest regions during the first semester.

The Southeast and Midwest reservoirs accounted for about 70% of the country's storage capacity and, although low, remained stable during the second semester. As a consequence of low discharges in the first semester, the energy price reached almost its maximum (R\$ 388/MWh). In the second half of the year, reflecting the good rains, energy prices had a significant drop, averaging around R \$ 200 / MWh in the Southeast / Midwest.

The hydrological scenario impacted hydro generation and resulted in the necessity to activate thermal technologies, which have high costs. The Generating Scaling Factor (GSF), which measures the amount of energy produced by hydro plants in relation to their physical guarantees, was about 85% in 2015, causing the producers to buy energy in the spot market, at high prices, to meet their contractual commitments. Hydro output below their physical guarantees resulted in a financial impact for the producers and culminated in legal injunctions against the payment of this hydrological deficit.

To minimize new hydrological risks, the Federal Government issued a provisional measure (MP688), subsequently converted into Law 13.203/15, aiming to establish a mechanism that works like an insurance. Energy producers have the possibility to pay a monthly premium to limit and pass the hydrological risk. The alternative restricts the risks to which the hydro plants are exposed in case of unfavorable hydrological scenarios.

In December 2015, ANEEL issued Normative Resolution nº. 684/15, enabling agents to renegotiating the hydrological risk at different levels of protection, according to their individual risk analysis.

2. STRATEGIC

AGENDA

The strategic architecture adopted by EDP in 2006 is based on three pillars - controlled risk, superior efficiency and focused growth - and has been adequate given the changing business environment, especially with regard to the European Utilities sector. In 2012, EDP presented strategic priorities well defined for the quadrennium 2012-2015 ending now:

- ⌘ Maintenance of a low risk profile through proactive management of legal / regulatory agenda;
- ⌘ Competitive refinancing and accelerated deleveraging, ensuring the increase of cash flow generation;
- ⌘ Focus on opex and capex efficiency, creating long-term sustainable growth options;
- ⌘ Growth-oriented to value creation, ensuring stable and attractive return to shareholders;
- ⌘ Successful implementation of the strategic partnership with China Three Gorges (CTG).

In May 2014, EDP presented a new Business Plan (BP) until 2017, tailing the strategic objectives defined for the previous quadrennium and reinforcing the commitments of:

- ⌘ Growth balanced with financial deleveraging; and
- ⌘ Focus on creating value and attractive return for shareholders.

The growth commitment is embodied in an expected increase in Gross Operating Profit (EBITDA) and Net Income of about 5% per year by 2017 (based on 2014 closing expected at the time of PN 2014-17), driven by the execution of the Portuguese Hydro Programme and creation of growth opportunities centred either in EDP Renováveis, wind or solar platform, or in selective international expansion opportunities.

The BP 2014-17 projected a capacity of about 26.7 GW by 2017, (including the capacity consolidated by the equity method), of which at least 75% from renewable sources. This growth includes the commissioning 2.8GW of hydro (of which 1.5GW in Portugal and 1.3GW in Brazil) and the full consolidation of 534MW of wind resulting from the asset split of the ENEOP consortium.

The financial deleveraging effort remained a priority with the aim of achieving in 2017 a ratio of Adjusted Net Debt / EBITDA at 3.0x by carefully controlling the investment level, as well as executing the partnership targets with CTG and the asset rotation policy followed by EDPR.

The diversification in terms of markets and regulatory environment, always looking for PPA contracts, will allow EDP to **maintain its low risk profile** and to be one of the most integrated and regulated European utilities, with the weight on EBITDA from regulated activities exceeding 70% of total EBITDA by 2017.

To this risk profile, will also contribute the maintenance of a leadership position and global recognition of its sustainability practices, an objective assumed in the strategic agenda of EDP that integrates the several targets around the **three pillars of sustainable development** - environmental dimension, economic dimension and social dimension.

Regarding the **return to shareholders**, EDP took a commitment to maintain the minimum dividend of € 18.5c per share, intending to achieve a payout ratio that is in a range between 55% and 65% of recurrent net income.

Finally, in order to **maintain a leading position in terms of efficiency**, the commitment of the business plan is based on an extension of the Opex III savings to 180 million per year in 2017.

Goals

Balancing growth & financial leverage.
Maintaining controlled risk & attractive returns.

Strategic agenda

Continue to grow	Financial deleveraging	Low risk profile	Improve efficiency	Attractive returns
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Targets

EBITDA & Net profit	Net Debt ⁽¹⁾ / EBITDA	Regulated & Long Term contracted activities	OPEX Savings	Dividend per Share
CAGR 14E-17E	2017E	2017E	2017E	FLOOR
~5%	~3.0x	>70%	€180M	€0.185

⁽¹⁾ Adjusted for regulatory receivables

ACHIEVEMENT OF STRATEGIC PRIORITIES

The legal and regulatory agenda has remained as one of the main priorities for EDP, as the Group continues to take a proactive stance in providing solutions that lead to the consolidation of sustainable energy systems where it operates. Note that the tariff deficit, being one of the major concerns of Portuguese Regulator, registered in 2015 a reversal of its trajectory for the first time since its inception. In Spain, the Regulator continued with the implementation of measures in this regard, resulting in a zero deficit creation in 2015. In Brazil, following the continuation of unfavourable hydrological regime in recent years, EDP contributed in the search for regulatory solutions that made possible the establishment of a compensation model that allow the normal development of the activity in a context of very high energy purchase prices by the distributors, thus minimizing the risk.

Adverse regulation in Iberia, the volatility of energy purchase prices resulting from Brazil's poor hydrology (despite the positive trend seen in the second half of 2015) and the devaluation of the Brazilian Real in the last three years, are within the most important factors penalizing the accumulation of results and the fulfilment of the targets set in May 2012.

Still, EDP has kept a low and clearly distinctive risk profile, which has allowed it to mitigate those negative impacts, expressed either by the weight of regulated activities in 2015 (91% - above target) or by the weight of renewable installed capacity (70% - in line with the target for 2015).

With respect to the competitive refinancing and deleveraging targets, decisive steps were taken, although the aim of an Adjusted Net Debt / EBITDA at 3.0x has been extended to 2017 mainly due to the regulatory and fiscal impacts already mentioned, as well as the adverse impact from the appreciation of the USD on the USD denominated debt.

The investment stood at 1.7 billion euros in 2015, roughly in line with expectations. In January 2016, a new asset rotation deal was completed in the amount of 0.3 billion euros, anticipating in two years the target of € 0.7 billion for this type of operations.

Regarding the implementation of the strategic partnership with CTG, from the 2 billion euros initially agreed, 1.4 billion euros were already closed, including the agreement signed in December 2015 for sales 49% of wind farms in Italy and Poland, scheduled to be concluded during the first semester 2016.

Additionally, EDP completed in 2015 sales of 0.2 billion euros of the gas distribution assets in Murcia and other regions of Spain, which were far away from the current activities of the Group.

In 2015, EDP completed monetizations of tariff deficit in Portugal amounting to more than the 0.8 billion planned for 2015, reinforcing the efforts already evidenced in 2014 with the sale of 1.4 billion euros, about 0.6 billion higher than expected.

The deleveraging effort was further enhanced in 2015 by the issuance of a 0.75 billion euros of subordinated bonds, with some capital features that allow rating agencies to treat as equity 50% of its nominal value. This deleveraging effort has been recognized by rating agencies with the reflection in their projections of a reduction in the financial risk profile of EDP, which in fact justified the exit from speculative territory of EDP by Moody's, joining Fitch in assigning EDP an investment grade rating.

In a period of great uncertainty, **focus on efficiency in terms of Opex and Capex** has been constant, marked by a successful anticipation of the results of OPEX III efficiency program, which enabled EDP to exceed by more than 25% the 130 million euros savings planned for 2015. In terms of investment efficiency, there was also a significant effort to reduce the amount invested in relation to EBITDA, particularly with a ratio of about 56% in the last three years and in convergence with the target of 50% for the average between 2012 and 2015. The centralized procurement of EDP Group with savings of EUR 170 million in 2015 had a decisive contribution to the capex savings effort.

In terms of **growth with value creation**, and regarding the execution of the hydro plan in Portugal, after the entry into service (CoD) in 2011/12 of the repowering of Alqueva, Picote and Bemposta plants, in 2015 started operating the dams of Ribeiradio / Ermida (82MW) and ended the construction of Salamonde II (207MW with entry into operation in January 2016) and of Baixo Sabor (172MW of which 142MW entry into operation in the first quarter 2016). Still in 2015, EDP continued the construction works of Venda Nova III repowering and the Foz Tua dam – together representing 1.019MW and with completion expected by the end of 2016 and during the first semester 2017, respectively.

With regards to EDP Renováveis, during 2015, 602MW of wind capacity were installed, occurring most of this growth in the US (398MW). Also in North America, EDPR's entered into Mexico in 2014 with a 200MW wind farm to be completed in 2016. Finally, in 2015 EDP Renováveis started consolidating 613MW of wind on the split of the ENEOP consortium.

In Brazil, it is worth to highlight the CoD anticipation of Jarí hydro plant (373MW, 50% EDP, in operation since 2014) and Cachoeira Caldeirão hydro plant (219MW, 50% EDP, with CoD scheduled for the first half of 2016). Still in Brazil, the construction works of São Manoel (700MW, 33% EDP, with operation scheduled for 2018) continue in line with plan; and the acquisition of 50% of the thermal power plant of Porto do Pecém allowed the consolidation of the 100% now owned by EDP Brazil (720MW).

Also during 2015, in pursuing the objective of creating growth opportunities, EDP entered into long-term contracts for the sale of energy corresponding to 200MW in wind projects in the US.

With respect to the **shareholders return**, EDP kept its dividend distribution policy with a dividend distributed 18,5c € per share. The price of EDP shares increased by 3% in 2015, which when adjusted by the dividend paid in the year, allowed a shareholders a total return of 9%, 10 p.p. above the Euro Stoxx Utilities Index and less 6 p.p. below the PSI 20.

The following chapter summarizes the status of EDP commitments, and specifies the objectives and goals associated to the achievement of the strategic agenda and aligned with the Principles of Sustainable Development of the Group, demonstrating this way the company's effort to meet its challenges.

3. GOALS AND TARGETS

Objectives	GOALS	Date	Status	Observations
1. ECONOMIC AND SOCIAL VALUE				
To focus on growth maintaining the financial deleveraging	EBITDA Average Annual Growth Rate: ~5% per year *	2014-2017		Additional information on chapter 14, Strategic Agenda
	Net Profit Average Annual Growth Rate: ~5% per year *	2014-2017		
	Installed capacity of 26.7 GW **	2017		24.3 GW of installed capacity in 2015
	Average Annual Net Investments of ~€1.6bn per year	2014-2015		Additional information on chapter 14, Strategic Agenda
	Average Annual Net Investments of ~€1.2bn per year	2016-2017	NEW	
To preserve a low risk business profile	Adjusted Net Debt/EBITDA: ~3.0x	2017		Additional information on chapter 14, Strategic Agenda
	Regulated & LT Contracted EBITDA > 70% of total EBITDA	2017		9% EBITDA from regulated activities in 2015
To promote internal efficiency	Renewable installed capacity > 75% of total installed capacity	2017		70% of renewable installed capacity
	OPEX III cost savings of €80M/year by 2017	2017		Additional information on chapter 14, Strategic Agenda
To keep an attractive dividend policy	Payout ratio between 55% and 65% of recurrent net profit, with a minimum of €0.15 per share	2014-2017		EUR 0.185 per share paid
To improve the integration of sustainability practices in the internal management systems	Keep the SAM Gold Class	2017		EDP is included in Bronze category
2. ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION				
To focus growth on a cleaner production	Until 2030, reduce CO ₂ emissions by 75% in comparison with 2005 values	2030	NEW	Page 76
To strengthen an appropriate environmental management of EDP's activities	100% of installed capacity certified according with ISO 14001	2020		Page 94
To contribute actively to the preservation of the environment and biodiversity	Globally extend environmental externalities evaluation	2017		Not initiated
Promote eco-efficiency in customer	More than 1TWh induced energy savings in final customer by products and service	2020	NEW	
3. INNOVATION				
To promote competitiveness and productivity through innovation	200M investment in low carbon R&D 2015 e 2020	2020	NEW	Page 87
	90% smart meters installed in the Iberian Peninsula	2030	NEW	
	Extend Inovgrid project to more 100 thousand clients in seven new places in Portugal	2015		Page 82
4. INTEGRITY AND GOOD GOVERNANCE				
To strengthen the ethics in all EDP's employees' culture	Maintain the incorporation in the World Most Ethical Companies list by the Ethisphere Institute	2017		Page 24
	Exceed 80 points in the corporate index Ethicis	2020		Page 86
Extend Sustainability to the supply chain	Develop new supply chain indicators and comply with G4	2015		Page 10-12
5. TRANSPARENCY AND DIALOGUE				
To report transparently and ensure an open and trusting relationship with stakeholders	Complete the report of GHG emissions, scope 3	2015		Page 93
6. HUMAN CAPITAL AND DIVERSITY				
To work towards "Zero accidents, no personal harm"	Reduce the frequency of on-duty accidents with EDP employees and service providers by 5% compared with 2015	2013-2015		Page 126
Diversity Policy	Implement between 10 and 15 initiatives from the action plan defined	2015		Page 103
	Review the Diversity Policy	2016	NEW	
Performance assessment	Define Sustainability KPIs for all employees	2016	NEW	
To keep a high level of employee satisfaction	Maintain employees's Global Satisfaction above 80%	2013-2015		Page 104
7. ACCESS TO ENERGY				
To keep or improve the quality levels of technical and commercial services provided to our clients	Ensure an overall customer satisfaction above 80% in different segments	2020		Page 106
	Ensure that ICEIT and DEC are above the levels set by Regulators	2014-2015		Page 76
8. SOCIAL DEVELOPMENT AND CITIZENSHIP				
To enhance a close relationship between the company and the society	Guarantee an allocated budget to "Fundação EDP" up to 0.1% of the Group's turnover	2012-2015		Annual goal, approved by the General Assembly
	Increase the number of volunteering partnerships by 50% until 2015, compared to 2012	2012-2015		Page 15
	Relaunch the Social Stock Exchange, reaching €2.5M and 10 client companies	2015		Not performed

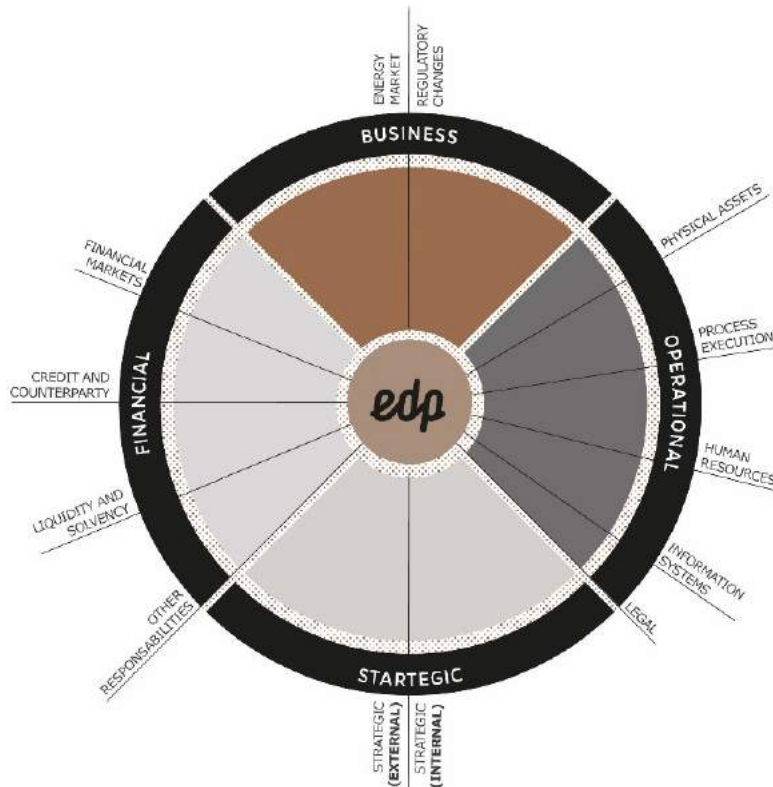
* Based in 2016 forecast of Investor's Day presentation

** Includes equity consolidated capacity

4. RISK MANAGEMENT

2.4.1. SUMMARY OF KEY RISKS, RESPONSIBLES AND MANAGEMENT STRATEGIES

EDP group's taxonomy of risks combines, in an integrated approach and common language, the various risk maps that exist at the Business Unit level. It is structured around four major families: business, financial, operational and strategy.



EDP Group's taxonomy of risks

In this section we briefly describe the main types of risks covered by the taxonomy and in the following section we characterize the relative materiality of these risks, as well as potential future developments.

- :: BUSINESS RISKS** aggregate all risk factors intrinsically linked to the remuneration of the EDP Group's core activities, both in terms of energy markets and regulatory risks.

In terms of energy market risks, there are significant uncertainties associated with fluctuations in pool and other commodities' prices, volatility of renewable energy production volumes (particularly at hydro level), volatility in energy consumption and narrowing of sales margins. As most plants are covered by medium and long term energy sale contracts, risk is largely mitigated at the pool and fuel price level, in the case of thermal power plants (for example Sines in Portugal), and at the pool price in the case of wind and hydro plants (as well as the risk of renewable's hydro volume in the case of Portugal)¹. In Iberia, the risks associated with plants subject to market risk (pool and commodities price) are monitored and managed by the EDP's Business Unit for Energy Management (UNGE), who are responsible for negotiating contracts for coal, gas and CO2 allowances and for hedging the fuel price risk (in cooperation with the Corporate Financial Management Department). Fluctuations in energy

¹ For power plants under CMEC (Costs of Maintenance of Contractual Balance), the respective mechanism of revisibility will expire, depending on power plant, until 2017.

consumption (in addition to impacts of the pool price, cited above) are reflected as a small impact on the permitted revenues of the distribution business (to the extent that this variable is one component – amongst other – of the variable remuneration indices). The Group manages its exposure to the various energy market risks through an active strategy of diversification across multiple technologies, geographies and business lines.

In terms of regulatory risks, EDP Group is subject to legislative and regulatory changes (for example, sectorial packages, regulatory models, environmental rules, taxes and fees). The EDP Group manages this risk through continuous monitoring and preparation of several dossiers, which are discussed in a constructive and cooperative atmosphere, allowing the anticipation and minimisation of unfavourable and/or inadequate outcomes that can materialise in the various market environments where the Group operates.

:: FINANCIAL RISKS aggregate the market risk factors that complement the (non-operational) energy business risks in the various geographies and markets where the EDP Group operates in terms of i) financial market variables, ii) credit and counterparty (financial, energy and customers), iii) liquidity/solvency (treasury, difficulties in access, cost of capital and rating) and iv) other responsibilities (including the Defined Benefit Pension Fund).

In terms of financial market variables, the EDP Group is exposed to fluctuations in interest rates (impacting on debt subject to floating rates and on costs derived from refinancing at a fixed rate), exchange rates, inflation and valuation of financial assets held by the Group. All these risks are managed and mitigated by the Corporate Financial Management Department, together with UNGE, EDP Renováveis and EDP Brasil, who ensure the compliance with the Group's risk policies and periodically report on the evolution of the main variables and sources of risk.

In terms of credit and counterparty, the EDP Group recognizes risks associated with its financial and energy counterparties, as well as with credit defaults of its clients in the various geographies where it operates. The financial counterparties risk management is ensured by the Financial Management Departments through i) a careful selection of counterparties, ii) adequate diversification, iii) exposure only to financial instruments of reduced complexity, high liquidity with no speculative nature, and iv) regular monitoring of the respective positions. UNGE manages the energy counterparties' risk by applying exposure limits previously established and approved in accordance with the individual rating of each counterparty. Finally, the commercial risk is managed by the commercial areas of the Group (in Portugal, Spain and Brazil), who carry out adequate provisioning against default expectations.

In terms of liquidity/solvency risks, the risk of possible cash shortfalls is mitigated through i) centralisation (cash-pooling) of all of the Group's liquidity (except in Brazil), ii) maintenance of adequate liquidity levels (cash and credit lines with firm commitment) based on a detailed forecast of cash needs (enough for about two years), iii) an appropriate strategy to diversify funding sources, and iv) the diversification of debt profiles in terms of type and maturity. As the rating risk leads to potential adverse impacts on funding access and costs, the Group seeks to maintain stable contractual standards, which ensure no dependence of its liquidity position to mechanisms such as financial covenants or rating triggers.

In terms of other responsibilities, the EDP Group recognizes and closely monitors risks associated with the capitalisation of the Group's Defined Benefit Pension Fund in Portugal (associated with the market value of the respective assets), with additional costs associated with early retirement, as well as with medical expenses. Employee benefits liabilities are calculated annually by an Independent Actuary, using assumptions set out in IFRS-IAS (taking into account aspects such as, among others, interest rates, demographic factors, economic variables and applicable requirements). The Pension Plan and Fund Committee regularly monitors the Defined Benefit Pension Fund in terms of the value of the assets that comprise the Fund as well as changes to the liabilities.

:: OPERATIONAL RISKS aggregate risk factors that are additional to the energy business and financial risks in the various geographies and markets where the EDP Group operates. They contain risks associated with the planning, construction and operation of physical assets, execution of processes, personnel, information systems and legal.

In terms of incidents on physical assets, these risks can be derived from external (for instance, seismic or atmospheric phenomena) or internal causes (for instance, damage caused by defects of origin and/or installation), and can result in (amongst others) threats to the physical integrity of the Group's employees or third parties, costs on the repair or replacement of equipment, the unavailability of assets and subsequent loss of profit or in compensations to third parties. These risks are, firstly, managed and mitigated by the various operational areas of the Group's Business Units, who propose and implement best practices in terms of operational policies, regular inspections and preventive maintenance, as well as in plans for catastrophic events' crisis management and business continuity. Secondly, a significant part of the remaining risks are mitigated through a comprehensive range of insurance policies (in particular property damage and civil and environmental responsibility), managed by a dedicated area - the Insurable Risks' Unit at EDP Valor.

In terms of information systems, (both in terms of availability, data integrity and security) we highlight the establishment, in close coordination with the various Group Business Units (end users), of maximum unavailability periods that are acceptable for each of the main families of applications (which served as the basis for the sizing and implementation of redundant systems for disaster recovery, particularly for critical systems such as execution of financial transactions, grid operation and energy trading).

In terms of legal issues, there are recognisable risks associated with losses resulting from the failure to comply with current legislation (tax, labour, administrative, civil or other), with impact at the economic level (penalties, compensations and agreements) as well as damage to reputation. The EDP Group analyses, monitors and reports material developments to all relevant bodies, whether at the level of the Executive Board of Directors or at the General and Supervisory Board (through global and geography-specific exposure levels). Provisions are recognised, in accordance with current legislation, whenever a process is characterized as probable and for 100% of the contingency value at risk.

:: STRATEGIC RISKS typically incorporate risks with medium-long term prospects, usually with reduced likelihood, although if they occur they may have a material impact.

In terms of surrounding risks (external), EDP Group recognizes and monitors closely the developments in terms of possible exogenous events with a potential material impact for the Group. For example, regarding the risk of technological disruptions, EDP Group has sought to position itself at the forefront of technological development in the sector, looking at this issue not as a threat but as a central vehicle for promoting growth in the future both through investment and research into new technologies (in particular, but not limited, to activities performed by EDP Inovação).

In terms of strategy risks (internal), EDP Group identifies and actively follows the main issues associated with major corporate decisions (for example associated with investment decisions, relation with partners, internal governance and corporate planning in its various forms). For example, a rigorous process is established for investment decisions, consistent with the Group strategy and with pre-established criteria (in particular regarding the definition of minimum return levels, up to date and geography-/ business-specific discounting rates, as well as the resilience to multiple adverse scenarios of delays, cost overruns, fluctuations in key business variables, etc.). This process is led by the Business Analysis Department and discussed in formal forums (Investment Committees) for the analysis, decision making and monitoring of projects.

2.4.2. PERSPECTIVE ON THE RISKS RELATIVE MATERIALITY AND POTENTIAL EVOLUTION

The Group regularly quantifies its main risks at corporate level, in close coordination with the various Business Units. This quantification contemplates a perspective of average loss and maximum loss (95% confidence interval), taking into account estimated probabilities of materialisation and impacts according to multiple scenarios and prospects (short, medium and medium-long term), and performing an aggregation by category of risk that takes into account potential correlations between the various risk natures.

In terms of key messages, we highlight the following:

- ≡ Business risks, in the short term, tend to have a reduced level of maximum loss. This results from the significant percentage of the generation portfolio covered by long term contracts (with remuneration not subject to fluctuations in electricity market prices and hydro volumes) and the regulated distribution portfolio in the various geographies. On the other hand, it should be noted that there is currently a high (cyclical) risk associated with the (reduced) hydro production in Brazil, due to the extreme drought context of recent years (2014 drought considered the worst in over 80 years), which forces power producers to meet their short positions through purchases at high market spot prices. It is relevant to note that EDP Brasil has joined the hydro risk renegotiation deal (with retroactive effects to January 2015) proposed by the Brazilian regulator, which materially limits the level of risk associated to the volatility in hydro generation in this geography.

In the medium term it is expected that business risks in Iberia will assume greater prevalence, due to i) the expiry date of the CMEC's mechanism in Portugal (a mechanism that will be lastly revised in 2017), ii) the increase in installed capacity of merchant power plants and iii) the potential negative impact of periodic changes to the regulatory models of the distribution business (also impacting at the financial risk level). On the other hand, it is expected that business risks in Brazil will decrease due to i) the abovementioned risk renegotiation deal, ii) the expected normalization of Brazilian hydrology and iii) the generation investment plans that will increase system capacity. The EDP Group will continue to act proactively in order to manage and mitigate these risks, either through the maintenance of its strategy of diversification (technological, geographical and by line of business) or through the adoption of hedging mechanisms.

- ≡ The current environment negatively impacts the volume of financial risks (in terms of maximum loss), mainly due to the cyclical risk related to the downgrade of the rating of the Iberian financial counterparts in the recent past. The Group believes that the European Central Bank's Quantitative Easing Programme and the approval and execution of measures, at a national and European level, to strengthen the European financial system set up conditions for the progressive improvement of counterparty ratings, namely in the Iberian market – expectations in part already materialized with the upgrade of the Portuguese Republic's rating in 2015 (Standard & Poor's). On the other hand, the EDP Group has established, as a strategic priority, the reduction of its leverage and has acted proactively in this regard. For these reasons the EDP Group expects that this category of risks will be reduced to levels of materiality lower than the ones in the business category, in a medium-term horizon.

As for the remaining risks, we highlight the mitigation of risk of exchange rates (in particular EUR-BRL, in what concerns net asset value in foreign currency, as well as income generated in foreign currency in specific subsidiaries), inflation (since part of the remuneration of regulated activities and PPA contracts is inflation-linked, but also due to the focus on stable markets) and appreciation of financial assets (as a result of a conservative risk policy, with a reduced weight of strategic financial assets and treasury based in short-term bank deposits). On the other hand, it is worth noting that the risk of customer default has structurally weakened in Spain (compared to Portugal), due to the higher weight of the B2B segment, and that in Brazil the risk is mitigated either by existing financial collateral that mitigates the loss or by partial recovery through the regulated tariff.

- ≡ The operational risks have a relevant value of expected loss but lower volatility than the previous risks. The main risks that contribute to this result are related to i) the projects under development

and construction (investment plans at EDP Brasil and EDP Renováveis, Hydro Plan in Portugal), ii) the operation of physical assets (in terms of incidents as well as operational losses) and iii) matters of a legal/litigation nature.

In addition to the aforementioned management and mitigation measures, it should also be noted that many of these risks, particularly the most frequent and/or of less uncertainty, are in many cases already included in the budgets of the various Business Units, either through specific budget items, budgetary margins or appropriate provisioning. This means that the magnitude of the operational risks should not be interpreted as a proxy for the size of the execution risk associated with the Strategic Plans exercises (multi-year) and/or Budgets (yearly).

In the future the level of operational risk is expected to decrease, due to the expected completion of the Hydro Plan in Portugal (impacting the risk associated with development and construction projects) as well as a normalisation of the extreme drought context in Brazil (which would lead to a reduction in the implicit cost of operating losses in distribution).

- ≡ The risks of strategic nature have a relatively small order of magnitude (given a 95% confidence interval), but can, in extreme cases and in the medium-long term, result in a significant impact to EDP Group if materialised, so the Group will remain attentive to any future developments.
- ≡ Finally, in terms of reputational risk, the Group is in line with the best positioned international peers. In terms of its definition, EDP Group considers the reputational risk not as a risk in itself, but as one of the dimensions of impact of each of the taxonomy risk factors (be it business, financial, operational or strategic). Given the diverse nature and multiplicity of causes that can generate reputational impacts, each one of EDP Group's employees has the responsibility to manage and mitigate this same risk.

It is also worth noting that the EDP Group is positioned in line with the best peers (and above the sector average) at the level of RRI (Reputational Risk Index) of RepRisk. This organisation, specialised in mapping reputational risks associated with environmental, social and governance issues, systematically assesses all major incidents, criticism and controversies expressed in a broad range of media. The RRI published weighs the number of identified issues (as well as their respective recurrence), severity, credibility and scope of the respective sources.



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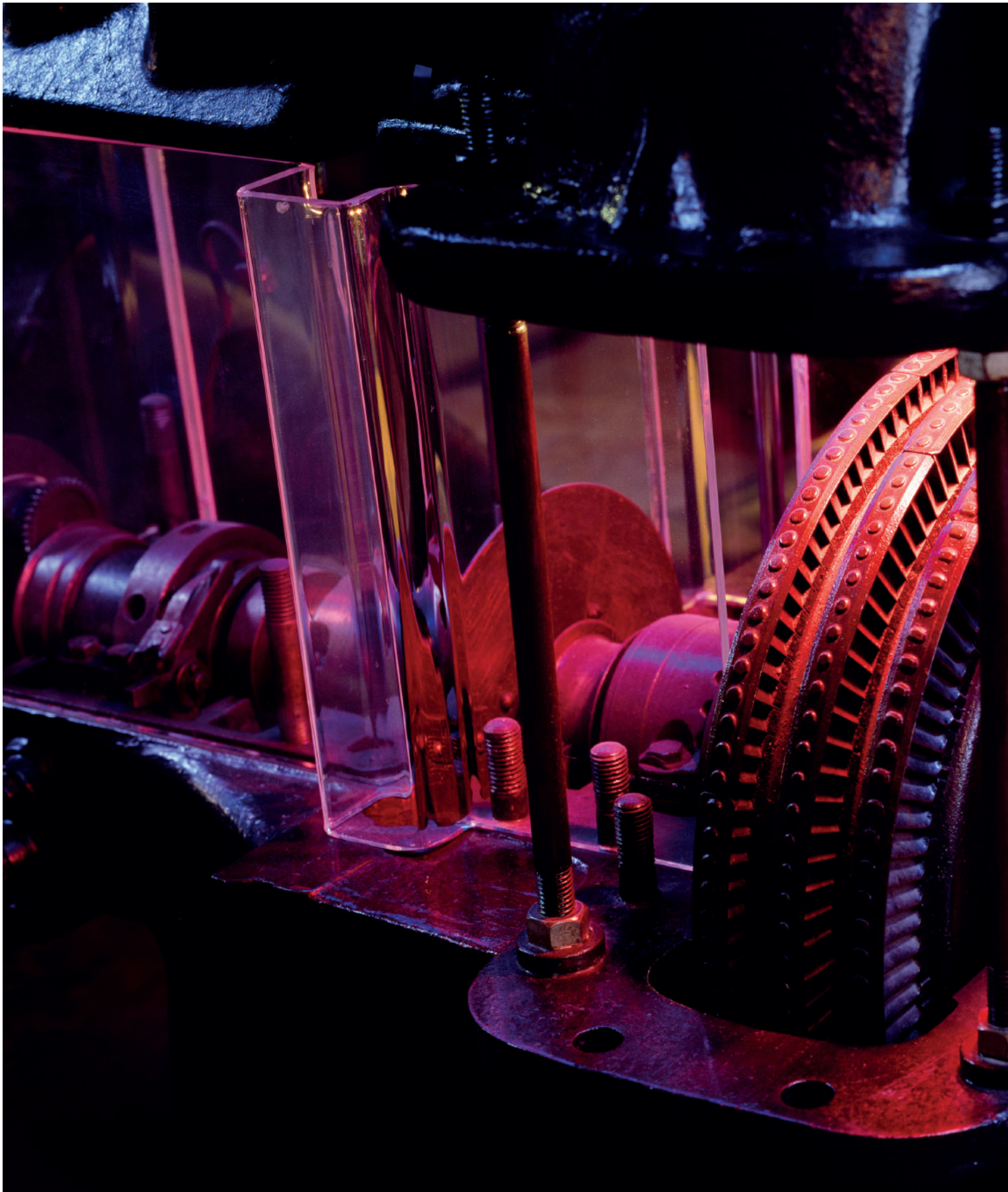
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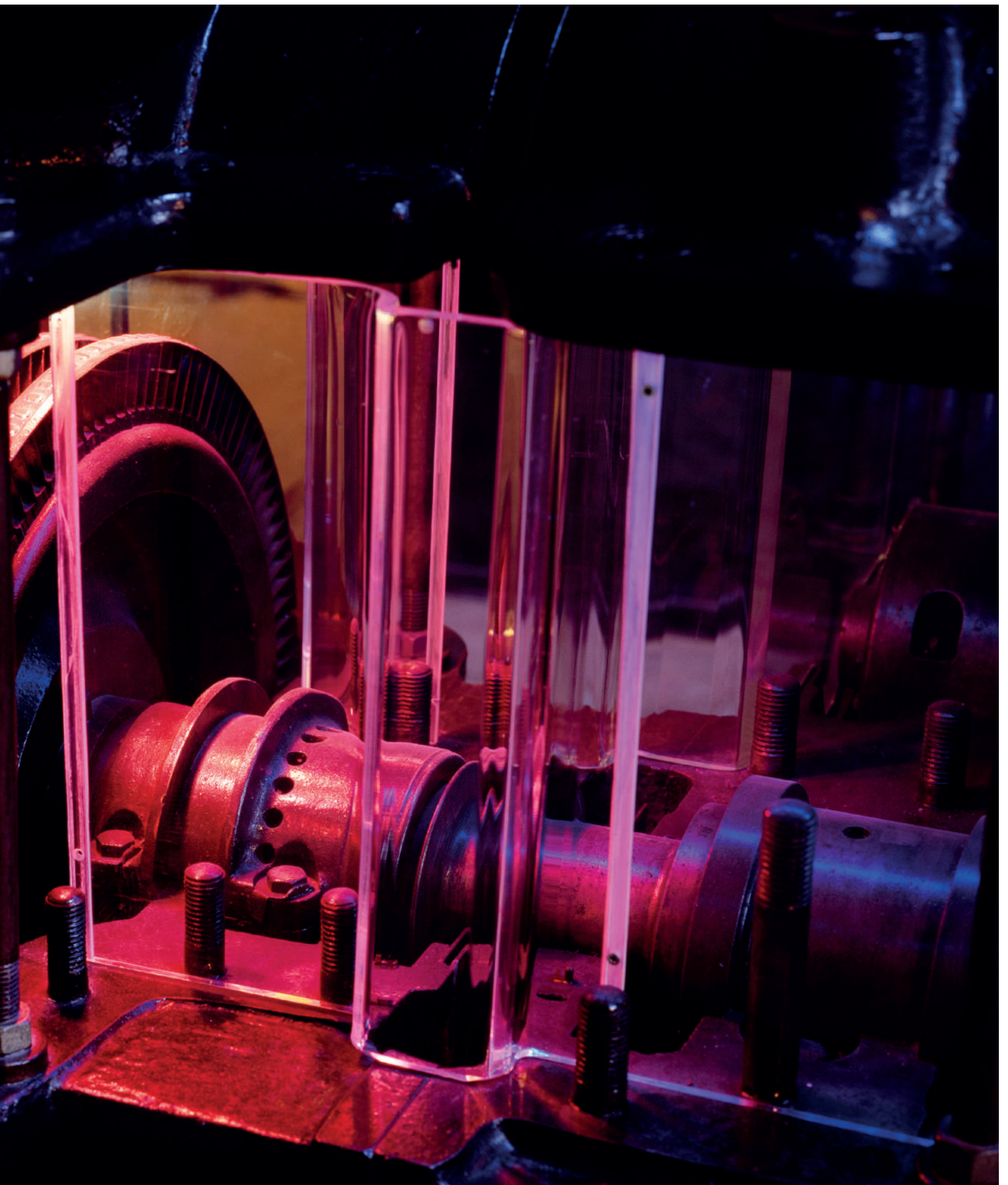
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03. PERFORMANCE

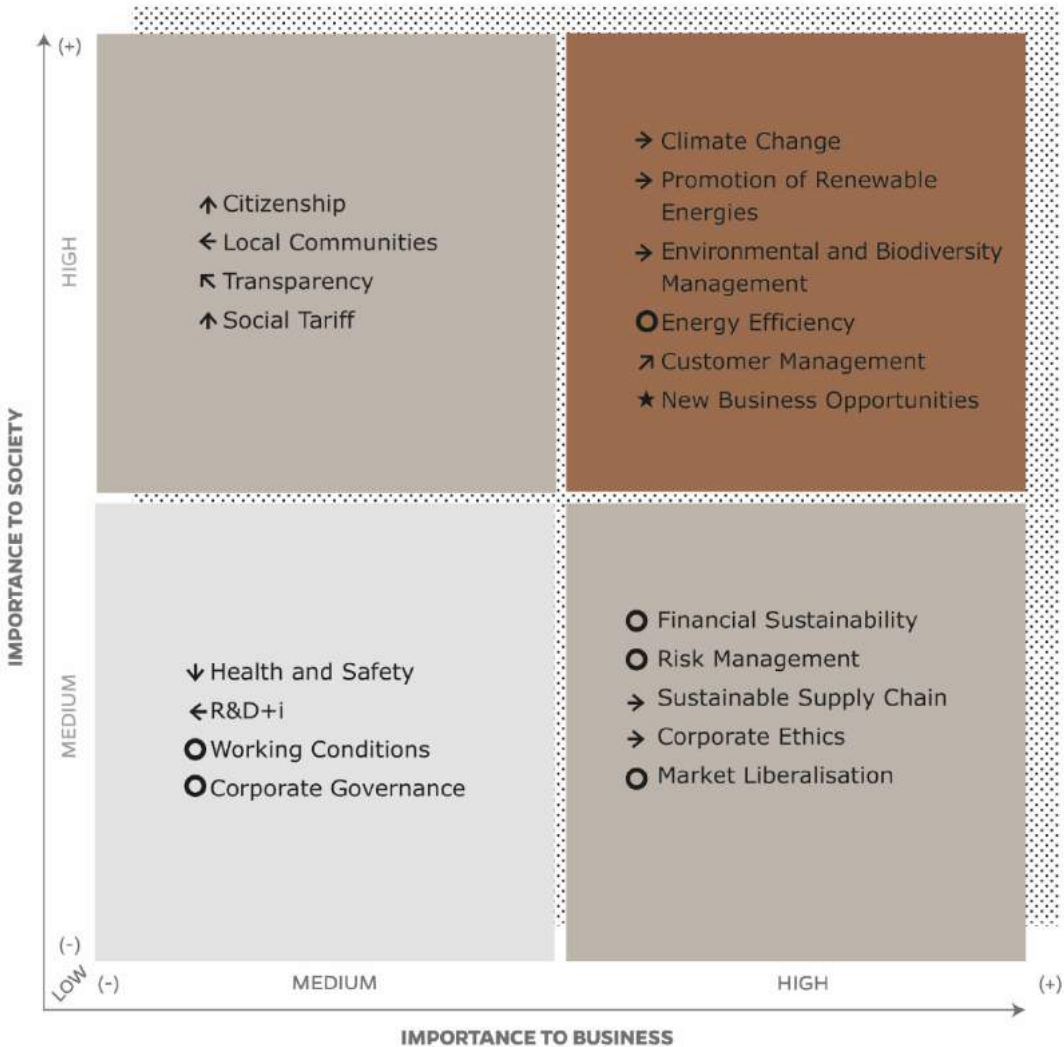
MATERIAL THEMES OF THE YEAR

The materiality analysis assesses and orders according to priority the shared materiality of a matter between EDP and its stakeholders, supporting the decision-making process and development of organization's strategies.

The Material Issues are obtained from this process, i.e. those that affect the creation of value of the company in the short, medium or long-term, and simultaneously positively or negatively impact the different segments of the company's stakeholders.

These themes are reviewed and adjusted periodically at the Group's different companies, in accordance with a common methodology (page 413), which can be seen, in detail, at www.edp.pt, Sustainability Management Approach.

In 2015, in accordance with the analysis conducted, we identified 19 material themes for the Group, which evolved regarding last year, according to the matrix below:



- ← INCREASED OR DECREASED, COMPARING WITH PREVIOUS YEAR, IN THE PERSPECTIVE OF BUSINESS
- ↑ ↓ INCREASED OR DECREASED, COMPARING WITH PREVIOUS YEAR, IN THE PERSPECTIVE OF SOCIETY
- ↖ ↘ INCREASED OR DECREASED IN BOTH PERSPECTIVES COMPARING WITH PREVIOUS YEAR
- SAME STATUS AS PREVIOUS YEAR
- ★ NEW ISSUE

Standing out in 2015:

- ■ Energy Efficiency transversal to all segments of stakeholders and business units, maintaining a strong relevance both for the Group and for society;
- ■ Climate Change, Promotion of Renewable Energy and Environmental / Biodiversity Management maintain a high relevance for society and increased its importance for business. International trends, namely the realization of COP21 (page 90) increment the perception of these issues for business;
- ■ Customer Management, which includes satisfaction, reliability and quality of supply, has gained importance both for society and for business. This continuing increase in importance for the business reflects the paradigm shift introduced by market liberalization;
- ■ Citizenship, Transparency and Social Tariff gain importance for society.

For each identified issue, strategic guidelines and action plans are set. On page 51 we present the Goals and Targets organized by the Sustainable Development Principles of EDP Group, and also the Material Themes 2015 Organized by these Principles, page 414.

The table below highlights the set of Material themes for each of different EDP locations and EDP Renováveis:

PORTUGAL	SPAIN	BRAZIL	EDP RENOVÁVEIS
Transparency	Energy efficiency	Corporate Ethics	
Financial Sustainability (sub-theme Financial Performance)	Customer Management (sub-themes Satisfaction, Grievance Management and Reliability and Quality of Supply)	Financial Sustainability (sub-theme Regulation, Taxes and Subsidies)	Promotion of Renewable Energies
New Business Opportunities	Working Conditions (sub-theme Job Security)	Environmental Management (sub-themes Resources, Biodiversity and Water Management)	Climate Change
Energy Efficiency	Environmental Management (sub-theme Air Pollution Emissions)	Customer Management (sub-themes tariffs and Reliability and Quality of Supply)	Financial Sustainability (sub-theme Regulation, Taxes and Subsidies)
Environmental Management	Financial Sustainability (sub-theme Regulation, Taxes and Subsidies)	Health and safety	Risk management (sub-theme Environmental and Social Risks in Corporate Management)
Climate Change			Innovation

The Materiality identification of the different supply chain's sustainability issues was made through a specific study (Page 112).

2. FINANCIAL SUSTAINABILITY

In 2015, the energy sector continued to be affected by several macroeconomic and regulatory factors, further reinforcing the idea that this is no longer a defensive sector but a cyclical sector. In this challenging environment, the defined strategic agenda was adequate to change, allowing a balanced approach, flexible, pragmatic and a strong ability to anticipate.

In this difficult context, EDP was able to achieve consistent results, with net profit attributable to shareholders of EUR 913 million, supported on its low risk profile which allowed an increase in EBITDA and a strong focus on efficiency and cost control. These results supported the strong performance of the share, allowing a positive total shareholder return of 9%, higher than the European utilities index (-1%), although lower than the PSI20 index (15%).

Goals

Balancing growth & financial deleveraging.
Maintaining controlled risk & attractive returns.

Strategic agenda

Continue to grow	Financial deleveraging	Low risk profile	Improve efficiency	Attractive returns
------------------	------------------------	------------------	--------------------	--------------------

Targets

EBITDA & Net profit	Net Debt ⁽¹⁾ / EBITDA	Regulated & Long Term contracted activities	OPEX Savings	Dividend per Share
CAGR 14E-17E	2017E	2017E	2017E	FLOOR
≈ 5%	≈ 3.0x	> 70%	€ 180M	€ 0.185

⁽¹⁾ Adjusted for regulatory receivables

EDP continues to show a resilient business model with a strong performance based on the delivery of our commitments, high quality asset mix, stable returns, adequate risk management and diversification of markets.

BUSINESS FINANCIAL ANALYSIS

EDP GROUP'S BUSINESS EVOLUTION

EDP GROUP

In 2015, EDP Group's net profit attributable to EDP's Shareholders reached EUR 913 million, compared with EUR 1,040 million in 2014. Net profit decreased 12%, impacted by lower financial results, partially offset by a higher EBITDA occurred mostly at EDP Renováveis and EDP Brasil's level, thus increasing non-controlling interests at EDP Group's level.

INCOME STATEMENT – EDP GROUP

EUR Million	2015	2014	Δ %	Δ Abs.
Gross Profit	5,455	5,367	2%	88
Net Operating costs	1,531	1,725	-11%	-194
EBITDA	3,924	3,642	8%	282
EBIT	2,443	2,193	11%	250
Net Profit for the period	1,247	1,264	-1%	-17
Net Profit attributable to EDP shareholders	913	1,040	-12%	-127
Non-controlling interests	334	223	50%	111

Consolidated **EBITDA** amounted to EUR 3,924 million in 2015, 8% higher year-on-year. Note that EBITDA includes: (i) in 2014, +EUR 131 million on the sale of a 50% equity stake in Jari/Cachoeira-Caldeirão to CTG, +EUR 81 million net impact from restructuring issues (impact from the new Collective Labour Agreement in Portugal, 'CLA', net of costs with pre-retirement anticipation program); (ii) In 2015, +EUR 295 million following the bargain purchase of Eneva's 50% stake in Pecém (in the second quarter), +EUR 89 million derived from the sale of gas assets in Spain (in the first semester) and +EUR 57 million net impact at EDP Renováveis due to the fair value registered in the revaluation of the assets formerly held by ENEOP (+EUR 125 million), offset by the write-offs in the period of assets ongoing and under construction (EUR 68 million). Excluding these impacts, adjusted EBITDA totalled EUR 3,483 million in 2015 (+2% year-on-year), capped by an unfavourable ForEx impact (-EUR 49 million, mostly due to BRL depreciation versus Euro, partly offset by the appreciation of the USD against the Euro) and adverse conditions for the hydro and wind production in EDP's main markets, namely hydro (in Portugal, hydro resources in 2015 fell 26% short of long-term average, compared to a 27% premium in 2014; in Brazil, the drought resulted in a hydro deficit of 15% in 2015) and wind (the average load factor fell 3% short of average scenario). In Iberia, the 9% fall in EBITDA, to EUR 1,926 million in 2015, mainly reflects 2015's poor hydro resources, weak results with energy management (versus last year's outstanding conditions). EDP Renováveis' 26% rise in EBITDA, to EUR 1,142 million, was prompted by higher average capacity on stream (+10% year-on-year), higher prices in Spain; but also by a positive ForEx impact (+EUR 76 million), driven by the 20% appreciation of US dollar versus Euro and by the abovementioned gain (+EUR 57 million). EDP Brasil's 38% rise in EBITDA, to EUR 857 million, was supported by the bottoming out of drought situation, in spite of the hydro deficit having prompted a EUR 95 million hit in 2015 EBITDA, to which adds up an adverse impact of ForEx (-EUR 125 million).

EBITDA

EUR Million	2015	2014	Δ %	Δ Abs.
Long Term Contracted Generation in Iberia	583	671	-13%	-88
Liberalised Activities Iberia	364	416	-13%	-53
Regulated Networks Iberia	1,031	1,042	-1%	-11
Wind Power	1,142	903	26%	239
Brazil	857	619	38%	238
Other	-52	-9	-480%	-43
Consolidated	3,924	3,642	8%	282

On a year-on-year basis, excluding the EUR 81 million gain booked in 2014 (new CLA in Portugal net of costs with pre-retirement program), operating costs increased 3% year-on-year to EUR 1,574 million in 2015, reflecting: (i) rose 1% year-on-year in Iberia, backed by headcount reduction; (ii) rose 8% year-on-year at EDP Renováveis (excluding ForEx) on portfolio expansion; and (iii) rose 9% in Brazil (in local currency), reflecting the full consolidation of Pecém I and higher inflation. Other net operating costs/(revenues) totalled -EUR 43 million

in 2015 (versus EUR 272 million cost in 2014), reflecting: (i) the aforementioned impacts (2015: gain in Pecém I, sale of assets in Spain and impact at EDP Renováveis' level; in 2014, gain on the sale of 50% in Jari/Cachoeira Caldeirão); and (ii) higher cost with generation taxes in Spain and clawback in Portugal ("extra market events").

Amortisation and impairment (net of compensation from depreciation and amortisation of subsidised assets) rose 5% year-on-year to EUR 1,465 million in 2015, reflecting: (i) in 2015, higher depreciation charges at EDPR (+EUR 84 million year-on-year), derived from the new capacity installed over the last 12 months, including the initiation of the full consolidation of ENEOPs subsidiaries, and the USD appreciation against the EUR; (ii) depreciation charges of Pecém following the full consolidation (+EUR 31 million); (iii) an impairment of EUR 27 million at the Group level on Escelsa, due to the BRL devaluation; and (v) in 2014, a EUR 27 million impairment at our hydro plant of Alvito. These effects were partially offset by the sale of gas assets and by the devaluation of the Brazilian real.

Net financial results rose 46% year-on-year to EUR 833 million in 2015. Net interest expenses rose 1% year-on-year due to the USD appreciation vs. Euro and its impact on interest paid on USD-denominated debt. Capitalised financial costs fell EUR 85 million year-on-year, to EUR 84 million in 2015, due to the start of operation of some of the hydro plants and by the equity-method consolidation of Jari and Cachoeira-Caldeirão (as from June 2014); Other financials (EUR 42 million in 2015, -EUR 92 million year-on-year) includes a EUR 56 million gain with the tariff securitization (versus EUR 78 million in 2014) and a EUR 22 million impairment due to a devaluation of our financial investment in BCP; and in 2014 and a EUR 118 million gain with the sale of a 50% stake at EDP Asia to China Three Gorges.

Share of net profit in joint ventures and associates amounted to -EUR 24 million in 2015 (-EUR 39 million year-on-year), with the following main contributors: EDPR's equity stake in ENEOP, which started being fully consolidated since Sep-15 (EUR 6 million in 2015, -EUR 7 million year-on-year); for EDP Brasil's 50% share in Jari/Cachoeira-Caldeirão (-EUR 20 million in 2015 vs. 2014); our share in EDP Asia (CEM) (-EUR 10M year-on-year in 2015); and in spite of our 50% equity stake of EDP Brasil in Pecém I (-EUR 22 million in 2015 until May 15 2015 vs. -EUR 38 million in 2014), which following the acquisition of the remaining 50% started being fully consolidated.

Income taxes amounted to EUR 278 million in 2015, representing an effective tax rate of 18% (vs. 19% in 2014) reflecting the fall in the corporate tax rate in Iberia: in Portugal, from 31.5% in 2014 to 29.5% in 2015 and, in Spain, from 30% in 2014 to 28% in 2015; as well as the effect of non-taxation on the taxable profit obtained with the sale of some gas assets; and on part of the taxable profit obtained with the acquisition of Pecém I and ENEOP; as well as to the upwards review of the recoverability expectation of deferred tax assets on provisions for medical acts.

Additionally, 2015 results reflect the full-year impact from EDP's share on the extraordinary contribution (0.85% on net assets) applied to the energy sector in Portugal (EUR 62 million in 2015 vs. EUR 61 million in 2014).

Non-controlling interests reached EUR 334 million in 2015 (+EUR 111 million year-on-year), reflecting the gain booked on the acquisition of Pecém at EDP Brasil's level concerning non-controlling interests, the capital gain booked on the sale of gas assets at Naturgas level (5% minority stake), the increase in net profit at EDP Brasil and EDPR's level, as well as higher non-controlling interests at EDPR level, mostly due to the sale of minority stakes in some wind parks.

Net profit attributable to EDP shareholders was 12% lower year-on-year, at EUR 913 million in 2015, impacted by financial results and non-controlling interests.

NET INVESTMENTS

EUR Million	2015	2014	Δ %	Δ Abs.
Long-Term Contracted Generation Iberia	28	36	-21%	-8
Liberalised Activities Iberia	388	559	-31%	-171
Regulated Networks Iberia	376	388	-3%	-12
Wind & Solar Power	677	516	31%	161
Brazil	281	178	58%	103
Other	-16	118	-	-134
EDP Group	1,735	1,794	-3%	-59

Net investments amounted to EUR 1.7 billion in 2015 (versus EUR 1.8 billion in 2014). It includes EUR 1,788 million of capex, EUR 286 million of financial investments and EUR 339 million of proceeds from asset rotation deals at EDP Renováveis level.

Consolidated capex amounted to EUR 1,788 million in 2015, the bulk of which (66%) devoted to the new expansion projects in hydro & wind capacity. Maintenance capex was 3% lower year-on-year (-EUR 19 million), at EUR 604 million in 2015, mostly concentrated in regulated networks in Iberia and Brazil. Net investments amounted to EUR 1,735 million in 2015 (vs. EUR 1,794 million in 2014).

Capex in hydro capacity under construction in Portugal totalled EUR 302 million, including the capital spending on the construction of Baixo Sabor downstream dam (30MW), which came online in the first quarter of 2015 and Ribeiradio/Ermida hydro plants (82MW) which came on stream in the first half of 2015. As of Dec-15, EDP had 4 hydro projects under construction: (i) Salamonde II (207MW), which came online in January 2016; (ii) Baixo Sabor (upstream plant of 142MW), whose start is dependant on hydrological conditions; (iii) Venda Nova III (756 MW); and (iv) Foz-Tua (252 MW). Capex in new wind capacity (EDPR) amounted to EUR 901 million in 2015 (of which EUR 106 million derived from USD appreciation vs. Euro), mostly allocated to capacity additions in 2015 (+519MW, excluding the 613MW relating to ENEOP), 144MW of capacity under construction (83% in Brazil and 17% in Europe) and enhancements in capacity already in operation. In Brazil, capex totalled EUR 114 million in 2015 and was mostly devoted to our distribution business.

Net financial divestments totalled EUR 408 million in 2015. Financial divestments amounted to EUR 694 million in 2015, including i) EUR 241 million from the sale to Redexis of gas distribution assets in Spain in the first half of 2015; ii) EUR 79 million from the conclusion of EDPR's sale of minority stakes in wind farms in Brazil to CWEI Brasil, a CTG subsidiary; iii) EUR 339 million from EDPR disposal of a minority stake in a US wind farm of 1,101MW to Fiera Axium and of a minority stake in a 30MW-solar PV park; and iv) EUR 30 million from the sale of a 19.83% indirect stake in Setgás in the fourth quarter of 2015, subject to price adjustment. Financial investments in 2015 amounted to EUR 286m, particularly influenced by i) the acquisition of Eneva's 50% stake in Pecém I coal facility in Brazil (EUR 91m); ii) EDPB's equity contributions to Cachoeira-Caldeirão and São Manoel hydro projects (EUR 70m); and iii) within the scope of EDPR, the settlement of ENEOP's asset split (EUR 50m) and the acquisition of minority stakes in already controlled SPVs in Spain.

NET DEBT

EDP Group's consolidated net debt as at December 2015 amounted to EUR 17,380 million, resulting from a gross nominal debt of EUR 18,767 million deducted mainly by an amount of (i) cash and equivalents of EUR 1,245 million, which was held, mainly, at EDP S.A., EDP Finance BV and EDP Servicios Financieros (EUR 599 million), EDP Renewables (EUR 299 million), and the Group's Brazilian subsidiaries (EUR 267 million); and (ii) EUR 381 million regarding 50% of the amount related with the emission of subordinated debt instrument (hybrid) fully booked as a liability.

Net debt increased from EUR 17.0 billion in December 2014 to EUR 17.4 billion in December 2015, excluding 50% of the amount related with the abovementioned emission of subordinated debt instrument (hybrid), due to the impact of the USD appreciation versus the Euro, from the acquisition and full control of Pecém I as well as the impact of the full consolidation of some assets from ENEOP, partly mitigated by the disposal of gas assets to Redexis.

In terms of maturity, EDP Group's consolidated nominal debt breaks down into 18% of short-term and 82% of medium and long-term, with an average maturity of 4,8 years.

In 2015, EDP maintains its policy of centralizing funding at EDP, S.A. and EDP Finance BV, which represented 86% of the Group's consolidated debt. The remainder consists essentially of debt contracted by the Brazilian holdings (8%) and project finance debt from subsidiaries of the EDP Renováveis Group (6%) as well as EDP Produção Group (1%).

In April 2015, EDP issued a ten-year EUR 750 million Eurobond, with a 2% coupon.

In September EDP issued 5.5-year non-call subordinated notes (hybrid) in the total amount of EUR 750 million, with final maturity date of September 2075 and a coupon of 5.375%. The instrument is unsecured, senior only to EDP's ordinary shares and junior to its senior debt obligations.

Regarding the loan markets, in February EDP replaced the EUR 1,600 million Revolving Credit Facility, dated 31st January 2013 with maturity date 31st January 2018, with a new five-year Facility, in the amount of EUR 2,000 million and including a EUR 500 million revolving tranche (RCF) and a EUR 1,500 million term-loan. The new facility was placed with a syndicate of 16 banks and was drawn in the amount of EUR 1,500 million at year end.

The above funding transactions allowed EDP Group to reach different markets and investors, obtaining the necessary funding for current and next year's redemptions as well as to strengthen its liquidity position, ahead of refinancing needs for the following years. In particular, EDP prepaid approximately EUR 1,270 million of bilateral loans that matured in the next couple of years replacing them with lower yield debt.

During 2015, EDP monetized approximately EUR 844 million of Portuguese tariff deficit: i) in March, EDP securitized, by means of a true sale, without recourse, to Tagus – Sociedade de Titularização de Créditos, S.A., a portion of EUR 465 million of the 2014 Tariff Deficit, and respective interest; ii) in May, sold a portion of EUR 186 million of the 2014 tariff deficit related with special regime generation, iii) in December, EDP sold a portion of EUR 93 million of the 2014 tariff deficit related with special regime generation; and iv) also in December, EDP sold a portion of EUR 100 million of the 2015 tariff deficit related with special regime generation. In January 2016 EDP has already sold a portion of EUR 94 million of the 2014 tariff deficit related with special regime generation.

Maintaining a prudent financial management policy, by end 2015 EDP had access to around EUR 4,107 million of available and fully underwritten credit lines and commercial paper. Additionally EDP has a EUR 1,000 million Euro Commercial Paper programme (ECP) which is not committed and is being used for the Group short term treasury management. As at 31 December 2015, the total amount issued of ECP amounted to EUR 219.5 million.

In 2015, EDP Group's average cost of debt was 4.7% per year and approximately 55% of its debt and borrowings had a fixed rate.

In terms of currencies, Euro continues to be the main funding currency (67%). The USD financing contracted to fund the capex of the EDPR's United States subsidiaries justifies the exposure to USD of 24%. EDP Group funding in Real increased from 5% in 2014 to 8% as in 2015, following the full consolidation of Porto de Pecém subsidiary in Brazil.

In January 2015, Standard & Poor's ("S&P") affirmed its "BB+" long-term and "B" short-term corporate credit ratings on EDP and revised the outlook from stable to positive. In October 2015, S&P reaffirmed EDP's credit ratings as well as the positive outlook.

In February 2015, Moody's Investors Service Limited ("Moody's") upgraded EDP's long term credit rating to "Baa3". Concurrently, Moody's upgraded the short-term ratings of EDP to "Prime-3" from "Not-Prime". The assigned outlook on all ratings is stable. In February 2016, Moody's maintained EDP's long term rating and its outlook as stable.

In November 2015, Fitch Ratings ("Fitch") maintained EDP's long-term rating at "BBB-" and its outlook as Stable.

LONG-TERM CONTRACTED GENERATION IN IBERIA

EBITDA from long-term contracted generation fell by 13% (-EUR 88 million year-on-year), to EUR 583 million in 2015, impacted by natural depreciation of PPA/CMEC asset base under a low-inflation environment and by lower production at our mini-hydro special regime plants (-45% year-on-year).

Gross profit from PPA/CMEC was 8% lower year-on-year, at EUR 666 million in 2015, reflecting the natural depreciation of the asset base in a context of very low inflation and adverse results with fuel procurement, following the decline in fuel market prices between the moment of procurement and the moment of consumption. Note that, as a result of EDP's strategy to hedge these changes through derivative financial instruments, this impact is ultimately compensated at the level of financial results.

The annual deviation between market gross profit under CMECs assumptions and gross profit under actual market conditions totalled EUR 160 million in 2015, including a EUR 4 million adjustment relative to 2014. Annual deviation relative to 2015 reached EUR 156 million, the bulk of which relative to hydro plants, reflecting hydro resources in Portugal 26% short of long-term average. This annual deviation amount is due to be received in up to 24 months through access tariffs.

Gross profit from special regime was EUR 15 million lower year-on-year, at EUR 51 million in 2015, driven by a 45% fall in mini-hydro generation, on the back of hydro resources below long term's average and much weaker than in 2014. In 2015, Ermida mini-hydro plant, a 7MW-plant adjacent to Ribeiradio hydro plant came on stream in Portugal, raising EDP's total mini-hydro installed capacity in Portugal to 163MW.

LIBERALISED ACTIVITIES IN IBERIA

EBITDA from liberalised activities was EUR 53 million lower year-on-year, at EUR 363 million in 2015, driven by less attractive margins in gas wholesale/retail market, higher generation taxes in Iberia resulting from higher own production and prices; and a more expensive generation mix largely due to scarcer hydro resources (hydro accounted for 25% of total generation compared to 41% in 2014), combined with an adverse impact from lower price volatility. Additionally, scarce hydro reserves in 2015 dictated delays in the start-up of operations at new hydro plants, leading to a limited contribution to EBITDA.

Gross profit in the electricity business rose 1% in 2015, to EUR 803 million, following higher volumes sold (+7% year-on-year) at a lower average unit margin, and higher revenues (mainly mark-to-market of CO2 licenses, higher capacity payments, and higher revenues from energy services).

Output from our generation plants (net of pumping) rose by 22% in 2015, mainly due to a higher contribution from thermal capacity, in the wake of below-the-average hydro resources. In 2015, the decrease in hydro output in (-1.7TWh) was more than offset by higher production at our coal and CCGTs plants (+2.5TWh each). Average production cost was 25% higher year-on-year, at €33/MWh in 2015, reflecting a more intense pumping activity and the replacement of the cheaper-technology hydro (25% of total output in 2015 versus 41% in 2014) by CCGT production – a more expensive technology.

Gross profit at our supply activities in Spain fell by 27% year-on-year (-EUR 50 million), to EUR 135 million in 2015, mainly impacted by lower margins in the gas wholesale/retail market.

Gross profit at our supply activities in Portugal rose by 47% (+EUR 46 million year-on-year), to EUR 143 million in 2015, driven by higher volume of electricity supplied and higher penetration of energy services.

REGULATED NETWORKS IN IBERIA

Regulated networks in Iberia include our activities of distribution of electricity and gas, in Portugal and Spain, as well as the role of last resort supplier in Portugal.

EBITDA from regulated networks decreased by 1% year-on-year (-EUR 11 million), to EUR 1,031 million in 2015, impacted by (i) in 2014, an EUR 87 million one-off gain derived from the establishment of the new Collective Labour Agreement, a -EUR 30 million impact from an anticipated pre-retirement program and an EUR 8 million positive impact booked from the recovery of past costs related to underground occupancy in gas distribution in Portugal; (ii) in 2015, an EUR 89 million one-off gain booked on the sale of gas assets in Spain to Redexis in the first half and a EUR 4 million recovery of previous years' regulated revenues in electricity distribution in Spain. Excluding these impacts, EBITDA from regulated networks declined by 4% year-on-year (-EUR 39 million), driven by a decrease in regulated revenues which was partially offset by lower operational costs. Gross profit declined by 4% year-on-year (-EUR 67 million versus 2014), reflecting: (i) in Portugal, a lower return on RAB in electricity distribution derived from the lower sovereign risk and clients' switching to liberalised market; (ii) in Spain, lower gas regulated revenues impacted by the disposal of distribution assets.

EDP RENOVÁVEIS

EDP Renováveis owns, operates and develops EDP Group's wind and solar capacity. As of December 2015, EDP Renováveis operated 9,637MW, of which 356MW equity-method accounted. EDPR's EBITDA derives mainly from PPA-contracted and regulated tariff schemes (92% of output) and is geographically widespread: 40% in North America, 24% from Portugal, 21% from Spain, and the rest derived in France, Poland, Romania, Belgium, Italy and Brazil. As from September 1st, 2015, EDP Renováveis fully consolidates further 613MW in Portugal, following the acquisition of control over some ENEOP assets (versus previous equity consolidation of 533MW).

EDP Renováveis' EBITDA went up by 26% year-on-year (+EUR 239 million) to EUR 1,142 million in 2015, including the net positive impact from the EUR 125 million gain booked subsequent to the control acquisition over some assets of ENEOP and from EUR 68 million cost derived from write-offs of assets ongoing and under construction. Excluding these impacts, EBITDA advanced by 20%, driven by a positive ForEx impact (+EUR 76 million from 20% appreciation of US dollar versus Euro), higher production (including ENEOP's assets) at a higher average final price and higher operating costs resulting from portfolio expansion.

Electricity output advanced 8% year-on-year, 21TWh in 2015, supported by a 10% increase in average capacity on stream and weaker wind resources, particularly in US and Iberia. Average load factor fell 1pp short versus 2014, at 29% in 2015. Average selling price advanced by 9% year-on-year to EUR 64/MWh, driven by stronger US dollar versus Euro, higher relative production towards PPA/Hedged; and higher realised pool prices in Spain.

EDP BRASIL

EDP Brasil's contribution to EDP Group's EBITDA rose by 38% year-on-year (+EUR 238 million), to EUR 857 million in 2015, although negatively impacted by a depreciation of the Brazilian real versus the Euro. In local currency, EDP Brasil EBITDA increased 59% year-on-year (+BRL 1,133 million) to BRL 3,066 million in 2015, impacted by the capital gain booked with the acquisition of Pecém I's 50%, which is now fully consolidated by EDP Brasil. The capital gains of Pecém (+BRL 885 million) and the capital gain booked with the disposal of 50% of Jari and Cachoeira Caldeirão in 2014 (BRL 408 million) were booked at 'other income' level. Additionally, in 2014, distribution EBITDA was impacted by the recognition of regulatory receivables from 2013 (+BRL 199 million). Adjusted essentially by these effects, EBITDA would have increased 59% year-on-year to BRL 2,112 million, impacted by the consolidation of Pecém I since May 2015 (+BRL 457 million).

EBITDA in distribution went up by BRL 15 million to BRL 937 million in 2015, impacted by an inflation update for on the fixed assets' terminal value (+BRL 155 million versus 2014), and the abovementioned positive effect of +BRL 199 million in 2014 related with the recognition of regulatory receivables from 2013. Adjusted by these effects, EBITDA in distribution would be up 8% year-on-year (+BRL 59 million), driven by higher regulated revenues, essentially reflecting the annual tariff readjustments at our DisCos.

Generation and Supply EBITDA went up 74% year-on-year (+BRL 548 million) reaching BRL 1,290 million, reflecting i) the full consolidation of Pecém since May 15th (+BRL 457 million); ii) better performance at our hydro plants (+BRL 137 million year-on-year) due partly to an efficient strategy for seasonal allocation of volumes sold and an improvement on the average plants' availability, but mostly to a less severe impact of the hydro deficit (in spite of a Generation Scaling Factor of 85% in 2015 versus 91% in 2014), due to lower market prices, and iii) for the supply business, worse EBITDA results, due to lower volumes supplied to clients and an exceptionally strong 2014, which benefitted from higher spot prices and higher price volatility, allowing for better performance in the segment.

VALUE CREATION TO SHAREHOLDERS

The creation of shareholder value is sustained in the ability of the company to increase its net income, dividends and share prices, ie, it is supported by the sum of strategic decisions affecting the sustainability of the Group's business activities assuming strategic importance the low risk profile assumed by EDP.

The year 2015 was marked by the slowdown of the European utilities sector decreasing -5.4%, being one of the sectors with the worst performances. The sector was penalized by a fearful macroeconomic and commodity prices outlook.

In this context, EDP stock priced closed the year with an increase of 3.0%. Based on the payment of dividends to shareholders held on May 14th, 2015 (€ 0.185 per share), which implied a dividend yield of 5.6% (considering December 31st closing price), EDP generated a total shareholder return for 2015 of 8.7%.

EDP has followed a sustained policy of dividend distribution that seeks to reconcile strict compliance with the relevant provisions of the law and Articles of Association and division among all its shareholders of a significant portion of the value created by the Group, in keeping with the specific conditions of the company and market.

This policy is designed to enable shareholders to obtain an adequate return on their investment without compromising the company's value.

Pursuant to these rules, the table below shows the dividends distributed by EDP in the last three terms of office of the corporate bodies:

Year	Approval Date	Payment Date	Gross Dividend
2006	12/04/2007	04/05/2007	0,110
2007	10/04/2008	08/05/2008	0,125
2008	15/04/2009	14/05/2009	0,140
2009	16/04/2010	13/05/2010	0,155
2010	14/04/2011	13/05/2011	0,170
2011	17/04/2012	16/05/2012	0,185
2012	06/05/2013	23/05/2013	0,185
2013	12/05/2014	29/05/2014	0,185
2014	21/04/2015	14/05/2015	0,185

For the 2015 financial year, the Executive Board of Directors of EDP submitted to the approval of the General Meeting of Shareholders of 21 April 2015 a proposal for the appropriation of the net profit of 676.5 million euros to be distributed to shareholders in the form of dividends. The proposal was approved by a majority of votes (99.9999%) at the General Meeting and a gross dividend of € 0.185 per share was paid on 14 May 2015

EDP believes that a transparent relationship with investors and the market involves the definition of clear criteria and reasonable objectives for the dividend distribution policy, as the growing demands of the investor community, faced with the instability of the capital markets in recent years, have made clear.

On the latest Investor Day held on 14 May 2014 with Portuguese and foreign investors and analysts, the goal of proposing to the General Meeting of Shareholders an annual payout of 55%-65% of the recurring net profit was reinforced, with a minimum payment of a dividend per share of € 0.185.

FACTORS INFLUENCING CHANGE IN EDP SHARE PRICE

2015 was characterized by a slowdown of the financial markets in the most representative global economies. In the US the S&P 500 dropped 0.7% in 2015, it was the worst performance since the financial crisis in 2008. The S&P was negatively impacted by significant tumbles in the oil and materials sectors, while Nasdaq rose nearly 6.0% supported by the fast-growing technology companies that might have kept the US equity bull market from reversing during 2015. In late 2015, the US Federal Reserve raised interest rates by 0.25 p.p. (its first increase since 2006). Such policy swerves imposed some pressure on yields in the US market, leading to higher borrowing costs. European Stocks climbed during the first half, driven by ECB stimulus, but later slipped on commodity and growth concerns. Yet European markets were among world's top performers (Stoxxx 600 was up by 7%). ECB bond program purchase also supported more competitiveness in the Eurozone, lowering debt yields, making the equity market look more attractive, and raising exportations through a weakened euro. China (world's second-largest economy) showed up evidences of an economic slowdown (GDP grew by 6.9%, the worst annual growth pace in 25 years). However, the Shanghai Composite was 9.4% higher after a year of tumultuous swings. Japan's Nikkei accumulated 9.1% of gains.

Portugal's macroeconomic environment in 2015 was impacted essentially for the continuity of the corrective measures adopted after the implosion of sovereign debt crisis in 2011. A general election on the 24th of November led to a change in the government, but financial markets were not severely impacted until the end of 2015. Portugal's 10-Year bond yield stabilized nearly the 2.5% mark, while PSI20, the main Portuguese equity index, recovered from a bearish 2014, increasing 10.7% year-on-year. EDP's stock price also had a positive

year, trading up by 3.0% relative to 2014. Although EDP stock underperformed the PSI20 it managed to surpass the negative outcome from the Euro Stoxx Utilities Index (-5.4%).

The utilities sector was negatively affected by the decreased of commodity prices, which has a positive correlation with overall energy prices. Oil prices closed the year at 36.5\$/bbl (c.-36% year-on-year, a 10 year-minimum). Additionally, the COP21 set a renewed compromise among countries to reduce greenhouse emissions, for which the energy sector has a major contribution. The outcome of COP21 also reinforced the investors' appetite for companies with high exposure to renewable energy, as is the case of EDP Group.

In terms of shareholder structure changes, it is worth noting that José de Mello sold its EDP complete 2.0% shareholdings during the first half of 2015, while Capital Group and Blackrock increased its shareholdings, and Guoxin International acquired a 3% share capital.

2. ACTIVITIES

2.1. ELECTRICITY GENERATION

THE GENERATION ACTIVITY

Power Generation is the first activity of the Electricity value chain. Electricity is generated through different technologies and primary energy sources that can be renewable or non-renewable. Energy produced from traditional sources comes mainly from coal, natural gas, nuclear and cogeneration. Water, wind and sun are the more common renewable generation sources. As a result of climate changes and global protocols signed to fight them, energy produced from renewable sources has increased in the last decades.



Electricity generation can also be classified as ordinary or special regime. Ordinary regime generation comes from thermal sources or big hydro plants whilst special regime generation is based essentially in mini-hydro, other renewable sources and cogeneration.

Once it is produced, electricity is sold in the market or through power purchase agreements. For some technologies and in certain countries this activity's remuneration is established by the regulator through the definition of tariffs or other remuneration mechanisms (for example green certificates, tax incentives and premiums).

EDP is the largest electricity producer in Portugal, the fourth in Spain and the fifth largest private group in Brasil. In the wind energy market, EDP Renováveis is one of the leading global players.

EDP is present in the generation activity in 12 countries. At the end of 2015, EDP had 24GW of installed capacity, of which 52% in Iberia (excluding EDP Renováveis' installed capacity), 38% in EDP Renováveis and 10% in Brasil. The generation of electricity was made mainly through renewable energy sources (58%).

EDP Renováveis operates in Europe, North America and Brazil. In Europe, it has wind farms in Portugal (where it is the main operator with over 1.2GW of installed capacity), Spain (2.2GW), France, Poland, Romania, Belgium and Italy and some projects in the UK. In North America, EDP is present in three countries: USA, Canada and Mexico. Solar power (82MW), is present in three countries – Portugal, Romania and USA.

strategic priorities

- 26.7GW of installed capacity until 2016, of which 75% of renewable energy
- In Portugal, conclusion of the hydro investment plan
- Lower Risk Profile
- High Operational Performance

The strategy defined by EDP for the generation activity goes through the implementation of the hydro investment plan currently in progress in Portugal and to seek for growth opportunities either in EDP Renováveis or in other international expansion opportunities. As so, additions in installed capacity over the next years will be primarily focused on renewable sources. By 2017, EDP Renováveis estimates that 60% of their growth will be carried out in the USA market where, due to existing of tax incentives and long-term contracts, the associated risk is reduced. In addition, EDP Renováveis plans to invest in emerging markets (20%), with long-term contracts associated, and the European market (20%) in projects with reduced risk.

Following Portugal's hydro investment plan, in 2015, Baixo Sabor's downstream dam (30MW) came online and Ribeiradio/Ermida plant (82MW) started up operations. Construction works and hydro reserves building-up at Salamonde II (207MW) and Baixo Sabor (141MW) were almost completed by Dec-15: Salamonde II started

operations in Jan-16 and Baixo Sabor is expected to start-up operations in the first quarter of 2016. The remaining 2 plants under construction are Venda Nova III and Foz-Tua. They are expected to start up operations in 2016 and late 2016/early 2017, respectively.

highlights

- /// **Baixo Sabor's** downstream dam (30MW) came online and **Ribeiradio** plant (75MW) started up operations
- /// After 48 years working, **Soto 2** ceased operations in Spain
- /// More than **600MW** of installed capacity in EDPR
- /// Incorporation of 100% of **ENEOP**
- /// Acquisition of 50% of **Pecém** in Brasil

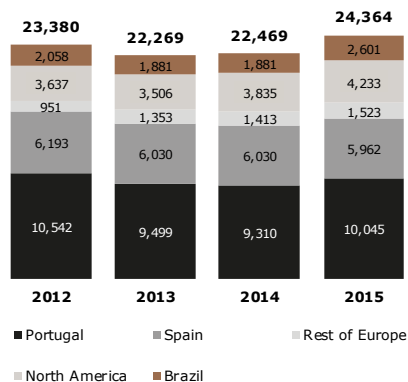
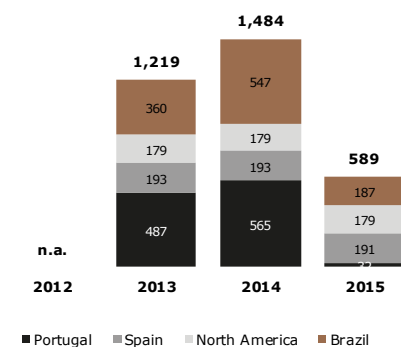
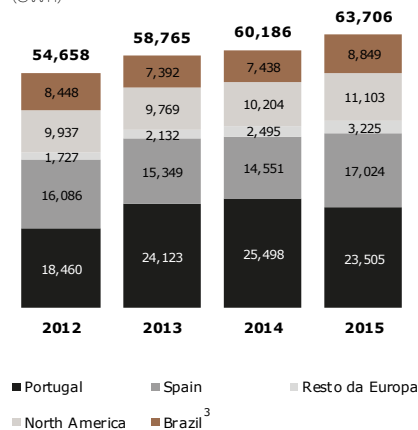
EDP Renováveis added in 2015 602MW to its installed capacity, of which 398MW in the USA. The remaining 204MW were installed in Europe, mainly in Poland (77MW), France (24MW) and Italy (10MW). In addition, Portugal also contributed with an additional of 80MW due to ENEOP's asset split. Since September 2015 ENEOP consolidates at 100% in EDP Renováveis. At the end of 2015, EDP Renováveis had 344MW under construction all related to projects to be delivered in 2016, including 200MW in Mexico (Coahuila) and 120MW in Brasil (Low Bean). Note that all have long term secured remuneration.

In Brazil, in 2015, EDP continue to invest in Cachoeira-Caldeirão (219MW, 50% EDP), partnership with CTG, and São Manoel (700MW, 33% EDP), partnership with Furnas and CTG. They are expected to start up operations in 2016 and 2017, respectively. During 2015, EDP also acquired 50% of Pecém thermal power plant, which is now 100% owned by EDP Brasil. With this operation, the thermal installed capacity in Brasil reached 29% of the total installed capacity, which will have an environmental impact in a variety of indicators. It was also signed an agreement to Pantanal's sale, through two mini-hydros – Mimosa (29MW) and Paraíso I (22MW). The transaction was completed in January 2016.

In Portugal, EDP decommissioned four thermal production facilities: Carregado, Setúbal, Tunes and Energin, respecting the plan approved by the Portuguese Environmental Agency. In 2015, EDP decommissioned Carregado and Setubal power plants, performing cleaning in fuel infrastructures (tanks and pipes) and removal of transformers and other materials. Additionally, residual cleaning activities are still going to be performed.

In Spain, at 31 December, Soto 2 thermal power plant ceased operations. Functioning since 1978, Soto 2 worked more than 269 thousand hours and produced 56 TWh. In 2015 EDP continued the environmental investments (denitrification) that are being carried out since 2014 in the thermal power plants of Aboño 2 and Soto 3. The expected date of entry in operation is 2016 to Aboño 2 and 2017 to Soto 3.

MAIN ELECTRICITY GENERATION INDICATORS

INSTALLED CAPACITY
(MW)INSTALLED CAPACITY EQUITY²
(MW)NET ELECTRICITY GENERATION
(GWh)

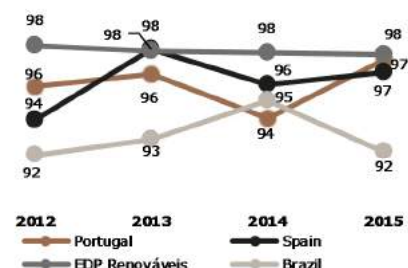
	UN	2015	2014	2013	2012
INSTALLED CAPACITY	M W	24,364	22,469	22,269	23,380
Contracted Generation in Iberian Market	M W	4,683	4,745	5,593	6,687
PPA/CMEC	M W	4,470	4,470	5,274	6,221
Hydro	MW	3,290	3,290	4,094	4,094
Coal	MW	1,180	1,180	1,180	1,180
Fuel	MW	-	-	-	946
Special Regime	M W	213	274	318	466
Portugal - Hydro	MW	164	157	157	157
Portugal - Thermal	MW	24	24	68	167
Spain - Thermal	MW	25	93	93	142
Liberalised Electricity Generation in Iberian Market	M W	7,882	7,777	7,123	7,122
Portugal	M W	4,140	4,035	3,380	3,382
Hydro	MW	2,101	1,996	1,176	1,178
CCGT	MW	2,039	2,039	2,039	2,039
Fuel	MW	-	-	165	165
Spain	M W	3,743	3,743	3,743	3,740
Hydro	MW	426	426	426	426
CCGT	MW	1,698	1,698	1,698	1,698
Coal	MW	1,463	1,463	1,463	1,460
Nuclear	MW	156	156	156	156
EDP Renováveis	M W	9,281	8,149	7,756	7,597
Portugal	MW	1,247	624	619	615
Spain	MW	2,194	2,194	2,194	2,310
Rest of Europe	MW	1,523	1,413	1,353	951
North America	MW	4,233	3,835	3,506	3,637
Brazil	MW	84	84	84	84
EDP Brasil	M W	2,517	1,797	1,797	1,974
Hydro	MW	1,797	1,797	1,797	1,794
Coal	MW	720	-	-	180
Capacity under Construction	M W	1,505	3,096	2,866	3,357
Portugal ¹	MW	1,161	2,654	2,642	2,642
EDP Renováveis	MW	344	443	224	158
Brazil ¹	MW	-	-	-	558
Installed Capacity Equity²	M W	589	1,484	1,219	n.a.
Portugal ¹	MW	32	32	32	n.a.
Spain ¹	MW	15	19	19	n.a.
EDP Renováveis	MW	356	886	808	n.a.
Brazil ¹	MW	187	547	360	n.a.
Capacity under Construction Equity²	M W	341	343	592	n.a.
Brazil	MW	341	343	592	n.a.
NET ELECTRICITY GENERATION	GWh	63,706	60,186	58,765	54,658
Contracted Generation in Iberian Market	GWh	15,294	18,158	19,093	14,813
PPA/CMEC	GWh	14,631	17,160	17,454	12,567
Hydro	GWh	9,031	9,031	9,512	3,919
Coal	GWh	9,657	8,129	7,942	8,647
Fuel	GWh	-	-	-	1
Special Regime	GWh	663	997	1,639	2,246
Portugal - Hydro	GWh	349	631	583	253
Portugal - Thermal	GWh	183	214	486	1,177
Spain - Thermal	GWh	131	153	570	817
Liberalised Electricity Generation in Iberian Market	GWh	18,397	15,063	13,323	13,184
Portugal	GWh	6,350	5,841	4,006	3,020
Hydro	GWh	3,766	5,335	3,227	1,513
CCGT	GWh	2,584	507	780	1,507
Fuel	GWh	-	-	-	-
Spain	GWh	12,047	9,222	9,316	10,164
Hydro	GWh	793	947	1,098	621
CCGT	GWh	1,082	656	654	1,598
Coal	GWh	8,946	6,414	6,407	6,714
Nuclear	GWh	1,227	1,204	1,157	1,230
EDP Renováveis	GWh	21,388	19,763	19,187	18,445
Portugal	GWh	1,991	1,652	1,593	1,444
Spain	GWh	4,847	5,176	5,463	5,106
Rest of Europe	GWh	3,225	2,495	2,132	1,727
North America	GWh	11,103	10,204	9,769	9,937
Brazil	GWh	222	236	230	231
EDP Brasil³	GWh	8,627	7,202	7,162	8,217
Hydro	GWh	5,599	7,202	7,162	8,190
Coal	GWh	3,028	-	-	26
Steam	GWh	871	938	1,588	2,254

¹ Excludes EDP Renováveis | ² Accounted by the Equity Method | ³ 2014 figures was revised in the light of "Câmara de Comercialização de Energia Eléctrica" settlements

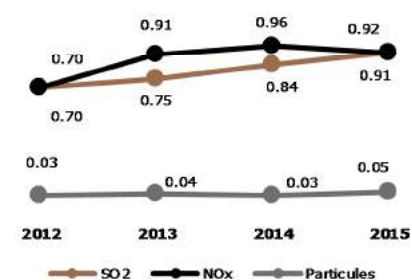
	UN	2015	2014	2013	2012
TECHNICAL AVAILABILITY					
Portugal ¹	%	97	94	96	96
Hydro	%	98	95	97	95
CCGT	%	96	89	98	98
Coal	%	98	97	92	96
Mini-hydro	%	91	91	94	94
Cogeneration	%	91	100	90	96
Spain ¹	%	97	96	98	94
Hydro	%	100	100	100	100
CCGT	%	100	98	98	94
Coal	%	92	94	98	92
Nuclear	%	92	90	87	91
Cogeneration	%	98	99	95	n.d.
Waste	%	95	88	91	n.d.
EDP Renováveis	%	98	98	98	98
Portugal	%	98	98	98	98
Spain	%	97	97	98	98
Rest of Europe	%	97	98	97	97
North America	%	98	98	98	97
Brazil	%	99	98	98	98
Brazil ¹	%	92	95	93	92
Hydro	GWh	94	95	93	92
Coal	GWh	88	-	-	-
GENERATION EFFICIENCY					
CCGT	%	36	36	36	36
Cogeneration	%	52	47	36	51
Waste	%	83	81	36	76
ENVIRONMENTAL INDICATORS					
Certified Installed Capacity	%	90	96	77	76
Total Emissions					
CO ₂	kt	24,783	16,522	16,589	18,005
NOx	kt	24	16	17	16
SO ₂	kt	24	14	14	16
Particles	kt	141	0.59	0.64	0.75
Avoided CO ₂	kt	28,690	33,818	31,502	22,024
Waste sent for final disposal	t	627,744	346,551	349,520	625,272
Dangerous waste	t	4,538	5,917	8,320	4,163
Waste valorization	%	45	56	58	64
Sub-products	t	472,121	431,811	374,339	302,700
Cooling water	m ³ ×10 ³	1,743,808	1,628,154	1,601,073	1,613,929
Raw water	m ³ ×10 ³	6,157	5,120	5,467	8,394
EMPLOYEES AND SECURITY					
Employees	#	3,238	2,965	3,102	3,110
On-duty accidents	#	9	3	9	7
On-duty accidents of contracted workers	#	93	115	147	138
Fatal on-duty accidents	#	0	0	1	1
Fatal accidents of contracted workers	#	1	3	4	4

¹Excludes EDP Renováveis

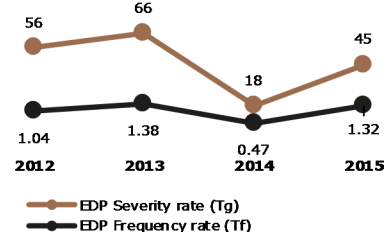
TECHNICAL AVAILABILITY (%)



SPECIFIC EMISSIONS FROM THERMAL (g/kWh)



ACCIDENTS AT WORK



2.2. ELECTRICITY AND GAS DISTRIBUTION

THE DISTRIBUTION ACTIVITY

The energy generated is delivered to transmission grid, and then is transported to the distribution network. This grid provides energy to the supply points. This stage of the value chain is called distribution activity.

Electricity distribution networks are composed by high, medium and low voltage lines and cables. Also part of this networks are substations, transformation stations, public lighting, as well as the necessary connections to consuming facilities and power plants.

Gas distribution activity operates from local distribution networks or through high pressure pipelines which provide the energy required to the supply points. Gas regulating and meter stations are also part of these grids.

Distribution activity is under specific rules established by national regulatory authorities.

Quality of service and efficiency are key drivers of this activity and distribution network operators, under the specific rules they are subject, have to ensure higher quality standards and service continuity defined by the regulator entity. This indicators are monitored through metrics such as Installed Capacity Equivalent Interruption Time and can be achieved through an appropriate level of investment and maintenance in the grid. The management of grid losses is also essential for the efficiency of this activity.

EDP is present in the electricity distribution activity in three geographies: Portugal, Spain and Brazil, representing in 2015 79TWh, distributed by 336 thousands km of grid.

In Portugal, EDP's presence in the electricity distribution market spreads across the mainland. In Spain, EDP operates in some autonomous communities, especially in Asturias region. In Brazil, EDP is present in the State of Espírito Santo and in the State of São Paulo, through EDP Escelsa and EDP Bandeirante, respectively.

Gas distribution activity develops in the Iberian Peninsula, where EDP distributed 34TWh in 2015, through 13 thousands km of grid.

Gas activity is developed in the northern coast region in Portugal and in Spain in Asturias, Pais Basco and Cantábria autonomous regions.



strategic priorities

- ⚡ implementation of smart grids
- ⚡ Higher quality of service and efficiency

The electricity distribution business strategy of the EDP Group is also focused on the implementation of smart grids and related services, in order to meet the challenges of the future and become a benchmark in electricity distribution. Therefore, maintains focus in efficiency and quality of service, keeping appropriate investment levels and registering historically high levels of quality of service.

Over the past few years, expansion and improvement of grid in all three geographies – Portugal, Spain and

Brazil -, as well as the expansion of telemeters in all transformation stations, have been a key factor in the way of EDP. At the end of 2015, the company had more than 550 thousands smart meters installed in the three geographies, particularly Portugal where we have a coverage by telemetry of 62% of distributed energy.

Highlights

- /// **Sale of gas distribution assets** in Murcia and other regions
- /// Quality of service in **Portugal** reached historical amounts and efficiency improved compared to last year
- /// EDP continues to be a **leader** in quality of service of the Spanish electricity sector
- /// **Brazil** presented a general improvement of quality indicators, above the regulatory targets

In 2015 levels of electricity distribution registered an increase in Iberian Peninsula, which was not the case since 2009. Despite penalized by milder weather conditions than usual, electricity distributed increased 1%, resulting in a total of 53TWh.

The Installed Capacity Equivalent Interruption Time (ICEIT) scored, in Portugal, the best mark ever, with 54 minutes. In Spain EDP continues to be a leader in quality of service of the Spanish electricity sector, with an ICEIT of 34 minutes. System Average Interruption Frequency Index (SAIFI) in Portugal also improved its performance compared to 2014, and registered 1.54 interruptions for domestic customers and small business and 1.76 interruptions for business customers.

Noteworthy for

electricity grid losses in Portugal, to have broke the barrier of 10%, which is not recorded since 2012, reaching 9.8%.

Distribution business in Brazil has been marking increasing electricity distribution volumes in last years, accumulating since 2009 an increase of over four TWh, reaching 26TWh in 2015.

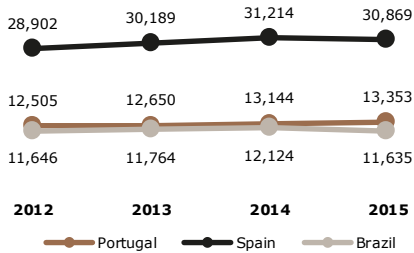
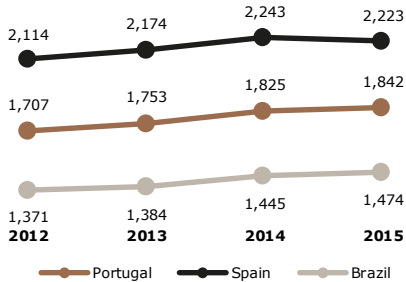
In Brazil, quality of technical service is based in two indicators: Average Interruption Duration per Consumer Unit (DEC) and Frequency Interruption Duration per Consumer Unit (FEC). In 2015, EDP Bandeirante achieved a DEC of 7.3 hours and a FEC of 5.1 hours, which implies a reduction of 4% and 5%, respectively when compared to 2014. EDP Escelsa presented in 2015 a DEC of 9.1 hours, which correspond to a reduction of 12% and a FEC of 5.1 hours, corresponding to a 21% decrease compared to 2014. Quality indicators were above regulatory target.

In the beginning of 2015, EDP has reached an agreement with Redexis Gas, S.A. for the sale of assets in Murcia and in other regions owned by EDP Group in Spain. With this operation, EDP reduced his distribution gas activity in Iberian Peninsula, leading to a reduction in volumes distributed of approximately 37%.

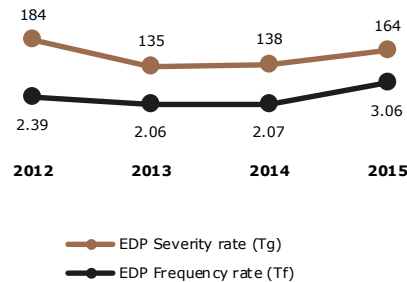
In gas distribution, despite an adverse economic context, has kept the increase in supply points in Portugal of 4%. In Spain, as a result of the sale of gas distribution assets in Murcia and other regions of Spain, the supply points decreased 11%.

**ICEIT in Portugal
reached best mark
ever, achieving 54
min.**

MAIN DISTRIBUTION ACTIVITY INDICATORS

ELECTRICITY DISTRIBUTED PER EMPLOYEE
(MWh/#)ELECTRICITY SUPPLY POINTS PER
EMPLOYEE (#)

ACCIDENTS AT WORK

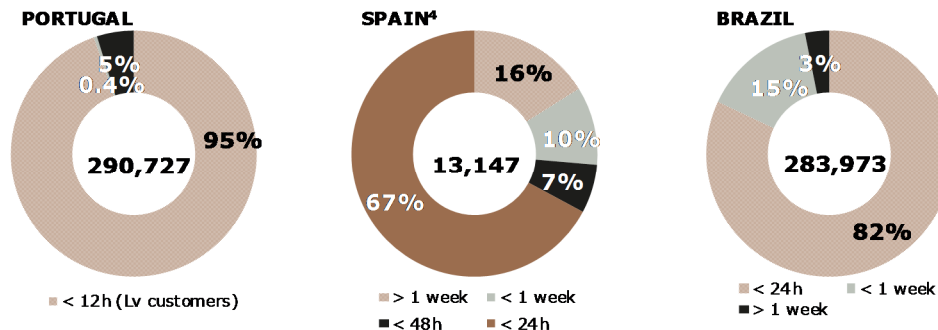


— EDP Severity rate (Tg)
— EDP Frequency rate (TF)

	UN	2015	2014	2013	2012
ELECTRICITY					
ELECTRICITY DISTRIBUTED					
Portugal	GWh	44,277	43,808	43,858	44,655
Spain	GWh	9,168	9,177	9,147	9,003
Brazil	GWh	25,713	26,443	25,880	24,923
ELECTRICITY SUPPLY POINTS					
Portugal	'000	10,024	9,894	9,780	9,688
Spain	'000	6,107	6,083	6,076	6,095
Brazil	'000	660	659	659	659
Brazil	'000	3,257	3,152	3,045	2,934
GRID EXTENSION					
Portugal	Km	335,804	333,313	334,169	334,064
Portugal	Km	224,849	223,523	222,476	223,734
Overhead lines	Km	176,622	175,615	174,813	174,293
Underground lines	Km	48,227	47,909	47,663	49,442
Spain ¹	Km	20,396	20,268	23,293	22,986
Overhead lines	Km	15,640	15,545	18,469	18,397
Underground lines	Km	4,756	4,723	4,824	4,589
Brazil	Km	90,558	89,522	88,400	87,344
Overhead lines	Km	90,328	89,332	88,242	87,344
Underground lines	Km	231	189	158	n.d.
SUBSTATIONS					
Portugal	#	619	617	618	619
Spain	#	419	416	411	414
Spain	#	57	57	57	58
Brazil	#	143	144	150	147
GRID LOSSES					
Portugal	%	9.8	10.3	11.2	9.1
Spain	%	4.1	4.1	4.2	3.7
Brazil	%	11.0	11.3	11.6	11.7
SERVICE QUALITY					
Portugal	Installed Capacity Equivalent Interruption Time ²	Min	54	60	84
Spain	Installed Capacity Equivalent Interruption Time ²	Min	34	29	38
Brazil	Average Interruption Duration per Consumer	Hours	7.3	7.6	8.1
Bandeirante	Hours	9.1	10.4	9.8	9.9
Escelsa	Hours	9.1	10.4	9.8	9.9
Frequency of Interruptions per Consumer	#	5.1	5.3	5.5	6.0
Bandeirante	#	5.1	6.5	5.8	6.4
Escelsa	#	5.1	6.5	5.8	6.4
Telemetry	'000	620	415	308	206
Portugal	'000	150	58	57	34
Spain	'000	402	306	227	153
Brazil	'000	68	50	24	18
ENVIRONMENTAL INDICATORS					
Certified Installed Capacity	%	35	32	30	27
Waste sent for final disposal	t	13,964	15,013	20,296	21,052
Dangerous waste	t	2,530	2,912	3,571	418
Waste valorization	%	89	89	93	99
EMPLOYEES AND SECURITY					
Employees	#	5,823	5,808	5,970	6,023
On-duty accidents ³	#	31	21	21	23
On-duty accidents of contracted workers ³	#	33	57	60	62
Fatal on-duty accidents	#	1	0	2	0
Fatal accidents of contracted workers	#	3	4	4	9

¹2014 figures was revised during the inventory of assets under the new distribution model definition. ²ICEIT in MV grid, excluding extraordinary effects. ³Includes accidents with one or more days of absence and fatal accidents.

ELECTRICITY SUPPLY RECONNECTION AFTER PAYMENT OF DEBT BY CUSTOMER (#)

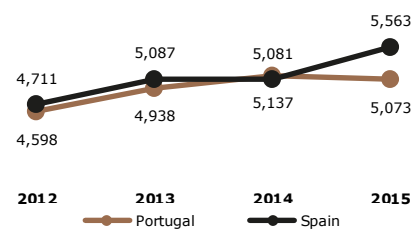


⁴The time intervals considered relates to the time lapse between the cutting of the service for lack of payment to the reconnection

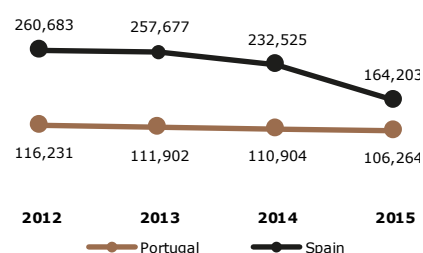
	UN	2015	2014	2013	2012
GAS					
GAS DISTRIBUTED					
	GWh	34,001	53,846	58,473	63,109
Portugal	GWh	6,907	6,876	6,938	7,323
Spain	GWh	27,093	46,970	51,535	55,786
GAS SUPPLIED					
	'000	1,248	1,345	1,324	1,298
Portugal	'000	330	319	306	290
Spain	'000	918	1,026	1,017	1,008
GRID EXTENSION					
	Km	12,570	14,797	14,480	14,641
Portugal	Km	4,856	4,653	4,484	4,321
Spain ¹	Km	7,715	10,143	9,996	10,321
ENVIRONMENTAL INDICATORS					
Installed power certified	%	100	100	100	100
Waste sent for final disposal	t	19	24	34	51
Dangerous waste	t	1	1	2	2
Waste valorization	%	100	99	98	97
EMPLOYEES AND SECURITY					
Employees	#	227	260	258	273
On-duty accidents	#	2	1	5	2
On-duty accidents of contracted workers	#	4	2	4	16
Fatal on-duty accidents	#	0	0	0	0
Fatal accidents of contracted workers	#	0	0	0	0

¹ The number of km in 2012 includes the gas transport in Spain.

GAS SUPPLY POINTS PER EMPLOYEE (#)



GAS DISTRIBUTED PER EMPLOYEE (MWh/#)



2.3. ELECTRICITY AND GAS SUPPLY

THE SUPPLY ACTIVITY

Once the energy gets to the supply point, it is sold by the supplier. In all the electricity and gas value chain, the supply is the activity closer to the customer, being responsible for the relationship with the final consumers.

In most European countries, the electricity and gas markets' liberalisation processes were carried out in stages, starting by higher consumption and voltage level customers. In regulated markets, energy supply is attributed to the distributors. With the market liberalisation, these activities are separated, allowing new market agents to enter.

In the Iberian Peninsula, electricity and gas supply is liberalised and consumers have the right to freely choose their supplier. Although the energy market is fully liberalised in both countries, there are last resort suppliers. Currently, in Portugal, these suppliers provide customers whom have not moved to the liberalised suppliers and in the future the aim will be to ensure energy supply to consumers, mainly vulnerable ones.

In Brazil, the electricity supply is divided in regulated and liberalised markets. The customers with consumption from 3,000 kW onwards are considered liberalised and the remaining customers are covered by the regulated market.

EDP is present in the electricity supply activity in Portugal, Spain and Brasil, having more than 9.7 million customers in those geographies.

In the gas sector, this presence is only Iberian, where EDP has 1.4 million customers.



strategic priorities

- Focus on the customer
- Maintenance of high levels of clients' satisfaction
- Broad range of services in the three geographies
- Dual offer in Iberia
- New line of sustainable mobility in Spain

The customer relationship management is crucial for EDP, which has given strong relevance to the focus on clients and to improve the quality of services provided. EDP has been building up a position of brand awareness in the energy market, aiming to be an engaging company with which customers relate to.

The energy service segment, focused on energy efficiency and microgeneration (photovoltaic panels), has also been contributing to built strong customer relations. In Iberia, EDP continues to construct its position based on a wide range of products and integrated electricity and gas services for both B2B and B2C customers.

highlights

/// **EDP Comercial** reached **3.7 million of electricity customers and 500 thousand of gas customers** in the liberalised market

/// Purchase of **APS - Soluções de Energia** in Brasil

In Brazil, the intention of strengthened EDP's position in the energy services segment, led to the acquisition of APS - Soluções de Energia, in December 2015.

Currently, the supply of energy services in Brazil is largely targeted to B2B customers, where there is a considerable upside to be reached.

The number of EDP's liberalised electricity customers in Iberia reached 4.4 million, growing 18% year on year.

In Portugal, a new milestone was surpassed, reaching 3.7 million customers (+ 21% vs 2014). This resulted from the strong level of customer acquisition following the switching of customers from the regulated market. The electricity sold by EDP in the liberalised market increased by 10%, which was not enough to offset the decrease in sales in the regulated market.

In Spain, the volume of electricity sold fell by 11% in 2015, following the focus given to more attractive segments.

In Brazil, the decrease in the number of contracts with liberalized customers was more than offset by the increase in customers in the regulated market. Despite the increase in the number of customers, the amount of electricity sales did not follow this trend as a consequence of lower consumption (particularly in the residential segment), which is a reflexion of the economic downturn and consumer reaction to higher prices.

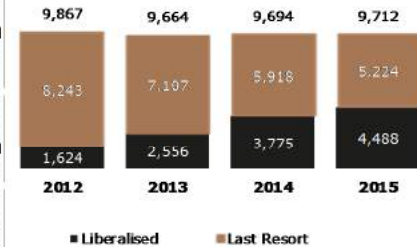
In the gas segment, the number of EDP's gas customers in Iberia reached 1.4 million. In Portugal, EDP has seen its liberalised costumers' portfolio grow 29% as a result of the successful of dual offering (electricity + gas). This growth reinforces EDP's leadership in the B2C liberalized gas sector in Portugal. Gas sales in this segment followed the increase in the number of customers, reaching 27% when compared with 2014. In Spain, the amount of gas sold decreased by 14%, reflecting lower opportunities in the wholesale market.

Further information can be seen in chapter 6.2. Customers

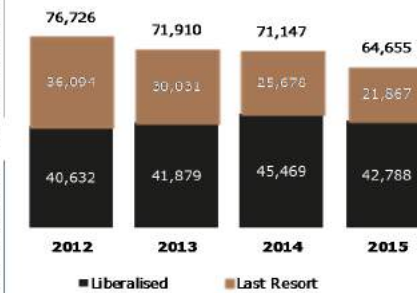
MAIN SUPPLY ACTIVITY INDICATORS

	UN	2015	2014	2013	2012
ELECTRICITY					
NUMBER OF CUSTOMERS	'000	9,712	9,694	9,664	9,867
Portugal	'000	5,444	5,576	5,718	5,884
Last Resort	'000	1,731	2,520	3,807	5,031
Liberalised Market	'000	3,713	3,056	1,911	853
Market Share EDP - Liberalised Market	%	85	86	84	80
Spain	'000	1,012	966	901	1,048
Last Resort	'000	238	247	256	278
Liberalised Market	'000	774	719	645	771
Market Share EDP - Liberalised Market	%	n.a.	3.5	3.2	4.6
Brazil	'000	3,257	3,152	3,045	2,934
Last Resort	'000	3,256	3,151	3,045	2,934
Liberalised Market	'000	0.4	0.6	0.3	0.3
Social Tariff	'000	326	341	333	265
Portugal	'000	93	42	59	68
Spain	'000	60	63	61	61
Brazil	'000	173	235	213	186
Special Needs	'000	1	0.96	0.81	0.87
Portugal	'000	0.5	0.5	0.5	0.6
Brazil	'000	0.5	0.4	0.3	0.3
Green Tariff	'000	771	683	586	519
Portugal	'000	4	4	5	5
Spain	'000	767	679	581	515
ENERGY SUPPLIED	GWh	64,655	71,147	71,910	76,726
Portugal	GWh	22,839	24,861	27,105	29,603
Last Resort	GWh	5,675	9,247	14,016	19,767
Liberalised Market	GWh	17,164	15,613	13,089	9,835
Market Share EDP - Liberalised Market	%	43	45	44	40
Spain	GWh	15,521	17,317	17,007	20,251
Last Resort	GWh	497	513	608	709
Liberalised Market	GWh	15,024	16,804	16,400	19,543
Market Share EDP - Liberalised Market	%	8	9	10	11
Brazil	GWh	26,295	28,970	27,798	26,872
Last Resort	GWh	15,895	15,917	15,407	15,618
Liberalised Market	GWh	10,600	13,052	12,391	11,254
Social Tariff	GWh	490	605	572	488
Portugal	GWh	42	76	111	149
Spain	GWh	119	115	115	115
Brazil	GWh	330	414	347	223
Special Needs	GWh	2	2	2	12
Green Tariff	GWh	5,960	4,976	4,934	4,868
Portugal	GWh	10	9	11	11
Spain	GWh	5,950	4,967	4,923	4,857
Electronic invoicing	'000	1,814	1,609	1,338	1,096
Portugal	'000	1,269	1,185	979	n.d.
Espanha	'000	502	431	355	n.d.
Brasil	'000	43	11	4	n.d.
GAS					
NUMBER OF CUSTOMERS	'000	1,405	1,311	1,171	1,091
Portugal	'000	568	479	375	319
Last Resort	'000	67	90	151	263
Liberalised Market	'000	501	389	224	56
Spain	'000	837	832	796	772
Last Resort	'000	59	68	73	88
Liberalised Market	'000	778	764	723	685
ENERGY SUPPLIED	GWh	31,717	35,177	34,843	35,017
Portugal	GWh	5,127	4,345	6,290	7,464
Last Resort	GWh	420	626	975	1,349
Liberalised Market	GWh	4,708	3,719	5,315	6,115
Market Share EDP - Liberalised Market	%	n.a.	8	11	16
Spain	GWh	26,590	30,833	28,553	27,553
Last Resort	GWh	286	277	354	333
Liberalised Market	GWh	26,304	30,556	28,199	27,220
Market Share EDP - Liberalised Market	%	3	4	5	9

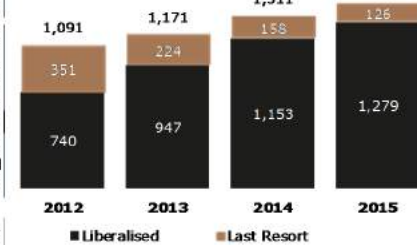
ELECTRICITY NUMBER OF CUSTOMERS ('000)



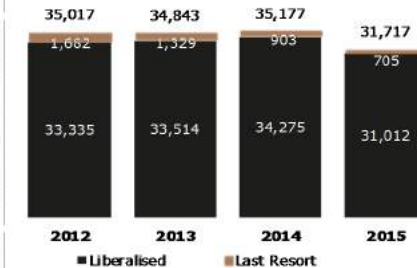
ELECTRICITY SUPPLIED (GWh)



GAS NUMBER OF CUSTOMERS ('000)



GAS SUPPLIED (GWh)



† Regulated Customers supplied by Distribution

3. ETHICS

The management of an organization's ethical performance is not limited to the existence of a code of ethics, nor to the management of the process of registering and processing complaints. It requires careful monitoring and evaluation of the results achieved and, above all, the continued reinforcement of the ethical perspective of the organizational culture, through sharing principles and values, promoting consistency in actions and the reduction of attendant risks, especially in matters of reputation and conduct.

These were the main guidelines of the initiatives developed in the EDP Group, with respect to ethics, in the year 2015.

ANNUAL REPORT OF THE ETHICS OMBUDSMAN

The different initiatives, the results and commitments in the sphere of the management of the ethical performance of EDP, are described in detail in the Ombudsman's annual report, available on www.edp.pt > about edp > corporate governance > ethics > ethics ombudsman.

3.1. MANAGEMENT OF ETHICS COMPLAINTS

During the year, 317 complaints were registered in the various channels available for this purpose in the EDP Group, 54 of which gave rise to complaints proceedings presented to the Ethics Committee, and the rest were dealt with swiftly in the business units involved.

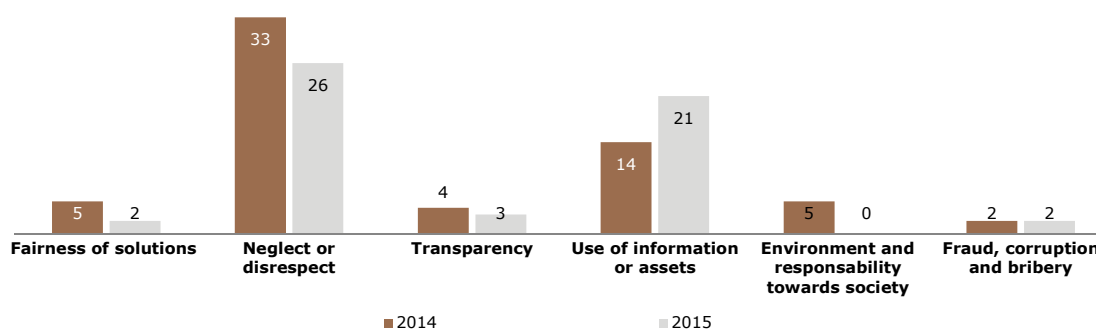
The complaints received are classified by origin and in accordance with the different topics of the code of ethics according to the table:

CORRESPONDENCE BETWEEN THE CLASSIFICATION OF COMPLAINTS AND THE POINTS OF THE CODE OF ETHICS

Fraud, corruption and bribery	2.2. Financial matters 2.2. Bribery and corruption
Environment and responsibility towards society	2.5. Corporate social responsibility 3. Commitments to stakeholders
Use of the information and assets	2.2. Use of information 3. Commitments to stakeholders
Transparency	2.4. Transparency 3. Commitments to stakeholders
Fairness of solutions	2.2. Conflict of interests 3. Commitments to stakeholders
Neglect and disrespect	2.1. Legislation 2.3. Respect for human and labour rights 3. Commitments to stakeholders

Comparing to previous year, there is a 14% decrease in the total number of new complaints presented to the Ethics Committee, with expression in all the thematic areas considered, with the exception of the topic "use of information and assets", where a material increase of 50% is recorded.

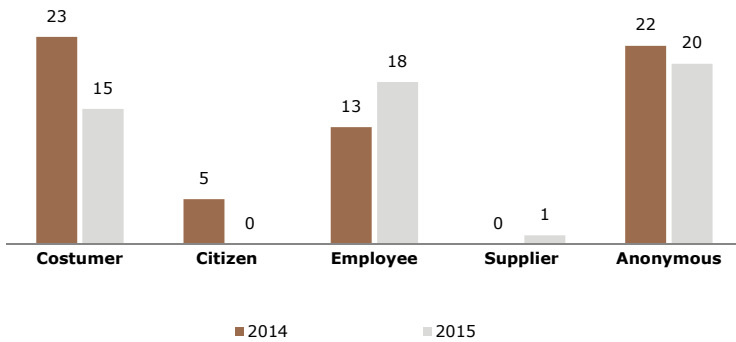
CLAIMS PRESENTED TO THE ETHICS COMMITTEE, BY SUBJECT (#)



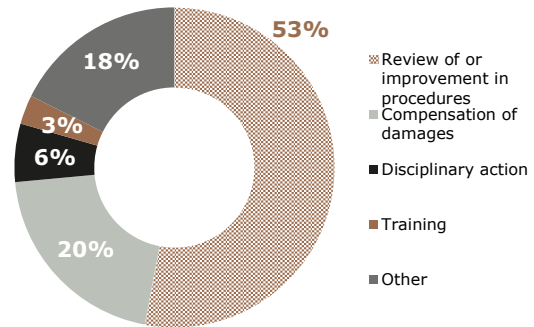
Concerning the distribution according to the origin, there are changes, of a similar size, but in the opposite direction, in the "Employees" and "Client" segments, which may be justified by the actions of internal training and awareness conducted.

From the the claims presented to the Ethics Committee, 47 were closed in the year 2015. Of these, 43% were considered to be founded, and about twenty of follow-up actions were determined.

CLAIMS BEFORE THE ETHICS COMMITTEE, BY SOURCE (#)



ACTIONS DETERMINED BY THE ETHICS COMMITTEE (%)

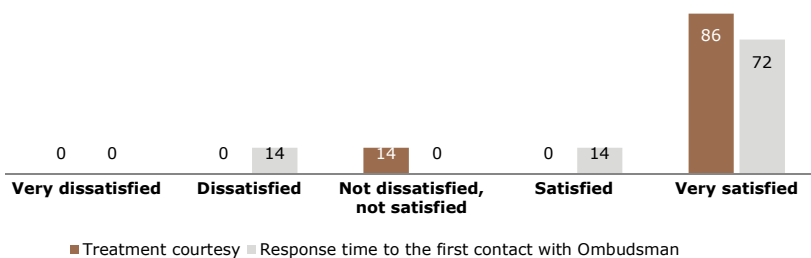


As in 2014, these actions were mostly directed towards revision and improvement in procedures, thus promoting the improvement of the management and control systems, in the sense of preventing the recurrence of bad ethical malpractices. The actions classified as "others" include, in particular: monitoring of performance of processes, evaluation of effectiveness of initiatives and participation of occurrences before criminal investigation authorities.

COMPLAINANTS' SATISFACTION

The satisfaction of the authors of the complaints presented to the Ethics Committee is assessed annually within the scope of the control of the ethics complaint management process. This assessment is made with respect to aspects such as the courtesy of the treatment and the response time to contacts. The results of the assessment are still significantly positive, registering, however, a decrease in the response rate to the survey, which now stands at 39%.

COMPLAINANTS' SATISFACTION (%)



«Once again I regret what happened, but thanks to the impartiality, promptness and readiness demonstrated in the resolution of this case, I consider myself "satisfied" with respect to the outcome of the "complaint presented.»

(Comment of a complainant)

3.2. REINFORCEMENT OF THE ETHICS CULTURE

In 2015, a new assessment and skills development model - Amplify - was adopted where "Openness and Transparency" are considered skills transversal to all functions and hierarchical levels (page 100). Aspects such as promoting an environment of respect, trust and openness, are now part of the evaluation of managers and employees, which represents an important advance in the statement of ethics in the organization's day-to-day activities.

AWARENESS RAISING AND TRAINING IN ETHICS

"Tone at the Top" was the signature of an initiative involving all of EDP's executive and to management in Portugal and Spain, with the objectives of strengthening the alignment of this segment of employees with respect to the thematic aspects of organizational ethics, reflecting on the circumstances potentiating ethical malpractices in EDP and identifying concrete measures to make the Organization less propitious to its occurrence.



This initiative took place within the context of the project for ethical risk analysis in EDP and was materialised in a set of six workshops with a participation rate of more than 92% and a very positive evaluation by the participants.

Similarly to what happened in Portugal in the previous year, éticaedo e-learning programme was held in Spain in 2015 with a rate of adhesion of 83%, covering more than 1,400 employees. Most of the participants evaluated the course positively, considering the theme addressed as very useful in day to day activities, both personally and professionally.

This year there was, also, the adaptation of this training program to the specificities of EDP Renováveis and EDP Brasil, with a view to its deployment in 2016.

In 2015, the face-to-face module on ethics continued to be part of the onboarding training for new employees complementary to éticaedp e-learning course. This specific training covered 84% of the employees admitted in Portugal this year and its extension to the remaining business units is forecast for 2016.

3.3.ANTI-CORRUPTION

With the objectives of strengthening the effectiveness of the control and reporting systems and to reduce the risks of non-compliance, in particular the occurrence of bribery and corruption practices, were held in Portugal, several training programmes under the system of internal control and financial reporting (SCIRF, page 196). SCIRF covers all of the EDP group companies in all the geographies and includes specific control procedures on prevention of corruption and bribery practices.

EDP Brasil has completed the training of the employees most exposed to this risk, as are those who have direct or indirect contact or personal relationships with public authorities, deal with confidential information, are responsible for conducting any type of cash handling or interacting with third-party contracting or negotiation of contracts of any kind.

In EDP Renováveis, a specific training on the topic involving employees in the United States and Europe platforms, following the implementation of its Anti-corruption policy (www.edpr.com> investors> corporate governance> anti-corruption policy), approved at the end of 2014.

Although some legal systems in force in countries where the EDP Group operates permit, none of the companies in the Group held monetary or in-kind contributions to political parties. The absence of such contributions, by the companies of EDP Group, is in line with the internal values enshrined in our code of ethics pursuant to which "employees undertake not to carry out, on behalf of the company, monetary or other contributions to political parties", and "EDP undertakes to permit, where it is admitted by law, the provision of mechanisms, properly regulated, for the participation of employees in political processes, which may include monetary contributions on a voluntary and personal basis."

Particularly with regard to its supply chain, agents, intermediaries and distributors, EDP includes, in their contracts, explicit provisions regarding the respect of standards of ethical conduct, as well as specific provisions relating to compliance with the laws applicable to matters of corruption and bribery. In 2015, the new Procurement Manual strengthened ethics procedures, in particular those relating to bribery and corruption practices.

3.4.HUMAN RIGHTS

According to the code of ethics, EDP undertakes to respect and to promote, in particular in its supply chain, human rights and fair labour practices. The Principles of Sustainable Development of EDP Group affirm the commitments to integrate the social aspects in planning and decision-making, to respect and promote respect for human rights in their sphere of influence, to reject abusive and discriminatory practices, as well as to ensure equal opportunities.

Additionally, EDP assumes the Universal Declaration of Human Rights and the conventions, treaties or international initiatives, such as the conventions of the International Labour Organization, the United Nations Global Compact and the guiding principles for business and human rights endorsed by the United Nations Human Rights Council – Ruggie Framework. In this context and following the project for the identification and evaluation of ethical risks, EDP has initiated a Human Rights Monitoring Programme to assess internal practices, identify needs of due diligencies and prepare action plans.

In 2015, the Human Rights Monitoring Programme included an internal self-diagnosis on the part of the business units in Portugal, Spain, Brazil and United States, including companies, facilities, new projects, mergers and No significant risks of adverse impacts on human rights were identified. The Programme sets out the supervision of

the monitoring in the context of the Compliance function, also aiming its deepening and expansion, as well as its extension throughout our supply chain, particularly in the entities acting on our behalf.

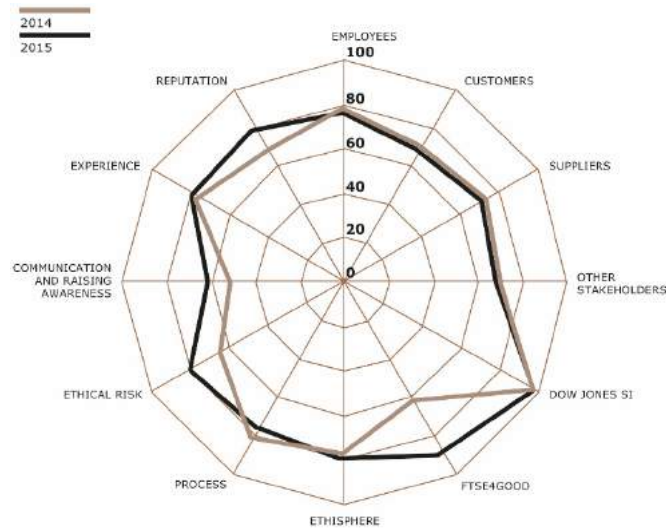
EDP has made available on its website, a set of relevant rules and procedures of the Monitoring Programme: summary of commitments published by EDP Group with regard to respect for human rights; List of UN guiding principles for businesses; Monitoring Guide; Self-diagnostic form (www.edp.pt > sustainability > approach to sustainability > ruggie framework).

It should be noted that compliance with the prohibition on the use of undocumented workers and child labour is explicit requirement of qualification of suppliers, it's contractually established and is auditable and subject to inspections at the operational level, being also under the Monitoring Programme and object of the self-diagnosis.

The channel for complaining to and questioning the Ethics Ombudsman of the EDP Group is the preferred means of contact related to the matters of human rights and labour, including in the context in the supply chain.

3.5.ASSESSMENT OF ETHICAL PERFORMANCE

ETHICIS – CORPORATIVE ETHICAL PERFORMANCE INDEX



EDP monitors its ethical performance through an internal index called Ethicis. This index is structured in four main areas – stakeholders' perception, raters assessment, management and ethical culture – in turn divided into twelve main axes. In 2015, the Ethicis index presented a consolidated value of 78.2, which represents an increase of 5 points in relation to the value of the previous year.

EXTERNAL ASSESSMENTS

For the fourth consecutive year, EDP was included in the list of the "World's Most Ethical Companies" (WMEC 2015) prepared by the Ethisphere Institute (USA), after improving the overall value of its "Corporate Ethics Quotient" by 2.1 points and extending to 5.5 points the distance to the average of the values obtained by the companies enlisted, this year. It should be noted that this result is reached within a context of the greatest level of exigency and detail of the information requested in each one of the five dimensions of analysis.

EDP Brasil was recognised with the 2015 Selo Pró-Ética, given by the Controladoria Geral da União. Pro-Ética is an initiative that promotes the public recognition of companies committed to preventing and fighting against corruption and which strives to promote a more upstanding, ethical and transparent corporate environment. This recognition has been obtained by EDP Brasil for the second consecutive time and the company has been one of the first four Brazilian companies to receive this recognition (page 27).

Other external assessments of EDP's ethical performance, such as SRI Indexes, can be read at the annual report of the Ethics Ombudsman.

4.INNOVATION

4.1.APPROACH TO INNOVATION

In 2015, the governance model implemented in the previous year was consolidated for Innovation, based on four strategic areas for the EDP Group:

- Cleaner Energy;
- Smarter Grids;
- Customer-Focused Solutions;
- Data Leap - Innovative Information and Communication Technologies (ICTs) and Data Management.

This model of Governance dictated that, in 2015, the mechanisms of articulation between EDP Inovação and the other Business Units of the Group continued to consolidate.

Open innovation, involving the participation of entrepreneurs, large companies, finance companies, universities, technological centres and the scientific community in general, presents significant advantages from the point of view of effectiveness in the quest for solutions and efficiency in the use of the means allocated for innovation, and for a long time it has been an integral part of the strategy for innovation pursued by EDP with considerable success.

EDP Inovação got the recognition of credibility for practising Research and Development (R&D) activities by the National Agency for Innovation. This recognition covers the technical and scientific domains of efficient and flexible renewable energy technologies; energy efficiency and energy management and smart systems engineering and applications.

It should also be mentioned that EDP Distribuição has certified its System for Management of R&D and Innovation (SGIDI) in accordance with NP4457, becoming the first certified utility in accordance with this standard and proving that Innovation is a constant renewed wager in the company. The SGIDI is profiled as a catalyst for generating ideas (around 274 captured ideas), which promotes the development of IDI projects and their dynamization in the company, leveraging and increasing internal knowledge.

In 2015, the investment made in R&D and Innovation in the Iberian Peninsula was EUR 30.52 million.

In Brazil, R&D initiatives are promoted in conformity with the guidelines of the regulatory authority, with a focus on improving the processes for generation and distribution of electricity. The strategic plan for investment in R&D is multiyear with validity for five years, and was thought to achieve objectives such as operational efficiency, risk reduction and revenue improvement. In 2015, R\$18,06 million was invested.

In addition to the initiatives taken by the business units in the four strategic areas, which are hereby presented, we emphasize the consolidation of N.E.W. R&D centres in Portugal (<https://rd-new.com/>) and SCNET in Shanghai, the latter created in July 2015, whose activities will cover the following areas: management and storage of power, smart grids, and flexibility in hydro, thermal and offshore wind generation.

4.2. INNOVATION INITIATIVES

CLEANER ENERGY

This area aims to identify and promote the development of new energy sources, in the field of clean energy, enabling EDP to have a diversified and efficient portfolio of power technologies and to identify solutions that permit operating the existing generation assets efficiently, with the aim of reducing greenhouse gas emissions. The following projects are emphasized:

PROJECT	DESCRIPTION	COUNTRY
Predictive maintenance of wind turbine blades	Advanced maintenance of wind turbines, by installing optical fibre-based sensors to predict the state of the wind turbine blades, allowing action to be taken in advance to prevent significant damage and outage.	Portugal
Sunlab	Test platform for the performance of photovoltaic modules (6 different technologies), in different climatic conditions (4 locations) and different positions, in order to determine the relationship between power production and these variables and to develop decision support tools, adapting the best technologies to each location and position.	Portugal
Smart Green Gas	Generation of renewable natural gas (biomethane) from waste, to be used as a fuel in industry, the automotive and residential sector, through its injection into the gas distribution network.	Spain
Methodology for Socio-economic and Environmental Analysis of the implementation of hydroelectric power stations	Development of a tool that aims to improve the efficiency in the operations and anticipate deliveries, streamlining the planning processes for expansion, environmental licensing, implementation and operation of hydroelectric dams in the State of Espírito Santo.	Brazil

SMARTER GRIDS

In this pillar, EDP aims to lead the development of infrastructures and applications of smart grids focusing on the customer and on the operations. It is intended to ensure that distribution networks have the ability, in a context of increased renewable distributed generation and electrification of society (e.g. electric vehicles), to ensure the optimization and the flexibility of its operating activities, facilitating the creation of new client services.

PROJECT	DESCRIPTION	COUNTRY
Storage of MV Power in Évora	A pioneer project in Portugal, consisting of an electric power storage system, with the functions of a backup for the University of Évora and network management support, notably through its features of grid voltage control and loss reduction, contributing to improve its energy efficiency.	Portugal
PlanGridEV	A project supported by the 7 th Framework Programme for R&D of EC, the main purpose of which is to create new planning rules and operational principles for optimal integration of electric vehicles for different network typologies and different levels of penetration of distributed generation, such as solar, wind and micro-cogeneration.	Portugal
UPGRID	Development and testing, in a fully controllable smart grid environment, of innovative solutions that allow flexible integration of the active demand for power and distributed generation. (N.E.W.)	Portugal
evolVDSO	A project supported by the 7 th Framework Programme of R&D of the EC, which aims at developing methodologies and tools to support the new role of Distribution System Operators, in the context of integration in networks of decentralized production from renewable sources.	Portugal
Redox 2015	Development of a high-capacity storage system for industrial and commercial use, applicable to medium and low voltage electricity networks.	Spain
PLARAD2016	Assessment of the impact in the planning of the low tension network of the massive deployment of TESLA commercial batteries associated with photovoltaic panels on domestic customers.	Spain
ClimaGrid	A system for providing daily environmental, meteorological and occurrences data in the electrical system for EDP's distribution companies, enabling them to reduce the average time of interruption.	Brazil
Smart Grid Laboratory	Smart Grids Laboratory, installed in the Polytechnic School of the University of São Paulo (USP), intended to emulate networks and to test equipment. The laboratory will feature smart devices, measuring equipment and ICT systems.	Brazil

DATA LEAP - INNOVATIVE INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

This is a cross-sectoral area of leverage for the development of ICT to support innovation in all business areas. The initiatives in this pillar focused in particular on new technologies and market trends, such as:

- ❑ **Big Data:** increases agility in the market, operational optimization and creation of new products and services;
- ❑ **Advanced Analytics:** promotes the extraction of actionable information from business data, leading to the creation of competitive advantages;
- ❑ **Cloud Computing:** enables you to flexibilize IT infrastructure management, streamline the allocation of technical resources and decrease investments.

PROJECT	DESCRIPTION	COUNTRY
Advanced Analytics in the trading area	Development of predictive models of propensity to churn and for debt for the different customer's segments (domestic and business costumers).	Portugal
Big Data Global Data Store (Corporate Data Lake)	Implementation of a big data repository, which ensures the processing of large volumes of data in real time.	Portugal
Machine Learning Pilot	Application of machine learning algorithms for preventive maintenance in EDP Distribuição's circuit breakers, by predictive analysis of historical operation data.	Portugal

CLIENT-CENTRED SOLUTIONS

In the commercial area, EDP aims at differentiating from its competitors, thereby focusing the innovation activity on the expansion of energy supply with new products and services and increasing overall customer satisfaction.

PROJECT	DESCRIPTION	COUNTRY
Electric vehicle charging in condominiums	Design of a technical solution that allows charging electric vehicles in common areas of condominiums, using charging points whose use is paid for directly by the users.	Portugal
Re:dy challenge	The re:dy challenge was launched in 8 universities, whose teams developed concepts for re-engineering and/or extension of the re:dy product. The winners, Minho Univ. and Politécnico de Bragança, developed new sensors and device interfaces.	Portugal
SENSIBLE	A demonstration project aimed at the integration in power networks and buildings of electro-chemical, electro-thermal and mechanical storage technologies, as well as micro generation (cogeneration, heat pumps) and renewable energy sources (photovoltaics) (N.E.W.)	Portugal
Showroom	A demonstration project of home energy management technologies with potential for integration into EDP's Commercial product range. The aim is to test equipment and identify trends and a cloud-based platform that facilitates interoperability.	Portugal
AHORRAENERGÍA	A pilot project, of Iberian scope, in the line of the previous project "Elenna2015", which aims to help residential customers to save and consume energy more efficiently.	Spain
Enrima	Development of a decision support system to control the power flow in buildings, meeting the demand as efficiently and economically as possible, minimizing emissions of CO ₂ and maintaining comfort.	Spain
MEMGAS	Development of a compact, low-cost system, focused on the monitoring, in consumer points, of the Gross Calorific Value of natural gas, with an impact on energy efficiency, emissions and safety.	Spain

OTHER INNOVATION INITIATIVES

EDP also develops projects aimed at improving the operation of its assets. It holds a venture capital fund for investment in cleantech (EDP Ventures) and promotes internal and external initiatives to stimulate innovation and entrepreneurship.

EDP Ventures: by the end of 2015, has already invested around EUR 21 million in business and innovative funds in the cleantech area and has also assumed an additional future investment commitment of EUR 0.5 million. The following investments stand out:

- ⌘ Arquiled - LED lighting solutions;
- ⌘ Feedzai - real time big data solutions;
- ⌘ Zypho - heat recovery siphon solution for baths and showers;
- ⌘ Principle Power - floating platform for offshore wind power;
- ⌘ Vertequip - system for lifting and moving people in conventional power plants and wind towers;
- ⌘ International Cleantech funds (USA and United Kingdom);
- ⌘ Support for pilot projects between Portuguese startups (Egg Electronics, Eggy, Pknoa) and business units of the EDP Group (EDP Comercial, EDP Renováveis).

EDP also promotes initiatives aimed at entrepreneurship and a greater link between the business and the academic communities, where the following are prominent:

- ⌘ **EDP Innovation Award:** This award bestowed in Portugal and in Brazil, aims at the development of new business projects focused on technological innovation or on innovation of business models, in the area of clean technologies in the power sector. In 2015, the 7th Edition was held in Portugal, which resulted in a monetary prize of EUR 50,000 assigned to the bLACK.bLOCK project, a smart controller integrated in the "Internet-of-Things" network to maximize the use of solar energy for water heating. The bLACK.bLOCK project is a method for automating the operation of a hybrid solar system for dehydration and heating, with agricultural and agro-industrial applications in plant drying and storage, but also with a domestic application if applied to households (www.premioedpinovacao.edp.pt).

In Brazil, in the 5th Edition of the Award, there were 154 projects in the area of business development for Smart Cities. The finalist projects were a water cleaning system without using electric power, a power management system for buildings and a communication system for smart grids. The winner received R\$50,000. (www.edp.com.br student researchers> premio edp 2020);

- ⚡ **EDP Starter:** In 2015, EDP supported the development of 15 startups that generated new jobs, contributed to the growth of the Portuguese corporate sector and to the projection of national technology on international markets (www.edpstarter.com);
- ⚡ **Click-Idea Platform:** through this platform, an internal management system of ideas, all employees, in all geographies, are invited to develop and share ideas that will contribute to innovation in the Group and in the energy sector. As a collaborative platform, Click-Idea also stimulates employees to contribute to the evaluation and improvement of existing ideas;
- ⚡ **Innovation Pipeline:** in 2015, EDP created the Innovation Pipeline, a tool that aims to identify and support innovation and sustainability projects in EDP Brasil;
- ⚡ **Innovability Mentors (iMentors):** capacity building of a select group of employees for creating business opportunities based on the principles of sustainable development and on EDP's pillars of innovation. In 2015, 26 iMentors were trained. The program has existed since 2013 and there are already 60 active iMentors.

5. ENVIRONMENT

5.1. CLIMATE CHANGE

The agreement reached at the Paris Climate Change Conference (COP 21) in December 2015 binds, for the first time, all countries in the world to limit average global temperature rises to less than 2°C above pre-industrial levels. To achieve this, neutrality must be achieved between Greenhouse Gas (GHG) emissions and their removal from the atmosphere between 2050 and 2100. The Agreement simultaneously establishes carbon pricing as essential for making investments attractive in clean technologies.

EDP embraces these goals and assumes the electric sector's key role in the transition to a low-carbon economy. The company's vision is clear, is aligned with its commitments and values and is reflected in the options of its strategic agenda: to supply competitive, low-carbon energy that can assure sustainable economic growth.

EDP's climate change strategy, outlined in the next page, embodies this vision and positions the company for the answer to the profound change in the electricity sector, aiming at its decarbonisation over time.

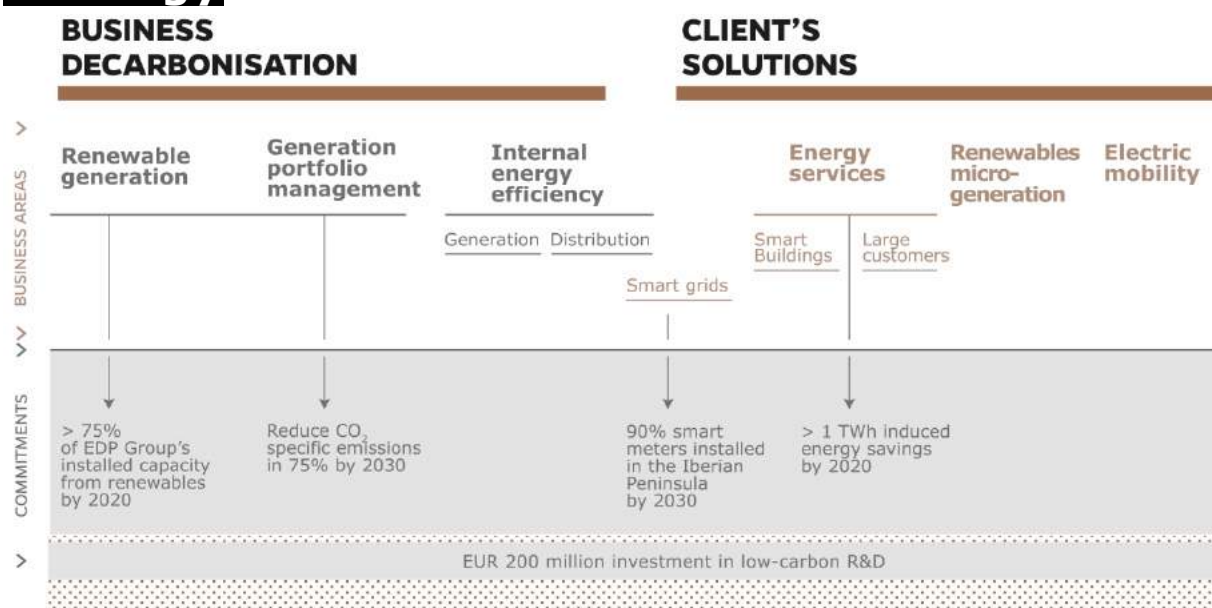
edp promotes renewables at cop21

Under the collaborative initiative Low Carbon Technology Partnership Initiative (LCTPi), led by the World Business Council for Sustainable Development (WBCSD), EDP, along with 15 worldwide relevant companies, signed an action plan, whose implementation enables the installation of 1,5 TW renewable energy capacity worldwide, over the next 10 years, in order to limit the increase in global warming.

This partnership brings together over 140 companies and demonstrates the potential of already existent business solutions is sufficient to achieve 65% of the total needs to achieve the 2°C objective.

EDP presented its contribution to this objective in a wide range of events associated with the Climate Conference, among which the Energy Day, organized by the Lima Paris Action Agenda, where António Mexia participated in the discussion of financing ways necessary for accelerated massification of renewables.

climate change strategy



In 2015, EDP committed to a set of quantified objectives for each of its main operational areas:

- ❑ To contribute to the increase of electricity generation from renewable energy sources, exceeding 75% of the overall installed capacity by 2020;
- ❑ To reduce CO₂ specific emissions by 75% before 2030 (compared to 2005 levels);
- ❑ To expand the installation of smart meters to more than 90% of EDP's low-voltage power network delivery points in Iberia by 2030, utilizing new smart grid technology.
- ❑ To provide customers with ongoing access to energy efficiency products and services to reduce overall consumption by more than 1 TWh in accumulated energy savings by 2020 (compared with 2014);
- ❑ To foster partnerships in the research and development of clean energy technologies, energy efficiency and smart grids research, by investing EUR 200 million in innovative projects by 2020;

EDP has also undertaken a set of commitments promoted by the Carbon Disclosure Project (CDP) and the We Mean Business coalition, as a means of encouraging the adoption of concrete goals for corporate actions and to establish best practices for the respective implementation. In this respect, EDP committed to:

- ❑ Set an internal carbon price that helps integrating the climate variable into management decisions and support public policies that assign a price to carbon, in line with the Business Leadership Criteria on Carbon Pricing, established by the United Nations Global Compact;
- ❑ Establish an emissions reduction target consistent with the level of decarbonisation necessary to limit temperature rise to 2°C (Science Based Target);
- ❑ Disclosure information on climate change as a fiduciary duty, publishing content in its reporting package according to the Climate Change Reporting Framework requirements.

The governance model implemented for Research, Development and Innovation, supports the strategic orientation of the Group in the transition to a low carbon economy by promoting cleaner technology design as well as business solutions that promote the provision of energy efficiency products/services (page 86).

EDP has been promoting the development of energy services and customer solutions, enhancing the replacement of conventional primary energy sources (fuel switching), promoting the improvement of energy efficiency and load optimization. In 2015, EDP developed solutions in decentralised renewable generation, energy efficiency at the level of networks and solutions to customers, totaling around EUR 258 million, which represents an increase of 19% compared to 2014. This amount corresponds to 23% of total Group's energy services.

EDP reports annually to the CDP programs Climate Change and Water, providing detailed information about the risks and opportunities of climate change to the business and respective management thereof. EDP's report is publicly available (www.cdp.net and www.edp.pt) and, in 2015, it was given the maximum rating (100 for reporting and A for performance), with EDP having been included in the CDP's A List.

Climate change related disclosure is in accordance with the Climate Change Reporting Framework (CCFR) requirements and is presente both in this report and in documents referenced therein:

- ❑ Strategic agenda (page 48); risks, opportunities and governance (CDP);
- ❑ Management (pág. 48); Goals and Targets (pág. 53);
- ❑ Enegy global megatrends (pág. 38)
- ❑ GHG emissions (pág. 93), entirely alined with boundaries for the financial statement;

Under this framework, EDP uses the following standarts: CDP, GHG Protocol, EU-ETS and GRI-G4.

BUSINESS DECARBONISATION

In 2015, the Group's installed capacity in renewables rose by around 1.24 GW, over the previous year, to 17.1 GW, i.e. 70.5% of EDP Group's total capacity. Despite this increase, production from these sources dropped considerably compared with 2014 (-15%; -6,7 TWh), primarily due to the sharp decrease in the hydrologic index in Portugal: 0.74 in 2015 against 1.27 in 2014. This fact led to a significant decrease in hydropower production, which accounts for a substantial part of our generation, making it necessary to use thermal power production to meet the consumption requirement. Globally, renewables as a proportion of EDP Group's total production dropped from 73% to 58%.

The use of renewable sources instead of fossil fuels in electricity generation led to total avoided emissions of 28.7 Mt of CO₂ (15% less than in 2014). This indicator represents the amount of CO₂ that would have been emitted if the renewable energy were produced by conventional thermal power stations.

As in previous years, due to market circumstances (coal being more competitive than natural gas and low price of CO₂ emission licences traded under the EU Emissions Trading Scheme, most thermal power production, in the Iberian Peninsula, privileged coal plants. Nevertheless, an increase was witnessed in the contribution from gas combined cycle power plants (CCGT), due to the downturn in hydropower. Furthermore, the acquisition of the entire capital of Pecém I (Brazil) and its entry into the Group's consolidation perimeter in May 2015 (page 73), led to a significant increase in coal consumption (+53% over 2014). In these circumstances, the total primary energy consumption rose around 90,000 TJ, i.e. 56% more than in 2014 (page 122).

The more favourable operating regime of the thermal power plants, especially the CCGT, led to a slight increase in the average weighted thermal efficiency of these plants compared with 2014, from 37,9% to 38,1% (page 75).

In terms of greenhouse gas emissions, as a result of the aforesaid market and operating conditions, compared with the previous year, 2015 witnessed:

- ❑ 50% increase in direct emissions (scope 1), strongly driven by stationary combustion at thermal power plants, which account for 99.9% of this indicator;
- ❑ 19% increase in indirect emissions associated with electricity consumption (scope 2), which was due to the widespread increase in emission factors in different geographies, despite the reduction in distribution losses, which account for 80% of this indicator. EDP follows the GHG Protocol recommendation calculation of scope 2 emissions according to two methodologies: location-based and market-based. The calculation did not generate significant differences, as its impact affects mainly electricity consumption in administrative buildings, which contributes just 0.5% of this indicator, and self-consumption of a few wind farms supplied with green electricity.
- ❑ 35% increase in indirect emissions induced upstream and downstream from the value chain (scope 3), primarily due to the increase in fuel and energy related activities.

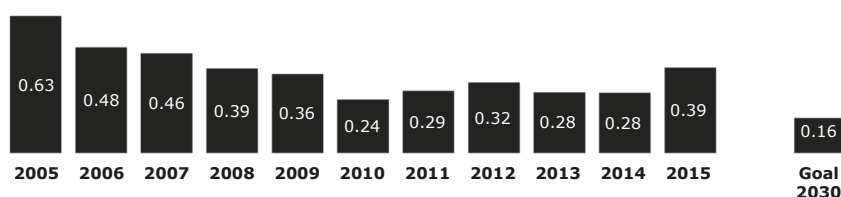
CO ₂ equivalent EMISSIONS (kt)	Un.	2015	2014
SCOPE 1		24 815	16 551
Stationary combustion	kt	24 783	16 522
SF6 Emissions	kt	8	7
Company fleet	kt	18	18
Natural gas consumption	kt	0	0
Natural gas losses	kt	6	4
SCOPE 2 (Location-based ¹)		2 641	2 214
Electricity consumption in office buildings	kt	13	10
Electricity losses	kt	2 035	1 808
Renewable plants self-consumption	kt	593	397
SCOPE 2 (Market-based ²)		2 635	2 214
Electricity consumption in office buildings	kt	12	10
Electricity losses	kt	2 035	1 808
Renewable plants self-consumption	kt	588	397
SCOPE 3		20 299	15 065
Purchased goods and services (C01)	kt	53	37
Capital Goods (C02)	kt	255	232
Fuel and energy related activities (C03)	kt	11 216	6 728
Upstream transportation and distribution (C04)	kt	2 478	955
Business Travels (C06)	kt	9	8
Use of sold products (C11)	kt	6 288	7 104

¹ Based on global emissions factors of each geography.

² Based on suppliers emissions factors.

CO₂ specific emissions were equally affected by unusual low hydrologic index and the entry of the Pecém power station into the group's consolidated perimeter, resulting in an increase of 42% over 2014 (page 112). This discontinuity in this indicator's downward trend is merely circumstantial and will not jeopardise the achievement of the long-term objectives committed - decrease of 75% in 2030 compared with 2005 -, which assumes the decommissioning of the coal-fired plants in the Iberian Peninsula between 2020 and 2030 and the maintenance of renewables investment at an average 500 MW/year from 2017.

SPECIFIC OVERALL CO₂ EMISSIONS (tCO₂/MWh)



CLIENT'S SOLUTIONS

In line with the climate strategy, EDP intends to lead the development of infrastructure and applications of smart grids focused on customers and operations, preparing its presence to a future in which the production and consumption of electricity will be increasingly decentralized. The installation of smart meters in particular, allows to better monitor consumer's habits and enhances the implementation of energy efficiency services (Distribution, pages 76 and 78).

Anticipating this new paradigm, EDP provides a range of energy solutions intended to respond to the specific needs of different customer segments, through a diversified offering of competitive and sustainable products and services that avoid emissions in final energy consumption, as detailed on page 110.

5.2. MANAGEMENT OF ENVIRONMENTAL IMPACTS

MANAGEMENT POLICIES AND SYSTEMS

EDP is committed to the ongoing improvement in its environmental performance through its Environmental Policy, in particular by preventing pollution and minimising its impacts, meeting the requirements of environmental laws applicable to the company's different activities, and other voluntary commitments (www.edp.pt> sustainability> environment> environmental policy).

A Corporate Environmental Management System (SIGAC) has been implemented and certified since 2008, in accordance with ISO 14001. This system covers "the corporate management of environmental policies, the strategic plans for the environment, environmental information and the environmental performance of the organisations of the EDP Group".

The EDP Group has strengthened its recognition concerning a demanding environmental management broadening its facilities and activities, which are certified in accordance with ISO 14001. Currently 90% of the net installed power production and 35% of the installed power in distribution substations are certified. Additionally the EDP Group has records of the Community Eco-management and Audit Scheme (EMAS) 85% and 29% of the net power installed in Portugal and Spain respectively.

For 2015, environmental investments were approximately EUR 54 million and environmental expenditure was EUR 51 million. More than 58% of the investment was due to expenditure attributed to protection of the air and environment, investments minimizing atmospheric emissions. The detail is described in Note 51 to the financial statements (page 382).

WATER RESOURCES

Water is a key resource for EDP's activity, especially for the thermal and hydroelectric power stations which depend on their quantity and quality. The EDP Group has established its commitment to encourage sustainability in the management of this resource in its water management policy (www.edp.pt> sustainability> environment> water> water management policy).

Within the framework of this policy, EDP monitors the potential shortage, controls the quality of the water and sediments, as well as the impact of water management on biodiversity, which provides a set of minimization activities such as the release of environmental flows and environmental, transposition and transport of fish, and support scientific research linked to these themes.

Pecém power plant is located in the basin of the Northeast, in Fortaleza. According to AQUEDUCT Water Risk Atlas, the installation is in an area of high risk of water management. In this context, EDP has sought to implement a number of circuit optimization initiatives to reduce the capture of this resource. Aware of this situation, the Pecém facility has been significantly improving the water management, having managed to reduce the consumption of raw water by 37%, compared to 2014 (page 122).

The use of water in thermoelectric generation is predominantly intended for use in cooling circuits (99,6%, page ##). Cooling water is subsequently returned to the water source with an increase in temperature, controlled periodically. During 2015, in the facilities where this situation occurs, the temperature of the discharged water remained within the limits in specified on the environmental licenses.

It is stressed that, in 2015 the volumes of groundwater increased compared to 2014 (166%), given the recent consolidation with the equity interest in the Pécem thermoelectric power station (page 73). The industrial and domestic effluents of this power station are treated and sent to the company of the local authority services.

Effluents are treated and discharged. The quality of effluents is monitored periodically, in accordance with the respective environmental licences and legislation in force. Detailed information can be found at www.edp.pt> sustainability> environment> performance.

The Water Disclosure Project, CDP, has annually published since 2008 where the ongoing in progress are described in more detail. This report is available at www.cdp.net and can be consulted at www.edp.pt> sustainability> publications> 2015.

olhos d'água project

Energest voluntarily supports the Olhos d'Água Project promoted by the Non-Governmental Organization, Instituto Terra.

The aim of this partnership is to proceed with the recovery and protection of 13 springs located in small rural properties close to the Guandu River through the reforestation of the surrounding areas. The project involves the farmers, through awareness-raising and training for more sustainable production patterns.

BIODIVERSITY

EDP has a Biodiversity Policy, which has the ultimate aim of seeking to achieve an overall positive balance as a result of the impact resulting from its business activity. There are four main biodiversity focus areas:

- ⌘ Promoting the production of knowledge;
- ⌘ Ecosystem approach and adaptative management of impacts' mitigation;
- ⌘ Long-term vision; and
- ⌘ Reporting transparency.

The publication of the 2013-2014 biodiversity report highlights the differentiating initiatives. It can be found at www.edp.pt/sustainability/environment/biodiversity.

In its operations EDP uses a long-term management approach to mitigate, offset and monitor a project throughout its entire life cycle.

In production, this approach is particularly relevant to hydroelectric centres located in conservation areas due to their degree of endemic and endangered species. As an example of some areas affected by EDP's facilities is the Natura 2000 network in Europe, and the Amazon, Atlantic Forest and Cerrado biomes in Brazil. In situation where the impact can be significant, EDP promotes a set of measures to minimize and offset these impacts. When operating such power stations, this approach is integrated into the certified environmental management systems.

The following important initiatives were implemented in 2015 for managing and offsetting the impacts on biodiversity and production:

PORTUGAL

FACILITIES	STAND-OUT INITIATIVES IN 2015
<p>BAIXO SABOR</p> <p>The two dams occupy Natura 2000 network area: The Sabor Maçãs Special Protection Zone and the Rios Sabor e Maçãs and Morais Sites of Community Importance (SIC).</p> <p>The total area embraced by the dams contains 557 ha of priority habitats, located in the Rios Sabor e Maçãs.</p>	<p>A programme of offsetting measures to mitigate the main impacts nearing completion, with a residual percentage remaining that required replanning, mainly due to poor weather (www.a-nossa-energia.edp.pt/noticias/artigo.php?id=149).</p> <p>The Baixo Sabor Natural Heritage Awareness Programme is being implemented, which aims to raise the awareness of various stakeholders to value the region's natural heritage. Implementation is expected to commence in 2016.</p> <p>Furthermore, EDP Produção contributes 3% of the generation's annual average net value to the Baixo Sabor's Financial Fund.</p>
<p>FOZ TUA</p> <p>The reservoir will flood a total area of 457 ha of protected habitats.</p>	<p>EDP Produção is working with the national authority to prepare the final version of the Programme of Offsetting Measures and to prepare a management model¹ based on involving local partners. The set of offsetting measures already approved include:</p> <ul style="list-style-type: none"> ≡ the creation of shelters for arboreal bats, involving the installation of 100 bat boxes; ≡ the translocation of bivalves from the reservoir zone to the upstream habitats and; ≡ the use study of the canal-lock of navigation on Crestuma-Lever dam by migrating species to increase fluvial connectivity. <p>EDP Produção contributes 3% of the generation's annual average net value to Fundo Biodiversidade (1,5%) and to the management of Parque Natural Regional do Tua (another 1,5%)</p>
<p>SALAMONDE II</p> <p>As these projects are repowerings the environmental impact is less significant.</p> <p>The EIA process envisages measures for the mitigation and compensation/offsetting and monitoring of various environmental factors.</p>	<p>EDP Produção continued to implement the "Integrated Control Plan of <i>Acacia</i> spp. and Restoration of Habitats".</p> <p>Under the measure to mitigate and control erosion in the inter-level section of the Salomonde and Caniçada reservoirs, subject to daily changes in water level. There were:</p> <ul style="list-style-type: none"> ≡ identified the organisms with potential for revegetation; ≡ selected the pilot sites with higher susceptibility to erosion for Revegetation; ≡ defined the growth acceleration strategy of the selected organisms under controlled conditions; ≡ planned actions in the R&D pilor project implemented to perform this Environmental Impact Measurement measure. This is a project inspired on the psysiology and ecology of biological soil crusts.

¹ Management model developed under the scope of implementation of offsetting measures on the Baixo Sabor hydro-power use of (See 2013-2014 Biodiversity Report at www.edp.pt/sustainability/environment/biodiversity).

BRASIL¹

FACILITIES

STAND-OUT INITIATIVES IN 2015

SANTO ANTÓNIO DO JARI

Occupies 4,799 ha of the Amazon region considered to possess high biodiversity value, in Amapá state.

The implementation of impact mitigation and monitoring actions continued, for example:

- ≡ The bird monitoring campaign this year found the presence of three species not identified in previous surveys. These were the Magpie Tanager (*Cyssopsis leverianus*), Dusky Purple-tuft (*Iodopleura fusca*) and Fasciated Tiger Heron (*Tigrisoma fasciatum*), with the latter listed as an endangered species by IBAMA (2014);
- ≡ The Plano de Recuperação de Áreas Degradadas (Degraded Area and Recovery Plan) was completed, resulting in the recovery of nearly 64 ha.

CACHOEIRA CALDEIRÃO

Occupies 3,170 ha of the Amazon region considered to possess high biodiversity value, in Amapá state, and 3,020 ha in the State Forest of Amapá.

The implementation of the impact mitigation and monitoring actions continued, where highlights the rescuing of fauna and ichthyofauna during removal of vegetation and filling of the reservoir.

SÃO MANOEL

Located on the Teles Pires river (bordering the municipalities of Jacareacanga, in Pará state, and Paranaíta, in Mato Grosso state), it will occupy an area of 6,600 ha, with a perimeter of 392 km, whose reservoir will require deforestation of 4,800 ha.

This first year of the venture's installation focused on carrying out environmental programs, according to the established schedules.

The integrated health, safety and environment policy was also created and disclosed, where the environmental and social responsibility commitments were undertaken.

¹ The described power stations are accounted under equity method.

In Spain:

- ❑ In partnership with Fundación Patrimonio Natural de Castilla y León, EDP Renováveis and Fundación EDP implemented a conservation programme of the Red Kite (*Milvus milvus*) in Castilla y León. This initiative will last two years and cover the entire territory of this Community. The region holds 56% of breeding population and 50% of wintering species of all Spain, according to the 2014 census.
- ❑ Through Fundación EDP, EDP in Spain in collaboration with Fundación Oso de Asturias, is working in initiatives to improve the bear's habitat: planting trees and fish fry releasing into local rivers (see Memoria de la Fundación EDP, www.fundacionedp.es> institucional> publicaciones).

In distribution activity, in Portugal, protecting birds was the main focus, when adapting electricity lines considered critical, through:

- ❑ Programa Específico Nacional para Aves Selvagens – PENAS - (Specific National Programme for Wild Birds), for 20 km of lines;
- ❑ Iniciativa Life Imperial (Life Imperial Initiative), in about 6 km of lines.

The Life Rupis Project was approved under the European Commission's Life initiative and will commence in 2016. The planned actions aim to reducing mortality and promoting the reproductive success of the population of Bonelli's Eagle (*Hieraaetus fasciatus*) and Egyptian Vulture (*Neophron percnopterus*), in the region of the border between Portugal and Spain on the Douro International Natural Park and Park Arribes Natural del Duero, respectively.

EDP Distribuição, as a project partner, will correct around 20 km of electric lines considered dangerous.

Under the VI Avifauna Protocol Report, in 2015, a report was approved which addresses the electrocution risk charter of the following critically endangered target species: Spanish Imperial Eagle, Cinereous Vulture, Bonelli's Eagle, Golden Eagle and the Great Bustard. This charter makes decision-taking more efficient when choosing the lines to be corrected.

osprey reintroduction

The Alqueva reservoir provided the stage for the reintroduction of the osprey, a species which hadn't been seen nesting in Portugal for nearly two decades.

The project started in 2011, and the two first successful nesting cases were recorded in 2015, one on the south-west coast and the other at the Alqueva reservoir, where a third nesting attempt might have been made at the latter.

The project was conducted by the Centro de Investigação em Biodiversidade – CIBIO – from Universidade do Porto (Biodiversity Research Centre of Porto University), with the support of EDP.

ATMOSPHERIC EMISSIONS

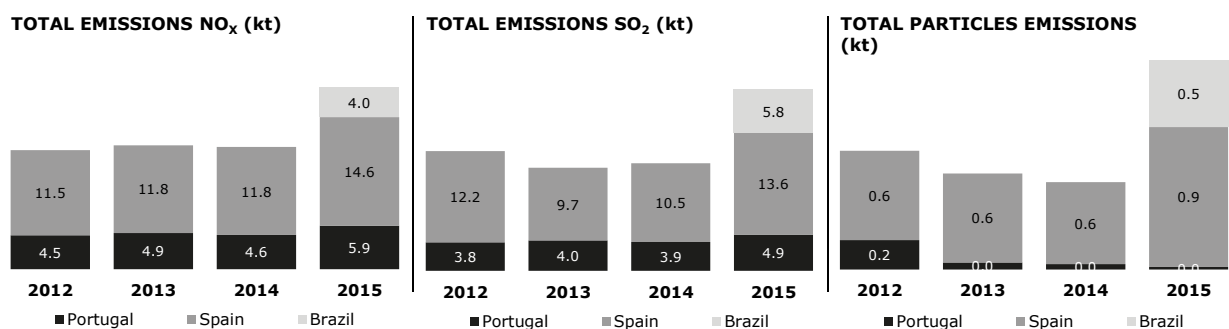
Atmospheric emissions are one of the most significant environmental aspects of the EDP Group's activities. Given the characteristics of the combustion process, in addition to CO₂, the main emissions resulting from the burning are NO_x, SO₂ and particulate matter. These pollutants are periodically monitored, in order to check compliance with the emission limit values established by the laws in force.

The increase in the portfolio of production from renewable sources and the use of gas treatment systems has contributed significantly to the reduction in the specific emissions of these gases. EDP continues to invest in improving the gas treatment systems, in order to ensure compliance with the best European standards for the level of atmospheric emissions, highlighting:

- ❑ Construction of a denitrification system in the Aboño (Group 2) and Soto (Group 3) facilities, in Spain, scheduled to enter into operation in 2016 and 2017 respectively;
- ❑ Refurbishments of the catalytic denitrification facilities (SCR) of the Sines powerplant, Portugal, in the period from 2015 to 2017, which includes replacement of the catalytic converters that have reached the end of their useful life, and which will be carried out during the major overhauling of the electricity generating groups.

These improvements involve an overall investment exceeding EUR 175 million.

In 2015, there was a significant increase in total emissions of NO_x, SO₂ and particles (page 122) due to EDP's equity interest in the Pécem thermoelectric power plant where the main source of power is coal (page 73). To minimize these impacts, the facility provides treatment through the addition of lime and sleeve filters to reduce SO₂ and particulate matter, respectively.



WASTE AND BY-PRODUCTS

EDP's waste management follows the procedures of the Environmental Management Systems where there is a continuous effort to reduce production and its harmfulness at source, as well as to increase the percentage of waste destined for recovery. Under this management, EDP raises employees' and contractors' awareness, strengthening the knowledge of relevant national legislation and internal procedures.

Electricity generation activities are the main activities responsible for the total production of EDP's waste. The emphasis is on the coal-fired power stations which produce large quantities of fly ash and slag, resulting from the burning, and the gypsum resulting from the desulphurisation process.

LABELEC OBTAINED 3R6 CERTIFICATION IN WASTE MANAGEMENT

In Portugal, EDP Labelec obtained 3R6 certification in waste management from Ponto Verde Serviços.

This recognition clearly shows the company's efforts to adopt environmentally responsible practices that meet and maximize the amount sent for recycling and recovery of urban waste, packaging and a wide range of other waste products.

The search for new markets to sell off the by-products - gypsum (Portugal and Spain) and coal fly ash (Portugal) have resulted in a 15% increase in the quantity sold. In 2015 EDP in Spain began the procedures for obtaining the state of a by-product for the fly ash and coal slag, through which, after completion of this process a material increase in this indicator is expected.

The total quantity of waste sent for sale was 642 thousand tons representing a 77% increase compared to 2014, which is due essentially to the equity interest in the Pécem thermoelectric power station (page 73).

The providing of electricity and gas distribution services and the new generation projects generate the waste. These, as they are the responsibility of the service provider, are recorded equally in the accounting by EDP.

In Portugal, distribution services produced around 11.5 thousand tons of waste, of which 92% was sent for recovery processes. In the works for construction of new hydroelectric dams more than 111 thousand tons, were sent for final disposal where 98% was for recovery.

The type of waste that deserves special attention is equipment contaminated with PCB, at concentrations of less than 500 ppm. Under current legislation, the equipment with PCB, can remain in operation until the end of their useful life. However, EDP is to bring forward its removal by giving priority to this type of equipment under its replacement plans. In 2015 a total of 113 tons of waste containing PCBs were sent for final disposal (page 122).

PREVENTION AND RESPONSE TO EMERGENCY

EDP's facilities have emergency plans where the risks that may occur are listed, as well as how to act and the resources available on site. Employees and contractors are made aware of these practices. Scenarios are regularly tested through drills (page 126).

Several small spills were registered, mostly in the distribution activity, which resulted mainly from vandalism. When detected the sites were duly isolated and procedures for containing the spill were carried out until the team responsible for cleaning up the site arrived at the scene and no situation of environmental damage was verified.

Preventively and within the framework of the environmental management system certificates, EDP also has procedures for the identifying and treating near-accidents in order to prevent and minimise possible negative impacts. In 2015, 79 environmental "near-accidents misses" were recorded.

It should be stressed that in November 2015, in EDP Brasil, two iron ore tailing dams upstream of the Mascarenhas hydroelectric power station of Brazil located on Rio Doce burst. As a result of this accident, 55 million m³ of mud with iron ore tailings were released, leading to the activation of the emergency plan. In addition to the implementation of the plan, EDP Brasil collaborated with authorities and local businesses to create a plan for monitoring the effects of this accident on the river.

6. STAKEHOLDERS

The stakeholder engagement is a strategic priority for maintaining an open and transparent dialogue with all those with whom the Group establishes relations. Building and strengthening relationships of trust, sharing knowledge and relevant information, anticipating challenges and identifying new opportunities for cooperation with stakeholders are thus the main purposes of the Relationship with Stakeholders Policy of EDP Group.

Streamlined and regular consultation processes targeted at the stakeholders are conducted annually, which permits hearing those with whom the companies are related, both in terms of the projects of the business units and at the institutional level.

2015 was marked by the strengthening of the relationship policy with stakeholders of the EDP Group in various countries, particularly in EDP Espanha, EDP Brasil, and EDP Renováveis, in order to manage the risk associated with operations in multiple locations and to identify global opportunities.

It was also in 2015 that EDP published for the first time an external version of its Stakeholder Report (www.edp.pt/sustainability/publications/other-reports), which includes EDP's Internal Vision of the relationship with its stakeholders, through the mapping of relevant themes and channels of dialogue with each stakeholder segment, as well as the Company's responses to its stakeholders' expectations. The document also publishes some results of the External Vision, consisting of directly and proactively listening to strategic stakeholders.



At the end of 2014 EDP heard 1,081 stakeholders from eight segments, through 111 face-to-face meetings with local authorities, higher education institutions, MPs, MEPs, opinion leaders, and institutions of social solidarity and industry through on line inquiries to 970 suppliers and business associations. For the first time EDP announced the results of the consultation process to a set of external stakeholders.

This consultation process seeks to deepen the stakeholders' perception of their institutional relationship with the EDP Group and its subsidiaries in Portugal, particularly in terms of trust and transparency. Overall, the results of this consultation revealed a frankly positive evolution, validating the work of permanent dialogue developed with the stakeholders, and the search for effective responses to their expectations.

In 2015, EDP developed a guide for its own stakeholder management methodology, establishing the methodological steps and tools to systematize the EDP Group's relationship with its Stakeholders in all its activities and projects, whatever the geographical scope.

The challenges of managing stakeholders in the EDP Group for 2016 has undergone continuous alignment of the methodology adopted in different geographies of the Group, considering the specificities and dynamics of each region, as well as by integrating the expectations of stakeholders in the management of the Company, through the implementation of specific responses and approaches that effectively contribute to creating value.

In the following pages, we present the results concerning some of the stakeholders' segments of the Group, in particular the ones that assume a central role to business. Some operational initiatives to strengthen the relationship with some of the different stakeholder segments of the EDP Group are highlighted.

For additional information see: www.edp.pt/sustainability/stakeholders.

6.1.EMPLOYEES

EDP Group's Human Resources strategy will focus on encouraging the development and value of its employees and ensure alignment with corporate values and the creation of value that is sustained by the business. It will be implemented through the culture, the heads of the departments, responsible professionals and employees, and will be supported by three essential pillars:

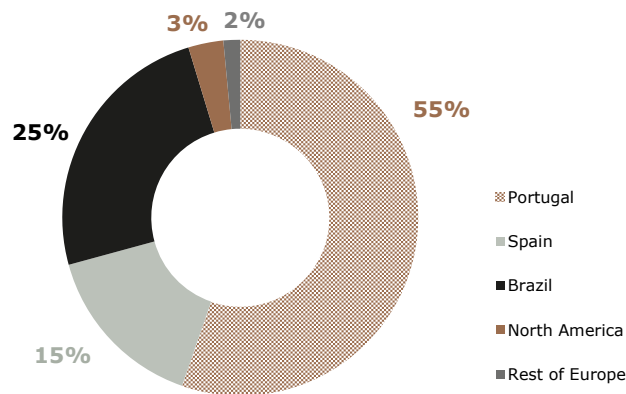
- Attract and recruit,
- Develop and
- Manage based on recognition and compensation.

The Human Resource's strategic government model is founded on a common platform and covers the main Human Resources Policies and processes at the different companies. Every year EDP publishes its Social Report, which details the management model and the different operational initiatives, and can be accessed at www.edp.pt/about-edp/human-resources/social-reports.

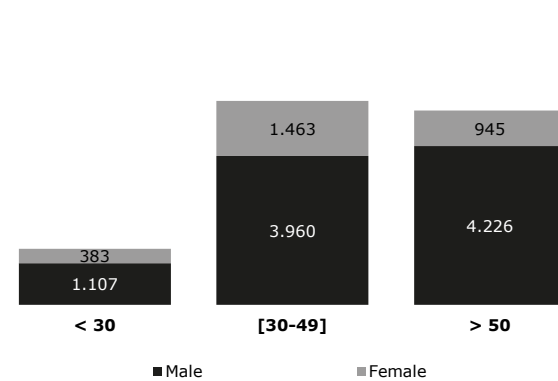
In 2015, the number of employees, globally, with the EDP Group was 12,084, which reflected growth of 2% compared to 2014 (11,798). This growth reflects the hiring of 281 employees from the acquisition of Porto do Pecém Geração de Energia S.A. by EDP Brasil (page 73), growth in the activities of EDP Renováveis with the technical services for the parks undertaken in-house, which added a further 99 employees, particularly in the USA (67). Portugal maintains its decreasing trend, albeit less pronounced, from 6,733 to 6,683 employees. In Spain, the sale of Gás Energía Distribución Murcia released 32 employees. Of the Group's total 12,084 employees, 11,925 are permanent workers and 54 are from executive social bodies (page 125).

In 2015, EDP's workforce comprised employees with 32 different nationalities, an average age of 45.3 years, and geographical distribution as follows:

EMPLOYEES DISTRIBUTION BY PROFESSIONAL BY GEOGRAPHY (#12,084)



EMPLOYEES DISTRIBUTION BY PROFESSIONAL BY AGE GROUP (#)

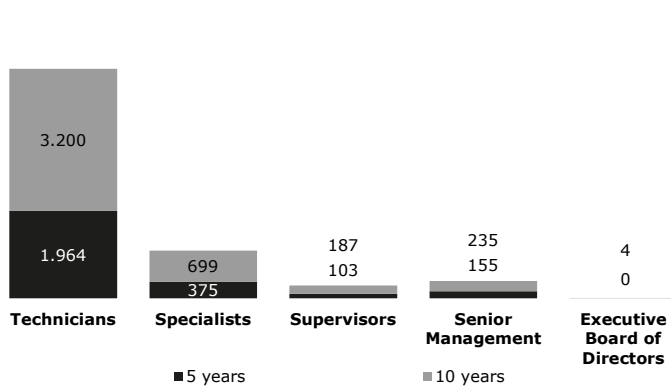


Despite the positive change in the number of employees, 2015 continued to mark the move towards retirement/anticipated retirement. 285 employees retired (89 took early retirement), which represents a decrease of 36% compared to 2014 (449), partly explained by changes in portuguese legislation, particularly with respect to situations of pre-retirement and early retirement.

RETIREMENT PLANNING PROGRAM

The objective is to help EDP employees prepare for the transition to retirement and define personal and professional projects for this new stage of life. The program is structured in three stages: seminar, group sessions and follow-up. More than 40 employees participated in the first edition of the seminar, which was held in Portugal.

EMPLOYEES ELIGIBLE FOR RETIREMENT (#)



EDP maintains a constructive and collaborative attitude with official entities and employee representatives – Workers Commissions and Trade Unions. There are local teams at all of the geographical locations, which ensure that contact is made with the different entities. Within EDP, 47% of the employees are union member (page 126).

ATTRACT AND RECRUIT

In 2015, the EDP Group focused on strengthening and consolidating the company's image and activating its brand name, to ensure that it was attractive as an employer, and seen as a reference. Presented below are some initiatives to encourage involvement that represent a source of sustained competitive advantages:

PROMOTION	PARTNERSHIPS AND NETWORKING	COMPETITION	DEVELOPMENT
<p>Disclosure of initiatives and opportunities that exist within the EDP Group;</p> <p>Attendance at 18 jobshops and 50% of permanent contracts from LindeIn.</p>	<p>Spreading and sharing experience and knowledge with the academic community;</p> <p>54 University partnerships with the EDP Group</p>	<p>Encourage the technical and professional university population to develop projects related to the energy sector;</p> <p>1,054 students involved in university competitions.</p>	<p>Attract candidates to the employment market through internships;</p> <p>944 internships assigned;</p> <p>Continuation of the 2nd edition of EDP Trainee Program.</p>

DEVELOP

EDP views employee development to be an integrated cycle, which begins on their first day with the company and develops over time, driven by a transparent and constructive evaluation model. Within this context, the significant initiatives in 2015 included training and knowledge management initiatives, implementation of a new global skills model and the Group's internal mobility project.

EDUCATION AND TRAINING

EDP considers the pursuit of a culture of continual learning, both individual and collective, which targets the skills and personal and professional development of employees, as a mechanism for implementing the HR strategy. For such, through its corporate university (Universidade EDP – UEDP), which consists of 7 schools, the company aims to develop its employees' skills, facilitate training, share the knowledge created within the Group and ensure the development of skills that guarantee the sustainability of its business.

SCHOOLS	INITIATIVES
EXECUTIVE DEVELOPMENT SCHOOL	The "Global Leadership Program", is aimed at developing middle management in EDP Group, and was developed in partnership with an internationally recognized business school. The participants had the opportunity to extend their knowledge and skills related business, finance, strategy, leadership and people management.
GENERATION SCHOOL	Specialization Plan in Operation & Maintenance of Plants for technicians, consisting of five structured courses: "Introduction to Electricity Production (IPE)" and "Regulation, Markets and Operating of Plants in the Market" which have a more global approach, whilst the remaining three, "Electrical and Mechanics Systems (I / II)", "Structures, Safety, Environment and Chemistry and Maintenance and Operations Policies and Strategies (I/II)" are more specialized; Pilot training in overall sustainability, regulation and Markets for more senior technical professionals.
DISTRIBUTION SCHOOL	Offers training structured for the 'technical' segments, consisting of three programs; Introduction to Technical Distribution Knowledge Program (Junior) and Network Operation Program and Sustainability and Safety in Distribution Program (Seniors); The first course focused totally on case method (InovGrid).
RENEWABLES SCHOOL	Introduction to Offshore Projects; Workshops on aspects related to renewable energies, for example "Workshop on Climatic Changes".
GAS SCHOOL	Innovative course in "Natural Gas" and a course on "Environment and Safety in the Management of the Gas Business".
SUPPLY SCHOOL	"EDP Talks", new format for ensuring good practices for client relations, based on a model for seminars similar to the TED talks, which have acted as a reference in passing short but intense messages; "Business Intelligence" Course, with its Target public being users of management information systems for sales platforms, and intends to meet the "Advanced Analytics" requirements of EDP's; Training courses in marketing for top management, consisting of "Introduction to Marketing", "Digital Marketing Seminar" and "Marketing Simulator"; Extension of Global Training for Clients 365 for EDP in Spain.
EDP SCHOOL	In a "Sustainability Talk" format, John Elkington, one of the leading experts of today, was the main speaker at a training addressed to Senior Management and Senior Staff in the area of sustainability of the whole EDP Group, under the theme "Preparing EDP is the Breakthrough Challenge: a new economic paradigm is emerging, world. What are the risks and opportunities for EDP?"

In 2015, EDP, through UEDP, was awarded certification from the General Management for Employment and Labour Relations (DGERT) in 16 areas of education and training. This external recognition is evidence of its ability to develop and execute training, in terms of resources and technical and organizational skills, and is the target of regular audits and official recognition.

In 2015, total training hours provided by the EDP Group was approximately 443,000 (page 126), involving a total of 72,000 participants in more than 4,000 training events. These figures are below those reported for training in 2014, which was an exceptional year, given the concentration of global training programs in e-learning, which were higher than the figures reported in 2013 (+ ~ 8%).

KNOWLEDGE MANAGEMENT

In 2015, EDP invested in initiatives that aimed to value and recognize knowledge and the experience of its more seasoned employees, motivating the transmission of critical knowledge. Within this context, the company implemented the Valuing Experience Program, in Portugal and in Brazil, aimed at identifying and disseminating knowledge and know-how of employees who have been with the company for more than 30 years. In 2015, more than 100 participants participated in this program, in Portugal. In Brazil, this program has involved 88 employees since 2012.

At the same time, EDP continues to invest in improving the core tools for knowledge management and its internal communications. Within this context, we highlight the Online Library, which, in 2015, contained 100,000 references and enables employees to have access to a wide range of contents from data bases worldwide.

AMPLIFY: THE EDP GROUP'S NEW SKILLS MODEL

In 2015, EDP implemented Amplify – a new skills model that intends to align employee development with the Group's strategic challenges, in order to contribute towards creating a global culture and provide the company with the skills that will enable it to obtain results within a very competitive global environment.

More than 10,750 employees were involved in this model, from the different EDP companies and its geographical locations. Recognizing that the leaders have a fundamental role in this cycle, a significant part of the change management resources were allocated to this segment, including a seminar presented to Top Management, in which the international speaker, Rob Goffee participated and training was provided to all of the leaders in this new model. Sessions to clarify doubts were also offered to employees. A total of 5,105 employees participated in these initiatives, amounting to 15,100 training hours.

Both Skills Model, as the new Individual Development Plan, were supported by a new Human Resources management platform, global and cross-geography - about.me.

SWITCH – MOBILITY AS PART OF DEVELOPMENT PROCESS

Mobility is one of the main instruments to develop on-the-job skills and offer professional development for EDP employees at the different locations, companies and functions.

SWITCH is an Internal Corporate Exchange Program from the EDP Group which includes short term and long term exchanges. These two types can vary in terms of environment, and can be intra-company or inter-company, national or international. The purpose of this program is to encourage synergy and exchange experiences between the different areas, in response to the different levels of maturity of each business, and provide employees with new opportunities for professional development.

In 2015, long term exchanges occurred 1,103 (25% female and 75% male), which represents a change of function/activity for 9% of employees. These mobilities were broken down by:

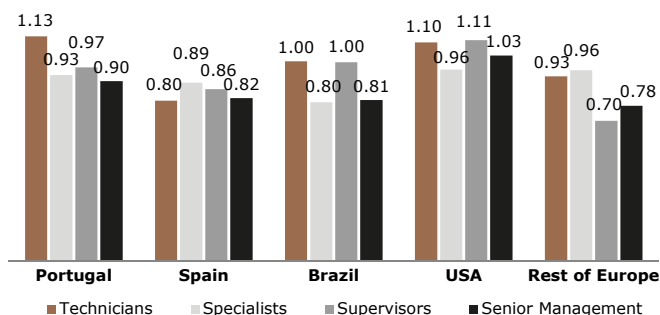
- 289 inter-company exchanges (162 in Portugal; 53 in EDP in Spain; 44 in EDP Brasil and 30 at EDP Renováveis);
- 814 intra-company exchanges (539 in Portugal; 43 in EDP in Spain; 205 at EDP Brasil at 27 at EDP Renováveis).

In addition, there were 19 short-term exchanges – between 3 and 6 months (15 in Portugal; 2 at EDP in Spain; and 2 at EDP Brasil).

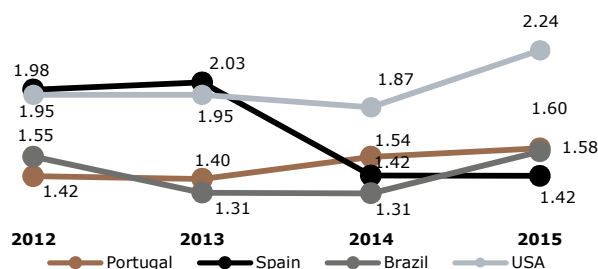
MANAGE TO RECOGNIZE AND REWARD

The Group's rewards and benefits policy reflects EDP's values and cultures and seeks to improve compensation systems on a continual basis, guaranteeing the principles of internal equality and external competitiveness and respecting the agreements established for all parameters of the relationship with employees and/or the entities that represent them. The principles and concepts of the EDP Group compensation philosophy and policy are presented in detail in the document EDP Group Management Approach, which is available in www.edp.pt/sustainability/publications 2015.

SALARY RATIO F/M BY PROFESSIONAL CATEGORY



MINIMUM SALARY RATIO EDP/NATIONAL



The assessment of potential and performance implemented at the company aims to align employees with the strategy defined for creating value. This process is divided between analysing the employee's skills (through Amplify) and determining compliance with the objectives defined in the previous year. In 2015, all of the permanent employees participated in the performance assessment program, which represents 99% of the total number of employees.

ENCOURAGE DIVERSITY

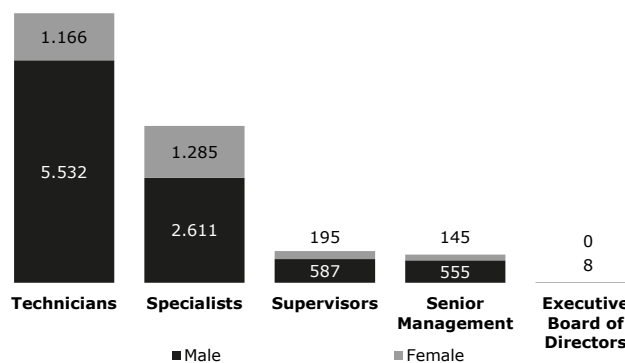
The year 2015 marked the creation of the Diversity and Inclusion area within the Corporate Human Resources team. The object is to guarantee the promotion and incorporation of a culture of diversity and inclusion based on respect for individuals, which is evident in the EDP Group's identity and its people management and acts as a reference for the organization's internal and external activities.

Furthermore, the 2015-2017 plan was approved and incorporates 15 Diversity and Inclusion initiatives, focused on four areas of intervention – Gender, Disabilities, Generations and Nationalities.

Globally, in 2015, the percentage of female employees (23%) was significantly less than the percentage of male employees (77%) page 125. The presence of women in management positions increased from 21% to 23% over the previous year.

This year, a commitment was reached with the Portuguese government to ensure that by 2018, 30% of the employees in the company's social bodies are women (6% in 2015).

EMPLOYEES DISTRIBUTION BY PROFESSIONAL CATEGORY (#)



CONCILIAR

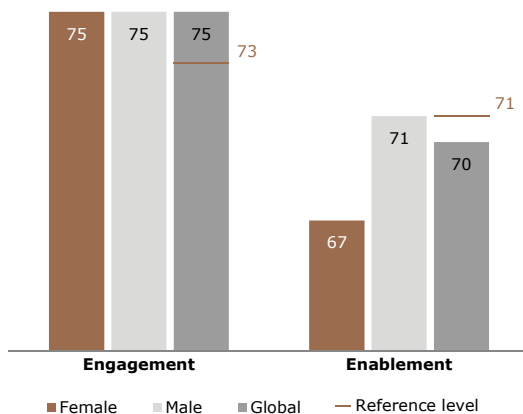
Conciliar is a multi-geographical program (Portugal, Spain and Brazil) within the Diversity and Inclusion strategy, and aims to contribute to the well being of EDP's employees. Its specific objectives include: create a better balance between work-personal life, ensure equality of opportunities and encourage involvement with the organization. These objectives are achieved through various measures that range from support to families to actions focused on professional development. In 2015 the Conciliar program:

- ❑ Implemented initiatives for more than 400 descendants of employees in Portugal (children and grandchildren), putting them in contact with the business and the organization's activities;
- ❑ Expanded the gymnastics offered at the 12 largest buildings in Lisbon, Porto and Coimbra (Portugal), which had a positive impact for more than 3,000 employees;
- ❑ Supported more than 150 new mothers and fathers with births and adoptions in Portugal;
- ❑ Provided four hours per month for volunteer in Portugal, Espanha and Brazil;
- ❑ Provided football fields for sports activities at all of the EDP companies in Brazil;
- ❑ Helped encourage sports activities, with more than 400 participants in the "EDP Runners" club in Portugal and extended the "runners club" to all regions of EDP Brasil;
- ❑ Created a EFR communication channel: "Commitment to people", in Spain, aimed at receiving suggestions from employees related reconciliation measures.

In Portugal and Spain this program is one of the reasons, along with other evidence and measures that the company presented, for which EDP has been certified since 2013, as a family responsible company, through Fundación Másfamilia. In 2015, EDP has ensured the rise in results achieved certification to the next level of excellence, which is a recognition of the effort to incorporate the different suggestions and improvements of reconciliation measures.

ORGANIZATIONAL CLIMATE

SATISFACTION STUDY RESULT (%)



Working conditions are a material issue. The consultation process of the employees to gauge expectations associated with the organizational climate of the company is a key instrument for supporting the decision. In 2015, the model adopted diversified the range of organizational dimensions measured and improved its alignment with best practices available in the market.

To assess the global metrics of organizational climate and satisfaction, EDP started to measure the level of employee involvement in the company (engagement) and their perception of organizational support (enablement). In 2015, the study had a participation of 91% of EDP's employees and showed that 75% feel engaged in the company and 70% have a high perception of organizational support. Compared to the standard from a market reference, the results obtained for EDP Group for the two dimensions are aligned (enablement) or above (engagement) the results for high performance companies. The results reflect the efficiency of the measures for organizational climate management developed and implemented at the various businesses during 2014 and 2015.

PRESENTATIONS ON THE BUSINESS IN SPAIN

Presentations were made to all management employees at EDP Spain of the business results and the strategic priorities. A total of 27 presentations were made, in which 858 employees participated.

PROJECT CULTURA IN BRAZIL

Project based in 12 principles focused on the working environment, employees motivation, value of the human capital and create value for clients and other stakeholders. 90% of the employees participated in the initiatives to promote the project.

TOWN HALL PROJECT IN PORTUGAL

Informal meetings aimed to facilitate communication and encourage more transparent communications between top management and employees from the sales area, developing debates and the exchange of ideas about the sales business and its challenges. Two meetings were held, in which 49 employees participated.

WELL BEING, HEALTH AND SAFETY

EDP makes annual assessments of performance as part of its strategic objective: "Zero accidents, no personal injury". To ensure this commitment is complied with, EDP has developed a culture of prevention and safety, encouraging safety practices reflected in the Employment Health and Safety Policy applicable to employees and contracted service workers.

EDP has an Occupational Health and Safety Management System (SGSC), based on OHSAS 18001 standard, which complies with the guidelines from the International Employment Organization and which are stated in internal regulations.

EDP also has certificates for production activities (88% of net potential installed), for electricity distribution activities (29% of installed potential) and for the gas sector (100% of activities), which corresponds to 27% of employees covered.

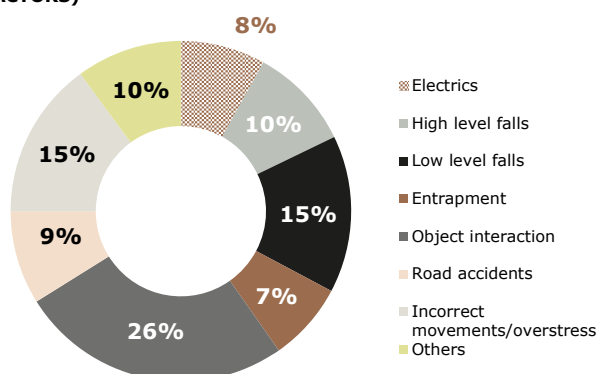
Details of the more relevant activities undertaken and commitments assumed by the company, are available at www.edp.pt/sustainability/health-and-safety.

DECREASE IN ACCIDENTS

Implementation of the annual health and safety program in the company's workplace was based on actions aimed at preventing the occurrence of accidents at work, which is reflected in a decrease in the frequency and severity of accidents (page 126). This program includes training EDP employees and service workers, permanent assessment and control of labour risks and execution of a program of inspections and internal audits at the EDP facilities and sites.

Despite all efforts, there were 348 work related accidents, of which 187 work-related accidents with one or more days of absence for EDP and Contractors employees. It is regrettable still the occurrence of four fatalities accidents involving Contractors employees of which, two high level falls (in Portugal), one road accident (in Brazil) and 1 entrapment by a falling tree.

ACCIDENTS BY TYPE (EDP EMPLOYEES + CONTRACTORS)



ACT TO PREVENT

Following the commitment made by the EDP Group towards continual improvements, actions are taken to reflect on accidents and near accidents at the premises and recommendations.

In 2015, EDP Produção published a summary that consists of good practices for accident prevention, available to all employees.

There were 49 accidents at work with employees with one or more days of absence, of which a mortal (Brazil, by electrocution).

2015	Unit	Group	Portugal	Spain	Brazil	North America	Rest of Europe
Workplace accidents ¹		49	38	4	7	0	0
Male	#	42	31	4	7	0	0
Female	#	7	7	0	0	0	0
Lost days		2 292	1 604	112	576	0	0
Male	#	2 015	1 327	112	576	0	0
Female	#	277	277	0	0	0	0
Fatal accidents		1	0	0	1	0	0
Male	#	1	0	0	1	0	0
Female	#	0	0	0	0	0	0

¹ Accidents leading to an absence of one more calendar day.

Pro-active security management at EDP includes an analysis of near accidents aimed to anticipate the possibility of serious accidents occurring. In 2015, 254 near accidents were registered, the causes of these were analysed and preventative and corrective actions were determined to control such.

Outside the scope of the company's activity, there were also 16 fatal electrical accidents, originating from EDP's facilities or equipment, involving individuals who were not involved in the Group's activity. These accidents resulted from contact with equipment with power line conductors with voltage (12) and from access to areas that are restricted to authorized workers only (4) with live electrical equipment.

TRAINING AND AWARENESS

EDP promotes regular training and awareness actions for employees and service workers, to ensure that tasks are performed under safe conditions.

EDP employees and workers from contracted and sub-contracted companies receive adequate training to perform their tasks under safe conditions.

In 2015, a total of 5,552 training sessions were provided, equivalent to 126,407 hours and involving 23,790 employees and service entities.

The company, aware of the importance of road safety whilst its employees are on their way to work or "commuting", continues to invest in initiatives to promote road safety. The program includes training in defensive driving and off-road driving, and internal communication material is also provided.

SAFETY WALK

EDP Brasil launched a program to encourage experiences to be exchanged between management from corporate areas and operational workers.

Safety Walk consists of observing safety practices at activities performed in the field.

PREPARATION FOR ATTENDING EMERGENCIES

For emergency management training, 373 simulation exercises were performed (57 in Portugal, 80 in Spain, 55 in Brazil, 103 in the USA and 78 in the Rest of Europe) at various industrial facilities, administrative locations and work in progress, aimed to test the effectiveness of the emergency plans at these locations. These exercises included the involvement of external parties, such as civil protection, fire fighters, police authorities and public safety.

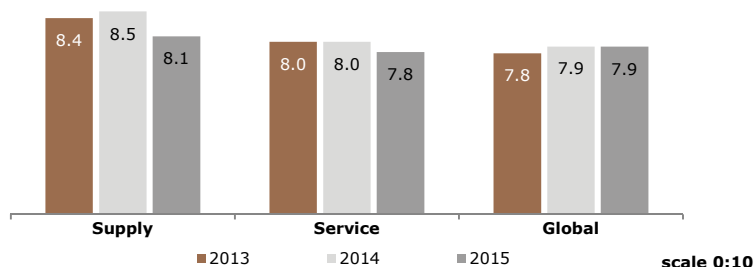
6.2. CUSTOMERS

The supply of energy and associated services requires increasingly greater customer orientation, with special focus on the continuous improvement of the customer experience, ensuring their maximum satisfaction. The EDP Group ended 2015 with 9.7 million electricity customers and 1.4 million natural gas customers (page 84).

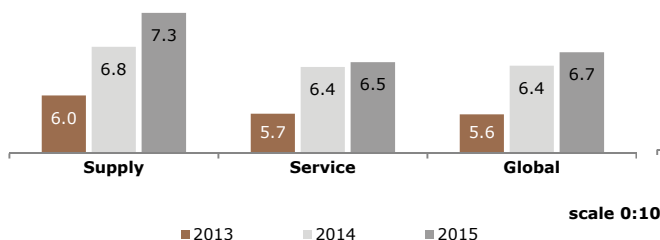
CUSTOMER SATISFACTION

EDP conducts surveys in order to listen to the customer on the quality of the services provided and their experience during the service, in partnership with certified external entities and based on a set of macro indicators: Satisfaction with the Energy Supply (electricity and/or gas), Satisfaction with the Service and Overall Satisfaction.

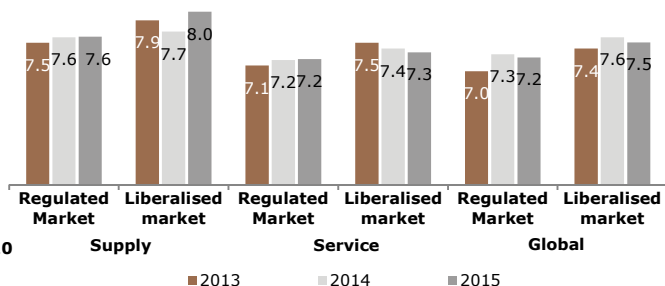
**NATURAL GAS RESIDENTIAL CUSTOMERS
REGULATED MARKET - PORTUGAL**



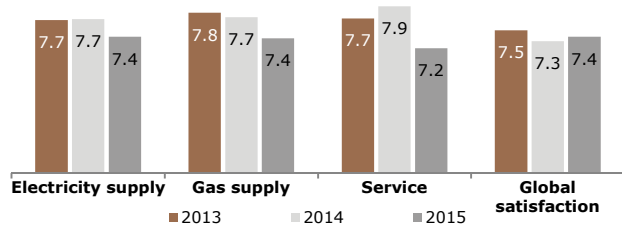
ELECTRICITY BUSINESS CUSTOMERS LIBERALISED MARKET - PORTUGAL



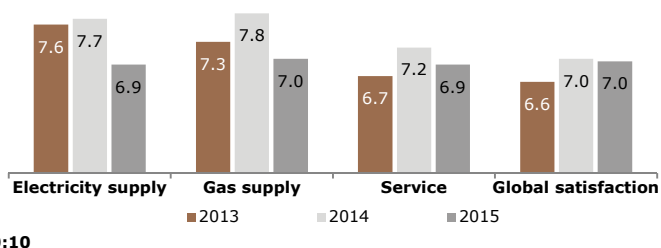
ELECTRICITY RESIDENTIAL CUSTOMERS PORTUGAL



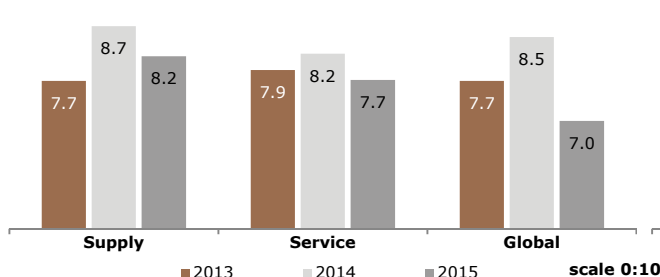
ELECTRICITY AND GAS BUSINESS CUSTOMERS SPAIN



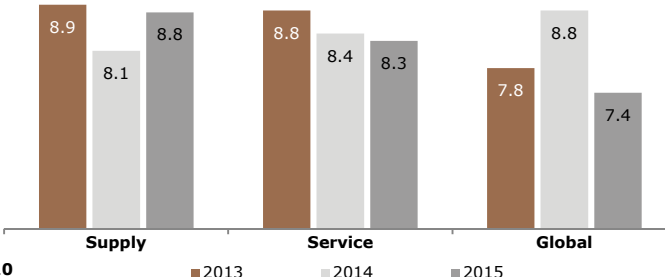
ELECTRICITY AND GAS RESIDENTIAL CUSTOMERS SPAIN



ELECTRICITY RESIDENTIAL CUSTOMERS BRAZIL - EDP BANDEIRANTE



ELECTRICITY RESIDENTIAL CUSTOMERS BRAZIL - EDP ECELSA



EDP measures the overall satisfaction of electricity customers (Portugal, Spain and Brazil) and natural gas customers (Portugal and Spain), in the residential and business segments. In 2015, the overall satisfaction was 76.5%, exceeding the established KPI for this year of 73.2%.

CUSTOMER RELATIONSHIP

The diversity of customer segments and market offers implies the existence of a range of communication channels, optimised and focused so that the company can respond with quality and efficiency to customers' requests.

During 2015, the EDP 365 Customer Programme has bolstered EDP's position in the commercial area in Portugal. This internal programme promoted the development of initiatives along the following axes: development of a broad portfolio of competitive and ground-breaking products, ongoing improvement of the customer experience, bolstered of the integrated communication channels and partnership strategy to enhance service quality, focus on an excellent organisational performance and promotion of greater efficiency and risk control.

In Portugal, EDP provides a platform – edpOnline (<https://edponline.edp.pt>) - that gives access to features, which include viewing the current account, the most recent bills and the consumption history, and communicating meter readings. Customers who have more than one installation can access all the aggregated information of the different consumption sites, through one simple registration. All these features are accessible via smartphone or tablet with the "EDPMobile". In September 2015, EDP launched the campaign "Ligue-se à EDP onde e quando quiser" (Connect to EDP whenever and wherever you want), to promote this application and strength its digital presence.

In order to keep up with the growing trend of mobile Internet use and the challenge of making energia.edp.pt one of the best sites in the sector, the new responsive version has been launched, where all content can be viewed on any screen, facilitating online access, to ensure an enhanced digital customer experience.

The new version of the reserved area edpOnline was launched in Spain in 2015 with a new Look&Feel, and with improvements in terms of platform design and browsing. The ability to pay bills by credit/debit card, as well as the access to an online chat were other features also added.

In 2015, on a Group level, the number of customers with electronic bill and telemetering reached 1,814 thousand and 620 thousand customers, respectively. For both indicators, there was an increase in the number of covered customers: 13% in electronic bills and 50% in telemetering.

A campaign was run in Portugal to get residential customers, condominiums and B2C small businesses to sign up to electronic billing.

During 2015, the EDP Group incurred in fines for breaching regulations concerning customer relationship of EUR 4.4 million. The highest amount paid was EUR 4.2 million, related to the provision and use of products and services. It was mainly due to non-compliances, by EDP Brasil, on the deadlines established by the regulatory body to the supply reestablishment and verification of the customer's measuring equipment. In Spain, EDP paid 12 fines related to violations of privacy and loss of customer data amounted to EUR 210 thousand.

In Portugal, EDP Comercial was targeted by ERSE, under the Sanctions Regime of the Energy Sector, in an administrative proceeding about the alleged breach of legal obligations applicable to economically vulnerable customers, particularly in the context of social tariffs and ASECE (Special Social Energy Benefits to Power Consumers) of electricity and natural gas.

In the context of the procedure, the company had the opportunity to comment and fully refute ERSE's case. Nevertheless, last December, ERSE issued a fine in the amount of EUR 7.5 million. Considering there is no basis for ERSE's penalty charge, EDP Comercial has filed a counterclaim in the Competition, Regulatory and Supervision Court.

CLIENT OMBUDSMAN

There is an entity in Portugal operating independently of the EDP Group called Ombudsman, which handles cases submitted by customers, when the answers to the complaints did not fulfilled their expectations.

The Ombudsman has the authority to address matters related to the provision of energy and services by EDP companies, namely: the compliance of supply contracts, consumption estimates, bills and compensation claims for damages directly resulting from the service provided.

In 2015, the Ombudsman received 2,513 complaints, 64% of which were related to electricity and 26% to dual contracts. Most of these complaints (70%) concerned issues related to energy contraction, Reading/Billing/Payment.

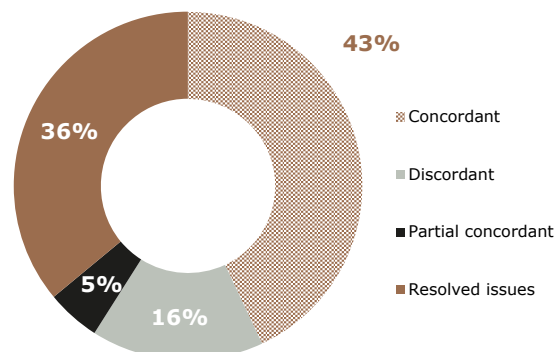
In terms of the Ombudsman process and the website (www.provedordocliente.edp.pt), there was a decrease in the response time to customers by 2 working days, an improvement of more than 13% when compared to 2014.

INNOVATING IN CUSTOMER SERVICE

The energy solutions provided by EDP intend to meet the specific needs of the different customer segments, through a diversified offer of products and services.

In 2015, more than EUR 78 million of revenues were generated, leading to a 16% increase when compared to 2014 (page 129). Some of the solutions made available to customers are exemplified below.

ANSWER ORIENTATION OF OMBUDSMAN



PRODUCTS AND SERVICES

In addition to electricity and natural gas supplied in the regulated market in Portugal and Spain, EDP offers a wide range of solutions in the free market, such as the dual supply of electricity and natural gas, and energy services that give greater value to the available products, in particular insurance and assistance, maintenance contracts, energy audits and certification (www.energia.edp.pt and www.edpenergia.es).

For residential customers in Portugal, the recently launched products and services are highlighted, and/or those that contribute to a more sustainable use of resources:

RESIDENTIAL CUSTOMERS IN PORTUGAL

HEAT PUMPS	SOLAR ENERGY	ENERGY BUNDLE + FUNCIONA	ELECTRICAL MOBILITY
More efficient water heating solution, which includes economisers for reducing water consumption.	Solar energy solutions for self-consumption. Launch of the Portable Solar Home, as an initiative outside large towns and cities to promote and sell EDP Solar Energy.	A solution that embodies in the energy service an installation revision and equipment maintenance components.	A solution that includes a special energy rate for electrical vehicle users and a wall box.

For the residential and business segments, EDP provides electricity and natural gas services regarding installation revisions and equipment maintenance, which increase customers' safety and provide technical assistance whenever required – Funciona and Funciona Plus.

Also, EDP Comercial provides the Comunidade edp (EDP Community) platform, which aims to strengthen the relationship of the company with its customers in the free market. It is a community of customers for customers, which embraces a network of partners throughout the country, allowing customers to enjoy exclusive benefits that are simple and free of charge (<https://comunidade.edp.pt>).

The Comunidade edp also allows small businesses to have an exclusive web page and free advertising in exchange for discounts on their services to other members of the Community.

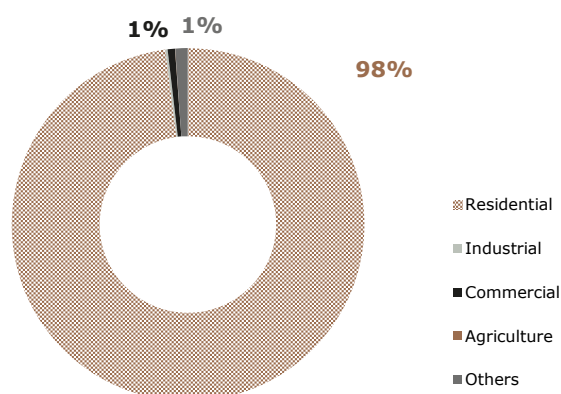
Moreover, it was launched the Condominium offer which, in addition to offering discounts in power and/or energy, provides access to exclusive partners with discounts for multiple-risk insurance, lift maintenance, building conservation and security.

For small and medium-size enterprises (SME), EDP provides an integrated energy and energy efficiency solutions, including energy management and discounts on maintenance services. Other services are also provided, taking into consideration the specific needs of each business sector: Agriculture, Accommodation and Restaurant, Commerce and Services, Industry and Social Welfare institutions.

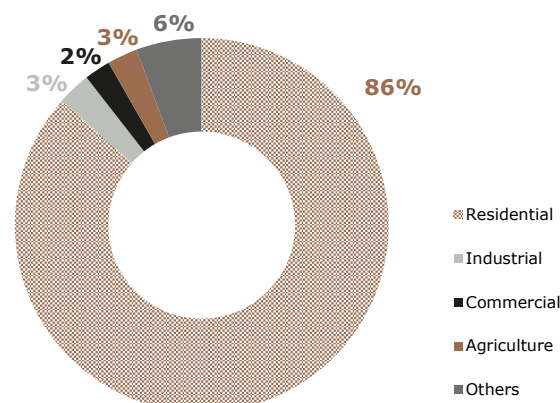
Common to all customer segments there is also the offer of green electricity from 100% renewable sources.

In Spain, all the electricity supplied to residential and small businesses has a certificate of origin for energy from 100% renewable sources. Corporate customers only receive a certificate of origin when they apply for it.

DISTRIBUTION OF GAS CUSTOMERS BY TYPE



DISTRIBUTION OF ELECTRICITY CUSTOMERS BY TYPE



Like in Portugal, in addition to the electricity and natural gas offers, EDP España make also the following products and services available:

RESIDENTIAL CUSTOMERS IN SPAIN

FUNCIONA PLUS, FUNCIONA LUZ AND FUNCIONA CLIMA	RE:DY	SOLAR HEATING PLAN	CAR-E MOBILITY
Revision and maintenance of electricity and gas facilities, air-conditioning equipment and appliances	Launched in 2015, allows costumers to monitor, control and manage household consumption in real-time	Installation of the thermal solar system to water heating	Charging point solution for electric vehicles

For the corporate and large customers segment, EDP provides a service that gives access to up-to-date information about their contracts– ACTIR Platform, which was complemented in 2015 with “Óptima +”. This service facilitates the energy management of the companies, which have available a system to monitor and supervise the consumption in real-time, and to receive immediate consumption warnings for both active and reactive energy.

In Brazil, in addition to the supply of electricity in the regulated market, EDP has also sought to expand and diversify its services offer (www.edp.com.br). Through EDP Grid, in 2015 EDP acquired the company APS Soluções em Energia, assuming its commitment of expanding its presence in energy efficiency and distributed generation services.

Three energy efficiency projects were implemented in 2015 (modernisation of lighting, air conditioning and driving systems), embracing customers located in EDP Bandeirante's concession area. These projects enabled energy savings of around 7GWh/year, equivalent to the consumption of approximately 3 thousand households.

EDP Grid has also implemented energy infrastructure projects for customers (such as substations and distribution and transmission grids) and asset management (maintenance of facilities and adaptation of measurement systems), as well as photovoltaic generation projects.

PROMOTING ENERGY EFFICIENCY

Besides the products and services that constitute the business portfolio, EDP also supports energy-saving measures, programmes and projects.

In Portugal, the participation in the plan to promote electricity consumption efficiency (PPEC), managed by the Portuguese regulatory authority (ERSE), encourages the implementation of measures for the adoption of more efficient habits and equipment by the different customer segments - residential, commercial and services, industry and agriculture.

A new tendering procedure was launched in 2013 (PPEC 2013-2014), in which EDP had 16 measures approved, representing 40% of all the measures approved and 65% of the available funding. It is estimated that the implementation of these measures, to be developed in the 2014-2016 period, will result in savings of 1,073GWh and 397,042 tons of CO₂ avoided, taking into account the lifetime of the installed equipment. The “A Casa mais Eficiente de Portugal” (The most efficient home in Portugal) and the “Troca de Lâmpadas” (Lighting switching) programmes are examples of two measures implemented under PPEC 2013/14.

The “A Casa mais Eficiente de Portugal” was launched in August 2015 in partnership with the National Geographic Channel. EDP is challenging its residential customers to show why their home should be the most efficient in Portugal, thereby encouraging the adoption of energy efficiency behaviours. The announcing of the initiative on FOX TV channels reached out 695,843 people in 2015, leading to 1,723 participations and 864 applications. The campaign ends in April 2016.

The “Troca de Lâmpadas” initiative aims to promote the use of more efficient lighting equipment by residential customers, by replacing halogen bulbs with LED bulbs. The campaign was launched on November 17 and aims to replace up to 200,000 light bulbs. By December 31, 51% of this target had been reached.

FUEL SWITCHING: PARTNERING WITH THE AUTOMOBILE INDUSTRY

EDP España signed a collaboration agreement with SEAT and VW-Audi Spain, that consists of developing commercial packages, embracing vehicles running on Compressed Natural Gas (CNG) and the infrastructure associated.

Several initiatives will be launched to acquire customers, through commercial offers to the rental market, in order to renew corporate fleets of vehicles running on CNG.

In particular for the business sector in the Iberian Peninsula, EDP supports the implementation of energy efficiency projects through the Save to Compete programme, which identifies measures to reduce energy consumption, promoting their implementation and funding through the savings induced. Since the launch of the programme in Portugal (2012) and in Spain (2013), 331 applications have been registered. By the end 2015, the programme has already provided savings of around 77 GWh, leading to a bill reduction of approximately EUR 8.7 million and avoiding 39,000 tons of CO₂. These results are disclosed online and can be viewed on the Save to Compete website (www.savetocompete.com).

In Spain, the Cuota Ahorro and ENRIMA projects are highlighted. The first, to the business segment, allows the identification and implementation of energy saving opportunities at the participating companies. The second one aims to develop an integrated management system to assist the decisions of energy-efficient buildings and public space managers, allowing optimisation of the building operations, minimising costs and meeting energy efficiency and emission requirements. The project's results will be applied to EDP's head office in Bilbao.

In Brazil, EDP uses its energy efficiency program to encourage people in the vicinity of its operations to use electricity conscientiously and efficiently. In 2015, R\$ 28 million was invested in the initiative, 10% more than in 2014, which led to energy savings of more than 35 GWh and a reduction of 13MW in peak demand. The program is funded in accordance with the legislation of Brazil's electric sector, which states that distribution companies should invest 0.5% of annual net operating revenue in energy efficiency programs.

The initiatives carried out aim to show to society the importance and the cost-effectiveness of actions to fight energy waste and improve energy efficiency of equipment, processes and final energy use:

ENERGY EFFICIENCY IN PUBLIC BUILDINGS

Initiatives to improve lighting and cooling systems of public buildings, through the substitution of low energy efficiency equipment, and encouraging the participation of consumers.

GOOD ENERGY IN SCHOOLS

Training sessions to teachers on fighting energy waste, and raise the awareness of the school community for the efficient and safe use of energy, through on-site and interactive actions, visiting the Good Energy Truck.

THE GOOD ENERGY TRUCK

Vehicle equipped with games and an interactive model that simulate a household energy consumption. A 3D movie is also available, with information regarding electricity, and its path towards consumption sites.

VULNERABLE CUSTOMERS

One of EDP's concerns is to guarantee a quality service for all customers, especially for more vulnerable segments.

In line with the EDP Group Sustainable Development Principles, and complying with the existing legislation, EDP in Portugal has promoted the inclusion of eligible customers in the social tariff and ASECE (Extraordinary Social Support for Energy Consumers) through several communication campaigns and initiatives with private institutions of social solidarity, which have led to a substantial increase in the number of customers benefiting from social assistance (around 14,000 customers at the end of 2014 to around 90,000 at the end of 2015).

In Spain, in addition to the special tariff created in 2009, Fundación EDP launched the "Energía Solidaria" initiative to increase the safety, well-being and energy efficiency of underprivileged families. This project analyses and identifies activities that make it possible to reduce energy bills and to change consumption habits by implementing energy efficiency measures, in partnership with Cáritas and the Red Cross, responsible for identifying the families and residences that can qualify for this initiative. In 2015, 13 residences in Asturias and 15 in the Basque country were audited, with more than 75 measures proposed amounting to EUR 122,000.

The Social Tariff for electricity in Brazil gives discounts that vary according to the conventional tariff established for each company. Since 2010, EDP's two distribution companies have established partnerships with local government institutions to encourage the community to legalize connections under the social tariff. In 2015, 29% of customers that qualify for the social tariff are using this benefit.

In order to raise awareness of low-income customers to the safe and efficient use of electricity, EDP has developing the "Boa Energia Solar" project (Good Solar Energy), since 2008. The replacing bulbs, the implementation of solar heating systems (collectors and tanks) and the installation of smart showers are some of the measures implemented that benefited 1,194 customers in the concession area of EDP Bandeirante, with respective energy savings of 590MWh/year, and an investment amounting to R\$ 5.5 million.

6.3.SUPPLIERS

Deepening the management of EDP's supply chain was the main improvement in 2015. The Group restructured its global purchasing model, reorganizing internal teams, consolidating procedures and extending the risk assessment (including sustainability risks) to all its supply chain.

Under this framework it can be highlighted:

- ❑ The new Global Purchasing Model;
- ❑ Corporate Purchasing Manual;
- ❑ Procurement based on end-to-end philosophy;
- ❑ Plan of Sustainability Development in the supply chain;
- ❑ Benchmark of the best international practices on Sustainability of the Supply chain;
- ❑ Economic, Social and environmental characterization of EDP's supply chain;
- ❑ Elaboration of the Supplier Code of Conduct;
- ❑ Elaboration of a Supply Chain Sustainability Policy.

These issues are managed for creating value and for the company's success in the open and global markets where it operates, both in terms of operational efficiency and cost savings, and in the context of risk management, corporate reputation and corporate responsibility (www.edp.pt> sustainability> publications> EDP's Sustainability Management Approach)

IMPACTS OF EDP'S SUPPLY CHAIN

During 2015 it was developed an extensive characterization study of EDP's purchases, aiming a deeper knowledge about the economic, social and environmental impacts of EDP's supply chain. EDP expects from now on to use these results for better definition of the priorities concerning sustainability management.

The tables below show the impact of EDP purchases under some dimensions. It is, however, a synthetic information that does not show the depth of the information available. The study, developed by PWC and based on ESCHER methodology, details data by: country (not only where EDP operates), relevant purchases categories and suppliers.

SOCIAL DIMENSION RISKS			
RELATED TO DIRECT AND INDIRECT PURCHASES		Tier 1	Tier 2n
Voice and Accountability	%	0.0	12.5
Political Stability and Absence of Violence/Terrorism	%	7.1	17.9
Regulatory Quality	%	0.0	11.0
Government Effectiveness	%	7.3	15.7
Rule of Law	%	7.1	16.3
Control of Corruption	%	10.3	19.8
Child Labor	%	0.0	0.5
Forced Labor	%	0.0	0.4
Occupational Health & Safety Risk	%	0.0	7.9
High Working Hours	%	0.0	1.4
Low Wages	%	0.3	13.4
Gender equity	%	18.3	25.7

SYSTEM AND PROCESS EXCELLENCE AWARD

Noting the commitment to excellence in the management of its supply chain, EDP received the System and Process Excellence award from EIPM Peter Kraljic Awards in recognition of their leadership and performance in the development of innovative practices and respect for the environment and society.

ECONOMIC IMPACTS		Un.
GVA		
Gross value added related to purchases	000.000 EUR	4 588
Gross value added related to purchases in countries of operation	%	70.0
Gross value added - Capital intensive purchases	%	55.5
EMPLOYMENT		
Employment related to purchases	#	177 323
Employment related to direct purchases	%	44.0
Skilled Employment related to purchases	%	29.0
Employment related to purchases in countries of operation	%	59.0
Employment related to raw materials purchases	%	31.0
Employment resulting from raw materials direct purchases	%	11.0
Working hours related to purchases	000.000 horas	326
Working hours related to direct purchases	%	44.0
SALARIES		
Salaries related to purchases	000.000 EUR	1 965
Salaries related to purchases in countries of operation	%	79.0
Salaries resulting from raw materials	000.000 EUR	482
Salaries resulting from raw materials direct purchases	%	24.0
TAXES		
Taxes related to purchases	000.000 EUR	90
Taxes related to purchases in countries of operation	%	31.0
Taxes resulting from raw materials purchases	000.000 EUR	55
Taxes resulting from raw materials direct purchases	%	30.0
PROFITS		
Profits related to purchases	000.000 EUR	1 894
Profits related to purchases in countries of operation	%	62.0
Profits resulting from raw materials purchases	000.000 EUR	920
Profits resulting from raw materials direct purchases	%	40.7
ENVIRONMENTAL IMPACTS		
LAND USE RELATED TO PURCHASES		
Land Use related to total purchases	ha	199 193
Land Use related to direct purchases	%	0.8
Land Use related to raw materials	%	20.0
Land Use related to purchases in countries of operation	%	62.0
GHG EMISSIONS RELATED TO PURCHASES ⁽¹⁾		
GHG emissions related to total purchases	000 t CO _{2eq}	3 931
GHG emissions related to direct purchases	%	23
GHG emissions related to raw materials	%	56
GHG emissions related to purchases in countries of operation	%	78
WATER CONSUMPTION RELATED TO PURCHASES		
Water consumption related to total purchases	000.000 m ³	41 825
Water consumption related to direct purchases	%	13
Water consumption related to raw materials	%	29
Water consumption related to purchases in countries of operation	%	51

¹ Scope 3 calculation method includes all value chain impacts, therefore the calculation of supply chain impacts differs from Scope 3.

It can be highlighted the most relevant economic impacts:

- ∴ the employment volume induced by EDP in its supply chain which reached 177 thousand jobs and 326 million hours worked with direct suppliers representing 44% of the total workforce;
- ∴ the importance of the capital intensive purchasing represents 55% (raw materials, equipments), compared with 45% related to labour-intensive (provision of services);
- ∴ the value created by EDP purchases is mostly retained in the countries where EDP operates: retention of 70% of value of purchases, 59% of jobs and 79% of wages.

EDP, through its direct suppliers, is exposed to a relatively low social risk. Risks such as child labour, forced labour or occupational health & safety came out as very low risk control priorities should be given to low wages (0,27% of direct purchasing). The main risk from the social perspective came out as being the gender equity, representing 18,34% of direct purchasing.

Under the category "Country", 7% of direct purchasing is exposed to political instability, rule of law ineffectiveness and government effectiveness fragility, but the most relevant risk is corruption, covering around 10,3% of direct purchasing (page 85).

However, when the scope is indirect purchasing, results are significantly different. The table reveals a dramatic high increase of risk exposure, namely child labour (0,54%), forced or compulsory labour (0,39%), occupational health and safety (7,9%), excessive working hours (1,4%) and low wage (13,4%). Gender equity is still the most relevant risk, increasing to 25,7%. The increase of risks is also expressively present in the dimensions related to rule of law, government effectiveness and corruption.

Following this study, managing sustainability in EDP's supply chain will need new processes in place to give EDP guaranties that direct suppliers endorses commitments in the improvement of labour and social conditions of its own supply chain.

EDP impacts on environment are also relevant. These are clearly linked to the environmental costs from extraction and transport of raw material, where gas and coal are dominant. EDP will continue this work, promoting energy efficiency initiatives on its suppliers, as well as the reduction of waste towards an improvement of the circular economy.

SUPPLIERS AND GLOBAL PURCHASING

In 2015, the procurement activity did not register any structural changes when compared with previous years. Fuel procurement, construction of energetic facilities, the purchase and maintenance of equipment and the hiring of services related to distribution and commercial activities of energy are the significant purchase categories that define the fundamental profile of the Group's supply chain.

Excluding purchases of fuel, EDP Group in 2015 contracted EUR 2.8 billion to 18,647 suppliers, from which 2,010 held sales above EUR 75 thousand. Still under this scope, 1,205 were screened against sustainability practices. The international platform RePro, developed by Achilles, is the main instrument used by EDP to characterize the environmental, labour, human rights and society impacts.

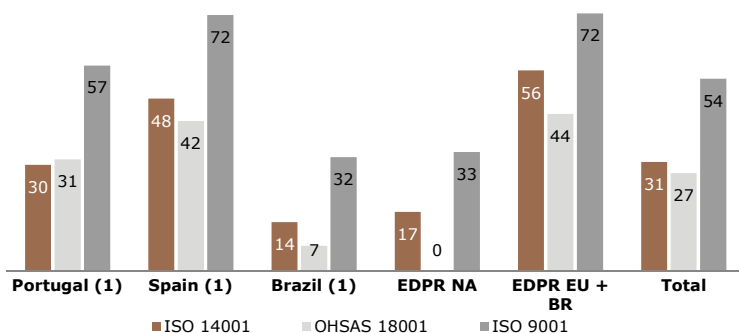
SUPPLIERS AND GLOBAL PURCHASING ¹	Unit	Group	Portugal ²	Spain ²	Brazil	EDPR NA	EDPR EU+BR
Suppliers ³							
Suppliers	#	18 647	5 275	2 641	4 263	3 456	3 545
Suppliers > 75,000 EUR	#	2 010	687	368	497	193	304
Turnover							
Turnover	millions €	2 832	989	243	683	637	280
Local	%	92	90	86	88	100	99

¹ Fuel purchases not included.

² EDPR not included.

³ In the total number of Group EDP suppliers, the companies which have business in more than one geography are counted only once.

SUPPLIERS > EUR 75,000 CERTIFIED (%)



¹ Does not include EDP Renováveis

Excluding energy procurement, 92% of EDP's purchases are made from local suppliers. This reality does not result from any national or regional discrimination of EDP's suppliers or products but instead is a consequence of the EDP's business structure and supply chain. EDP does not promote any positive discrimination linked to the socioeconomic characteristics of its suppliers.

In 2015, the number of suppliers with certifications continued to grow. From all the goods and services suppliers scrutinized for their sustainability practices and with sales above EUR 75.000, 54% (48% in 2014) of them have quality system certified. 31% (29% in 2014) and 27% (25% in 2014) of companies are certified with regard to environmental and safety systems, respectively.

SUPPLIERS AND FUEL PURCHASES

In 2015 EDP bought EUR 219 million in natural gas for the Portuguese market operations and EUR 637 million for the Spanish market. LPG purchases amounted to EUR 10 million exclusively for the Portuguese market. The purchase of coal for Portugal amounted to EUR 195 million and for Spain it totalled EUR 139 million. In Brazil, the purchase of coal amounted to EUR 126 million. The services associated to these purchases (ex: terminal services) totaled EUR 12 million, EUR 33 million and EUR 3.4 million respectively.

SUPPLIERS AND FUEL PURCHASES ¹	Unit	Group	Portugal	Spain	Brazil
Suppliers²					
Suppliers	#	63	29	37	5
Suppliers > 75,000 EUR	#	42	14	36	1
Turnover					
Turnover	millions €	1 365	427	808	129
Local	%	38	55	36	0

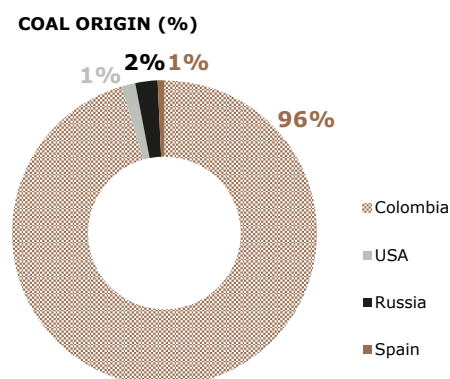
¹ Include fuel purchases and services associated.

² In the total number of Group EDP suppliers, the companies which have business in more than one geography are counted only once.

The purchase of fuels and services associated with their acquisition was directed at 63 suppliers. Most coal and gas comes from foreign suppliers. In 2015, EDP purchased coal from four different countries. Colombian coal represented 96% of the total purchases and local Spanish coal, 1%.

In its supply chain, EDP has identified the extraction and transport of coal as the activity with the highest exposure to the risk of social, employment, human and environmental impact. However, the main coal suppliers actively developed sustainability policies and impact management, and established certified management processes.

EDP is associated with the international Bettercoal initiative. This is an association of energy companies that ensures more effective monitoring and mitigation of the risks, through an annual plan of audits of the coal mines and the promotion of a code of conduct of good practices among suppliers (www.edp.pt> sustainability> sustainability approach> bettercoal).



6.4.COMMUNITY

EDP voluntarily promotes and supports social, cultural and environmental initiatives with the purpose of contributing to the sustainable development of the communities and upholding its strategic vision. EDP specifies the results it intends to achieve, and evaluates projects it is involved in using the LBG (London Benchmarking Group) methodology. Through this model EDP is fostering the structured reporting of its decisions, which permits society to reflect on the results and benefits for communities. All of the Group's foundations and business units use the same methodology.

SOCIAL INNOVATION

The EDP Group's voluntary total investment amounted to EUR 27,4 million (see table below) roughly the same value of contributions as the previous year.

Around 85% of the entire investment was in the form of direct monetary contribution, 10% resulted from donations in kind and people contributing their time, which includes volunteering activities performed during working hours under EDP's programme. The costs of development and management of the projects was 5% of the total investment, confirming our systemic concern to reduce this figure.

EDP's overall investment contributed to the performance of 728 projects, 212 more than the previous year, which denotes an increase in the dispersal of contributions which diminished from an average of EUR 46,392 to EUR 35,549 per project. While this increase in the number of projects represents an intensification of relations with communities, as shown by number of beneficiaries rising to 5,197,128 individuals and 1,957 organisations, this dispersal should, however, be considered in light of the results and impacts generated. An overall assessment is planned for 2016 of the current methodology for deciding sponsorship for projects in order to give greater emphasis to those with the potential to generate greater social impacts. However, we emphasise that results were measured for 582 of the 728 projects sponsored, i.e. 80% (45% in 2014). This project assessment coverage resulted from a huge additional effort and performance of the management teams.

The distribution of the investment by nature remained relatively unchanged on previous years, with most of the contributions going into social programs, namely EUR 11.8 million in healthcare, education, social welfare, economic development and emergency situations. Art and Culture, which includes science and technology dissemination and promotion projects, received EUR 7.2 million. The environment received EUR 2.3 million. An increase was also witnessed in projects not classified in the previous categories, enhancing the previous trend of seeking alignment with social causes related to musical, sporting and popular events.

The distribution of the investment by business area remained unchanged on 2014, i.e. Portugal 78%, Spain 10%, Brazil 8% and EDP Renováveis 4%.

In addition to the direct contributions, the EDP initiative helped direct resources from other entities and individuals to the sponsored projects. EUR 392 thousand was raised in 2015, part of it contributed by EDP employees.

INVESTMENTS IN THE COMMUNITY (€)	2015¹	2014²	2013	2012
CATEGORY	25 879 425	23 938 444	23 349 361	14 831 512
Nonstrategic investment	209 398	450 758	1 424 720	2 641 330
Strategic investment	23 556 186	22 474 228	19 485 248	10 626 216
Commercial initiative	2 113 841	1 013 458	2 439 393	1 563 966
NATURE	25 879 425	22 577 548	23 349 361	14 831 512
Education	4 316 280	4 039 760	3 956 229	3 099 908
Health	1 814 003	1 689 097	1 836 327	1 118 569
Economic development	1 692 293	1 438 385	5 070 549	1 116 830
Environment	2 296 117	2 003 958	1 163 368	728 911
Art and culture	7 234 190	8 486 509	5 459 532	4 527 648
Social welfare	3 839 037	2 997 119	3 989 792	2 870 075
Emergency response	183 150	7 640	32 673	32 344
Others	4 504 356	3 275 977	1 840 891	1 337 228
TYPE	25 879 425	23 938 444	23 349 361	14 831 512
Cash contributions	23 288 861	21 443 096	22 807 123	14 535 732
Kind contributions	71 334	813 399	238 101	23 559
Working time contributions	2 519 230	1 681 949	304 137	272 220
MANAGEMENT COSTS	1 532 303	2 315 382	3 625 300	2 652 758
TOTAL VALUE OF CONTRIBUTIONS (INCLUDING MANAGEMENT COSTS)	27 411 728	26 253 826	26 974 661	17 484 270

¹ Determined according to the LBG methodology. Not yet validated by Corporate Citizenship.

² The 2014 figures were rectified after LBG audit. Some projects were valued and some management costs reduced.

The main initiatives of the investment in the community in 2015 are highlighted in the following table:

PROJECT	RESULTS	COUNTRY
Solidarity in Schools	The Solidarity in Schools programme of the Fundação EDP encourages primary and high school students to actively contribute to the resolution of social issues affecting their community. In 2014/15, the programme involved 314 schools in Portugal and 19,143 students and teachers. Since 2010, 700 projects have been carried out by schools under this program to the benefit of the community.	Portugal
EDP Solidarity Program	In 2015, the EDP Portugal Solidarity Program sponsored 25 projects in Social Inclusion, 12 in healthcare and 2 organisations in education, contributing EUR 2.1 million. Between 2004 and 2014, the EDP Solidarity Program sponsored more than 260 projects.	Portugal
Local and Regional Traditions Program	This year EDP Produção launched the 1 st edition of the Local and Regional Traditions Program, under its Social Investment Policy. This program aims to recover ancestral practices that are dying out, and to stimulate the self-esteem of benefited populations by valuing the local identity. Identified as a theme of importance for stakeholders in the communities where EDP Produção has a presence, the 1 st edition resulted in 122 applications in 50 municipalities, where awards were given to 14 projects in the central, northern and Alentejo regions.	Portugal
Solidarity Run	Solidarity Run organised by ACAMBI (Bilbao Breast Cancer Association) in order to raise funds for investment in breast cancer was supported by EDP. The solidarity run took place on October 25, starting and ending at the Guggenheim Museum, with more than 10,000 participants. EUR 50 thousand was raised and donated entirely to research.	Spain
EDP Solidarity Program	In 2015, Fundación EDP launched the first edition of the EDP Solidarity in Spain, receiving 37 submissions and selecting 11 projects for a total investment of EUR 344 thousand. This program, as in Portugal, promotes the improvement of the quality of life of socially disadvantaged people, the integration of communities at risk of social exclusion and social entrepreneurship.	Spain
Flying Kites	Directly related to managing risks in the electric grid, the Flying Kites project aims to raise awareness amongst school goers and teachers about the risks of flying kites and the importance of playing safely when in the proximity of the electricity grid. 6.5 thousand school goers at 14 schools were embraced by the joint initiatives of the Flying Kites, projects, with an 8% reduction witnessed in the number of incidents involving the electricity grid and kites.	Brazil
EDP Program in schools	Present in 22 schools benefiting more than 3 thousand students, this program improves the quality of student life at the elementary level of public schools, with support of partners and volunteer employees from EDP Group in Brazil. With activities that offer tools for student learning, they promote the integration of art and energy, encourage community participation in schools, foster student health and mobilize partnerships for educational causes.	Brazil
The Houston Area Women's Centre	The Houston Area Women's Centre provides support services to survivors of domestic and sexual violence. It provides shelter, counselling and support services to help each survivor rebuild their life free from the effects of violence. They pursue social change to end domestic and sexual violence by raising awareness and educating the community. 15 volunteers from EDP Renováveis gave their time to this organisation. More than 13 thousand women who were victims of domestic violence received support in 2015.	USA

VOLUNTEER WORK

The EDP Volunteer Program underpins the Group's relations with communities in addition to attracting and motivating EDP employees. The EDP programme assigns all employees four hours of monthly work to participate in volunteer initiatives, and aims to develop volunteer work based on personal skills supplemented by mobilisation and awareness raising initiatives.

EDP CORPORATE VOLUNTEERING	Un.	2015	2014
EDP Volunteers	#	2.404	2.248
EDP time used in volunteering (h)	h	17.426	17.946
Beneficiary entities	#	332	242

The Parte de Nós (Part of Us) programme entails collective volunteering initiatives in special campaigns and periods. These programs take place at Christmas and involve the environment in several of the Group's locations, bringing together employees and their families, suppliers and stakeholders in joint initiatives embracing isolated individuals or environmental conservation initiatives. In contrast, the skills volunteering programme offers the community the professional and personal skills of each employee, and is therefore a specialised, ongoing and structured volunteering programme.

PROJECT	INITIATIVES	COUNTRY
Aprender a Empreender	111 EDP volunteers gave 1,119 working hours to 2,009 students from 65 escolas. Based on its professional experience and using the programs of "JAP - Associação Aprender a Empreender", EDP volunteers are training students in management, economics and entrepreneurialism, developing skills in teamwork, problem-solving, project creation, leadership and how to be successful.	Portugal
Electrician Pole	29 volunteer electricians fixes damage, carry out safety checks and enhance systems in social economy organisations.	Portugal
Energy Efficiency Verifier Pole	The Energy Efficiency Verifier Pole consists of EDP electricians that help social institutions to use energy more efficiently, thereby lowering their energy bills.	Portugal
LEAN	Through LEAN volunteering, EDP employees provide LEAN training and monitoring (a methodology used to identify means of increasing the efficiency of processes by cutting consumption and waste). Initiated by the Ribatejo Plant by grouping schools in Abrigada, the programme generated more than 1,200 LEAN ideas and saved EUR 6 thousand in its first year alone. The methodology migrated to school goer homes and neighbouring institutions such as the Santa Casa da Misericórdia and Alenquer Town Hall (which has saved more than EUR 40 thousand). This complements 9 initiatives being implemented.	Portugal
Desafio do Bem	The Desafio do Bem programme enjoyed further success in Brazil, and is now in its 5th edition. With 549 initiatives and 742 volunteers, this program fosters the initiative of volunteers organised into teams. Each team has a leader who receives a budget of R\$ 1.7 thousand (one thousand seven hundred Brazilian Reais) from EDP Institute to plan and carry out initiatives at the organisation or school. The Total Energy Team and Rescue Team are examples of the creativity with which this program is implemented.	Brazil
Cidadãos Pró-Mundo	The Cidadãos Pró-Mundo programme is based on volunteering skills, by which 16 volunteers give English classes in the Coliseu shantytown located near EDP's facilities and the digital inclusion cycle, by which 16 volunteers give IT classes in the shantytown, on two afternoons a week.	Brazil

LOCAL COMMUNITIES

EDP's activities have an impact on the local communities where it operates. The company seeks to manage this impact by encouraging the active and transparent involvement with its local stakeholders aimed at establishing partnerships and to strengthen continual and long term relationships. The main objective of this involvement between the Company and the Local Communities is to promote transparency, trust and proximity, and thus avoid and prevent impasses and conflicts arising from lack of knowledge of EDPs projects.

Within the ambit of construction and operation of production and distribution projects, during 2015 various programs were developed to involve the community, aimed at minimizing the environmental and socio-economic impacts. These programs are not limited to compulsory obligations, but extend to voluntary investments, with priority given to actions that favour local development.

In Portugal, in the production business, several initiatives were developed supported by a Social Investment Policy (http://www.a-nossa-energia.edp.pt/responsabilidade_social_ambiente/responsabilidade_social.php), developed in order to consolidate and align the company's presence in the Community, introducing new procedures to the decision making process and making viable the support to be granted, with priority given to partners that help achieve these objectives. In 2015 various programs were implemented together with the community, some related to the geographical areas in which EDP has operational assets, and others as part of the compensatory measures related to new enterprises.

Within the initiatives developed in EDP projects in operation, it is highlighted the EDP Shares Energy program.

edp shares energy

This is an educational program that values students' self knowledge and knowledge of their region, to enable them to share the potentials of their regions with others. The students have to develop programs for their peers, and for such they have to identify potentials, resources, prepare budgets and identify partners to implement the project. The first program **resulted in 230 people benefiting directly** and 270 indirectly, including students, teachers and the community in general.

The areas selected, Constância, Sines, Tomar and Vila Nova de Santo André, are located where EDP has recognized production centres, which increases the proximity between the company and the community.

Within the ambit of the projects to construct hydroelectric centres, in 2015 the following initiatives to involve the local communities are worth noting:

PORTUGAL

PROJECTS	INITIATIVES
Baixo Sabor	<p>According to the DIA (Environmental Impact Declaration), EDP has made annual contributions to the Baixo Sabor Fund, of EUR 375,000 (page 95).</p> <p>In addition, the Centre for Environmental Interpretation and Animal Recovery (CIARA) is to be developed as part of the compensations. The activities plan for this project will be undertaken by Universidade de Trás-os-Montes e Alto Douro, Bragança Polytechnic Institute and Municipalies Association of Baixo Sabor. To maintain this area, EDP will make annual contributions of EUR 100 thousand.</p>
Foz Tua	<p>In 2015, EDP made a contribution of EUR 471 thousand to the Nature and Biodiversity Conservation Fund, with 50% of this amount allocated to the Regional Vale do Tua Nature Park (approx. 25,000 ha) to continue with the proposal to create this Park, as a nature conservation area and valuing the natural and cultural heritage of the land and encouraging the sustainable social and economic development of the local communities.</p> <p>In addition, the architecture and execution Project was developed for the Vale do Tua Interpretative Centre, which aims to establish a link between the valley area and the mouth of the Tua, with the population, fauna and flora, the railway path and the dam that defined it.</p>

In Brazil it is worth noting the measures taken to manage the impacts that involve not only the initiatives for local development, but also the indemnities and reallocation of families and communities affected by these projects.

BRAZIL

PROJECTS	INITIATIVES
Jari ¹	<p>Within the ambit of the construction of the Jari Hydroelectric plant, and continuity of the reconstruction and improvement of Vila de Iratapuru, which was partially affected by the enterprise, in 2015 there were new requests from the community related to the on-going social-environmental measures. The company has an open and permanent communication channel, such that it replies to doubts and analyses suggestions from local stakeholders.</p> <p>In the third quarter of 2015, the 7th Social Forum was held, aimed at providing the population with updated information on the position of the social environmental programs to be implemented.</p>
Cachoeira Caldeirão ¹	<p>The construction of the Cachoeira Caldeirão Hydroelectric plant caused the flooding of approximately 2,600 ha, which included approximately 10 ha of urban area in the municipality of Porto Grande. The construction of the reservoir at this hydroelectric plant involves the resettlement of 753 families. In order to control the impacts, 57 social-environmental programs will be developed, which involve creating bi-lateral communication channels with the population, and also programs focusing on education, housing, agricultural development, social assistance and valuing property.</p>
São Manoel ¹	<p>The São Manoel Hydroelectric plant is being constructed on the river Teles, between the states of Mato Grosso and Pará, which is surrounded by the indigenous communities Munduruky, Layabi and Apiaká from Pontal. During the stage of the project that involved the construction of the dam, several locations were assessed, and to avoid part of the Kayabi land being flooded, it was decided to build the centre above the mouth of the river Apiacás.</p> <p>In order to manage, compensate and minimize the impacts caused to these communities, a Basic Environmental Plan with Indigenous Components has been developed for each of the three communities, consisting of various specific programs. The programs developed cover a variety of areas, including communication, education, support for productive activities and valuing indigenous culture. It is also worth noting that one of the objectives is to guarantee a bilateral communication channel with the indigenous communities, through an attendance, consultation and complaints system (radio, internet and telephone).</p>
Mogi-Suzano	<p>The construction of the Mogi-Suzano Air Distribution Line, forecast to begin in 2016, will affect private areas (mainly rural properties), and will have an impact on the activities of the local agricultural owners. To minimize these impacts, EDP has developed a communication plan with the local population. The compensation to be paid was also negotiated.</p>
Within the state of Espírito Santo	<p>The construction of distribution lines in rural properties located within the state of Espírito Santo has an impact on local property owners. In order to minimize this, assessments were made of the areas affected, taking into consideration the characteristics of the property, the use of the land and the types of culture, and the respective compensations were made:</p> <ul style="list-style-type: none"> ≡ Line Jaquaré São Matheus 138 KV: This line extends along a stretch of 35 km and is 30 m wide. 70 properties were affected, and a total of 56 families and 3 companies were compensated. The remaining properties were located in areas for public use; ≡ Branch line Jurong: the works began in 2014 and finished in 2015, and 3 industries received compensation in 2014; ≡ Furnas Linhares Substation and EDP Linhares Substation: the area affected extended over 4 km, with a width of 50 metres, and a total of 4 families received compensation (four property owners). <p>At the same time, a claim was filed by the Tupinikim and Guarani indigenous people from the Aracruz village located around the lines under construction. In response to these demands from the communities, EDP investigated the needs and expectations of this population, and prepared the appropriate replies.</p>

¹ The described power stations are accounted under equity method.

There has been an increase in the recognition of the impacts of EDP's Renewables business on the local communities, particularly those surrounding the wind and solar power parks. In addition, international financial institutions have followed the trend to include in their requirements plans that involve the local communities, which have to be attached to the projects to be financed.

EDP Renováveis has experienced this, in the construction of parks where the continual involvement of neighbouring communities is required and these activities are periodically reported. Examples of such include the Margonin and Golancz wind power parks in Poland; the Cernavoda and Pestera wind power parks in Romania; and the Cujmir, Vanju Mare, Dabuleni, Grojdibodu, Bailesti and Burila Mica solar power parks, also in Romania. Stakeholder Engagement Plans were developed for these parks, in accordance with the funding requirements, and the 2015 review included disclosing the current position for the initiatives undertaken, and a report on the complaints (made through the permanent line created as part of the funding requirements) and the replies given by EDP.

One example of the involvement initiatives developed by EDP Renováveis, in 2015, is the crowdfunding project developed in France, as part of the construction of the Escardes Wind Power Park.

crowdfunding project escardes wind power, france

As a result of the growing interest in greater financial participation by the authorities and local community, a crowdfunding initiative was launched for this wind park of 12 MW, which is under construction and forecast to be concluded during the first semester of 2016. The objective was that part of the debt be assumed by members of the local community.

This type of investment by the local community is seen as a way to increase public support, minimize litigation, reduce the attitude of *Not In My Backyard*, and align interests to develop renewable energy projects.

180 individuals supported this initiative with an investment of more than EUR 85,000.

SCIENTIFIC COMMUNITY

EDP's relationship with the Scientific Community is based on the Group's key activities and is evident in a variety of collaborations that impacted the business, ranging from attracting talent to investigation, development and innovation.

These institutions are sources of knowledge with which EDP has a close relationship, and with which it collaborates in order to identify innovative solutions, whether technical or scientific to the challenges of its business. In addition, these institutions located in different regions of the world where EDP invests, combined with the high profile of their representatives in society, reinforces the strategic importance of this segment.

In 2015, EDP continued to coordinate and structure the different relations with this segment through an internal working group, focusing on increased sharing of relevant information. For this work, the process of consulting 15 higher education institutions in Portugal, at the end of 2014 was also important, enabling it to continue to recognize and seek to meet the expectations of this segment. To enable the knowledge from this segment to become available in all regions in which EDP operates, EDP Espanha and EDP Renováveis introduced consultation processes with its partners in the scientific community.

This consultation process will identify the most relevant topics for this segment of stakeholders in their relationship with EDP. From the viewpoint of the partnerships the expectation of these institutions is that the collaborations are lasting and diverse, and that dialogue is strategic. It is worth noting that energy efficiency continues to be a growing concern of higher education institutions, in addition to environmental issues, seeking economic sustainability through more efficient consumption management.

The results of the consultation have developed evidence that ensuring a closer institutional relations through regular meetings and joint initiatives, creates bridges of understanding and opens new themes and partnerships.

Presented below are some of the main strategies undertaken in 2015 with the Scientific Community:

PROJECTS	STAKEHOLDERS	INITIATIVES
Drone UAV	INESC Oporto (Technology & Science Associate Laboratory)	EDP Labeltec has an ongoing joint project with INESC Oporto to develop a solution based on unmanned aircraft systems, commonly known as drones, for the inspection of assets of EDP Distribution (Substations and airlines) and EDP Renováveis (wind turbines). EDP Labeltec relies on the involvement of the various Group companies, sharing developments and receiving contributions.
Re:dy Challenge	Portuguese universities	This consists of a competition between teams from different universities to develop efficient energy services, based on technology developed by EDP, the Re:dy. The main objective is to foster the creation of new applications for Re:dy, and also identify elements that are highly potential for the EDP Group, bringing EDP into contact with Universities and investigations in the area of energy efficiency, whilst at the same time positioning the EDP brand as effective in encouraging innovative ideas, and giving visibility to the brand Re:dy.
Energy Week	Instituto Superior de Engenharia de Lisboa	A week of activities and visits to facilities related to the energy area, including renewable energy, organized by ISEL – Instituto Superior de Engenharia de Lisboa and aimed at students from middle schools, students from higher education in the engineering area, teachers and company employees. EDP supported this week, promoting visits to the Electricity Museum, the Sines Thermoelectric Centre, the Alqueva Dam, the InovCity project in Évora, and a wind park.

LOCAL AUTHORITIES

The local authorities have special relevance in EDP Group's stakeholders strategy, given the diversity of the relationships with the Group companies. On the one hand, they have a dual role as both client and concession agent, on the other hand, they are legitimate representatives of the communities in which EDP operates.

The contact that EDP has with this group demonstrates that closeness and trust is key to an effective relationship with this segment of stakeholders. In order to meet the expectations of the municipals, in 2015, the EDP Group's business units directed its efforts to establish partnerships with this segment of stakeholders in key areas, such as promoting energy efficiency and creating initiatives that contribute to regional development. At the same time, Corporate Management for Relationships with Stakeholders developed a consultative process in approximately 50 municipalities on relationship with the EDP Group.

Presented below are some of the main initiatives undertaken in 2015 with local authorities.

PORTUGAL

COMPANY	INITIATIVES
Generation	Protocols were established with Vieira do Minho and Montalegre, for the financial contributions by EDP Production in projects aimed at regional development; Protocol with the National Association of Portuguese Municipals, in which EDP Production, in 2015, contributed with EUR 5 millions, which could result in a total of 151 projects benefiting 1.4 million people; EDP Renováveis, in partnership with the local authorities, offers study grants to citizens.
Distribution	Expand the project for implementing Inovcity smart grids, examples of which are in the municipalities of Alcochete and Freguesia do Parque das Nações, in Lisbon; Protocols to encourage energy efficiency, involving initiatives such as introducing LED lighting fixtures in street lighting; Install new technology and make available new ways for managing consumption.
Supply	Seminar presented to the government, with the central theme being "energy management as a competitive tool" presenting the advantages of EDP energy services and best practices in their hiring.

BRAZIL

COMPANY	INITIATIVES
Generation	Support to improve local infrastructure for Health, Safety, Education and Transport in Brazilian municipals; Partnerships for training and contracting local labour.
Distribution	Expand the project for Inovcity smart networks; Install LED lighting fixtures in street lighting; Install new technology and make available new ways for managing consumption.

7.COMPLEMENTARY INDICATORS

7.1.ENVIRONMENTAL INDICATORS

2015	UN	GROUP	Portugal	Spain	Brazil	North America	Rest of Europe
ENVIRONMENTAL CERTIFICATION (ISO 14001)							
Production facilities certified	#	302	97	103	8	29	65
Net maximum installed capacity certified	MW	21 899	9 236	5 806	1 738	3 706	1 413
Net maximum installed capacity certified	%	90	92	97	67	88	93
Substations certified	#	200	137	58	5	n/a	n/a
Installed capacity of substation certified	MVA	10 676	5 157	5 235	284	n/a	n/a
Installed capacity of substation certified	%	35	29	100	4	n/a	n/a
Gas distribution certified	%	100	100	100	n.a	n/a	n/a
Revenues from certified installations	%	53	72	40	5	93	100
PRIMARY ENERGY CONSUMPTION							
	TJ	252 345	113 194	103 934	35 196	16	4
Coal	TJ	209 191	92 743	81 435	35 012	n/a	n/a
Fuel oil	TJ	272	147	125	n/a	n/a	n/a
Natural gas	TJ	28 810	20 160	8 646	n/a	3	0
Blast furnace gas	TJ	11 347	n/a	11 347	n/a	n/a	n/a
Coke gas	TJ	949	n/a	949	n/a	n/a	n/a
Diesel oil	TJ	183	0	77	105	n/a	n/a
Iron and steel industry gas	TJ	1 337	n/a	1 337	n/a	n/a	n/a
Fuel for vehicle fleet	TJ	256	143	17	79	12	4
ENERGY INTENSITY ¹							
	MJ/EUR	16.3	14.6	24.8	12.8	0.0	0.0
ELECTRICITY CONSUMPTION							
Generation internal consumption	MWh	3 540 374	2 400 486	775 379	320 694	30 843	12 972
Administrative service	MWh	35 662	24 140	4 396	5 660	1 260	207
Grid losses	%	9.4	8.9	3.9	12.7	n/a	n/a
GHG EMISSION							
Direct emissions (scope 1)							
Stationary combustion	ktCO _{2eq}	24 815	9 833	11 266	3 714	1	0
SF6 Emissions	ktCO _{2eq}	24 783	9817	11 258	3708	n/a	n/a
Company fleet	ktCO _{2eq}	8	5	1	2	0	0
Natural gas consumption	ktCO _{2eq}	18	11	1	5	1	0
Natural gas losses	ktCO _{2eq}	0	0	0	0	0	0
Indirect emissions (scope 2) ²	ktCO _{2eq}	2 641	2 014	134	467	18	8
Electricity consumption in office buildings	ktCO _{2eq}	13	9	1	1	2	0
Electricity losses	ktCO _{2eq}	2 035	1460	111	464	n/a	n/a
Renewable plants self-consumption	ktCO _{2eq}	593	546	22	2	16	7
Other indirect emissions (scope 3)	ktCO _{2eq}	20 299	9 774	7 593	2 770	120	42
Purchased goods and services (C01)	ktCO _{2eq}	53	18	18	18	0	0
Capital Goods (C02)	ktCO _{2eq}	255	34	60	2	116	42
Fuel and energy related activities (C03)	ktCO _{2eq}	11216	7837	929	2450	0	0
Upstream transportation and distribution (C04)	ktCO _{2eq}	2 478	1011	1 168	299	0	0
Business Travels (C06)	ktCO _{2eq}	9	3	1	1	4	0
Use of sold products (C11)	ktCO _{2eq}	6 288	870	5 418	0	0	0
GHG EMISSIONS INTENSITY ³							
	kgCO ₂ /EUR	1.8	1.5	2.7	1.5	0.0	0.0
CO₂ AVOID EMISSIONS							
	ktCO ₂	28 690	8 390	5 098	2 487	9 064	3 652
TOTAL EMISSIONS							
CO ₂ ⁴	kt	24 783	9817	11 258	3708	n/a	n/a
NO _x	kt	24.4	5.9	14.6	4.0	n/a	n/a
SO ₂	kt	24.2	4.9	13.6	5.8	n/a	n/a
Particulate matter	kt	1.4	0.0	0.9	0.5	n/a	n/a
Mercury	kg	147	64	38	46	n/a	n/a
SF6	kg	328	194	61	63	5	5
SPECIFIC OVERALL EMISSIONS							
CO ₂ ⁴	g/kWh	391	412	689	419	n/a	n/a
NO _x	g/kWh	0.4	0.2	0.9	0.4	n/a	n/a
SO ₂	g/kWh	0.4	0.2	0.8	0.6	n/a	n/a
Particulate matter	g/kWh	0.0	0.0	0.1	0.1	n/a	n/a
SPECIFIC THERMAL EMISSIONS							
CO ₂ ⁴	g/kWh	936	770	1051	1225	n/a	n/a
NO _x	g/kWh	0.9	0.5	1.4	1.3	n/a	n/a
SO ₂	g/kWh	0.9	0.4	1.3	1.9	n/a	n/a
Particulate matter	g/kWh	0.1	0.0	0.1	0.1	n/a	n/a
WATER COLLECT BY SOURCE							
Surface	10 ³ x m ³	1 693 580	1 234 467	459 113	0	0	0
Groundwater	10 ³ x m ³	56 626	10 564	37 587	8 468	6	1
USE OF WATER							
Cooling water	10 ³ x m ³	1 743 808	1 241 974	494 323	7 510	n/a	n/a
Raw water	10 ³ x m ³	6 157	2 937	2 345	875	n/a	n/a
Potable water	10 ³ x m ³	195	118	13	56	6	1
WASTEWATER							
Wastewater from generation with treatment	10 ³ x m ³	3 843	556	1 959	1 329	n/a	n/a
Discharge into sea	10 ³ x m ³	1 694 911	1 234 894	460 017	1 329	n/a	n/a
Discharge into inland and estuary water	10 ³ x m ³	11 622	3 014	8 608	n/a	n/a	n/a

2015	UN	GROUP	Portugal	Spain	Brazil	North America	Rest of Europe
WASTE SENT TO FINAL DISPOSAL							
Total waste	t	642 362	116 842	377 060	147 517	846	97
Total hazard waste	t	7 089	3 734	2 421	634	235	66
Recovered Waste	%	46	59	56	10	79	87
MAIN WASTE CATEGORIES							
Fly ash	t	416 101	759	292 686	122 656	n/a	n/a
Used oils	t	428	167	129	50	62	21
PCB	t	113	58	55	0	0	0
Metals	t	2 632	383	566	1 341	341	1
Gypsum	t	64 447	41 506	22 940	n/a	n/a	n/a
BY-PRODUCTS							
Gypsum	t	228 050	168 869	0	59 181	n/a	n/a
Ash and Slag	t	244 071	242 355	n/a	1 716	n/a	n/a
DISTRIBUTION IN PROTECTED AREAS							
High voltage distribution grid in protected areas	km	1 194	937	106	151	n/a	n/a
Overhead	km	1 180	923	106	151	n/a	n/a
Underground	km	14	14	0	0	n/a	n/a
Medium voltage distribution grid in protected areas	km	13 532	9 071	786	3 725	n/a	n/a
Overhead	km	12 601	8 140	741	3 720	n/a	n/a
Underground	km	981	931	45	5	n/a	n/a
Substations in protected areas	#	43	19	18	6	n/a	n/a
FLOODED AREAS BY RESERVOIRS	ha	6 025	5 690	330	4	n/a	n/a
ENVIRONMENTAL COMPLAINTS	#	227	58	4	71	25	69

¹ Primary energy consumption by turnover.

² Calculation according with GHG Protocol based location methodology .

³ Scope 1 and Scope 2 emissions by turnover.

⁴ Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions.

2014	UN	GROUP	Portugal	Spain	Brazil	North America	Rest of Europe
ENVIRONMENTAL CERTIFICATION (ISO 14001)							
Production facilities certified	#	294	96	104	6	27	61
Net maximum installed capacity certified	MW	21 353	9 210	5 804	1 506	3 476	1 357
Net maximum installed capacity certified	%	96	99	99	80	91	96
Substations certified	#	175	114	56	5	n/a	n/a
Installed capacity of substation certified	MVA	9 726	4 207	5 235	284	n/a	n/a
Installed capacity of substation certified	%	32	24	99	4	n/a	n/a
Gas distribution certified	%	100	100	100	n.a	n/a	n/a
Revenues from certified installations	%	54	57	68	13	97	98
PRIMARY ENERGY CONSUMPTION	TJ	161 512	85 517	75 903	76	13	3
Coal	TJ	134 676	78 589	56 086	n/a	n/a	n/a
Fuel oil	TJ	391	207	183	n/a	n/a	n/a
Natural gas	TJ	12 886	6 503	6 380	n/a	3	0
Blast furnace gas	TJ	11 247	n/a	11 247	n/a	n/a	n/a
Coke gas	TJ	691	n/a	691	n/a	n/a	n/a
Diesel oil	TJ	175	66	109	n/a	n/a	n/a
Iron and steel industry gas	TJ	1 187	n/a	1 187	n/a	n/a	n/a
Fuel for vehicle fleet	TJ	259	151	19	76	10	3
ENERGY INTENSITY ¹	MJ/EUR	10.5	11.1	17.6	0.1	0.3	0.2
ELECTRICITY CONSUMPTION							
Generation internal consumption	MWh	2 568 611	1 916 679	593 079	19 372	27 478	12 002
Administrative service	MWh	34 117	21 704	4 781	6 188	1 260	184
Grid losses	%	9.4	10.3	3.9	11.3	n/a	n/a
GHG EMISSION							
Direct emissions (scope 1)	ktCO₂eq	16 551	7 779	8 764	7	1	0
Stationary combustion	ktCO ₂ eq	16 522	7 763	8 759	n/a	n/a	n/a
SF6 Emissions	ktCO ₂ eq	7	4	1	2	0	0
Company fleet	ktCO ₂ eq	18	11	1	5	1	0
Natural gas consumption	ktCO ₂ eq	0	0	0	n/a	0	0
Natural gas losses	ktCO ₂ eq	4	1	3	n/a	n/a	n/a
Indirect emissions (scope 2) ²	ktCO₂eq	2 214	1 541	122	527	18	6
Electricity consumption in office buildings	ktCO ₂ eq	10	6	1	1	1	0
Electricity losses	ktCO ₂ eq	1 808	1 191	93	524	n/a	n/a
Renewable plants self-consumption	ktCO ₂ eq	397	343	28	3	16	6
Other indirect emissions (scope 3)	ktCO₂eq	15 065	4 630	7 231	3 055	109	40
Purchased goods and services (C01)	ktCO ₂ eq	37	37	n/a	n/a	n/a	n/a
Capital Goods (C02)	ktCO ₂ eq	232	18	62	2	109	40
Fuel and energy related activities (C03)	ktCO ₂ eq	6 728	2 795	936	2 997	n/a	n/a
Upstream transportation and distribution (C04)	ktCO ₂ eq	955	900	0	55	n/a	n/a
Business Travels (C06) ³	ktCO ₂ eq	8	3	5	0		
Use of sold products (C11)	ktCO ₂ eq	7 104	877	6 227	n/a	n/a	n/a
GHG EMISSIONS INTENSITY ⁴	kgCO₂/EUR	1.2	1.1	2.0	0.2	0.0	0.0
CO₂ AVOID EMISSIONS	ktCO₂	33 818	14 281	5 610	3 194	8 604	2 129

2014	UN	GROUP	Portugal	Spain	Brazil	North America	Rest of Europe
TOTAL EMISSIONS							
CO ₂ ⁵	kt	16 522	7763	8 759	n/a	n/a	n/a
NO _x	kt	16.4	4.6	11.8	n/a	n/a	n/a
SO ₂	kt	14.4	3.9	10.5	n/a	n/a	n/a
Particulate matter	kt	0.6	0.0	0.6	n/a	n/a	n/a
Mercury	kg	111	57	54	n/a	n/a	n/a
SF6	kg	310	188	38	80	3	1
SPECIFIC OVERALL EMISSIONS							
CO ₂ ⁵	g/kWh	276	321	1001	n/a	n/a	n/a
NO _x	g/kWh	0.3	0.2	1.3	n/a	n/a	n/a
SO ₂	g/kWh	0.2	0.2	1.2	n/a	n/a	n/a
Particulate matter	g/kWh	0.0	0.0	0.1	n/a	n/a	n/a
SPECIFIC THERMAL EMISSIONS							
CO ₂ ⁵	g/kWh	971	843	1 123	n/a	n/a	n/a
NO _x	g/kWh	1.0	0.5	1.5	n/a	n/a	n/a
SO ₂	g/kWh	0.8	0.4	1.3	n/a	n/a	n/a
Particulate matter	g/kWh	0.0	0.0	0.1	n/a	n/a	n/a
WATER COLLECT BY SOURCE							
Surface	10 ³ x m ³	1 612 252	1 175 298	436 954	n/a	n/a	n/a
Groundwater	10 ³ x m ³	21 322	6 757	14 448	109	6	1
USE OF WATER							
Cooling water	10 ³ x m ³	1 628 154	1 179 259	448 895	n/a	n/a	n/a
Raw water	10 ³ x m ³	5 120	2 665	2 455	n/a	n/a	n/a
Potable water	10 ³ x m ³	266	128	21	110	6	1
WASTEWATER							
Wastewater from generation with treatment	10 ³ x m ³	2 736	691	2 045	n/a	n/a	n/a
Discharge into sea	10 ³ x m ³	1613 846	1 175 837	438 009	n/a	n/a	n/a
Discharge into inland and estuary water	10 ³ x m ³	7 350	1 769	5 582	n/a	n/a	n/a
WASTE SENT TO FINAL DISPOSAL							
Total waste	t	362 031	68 743	279 963	12 533	703	89
Total hazard waste	t	8 841	6 201	1 414	934	227	65
Recovered Waste	%	57	12	66	99	78	86
MAIN WASTE CATEGORIES							
Fly ash	t	239 865	15 616	224 249	n/a	n/a	n/a
Used oils	t	509	244	122	21	92	31
PCB	t	118	57	61	0	0	0
Metals	t	2 433	581	133	1 512	207	0
Gypsum	t	11 366	4 434	6 932	n/a	n/a	n/a
BY-PRODUCTS							
Gypsum	t	233 737	181 671	52 066	n/a	n/a	n/a
Ash and Slag	t	198 075	198 075	0	n/a	n/a	n/a
DISTRIBUTION IN PROTECTED AREAS							
High voltage distribution grid in protected areas	km	1 154	902	102	150	n/a	n/a
Overhead	km	1 140	888	101	150	n/a	n/a
Underground	km	14	14	1	0	n/a	n/a
Medium voltage distribution grid in protected areas	km	13 432	8 824	749	3 860	n/a	n/a
Overhead	km	12 472	7 912	704	3 856	n/a	n/a
Underground	km	960	912	45	4	n/a	n/a
Substations in protected areas	#	36	20	8	8	n/a	n/a
FLOODED AREAS BY RESERVOIRS							
	ha	3 334	3 074	260	0	n/a	n/a
ENVIRONMENTAL COMPLAINTS							
	#	194	58	6	71	13	46

¹ Primary energy consumption by turnover.

² Calculation according with GHG Protocol based location methodology .

³ North America and Rest of Europe figures are included in Spain.

⁴ Scope 1 and Scope 2 emissions by turnover.

⁵ Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions.

7.2. SOCIAL INDICATORS

2015	UN	Group	Portugal	Spain	Brazil	North America	Rest of Europe
EMPLOYMENT							
Employees	#	12 084	6 683	1 863	2 972	383	183
Executive Board of Directors	#	8	8	0	0	0	0
Senior Management	#	700	390	159	72	57	23
Supervisors	#	782	354	238	121	48	21
Specialists	#	3 896	1 922	713	921	209	131
Technicians	#	6 698	4 009	754	1 858	69	8
Male employees	%	77	78	73	78	67	66
Female employees	%	23	22	27	22	33	34
Females in management position	%	22.9	22.0	26.2	17.6	22.9	31.8
Senior management hired from the local community	%	98.3	100.0	98.7	97.2	94.7	78.3
Employees by types of contract	#	12 084	6 683	1 863	2 972	383	183
Executive bodies	#	54	33	1	20	0	0
Male	#	51	31	1	19	0	0
Female	#	3	2	0	1	0	0
Permanent workforce	#	11 925	6 560	1 858	2 950	383	174
Male	#	9 177	5 143	1 358	2 303	258	115
Female	#	2 748	1 417	500	647	125	59
Fixed-term contracts	#	105	90	4	2	0	9
Male	#	65	55	4	1	0	5
Female	#	40	35	0	1	0	4
Employees by occupational contract	#	12 084	6 683	1 863	2 972	383	183
Full-Time	#	12 055	6 681	1 837	2 972	383	182
Male	#	9 288	5 228	1 360	2 323	258	119
Female	#	2 767	1 453	477	649	125	63
Part-time	#	29	2	26	0	0	1
Male	#	5	1	3	0	0	1
Female	#	24	1	23	0	0	0
Employees with special needs	#	199	113	25	56	0	5
Male	#	126	75	18	30	0	3
Female	#	73	38	7	26	0	2
Foreign employees	#	176	29	56	18	40	33
New employees	#	774	283	80	275	110	26
Direct admissions to permanent workforce	#	636	187	70	249	110	20
Admissions with fixed-term contracts	#	89	78	3	2	0	6
Other admissions	#	49	18	7	24	0	0
Male	#	553	201	42	218	78	14
Female	#	221	82	38	57	32	12
<30 years	#	414	189	39	131	43	12
[30-50 years]	#	333	89	41	138	52	13
>=50 years	#	27	5	0	6	15	1
Rácio FM de novas entradas	x	0.40	0.41	0.90	0.26	0.41	0.86
Employees leaving ¹	#	736	332	82	255	46	21
Male	#	575	279	66	183	36	11
Female	#	161	53	16	72	10	10
<30 years	#	99	10	6	69	9	5
[30-50 years]	#	225	35	21	126	28	15
>=50 years	#	412	287	55	60	9	1
Turnover	%	6.32	4.58	4.29	9.39	22.32	13.06
Male	%	6.13	4.55	3.87	9.18	24.15	10.59
Female	%	6.96	4.69	5.49	10.10	18.50	17.74
<30 years	%	17.87	16.64	38.46	15.07	36.36	19.32
[30-50 years]	%	5.28	2.93	2.76	7.76	18.60	10.98
>=50 years	%	4.20	3.66	3.90	7.21	19.05	11.76
Average age of workforce	years	45	49	46	38	39	35
Average age of new admissions	years	31	29	31	31	34	32
Average age of leaving	years	48	58	52	38	38	34
Average seniority of employees	years	19	24	17	11	4	4
Seniority of leaving	years	21	32	26	10	4	3
Absenteeism rate ²	%	3.45	3.47	3.42	3.80	2.06	n/a
Employees entitled to parental leave	#	409	135	100	128	29	17
Male	#	272	91	48	99	25	9
Female	#	137	44	52	29	4	8
Employees that took parental leave	#	309	134	100	29	29	17
Male	#	172	90	48	n.d.	25	9
Female	#	137	44	52	29	4	8
Retention rate of employees who took parental leave	%	100	100	100	98	100	100
Male	%	100	100	100	n.d.	100	100
Female	%	99	100	100	93	100	100
Annualized average base salary	€	3 042	3 126	4 284	1 491	7 101	4 022
Male	€	3 026	3 085	4 471	1 480	7 465	4 331
Female	€	3 098	3 271	3 773	1 529	6 351	3 433
Pay ratio by gender (F/M)	x	1.02	1.06	0.84	0.85	0.79	1.03
Ratio of the annual total compensation for the organization's highest-paid individual to the average annual total compensation for all employees (excluding the highest-paid individual)	x	n/a	6.50	5.54	13.66	3.91	n/a
Ratio of percentage increase in annual total compensation for the organization's highest-paid individual to the average percentage increase in annual total compensation for all employees (excluding highest-paid individual)	%	n/a	3.47	0.00	0.00	0.00	n/a

2015		Un.	Group	Portugal	Spain	Brazil	North America	Rest of Europe
TRAINING								
Total hours of training	hours	443 105		210 368	65 012	148 169	12 335	7 221
Environment	hours	4 617		2 181	580	992	632	232
Sustainable development	hours	2 559		1 787	555	12	0	205
Ethics	hours	3 556		1 577	1 928	38	0	14
Quality	hours	2 172		1 911	213	48	0	0
Languages	hours	24 661		11 354	12 377	254	21	655
Information systems	hours	51 874		38 008	5 916	7 071	649	231
Other	hours	353 666		153 550	43 443	139 754	11 033	5 885
Average training per employee (h/p)	h/p	37		31	35	50	32	39
Executive Board of Directors	h/p	15		15	n/a	n/a	n/a	n/a
Senior Management	h/p	38		48	40	8	16	22
Supervisors	h/p	51		62	40	43	50	39
Specialists	h/p	44		51	43	36	29	43
Technicians	h/p	30		18	25	59	43	33
Employees with training	%	96		95	100	98	96	100
LABOUR RELATIONS								
Collective employment agreements	%	92		99	83	99	0	34
Trade union membership	%	47		57	17	50	0	0
Union Structures	#	30		21	3	6	0	0
Hours lost due to strikes	hours	0		0	0	0	0	0
Staff engaged in further study	#	43		35	n.d.	8	n.d.	n.d.
Professional Internships	#	381		240	0	141	0	0
Academic internships	#	518		170	321	0	15	12
HEALTH AND SAFETY (H&S)								
Installed capacity certified by OHSAS 18.001	MW	21518		9 491	5 898	583	4 099	1447
Installed capacity certified by OHSAS 18.001	%	88		94	99	22	97	95
EDP Workplace accidents ³	#	49		38	4	7	0	0
EDP Fatal accidents	#	1		0	0	1	0	0
EDP Frequency rate	Tf	2.27		3.45	1.26	1.09	0.00	0.00
EDP Severity rate	Tq	106		146	35	89	0	0
EDP total lost days due to accidents	#	2 292		1 604	112	576	0	0
EDP occupational diseases	#	4		4	0	0	0	0
EDP occupational diseases rate	#	0.18		0.18	0.00	0.00	0.00	0.00
Contractors fatal accidents	#	4		2	0	2	0	0
Contractors working days	#	4 675 629		2 144 820	586 089	1 619 707	226 244	98 769
Contractors Frequency rate	Tf	4.00		5.52	4.04	2.19	1.74	5.33
Contractors Severity rate	Tq	237		392	164	71	33	498
EDP + Contractors frequency rate	Tf total	3.34		4.69	2.88	1.81	1.25	3.81
EDP + Contractors severity rate	Tq total	188		293	111	77	24	356
Fatal electrical accidents involving third parties ⁴	#	16		3	0	13	0	0
Representatives elected in OH&S Comissions	#	155		63	15	70	4	3
EDP employees represented	%	70		73	84	54	100	10
Number of meetings	#	520		54	51	124	288	3
H&S TRAINING								
EDP awareness actions	#	971		210	359	104	247	51
EDP employees	#	9 021		2 125	2 818	1 935	1 967	176
EDP training hours	hours	60 315		13 606	8 718	31 769	4 891	1 331
Contractors awareness actions	#	4 588		2 628	81	832	897	150
Contractors employees	#	14 820		10 796	401	1 822	1 173	628
Contractors training hours	hours	66 493		8 225	563	46 585	10 709	411

¹ In Spain, they are not considered 32 employees from the sale of the company Gás Energía Distribución Murcia.

² EDP Brasil doesn't have data available for this indicator. EDP reports the last available value (2013).

³ Accidents leading to an absence of one more calendar day.

⁴ Accidents occurred in the premises of the company plants or equipment.

2014	UN	Group	Portugal	Spain	Brazil	North America	Rest of Europe
EMPLOYMENT							
Employees	#	11 798	6 733	1 898	2 674	316	177
Executive Board of Directors	#	7	7	0	0	0	0
Senior Management	#	706	398	158	74	54	22
Supervisors	#	714	344	227	86	42	15
Specialists	#	3 711	1 831	710	855	184	131
Technicians	#	6 660	4 153	803	1 659	36	9
Male employees	%	77	79	75	77	68	66
Female employees	%	23	21	25	23	32	34
Females in management position	%	21.4	20.5	24.2	17.5	20.8	29.7
Senior management hired from the local community	%	98.2	100.0	98.7	94.6	92.6	86.4
Employees by types of contract	#	11 798	6 733	1 898	2 674	316	177
Executive bodies	#	52	32	1	19	0	0
Male	#	51	31	1	19	0	0
Female	#	1	1	0	0	0	0
Permanent workforce	#	11 524	6 493	1 891	2 654	316	170
Male	#	8 855	5 095	1 408	2 026	214	112
Female	#	2 669	1 398	483	628	102	58
Fixed-term contracts	#	222	208	6	1	0	7
Male	#	196	185	6	1	0	0
Female	#	26	23	0	0	0	0
Employees by occupational contract	#	11 798	6 733	1 898	2 674	316	177
Full-Time	#	11 765	6 731	1 870	2 674	315	175
Male	#	9 097	5 311	1 412	2 046	213	115
Female	#	2 668	1 420	458	628	102	60
Part-time	#	33	2	28	0	1	2
Male	#	5		3		1	1
Female	#	28	2	25			1
Employees with special needs	#	189	107	24	58	0	0
Male	#	122	74	18	30	0	0
Female	#	67	33	6	28	0	0
Foreign employees	#	162	27	49	17	38	31
New employees ¹	#	615	248	31	244	66	26
Direct admissions to permanent workforce	#	451	107	24	19	235	66
Admissions with fixed-term contracts	#	140	128	4	7	1	0
Other admissions	#	24	13	3	0	8	0
Male	#	455	198	18	174	47	18
Female	#	160	50	13	70	19	8
<30 years	#	359	185	13	121	26	14
[30-50 years]	#	227	55	18	108	35	11
>=50 years	#	29	8	0	15	5	1
Rácio F/M de novas entradas	x	0.35	0.25	0.69	0.40	0.40	0.44
Employees leaving ¹	#	853	489	56	240	50	18
Male	#	667	405	47	166	33	16
Female	#	186	84	9	74	17	2
<30 years	#	80	14	6	51	8	1
[30-50 years]	#	222	32	12	128	34	16
>=50 years	#	551	443	38	61	8	1
Turnover	%	6.12	5.37	2.26	8.85	18.83	12.87
Male	%	6.06	5.57	2.27	8.13	19.32	15.04
Female	%	6.34	4.65	2.23	11.18	17.82	8.62
<30 years	%	15.63	18.11	13.62	12.55	30.09	17.24
[30-50 years]	%	4.32	2.06	1.28	7.32	17.65	11.30
>=50 years	%	5.38	5.37	2.75	8.67	11.61	12.50
Average age of workforce	years	46	49	46	38	39	35
Average age of new admissions	years	30	28	32	31	34	31
Average age of leaving	years	50	56	52	40	38	38
Average seniority of employees	years	19	24	17	11	4	4
Seniority of leaving	years	24	33	25	10	4	3
Absenteeism rate ²	%	3.46	3.53	3.25	3.80	1.71	n.d.
Employees entitled to parental leave	#	330	143	82	69	18	18
Male	#	228	104	51	49	13	11
Female	#	102	39	31	20	5	7
Employees that took parental leave	#	279	141	82	20	18	18
Male	#	177	102	51	n.d.	13	11
Female	#	102	39	31	20	5	7
Retention rate of employees who took parental leave	%	98	100	99	96	78	100
Male	%	99	100	98	n.d.	85	100
Female	%	95	100	100	85	60	100
Annualized average base salary	€	3 083	3 105	4 309	1 742	6 111	3 929
Male	€	3 088	3 076	4 465	1 735	6 505	4 353
Female	€	3 068	3 216	3 850	1 764	5 285	3 123
Pay ratio by gender (F/M)	x	0.99	1.05	0.86	1.02	0.81	0.72
Ratio of the annual total compensation for the organization's highest-paid individual to the average annual total compensation for all employees (excluding the highest-paid individual)	x	n/a	6.39	5.51	13.85	3.80	n/a
Ratio of percentage increase in annual total compensation for the organization's highest-paid individual to the average percentage increase in annual total compensation for all employees (excluding highest-paid individual)	%	n/a	0.00	0.00	1.10	0.00	n/a

2014		Un.	Group	Portugal	Spain	Brazil	North America	Rest of Europe
TRAINING								
Total hours of training	hours		516 659	255 865	74 936	169 233	6 635	9 991
Environment	hours		5 009	2 341	661	1 024	570	413
Sustainable development	hours		912	166	226	520	0	0
Ethics	hours		7 310	7 277	0	0	33	0
Quality	hours		2 245	1 597	147	425	76	0
Languages	hours		32 124	8 699	18 888	661	0	3 876
Information systems	hours		67 323	54 847	5 110	6 905	46	416
Other	hours		401 737	180 939	49 905	159 698	5 910	5 286
Average training per employee (h/p)	h/p		44	38	39	63	21	56
Executive Board of Directors	h/p		2	2	n/a	n/a	n/a	n/a
Senior Management	h/p		37	41	45	9	14	48
Supervisors	h/p		65	65	70	75	28	51
Specialists	h/p		42	51	40	27	20	57
Technicians	h/p		43	30	29	84	27	74
Employees with training	%		94,6	100,0	94,1	81,0	77,5	85,3
LABOUR RELATIONS								
Collective employment agreements	%		92	97	84	99	0	33
Trade union membership	%		48	59	18	50	0	0
Union Structures	#		29	21	3	4	0	1
Hours lost due to strikes	hours		21	20,9	0	0	0	0
Staff engaged in further study	#		30	30	n.d.	n.d.	n.d.	n.d.
Professional Internships	#		329	184	0	145	0	0
Academic internships	#		494	155	310	0	14	15
HEALTH AND SAFETY (H&S)								
Installed capacity certified by OHSAS 18.001	MW		21 553	9 217	5 848	1 534	3 655	1 298
Installed capacity certified by OHSAS 18.001	%		97	99	100	82	95	92
EDP Workplace accidents ³	#		33	24	2	6	1	0
EDP Fatal accidents	#		0	0	0	0	0	0
EDP Frequency rate	Tf		1,57	2,11	0,61	1,07	1,99	0,00
EDP Severity rate	Tq		119	188	32	44	2	0
EDP total lost days due to accidents	#		2 496	2 139	106	250	1	0
EDP occupational diseases	#		1	1	0	0	0	0
EDP occupational diseases rate	%		0,09	0,09	0,00	0,00	0,00	0,00
Contractors fatal accidents	#		8	7	0	1	0	0
Contractors working days	#		4 841 880	2 586 434	574 910	1 363 874	228 471	88 191
Contractors Frequency rate	Tf		4,88	7,10	3,70	1,65	1,64	5,67
Contractors Severity rate	Tq		315	523	99	44	28	544
EDP + Contractors frequency rate	Tf total		3,71	5,33	2,41	1,45	1,72	4,06
EDP + Contractors severity rate	Tq total		246	404	71	44	22	390
Fatal electrical accidents involving third parties ⁴	#		9	2	0	7	0	0
Representatives elected in OH&S Commissions	#		243	67	19	149	3	5
EDP employees represented	%		83	77	80	99	100	47
Number of meetings	#		513	57	60	191	192	13
H&S TRAINING								
EDP awareness actions	#		823	191	351	100	140	41
EDP employees	#		14 253	7 562	3 151	1 910	1 508	122
EDP training hours	hours		69 642	22 004	15 182	29 311	2 284	861
Contractors awareness actions	#		18 034	15 720	195	10 15	913	191
Contractors employees	#		60 816	53 243	1 071	5 054	500	948
Contractors training hours	hours		165 683	50 522	800	101 271	12 552	538

¹ In Spain, they are not considered 32 employees from the sale of the company Gás Energía Distribución Murcia.

² EDP Brasil doesn't have data available for this indicator. EDP reports the last available value (2013).

³ Accidents leading to an absence of one more calendar day.

⁴ Accidents occurred in the premises of the company plants or equipment.

7.3. ECONOMICAL INDICATORS

EDP GROUP	UN	2015	2014
ECONOMIC VALUE GENERATED	'000€	17 277 905	17 672 099
Economic value distributed	'000€	15 162 973	15 373 207
Economic value accumulated	'000€	2 114 932	2 298 892
R&D	'000€	35 401	31 641
ENERGY EFFICIENCY AND SUPPLEMENTARY ENERGY SERVICES REVENUES ¹	'000€	1 008 456	962 281
Energy efficiency services revenues ²	'000€	79 877	68 080
Supplementary energy services revenues ³	'000€	928 578	894 202
SUPPORT FROM PUBLIC AUTHORITIES ⁴	'000€	82 157	72 116
FINES AND PENALTIES	'000€	6 005	5 235
ENVIRONMENTAL MATTERS ⁵	'000€	104 620	83 670
Investments	'000€	53 901	39 025
Expenses	'000€	50 719	44 645
SOCIAL MATTERS			
Personnal costs	'000€	575 665	581 512
Employee benefits	'000€	77 314	54 512
Direct training investment	'000€	5 861	6 489
Direct training investment per employee	€	485	550
HC ROI per employee	%	0.18	0.27

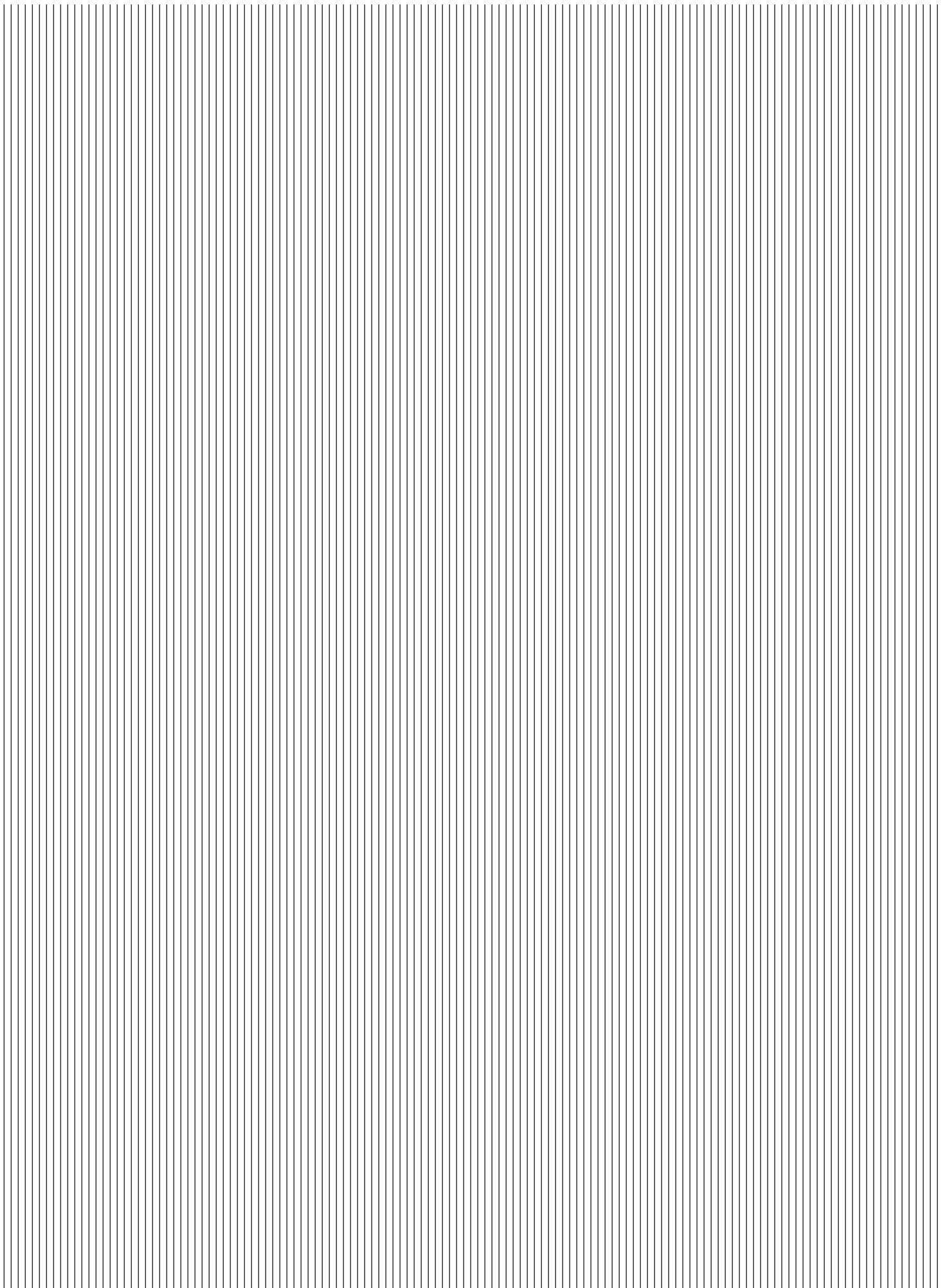
¹ Energy Efficiency and Supplementary Energy Services: services provided under energy supply, instalation of more efficient and/or building retrofit, and sustainable mobility, which generate revenues for the company.

² Efficiency Energy Services: Indicator formerly known as Energy Services Invoicing. The 2014 figure is restated to reflect the methodological changes introduced to calculate the indicator, such as a greater range of energy efficiency revenues.

³ Supplementary energy services revenues include the following categories: Energy Management, Maintenance and Operation, Property/Facility Management, Energy and/or Equipment Supply, Provision of Service (example: steam) and other.

⁴ Support from public authorities both recognised and not recognised in the income statement.

⁵ More information available on the Notes to the Consolidated and Company Financial Statements (Nota 51).





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04. corporate governance

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04. CORPORATE GOVERNANCE

PART I – INFORMATION ON OWNERSHIP STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. OWNERSHIP STRUCTURE

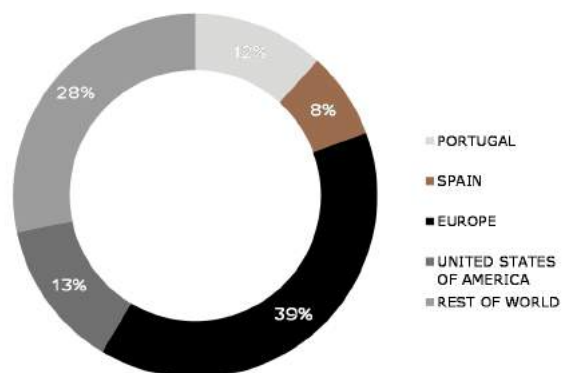
I. CAPITAL STRUCTURE

1. CAPITAL STRUCTURE

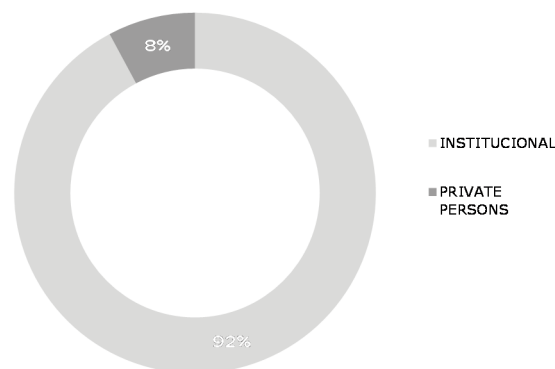
According to in Article 4 (2) of EDP's Articles of Association, updated as defined by the General Shareholder's Meeting of April 21, 2015, EDP's share capital to the amount of EUR 3,656,537,715.00 is represented by 3,656,537,715 shares which are ordinary and have a face value of 1 euro each.

The geographical and investor type breakdown of the EDP shareholder structure on 31 December 2015 was as follows:

BREAKDOWN OF SHAREHOLDER STRUCTURE BY GEOGRAPHY



BREAKDOWN OF SHAREHOLDER STRUCTURE BY INVESTOR TYPE



Source: Interbolsa

2. RESTRICTIONS ON SHARE TRANSFERABILITY

In statutory terms the shares are not subject to any limitations in terms of transferability, given that, according to the Portuguese Securities Code, shares traded in the market are fully transferable.

3. TREASURY STOCK

As at 31 December 2015, EDP owned 21,424,972 treasury stock shares, corresponding to 0.59% of the share capital and 0.59% of the voting rights.

4. CHANGE OF COMPANY CONTROL

EDP is not a party to any significant agreements that come into effect, are amended or cease in the event of a change of company control following a takeover bid (except normal market practice in terms of debt issue).

5. DEFENSIVE MEASURES

EDP has not taken any measures to prevent takeover bids that would put the interests of the company and its shareholders at risk. The supplementary rules on this matter remain thus in force.

On this subject, it is important to note that, pursuant to Article 14 (3) of EDP's current Articles of Association, votes cast by a shareholder on his own behalf or representing another will not be considered if they exceed 25% (twenty-five percent) of all the votes corresponding to the share capital.

Although EDP's Articles of Association impose this limitation on the exercise of voting rights, this limitation is not a measure to prevent successful takeover bids.

In fact, the inability of the limitation on voting rights to prevent the success of a takeover bid is the result of EDP's current capital structure and of the compliance of the deliberative quorum of two-thirds of the votes cast, which is set out in EDP's Articles of Association for an amendment to the company agreement on this matter with Article 182 (2) of the Securities Code.

No defensive measures have been taken aimed at or resulting in serious erosion of EDP's assets in the event of transfer of control of the company or a change in the composition of the Executive Board of Directors, thereby prejudicing the free transferability of the shares and free appraisal by the shareholders of the performance of the members of the Executive Board of Directors.

6. SHAREHOLDER AGREEMENTS

Pursuant to Article 7 of EDP's Articles of Association, shareholder agreements regarding the company must be communicated in full to the Executive Board of Directors and the General and Supervisory Board by the shareholders that have signed them in the 30 (thirty) days following their conclusion.

According to information provided to the company by the shareholders, the Executive Board of Directors is aware of the existence of a single shareholder agreement, which was entered into on 11 April 2007 by Parpública - Participações Públicas (SGPS), S.A. ("Parpública"), Caixa Geral de Depósitos, S.A. ("CGD") and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach").

Under the terms of this shareholder agreement, which were announced publically, Parpública and CGD made the following commitments:

- ❖ To support the continued membership of Sonatrach (or of a person indicated by it) in EDP's General and Supervisory Board, provided that Sonatrach maintains a shareholding of at least 2% (two percent) of EDP's share capital and the strategic partnership remains in effect; and
- ❖ To refrain from promoting, supporting and/or voting in favour of any change in EDP's Articles of Association that prevents the continued membership of Sonatrach (or of a person indicated by it) in EDP's General and Supervisory Board.

Although Parpública has sold its shareholdings in EDP's share capital and CGD does not own a qualifying shareholding in EDP's share capital, according to information at EDP's disposal this does not represent automatic cessation of the effects of the shareholder agreement. EDP has not been informed of any agreement to revoke or amend the said shareholder agreement.

II. SHAREHOLDINGS AND BONDS OWNED

7. QUALIFYING HOLDINGS

Pursuant to Article 8 (1) (b) of CMVM Regulation 5/2008, we are providing the following information on qualifying holdings owned by EDP shareholders as at 31 December 2015 and attributable voting rights in accordance with Article 20 (1) of the Securities Code.

Shareholder	Nº of Shares	% Capital with voting rights
CHINA THREE GORGES		
Stakes held by entities in a control or group relationship		
China Three Gorges (Europe), S.A.	780,633,782	21.35%
Total	780,633,782	21.35%
China Three Gorges (Europe), S.A. is fully owned by China Three Gorges (Hong Kong) Co. Ltd , which is fully owned by CWE Investment Co. Ltd. China Three Gorges Corporation directly holds 100% equity of CWE Investment Co. Ltd. China Three Gorges Corporation is in turn fully owned by People Republic of China.		
GUOXIN INTERNATIONAL INVESTMENT CO. LTD.		
Stakes held by entities in a control or group relationship		
Orise, S.a.r.l.	110,435,491	3.02%
Total	110,435,491	3.02%
Orise, S.a.r.l. is fully owned by Kindbright Holdings Corp. Limited, which in turn is fully owned by Guoxin International Investment Co., Ltd., which in turn is fully owned by People's Republic of China.		
According to paragraph 1(b) of article 20 of the Portuguese Securities Code a total of 24.37% of voting rights are attributable to People Republic of China, resulting from the above-mentioned shares aggregation.		
CAPITAL GROUP COMPANIES, INC.		
Stakes under management by entities in a control relationship		
Capital Research and Management Company	611,714,942	16.73%
Capital Income Builder	230,413,901	6.30%
Income Fund of America	123,278,683	3.37%
Capital World Growth and Income Fund	161,418,052	4.41%
Capital Guardian Trust Company	5,713,562	0.16%
Capital International Limited	2,519,968	0.07%
Capital International Sàrl	589,310	0.02%
Capital International, Inc.	45,998	0.00%
Total	620,583,780	16.97%
Capital Research and Management Company ("CRMC") is fully owned by Capital Group Companies, Inc. CRMC is an investment consultancy vehicle which manages mutual funds registered in the United States. CRMC manages capital assets for several investment companies through three divisions, Capital Research Global Investors, Capital International Investors and World Investors. CRMC fully owns Capital Group International, Inc. ("CGII"), which in turn controls investment management companies ("fund management companies CGII"): Capital Guardian Trust Company, Capital International, Inc., Capital International Limited, Capital International Sàrl and Capital International K.K. The fund management companies CGII operate primarily as investment managers for institutional clients. The reported shareholdings are held by mutual investment funds under discretionary investment management.		
OPPIDUM CAPITAL, S.L.		
Stakes held directly		
Oppidum Capital, S.L.	263,046,616	7.19%
Total	263,046,616	7.19%
Oppidum is owned 55.9% by Masaveu International, S.L. and 44.1% by Liberbank, S.A.		
BLACKROCK, INC.		
Stakes under management by entities in a control relationship		
BlackRock (Luxembourg) S.A.	49,282,565	1.35%
BlackRock (Netherlands) B.V.	776,486	0.02%
BlackRock Advisors (UK) Limited	1,046,389	0.03%
BlackRock Advisors, LLC	3,836,968	0.10%
BlackRock Asset Management Canada Limited	1,059,783	0.03%
BlackRock Asset Management Deutschland AG	9,606,564	0.26%
BlackRock Asset Management Ireland Limited	18,662,688	0.51%
BlackRock Asset Management North Asia Limited	9,693	0.00%
BlackRock Asset Management Schweiz AG	11,076	0.00%
BlackRock Financial Management	45,287	0.00%
BlackRock Fund Advisors	32,320,429	0.88%
BlackRock Fund Managers Limited	16,462,044	0.45%
BlackRock Institutional Trust Company, National Association	32,735,889	0.90%
BlackRock International Limited	428,495	0.01%
BlackRock Investment Management (Australia) Limited	773,921	0.02%
BlackRock Investment Management (UK) Limited	1,132,323	0.03%
BlackRock Investment Management, LLC	3,388,710	0.09%
BlackRock Japan Co Ltd	3,244,637	0.09%
BlackRock Life Limited	6,412,059	0.18%
iShares (DE) I Investmentaktiengesellschaft mit Teilvermögen	1,497,174	0.04%
Total	182,733,180	5.00%

Shareholder	Nº of Shares	% Capital with voting rights
INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)		
Stakes held by entities in a control or group relationship		
Senfora BV	148,431,999	4.06%
Total	148,431,999	4.06%
The company Senfora BV is a Netherlands company that is wholly and directly owned by IPIC, which is a company wholly owned by the government of Abu Dhabi.		
MILLENNIUM BCP		
Fundação Millennium BCP	350,000	0.01%
Stakes under management by associated entities		
Fundo de Pensões do Grupo Millennium BCP	88,789,594	2.43%
Total	89,139,594	2.44%
The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.		
SONATRACH		
Stakes held directly		
Sonatrach	87,007,433	2.38%
Total	87,007,433	2.38%
QATAR INVESTMENT AUTHORITY		
Stakes held by entities in a control or group relationship		
Qatar Holding LLC	82,868,933	2.27%
Total	82,868,933	2.27%
The company Qatar Holding LLC is wholly owned by Qatar Investment Authority.		
EDP (TREASURY STOCKS)	21,424,972	0.59%
REMAINING SHAREHOLDERS	1,270,231,935	34.74%
TOTAL	3,656,537,715	100.00%

Note 1: In accordance with the made use once in nº 3 of the 14º of the Partnership contract of the EDP will not be considered the votes cast by a shareholder, in proper name or as representative of another one, that exceed 25% of the totality of the corresponding votes to the share capital.

On 22 January 2015, Senfora S.A.R.L., a company organised under the laws of Luxembourg, noticed EDP that it had transmitted, on 21 January 2015, over-the-counter, to Senfora B.V., a company organised under the laws of the Netherlands, 148,431,999 ordinary shares, representing 4.06% of the share capital and voting rights of EDP.

In April 2015, CWE Investment Corporation changed its corporate name to China Three Gorges International Corporation. In August 2015, the company CTG (Europe) S.A. changed its corporate name to China Three Gorges (Europe) S.A.

8. FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The table below shows the financial instruments held by members of Executive Board of Directors and the movements during 2015, as required by Article 447 (5) of the Companies Code.

Financial instruments owned by members of the Executive Board of Directors in office until 21 April 2015 were as follows:

Executive Board of Directors	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.		EDP - Energias do Brasil, S.A.	
	Nº Shares 31-12-2015	Nº Shares 31-12-2014	N.º Bonds 31-12-2015	N.º Bonds 31-12-2014	Nº Shares 31-12-2015	Nº Shares 31-12-2014	Nº Shares 31-12-2015	Nº Shares 31-12-2014
António Luís Guerra Nunes Mexia	41.000	41.000	-	-	4.200	4.200	1	1
Nuno Maria Pestana de Almeida Alves	125.000	125.000	-	-	5.000	5.000	1	1
João Manuel Manso Neto	1.268	1.268	-	-	0	0	0	0
António Manuel Barreto Pita de Abreu ⁽¹⁾	-	34.549	-	-	-	1.810	-	41
António Fernando Melo Martins da Costa ⁽²⁾	34.299	13.299	-	-	1.480	1.480	0	0
João Manuel Veríssimo Marques da Cruz	3.878	3.878	200.000	-	1.200	1.200	0	0
Miguel Stilwell de Andrade	126.576	126.576	-	-	2.510	2.510	0	0

Notes:

1) The shares of EDP - Energias de Portugal includes 475 shares held by his spouse, Gilda Maria Pitta de Abreu; The shares of EDP Renováveis also include 370 shares held by his spouse. Ceased functions on 21 April 2015

2) The shares of EDP Renováveis includes 150 held by his spouse, Anna Malgorzata Starzenska Martins da Costa.

In 31 December 2015, the financial instruments owned by members of the Executive Board of Directors appointed at the Annual General Meeting held on 21 April 2015 were as follows:

Executive Board of Directors	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.		EDP - Energias do Brasil, S.A.	
	Nº Shares 31-12-2015	Nº Shares 31-12-2014	N.º Bonds 31-12-2015	N.º Bonds 31-12-2014	Nº Shares 31-12-2015	Nº Shares 31-12-2014	Nº Shares 31-12-2015	Nº Shares 31-12-2014
António Luís Guerra Nunes Mexia	41.000	41.000	-	-	4.200	4.200	1	1
Nuno Maria Pestana de Almeida Alves	125.000	125.000	-	-	5.000	5.000	1	1
João Manuel Manso Neto	1.268	1.268	-	-	0	0	0	0
António Fernando Melo Martins da Costa (1)	34.299	34.299	-	-	1.480	1.480	0	0
João Manuel Veríssimo Marques da Cruz	3.878	3.878	200.000	-	1.200	1.200	0	0
Miguel Stilwell de Andrade	126.576	126.576	-	-	2.510	2.510	0	0
Miguel Nuno Simões Nunes Ferreira Setas	7.382	-	-	-	1.690	-	0	-
Rui Manuel Rodrigues Lopes Teixeira	5.843	-	-	-	12.370	-	0	-

Notes:

1) The shares of EDP Renováveis includes 150 held by his spouse, Anna Malgorzata Starzenska Martins da Costa.

The operations performed with EDP financial instruments by the members of the Executive Board of Directors in 2015 are set out in Annex VI.

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

The table below shows the financial instruments owned or imputable to the members of the General and Supervisory Board and the operations performed in 2015, as required by Article 447 (5) of the Companies Code.

Financial instruments owned and or imputable to members of the General and Supervisory Board in office until 21 April 2015 were as follows:

GENERAL AND SUPERVISORY BOARD	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.	
	Nº Shares 31-12-2015	Nº Shares 31-12-2014	Nº Bonds 31-12-2015	Nº Bonds 31-12-2014	Nº Shares 31-12-2015	Nº Shares 31-12-2014
Eduardo de Almeida Catroga ⁽²⁾	0	0	0	0	0	0
China Three Gorges Corporation	780,633,782	780,633,782	0	0	0	0
Dingming Zhang (em representação da China Three Gorges Corporation)	0	0	0	0	0	0
China International Water & Electric Corp.	0	0	0	0	0	0
Guojun Lu (em representação da China International Water & Electric Corp.)	0	0	0	0	0	0
China Three Gorges New Energy Co. Ltd.	0	0	0	0	0	0
Ya Yang (em representação da China Three Gorges New Energy Co. Ltd.)	0	0	0	0	0	0
China Three Gorges (Europe) S.A.	780,633,782	780,633,782	0	0	0	0
Shengliang Wu (em representação da China Three Gorges (Europe) S.A.)	0	0	0	0	0	0
Cajastur Inversiones, S.A. ⁽⁴⁾	0	0	0	0	0	0
Felipe Fernández Fernández	0	0	0	0	0	0
José de Mello Energia, S.A. ⁽⁴⁾	-	73,285,710	0	0	0	0
Luis Filipe da Conceição Pereira (em representação da José de Mello Energia) (4)	-	4,233	-	0	-	1,200
Senfora SARL ⁽⁴⁾	-	148,431,999	-	0	-	-
Mohamed Ali Ismaeil Ali Al Fahim (em representação da Senfora SARL)	0	0	-	0	0	0
Sonatrach	87,007,433	87,007,443	-	0	0	0
Harkat Abderezak (em representação da Sonatrach) ⁽⁴⁾	-	0	-	-	-	-
Alberto João Coraceiro de Castro ⁽⁴⁾	-	6,917	-	5	3,080	3,080
António Sarmento Gomes Mota	0	0	-	0	0	0
Augusto Carlos Serra Ventura Mateus	0	0	-	0	0	0
Fernando Maria Masaveu Herrero ⁽³⁾	264,709,056	264,709,056	-	0	0	0
Ilídio da Costa Leite de Pinho	0	0	-	0	0	0
Jorge Avelino Braga de Macedo	0	0	-	0	0	0
Manuel Fernando de Macedo Alves Monteiro ⁽⁴⁾	-	0	-	60	0	0
Maria Celeste Ferreira Lopes Cardona	0	0	-	0	0	0
Nuno Manuel da Silva Amado	0	0	-	0	0	0
Paulo Jorge de Assunção Rodrigues Teixeira Pinto ⁽⁴⁾	-	0	-	0	0	0
Rui Eduardo Ferreira Rodrigues Pena ⁽⁴⁾	-	4,541	-	35	-	1,500
Vasco Joaquim Rocha Vieira	3,203	3,203	-	0	60	60
Vitor Fernando da Conceição Gonçalves ⁽⁴⁾	-	0	-	0	-	0

Notes:

1) The members of the General and Supervisory Board do not hold any shares of Energias do Brasil, S.A.

2) The 1,375 shares of EDP - Energias de Portugal, S.A. referred to in previous reports were sold on August 9, 2006, in a transaction with a value less than 5,000 euros.

3) The shares of EDP - Energias de Portugal, SA include 263,046,616 shares held by Oppidum, which is directly owned by Liberbank 44.1% and 55.9% by Masaveu Internacional, S.L. which, in turn, is wholly owned by Masaveu Corporación, S.A., Fernando Masaveu has managerial responsibilities and 2.020 shares held by his wife Carolina Compostizo Fernández. Fernando Masaveu is a person discharging managerial responsibilities in Flicka Forestal SL, which holds 1,660,420 shares of EDP - Energias de Portugal, S.A.

4) Ceased functions on 21 April 2015.

In 31 December 2015, the financial instruments owned and or imputable by members of the General and Supervisory Board appointed at the Annual General Meeting held on 21 April 2015 were as follows:

GENERAL AND SUPERVISORY BOARD	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.	
	Nº Shares 31-12-2015	Nº Shares 31-12-2014	Nº Bonds 31-12-2015	Nº Bonds 31-12-2014	Nº Shares 31-12-2015	Nº Shares 31-12-2014
China Three Gorges Corporation	780,633,782	780,633,782	0	0	0	0
Eduardo Catroga (em representação da China Three Gorges Corporation) ⁽²⁾	0	0	0	0	0	0
Luís Filipe Marques Amado	0	-	0	-	0	-
China Three Gorges New Energy Co. Ltd.	0	0	0	0	0	0
Ya Yang (em representação da China Three Gorges New Energy Co. Ltd.)	0	0	0	0	0	0
China International Water & Electric Corp.	0	0	0	0	0	0
Guojun Lu (em representação da China International Water & Electric Corp.)	0	0	0	0	0	0
China Three Gorges (Europe) S.A.	780,633,782	780,633,782	0	0	0	0
Dingming Zhang (em representação da China Three Gorges (Europe), S.A.)	0	0	0	0	0	0
China Three Gorges (Portugal), Sociedade Unipessoal, Lda.	0	0	0	0	0	0
Shengliang Wu (em representação da China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)	0	0	0	0	0	0
Draursa, S.A.	0	-	0	-	0	-
Felipe Fernández Fernández (em representação da Draursa, S.A.)	0	0	0	0	0	0
Fernando Maria Masaveu Herrero ⁽³⁾	264,709,056	264,709,056	0	0	0	0
Banco Comercial Português, S.A.	89,139,594	-	0	0	0	0
Nuno Manuel da Silva Amado (em representação do Banco Comercial Português, S.A.)	0	0	0	0	0	0
Sonatrach	87,007,433	87,007,433	0	0	0	0
Ferhat Ounoughi (em representação da Sonatrach)	0	0	0	0	0	0
Senfora BV	148,431,999	0	0	0	0	0
Mohamed Ali Ismael Ali Al Fahim (em representação da Senfora BV)	0	0	0	0	0	0
Alberto Joaquim Milheiro Barbosa	0	-	0	-	0	-
António Manuel de Carvalho Ferreira Vitorino	0	-	0	-	0	-
António Sarmento Gomes Mota	0	0	0	0	0	0
Augusto Carlos Serra Ventura Mateus	0	0	0	0	0	0
Ílídio da Costa Leite de Pinho	0	0	0	0	0	0
João Carvalho das Neves	7,429	-	5	-	0	-
Jorge Avelino Braga de Macedo	0	0	0	0	0	0
Maria Celeste Ferreira Lopes Cardona	0	0	0	0	0	0
María del Carmen Ana Fernández Rozado	0	-	0	-	0	-
Vasco Joaquim Rocha Vieira	3,203	3,203	0	0	60	60

Notes:

1) The members of the General and Supervisory Board do not hold any shares of Energias do Brasil, S.A.

2) The 1,375 shares of EDP - Energias de Portugal, S.A. referred to in previous reports were sold on August 9, 2006, in a transaction with a value less than 5,000 euros.

3) The shares of EDP - Energias de Portugal, SA include 263,046,616 shares held by Oppidum, which is directly owned by Liberbank 44.1% and 55.9% by Masaveu Internacional, S.L. which, in turn, is wholly owned by Masaveu Corporación, S.A., Fernando Masaveu has managerial responsibilities and 2,020 shares held by his wife Carolina Compostizo Fernández. Fernando Masaveu is a person discharging managerial responsibilities in Flicca Forestal SL, which holds 1,660,420 shares of EDP - Energias de Portugal, S.A.

The operations performed with EDP financial instruments by the members of the General and Supervisory Board in 2015 are set out in Annex VI.

9. SPECIAL POWERS OF THE MANAGING BODY WITH REGARD TO DECISIONS TO INCREASE SHARE CAPITAL

The Executive Board of Directors has the powers enshrined in the law and Articles of Association to perform its duties, which are indicated in detail in point 21.

Regarding approval of decisions on share capital increases, the Executive Board of Directors has the power to approve one or more share capital increases up to an aggregate limit of 10% of the current share capital in the amount of EUR 3,656,537,715.00, via the issue of shares to be subscribed by new entries in cash, in accordance with the issue terms and conditions that it defines. The draft decision must be submitted to the General and Supervisory Board subject to a majority of two-thirds of votes of the respective members (Article 4 (3) of EDP's Articles of Association). The General Meeting of Shareholders held on 17 April 2012 decided to approve the renewal for five years of the Executive Board of Directors' authorisation pursuant to Article 4 (3) of the Articles of Association. The Executive Board of Directors has not yet used this renewed power to increase EDP's share capital.

The Executive Board of Directors also has the power to submit proposals to the General Meeting for approval of increases in share capital after receiving a favourable opinion from the General and Supervisory Board. In these cases, the General Meeting is responsible for approving the decision to increase the share capital (Article 17 (2) (g) and 11 (2) (c) of EDP's Articles of Association).

10. SIGNIFICANT BUSINESS RELATIONSHIPS BETWEEN OWNERS OF QUALIFYING HOLDINGS AND THE COMPANY

In the course of its activity and irrespective of their relevance, EDP concludes deals and performs operations under normal market conditions for similar operations with different entities, particularly with financial institutions, including owners of qualifying holdings in EDP's share capital and companies related to them.

It should be noted that, as in 2014, during 2015 several transactions were agreed between EDP and China Three Gorges Corporation ("CTG"), as detailed in item 3.5.2 of the report of the General and Supervisory Board. In the majority of cases, a memorandum of understanding had been signed prior to the operations being carried out. It is worth noting that the transactions agreed were considered for the purposes of compliance with the Strategic

Partnership Agreement between EDP and CTG in December 2011, effective as of May 2012, in relation to the total investment of € 2 billion to be made by CTG.

As part of the developments referred to above, the transactions concluded during 2015 between the EDP Group and China Three Gorges Corporation ("CTG") are described in this item:

- ❖ On May 19, 2015, CWEI (Brasil) Participações, Ltda., a subsidiary of CTG, concluded the purchase of a minority interest in wind farms in Brazil. According to the terms of the purchase, CWEI (Brasil) Participações, Ltda. will invest a total of R\$ 385.7 million, including investments already made and an estimated R\$ 86.8 million in future investments for projects currently being built/developed.
- ❖ On December 28, 2015, an agreement was reached with ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both wholly owned subsidiaries of ACE Investment Fund LP - an entity in which China Three Gorges Hong Kong Ltd. holds an investment, with the latter being a wholly owned subsidiary of CTG - for the sale of a shareholding representing 49% of the social capital and the supplies for a portfolio of wind assets with capacity of 598 MW in Poland and Italy, for the total amount of € 392 million. The transaction covers 392 MW of wind farm operations in Poland and 100 MW in Italy, with an average life of 4 years, and also 107 MW under construction in Poland and in Italy. This transaction was subject to obtaining prior regulatory approvals and other prior terms, with completion scheduled for the first semester of 2016.

During 2015, the Banco Comercial Português (BCP) bank provided the EDP Group with financial intermediary services, having integrated the syndicate of banks which acted as Joint Lead Managers and Bookrunners for the issue of subordinated debt, in September 2015. Also in 2015, approximately € 100 million was transferred to BCP, through an assignment without recourse, which referred to part of the extra-cost deficit of SRP 2015.

In 2015, Sonatrach provided natural gas to the EDP group and the Soto 4 combined cycle power station under long-term supply contracts, for the amount of € 153,540,000.

On July 29, 2010, the General and Supervisory Board approved the first draft of the "Regulations on conflicts of interests", which was revised during 2015, and a new version was approved on October 29, 2015 (Regulation) available on the EDP's website (www.edp.pt). These rules for identifying, preventing and resolving potential relevant corporate conflicts of interest have a higher level of exigency than those in the CMVM Corporate Governance Code.

Following a decision made by the General and Supervisory Board, on 17 May 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties. These rules are available on EDP's website (www.edp.pt).

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

The General and Supervisory Board noted in relation to 2015, in view of the cases analysed and the information provided by the Executive Board of Directors, that no evidence was found that the potential conflicts of interest underlying the transactions made by EDP may have been settled contrary to the interests of the Company.

For more information on the matter, see Point 3.5.1. of the Annual Report of the General and Supervisory Board.

B. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

A) COMPOSITION OF THE GENERAL MEETING

11. NAME AND POSITION OF OFFICERS OF THE GENERAL MEETING AND THEIR TERM OF OFFICE

Pursuant to Article 12 of EDP's Articles of Association, the officers of the General Meeting are a Chairman, a Vice-Chairman and the Company Secretary, who is appointed by the Executive Board of Directors.

At the Annual General Meeting of 21 de Abril 2015 the Chairman and Vice-Chairman of the General Meeting were elected for the 2015-2017 mandate. The Company Secretary was appointed on 23 April 2015 (likewise for the 2015-2017 mandate).

The names of the members of the Board of the General Meeting who were in office up until 21 April 2015 are listed below:

Board of the General Meeting

Chairman	Rui Eduardo Ferreira Rodrigues Pena
Vice-Chairman	Rui Pedro Costa Melo Medeiros
Company Secretary	Maria Teresa Isabel Pereira

The following members were elected to the Board of the General Meeting at the General Meeting of Shareholders that was held on 21 April 2015 for the three-year period between 2015 and 2017:

Board of the General Meeting

Chairman	António Manuel de Carvalho Ferreira Vitorino
Vice-Chairman	Rui Pedro Costa Melo Medeiros
Company Secretary	Maria Teresa Isabel Pereira

The Chairman of the General Meeting is automatically a member of the General and Supervisory Board, pursuant to Article 21 (2) of EDP's Articles of Association.

The Chairman of the General Meeting has the in-house human and logistic resources appropriate to his/her needs, including the support of the General Secretariat and Legal Department, the Investor Relations Office and the Brand and Communication Department, plus external support from a specialised entity hired by EDP to collect, process and count the votes. The logistic and administrative resources for the General Meeting are provided by the Company and the organisation is supervised by the Chairman of the General Meeting.

B) EXERCISE OF VOTING RIGHTS

12. RESTRICTIONS ON VOTING RIGHTS

Pursuant to Article 14 (2) of EDP's Articles of Association, each share corresponds to one vote.

The holders of rights representing shares under ADR (American Depositary Receipt) programmes are subject to the same provisions of the law and Articles of Association pursuant to 9 do Article 14 (9) of the Articles of Association.

EDP's shareholders can only participate and vote at the General Meeting, personally or through a representative, if on the date of registration, 00:00 hours (GMT) of the fifth day of trading prior to that of the General Meeting, they own at least one share (Article 14 (10) of the Articles of Association).

Proof of ownership of the shares is provided by sending the Chairman of the General Meeting, by the fifth day of trading prior to that of the General Meeting, a statement issued, certified and sent by the financial intermediary responsible for registering the shares, indicating the number of shares registered and the date of registration. It may be sent by email (Article 14 (13) of EDP's Articles of Association).

Participation in the General Meeting also requires the shareholder to express this intention to the Chairman of the General Meeting and the financial intermediary at which the individual registration account has been opened, by the end of the sixth day of trading prior to that of the General Meeting. The communication may be sent by email (Article 14 (11) of EDP's Articles of Association).

Shareholders who have expressed their intention to participate in a General Meeting pursuant to the Articles of Association and have transferred ownership of the shares between the fifth day of trading prior to that of the General Meeting and the end thereof, must inform the Chairman of the General Meeting and the CMVM immediately (Article 14 (11) of EDP's Articles of Association).

EDP's shareholders can submit a postal vote on each of the items on the agenda in a letter addressed to the Chairman of the General Meeting, as set out in Article 14 (6) of the Articles of Association.

Pursuant to Article 14 (7) of EDP's Articles of Association, voting rights may also be exercised electronically, in accordance with the requirements necessary to ensure their authenticity, which must be defined by the Chairman of the General Meeting in the invitation to the meeting.

Shareholders can find the necessary forms for postal or electronic votes on EDP's website (www.edp.pt).

EDP has taken measures to encourage shareholders to exercise their voting rights, such as elimination of financial obstacles that may affect their exercise. These measures include:

- ⚡ General circulation of the notice of meeting of the General Meeting with an express indication of the channels available for the exercise of voting rights and in publications on the CMVM website (on www.cmvm.pt) and EDP website (on www.edp.pt), on the NYSE Euronext Lisbon newsletter and in mailings to shareholders;

- ⌘ Payment of the costs of issuing declarations of ownership of shares for all shareholders who participate in the General Meeting (directly or by post);
- ⌘ Payment of the costs involved in remote voting, including postal voting.

As per EDP's By-Laws, votes cast by a shareholder in his own name or as a representative of another exceeding 25% (twenty-five percent) of all the votes representing the share capital are not considered. This limitation applies to all decisions of the General Meeting, including those for which the law or EDP's Articles of Association provide for a qualified majority of the company's share capital.

Pursuant to Article 14 (4) of EDP's Articles of Association, votes for which, under Article 20 (1) of the Securities Code or any legal rule that amends or replaces it, he is responsible will be considered cast by the same shareholder.

EDP's shareholders are obliged to provide the Executive Board of Directors, in writing and in a complete, objective, clear, truthful form, and in a manner acceptable to the board, all information that it requests from them on facts concerning them and related to Article 20 (1) of the Securities Code. Noncompliance with this obligation shall result in prevention of the exercise of voting rights pertaining to the shares owned by the shareholder in question (Article 15 (2) and (3) of the Articles of Association).

If the limitation on the counting of votes affects a number of shareholders, it will operate in proportion to the ordinary shares owned by each one (Article 14 (5) of the Articles of Association).

Furthermore, pursuant to Article 20 (1) of the Securities Code, or any legal rule that amends or replaces it, shareholders who become owners of a shareholding of 5% (five percent) or more of the voting rights or share capital, must inform the Executive Board of Directors thereof within five business days of the date on which ownership occurred. They cannot exercise their voting rights until they have made this communication (Article 15 (1) of EDP's Articles of Association).

13. MAXIMUM PERCENTAGE OF VOTING RIGHTS THAT CAN BE EXERCISED BY A SINGLE SHAREHOLDER OR SHAREHOLDERS THAT ARE RELATED IN SOME OF THE RELATIONS OF ARTICLE 20 (1)

See Point 12

14. DECISIONS OF SHAREHOLDERS WHO, UNDER THE ARTICLES OF ASSOCIATION, CAN ONLY BE MADE BY A QUALIFIED MAJORITY OTHER THAN THOSE PROVIDED FOR BY LAW

Decisions by the General Meeting are taken by a majority of votes cast, unless the law or the Articles of Association require a qualified majority (Article 11 (3) of the Articles of Association).

Article 10 (1) of the Articles of Association defines the performance of functions in any corporate body is incompatible with:

- ⌘ the status of a legal person that is a competitor of EDP or a company in a control or group relation with EDP;
- ⌘ the status of a legal person or an individual related to a legal person that is a competitor of EDP;
- ⌘ the exercise of functions, of any nature or for any reason whatsoever, notably by appointment to a corporate office, by employment contract or by services provision agreement, at a legal person that is a competitor of EDP or at a legal person related to a legal person that is a competitor of EDP.

Nevertheless, Article 10 (4) defines that the incompatibilities set forth in the foregoing paragraphs may also not apply to the performance of functions as a member of the general and supervisory board, to the extent permitted by law, subject to authorization given by prior resolution, with the favor of two thirds of the votes cast at the elective general shareholders' meeting. The competition relation must be expressly referred to and precisely identified in the appointment proposal, and the authorization resolution may be subject to conditions, notably to a holding of no more than 10% of EDP's share capital.

In all other cases, the deliberative quorum set out in Article 383 (2) of the Company Code applies.

II. MANAGEMENT AND SUPERVISION

A) COMPOSITION

15. CORPORATE GOVERNANCE MODEL

EDP's governance structure is based on the dual model and consists of the General Meeting, Executive Board of Directors, General and Supervisory Board and the Statutory Auditor.

According to Article 11 (2) (b) of the Articles of association, it is the responsibility of the General Meeting of EDP to elect and dismiss the members of the Executive Board of Directors and the General and Supervisory Board, as well as their Chairmen and Vice-Chairmen, if any, and the Statutory Auditors, based on a proposal by the General and Supervisory Board (or by delegation to the Financial Matters Committee / Audit Committee). The General Meeting also appoints the members of the Environment and Sustainability Board, on proposal of the Executive Board of Directors, and Remuneration Committee of the General Meeting, which is responsible for setting the remuneration of the members of the corporate bodies (except the Executive Board of Directors, whose remuneration is set by the Remuneration Committee appointed by the General and Supervisory Board).

The separation of management and supervision roles is embodied in an Executive Board of Directors, which is responsible for the management of the company's business, and a General and Supervisory Board, the highest supervisory body.

Considering this structure, we can say that the dual model of corporate governance in place in EDP has allowed effective separation of the company's supervision and management in pursuit of the goals and interests of EDP and its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of trust and transparency necessary for its adequate functioning and optimisation.

Furthermore, this model has proved appropriate to the company's shareholder structure as it allows supervision by key shareholders on the General and Supervisory Board.

For a better understanding of EDP's corporate governance, EDP's website (<http://www.edp.pt/pt/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx>) allows shareholders and the general public to view the up-to-date Articles of Association in Portuguese and English, the Internal Regulations of the Executive Board of Directors, General and Supervisory Board and its committees.

Considering the need to adequate the Corporate Governance Manual in order for it to reflect the Corporate Governance Code published by Securities Market Commission in 2013, the restructuring of the specialized commissions of the General and Supervisory Board approved in June 2015 by this body, the legislative work recently published, namely Law no. 140/2015, dated 7th September, which approves the new Statute of the Statutory Auditors, and Law no. 148/2015, dated 9th September, which approves the Legal Regime of Supervision and Auditing, the General and Supervisory Board and the Executive Board of Directors approved in 21 and 25 January 2016, respectively, the new version of the Manual, following its previous approval by the Corporate Governance and Sustainability Committee in 16 December 2015. The Manual for the Corporate Governance of EDP is available to shareholders and general public at its website (www.edp.pt).

The primary objective of this manual is to record and share an understanding of the two corporate bodies in terms of the recommendations of good corporate governance practices applying to EDP and appropriate guidelines to comply with them.

EDP sought to go beyond the legal requirements and regulations for this area, particularly concerning information reporting, given EDP's meticulousness and goals as regards the quality of its corporate governance practices. The Corporate Governance Manual therefore sought to serve the following purposes in order to achieve this basic goal:

- ⌘ To reflect critically on recommendations on best practices set out in the CMVM Corporate Governance Code in order to contribute actively in optimising EDP's practices;
- ⌘ To select the recommendations deemed most appropriate to EDP's governance model, focusing on measures taken and indicating potential measures for full adoption of good practices;
- ⌘ To identify recommendations that are not appropriate to EDP's interests and give reasons for this position and indicate other ways of achieving the goals set out in the CMVM Corporate Governance Code;
- ⌘ To help targets of the recommendations to reflect on the best governance practices to be followed at EDP;
- ⌘ To draft a formal document that will help compliance with reporting obligations on corporate governance practices, such as the annual report required by law;
- ⌘ Describe EDP's governance practices that are not set out in the Corporate Governance Code but achieve the goal shared by the General and Supervisory Board and the Executive Board of Directors to develop and increase the quality of EDP's governance processes.

16. ARTICLES OF ASSOCIATION RULES ON PROCEDURAL AND MATERIAL REQUIREMENTS FOR THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

It is the role of the General Meeting to elect and remove members of the Executive Board of Directors and the General and Supervisory Board, including their chairmen.

In the event of permanent or temporary absence of any of the members of the Executive Board of Directors, the General and Supervisory Board arranges for his/her replacement and the appointment must be ratified by the next General Meeting.

In the event of permanent absence of any of the members of the General and Supervisory Board, the substitutes on the list submitted to the General Meeting must be summoned by the Chairman of the General and Supervisory Board to replace him/her, following the order on the list. Pursuant to Article 21 (5) of EDP's Articles of Association, the substitutes on the list must all be independent. If there are no substitutes, they will be elected by the General Meeting.

17. COMPOSITION OF THE BOARD OF DIRECTORS, EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors at the General Meeting of 21 April 2015, for the three-year period from 2015 to 2017. The term of office of these members of the corporate bodies therefore ends on 31 December 2017, though they may remain in office until a new appointment.

GENERAL AND SUPERVISORY BOARD

In the exercise of its duties – see Article 441 of the Company Code and Article 22 of EDP's Articles of Association – the main mission of the General and Supervisory Board is to constantly advise, monitor and supervise the management activities of EDP, cooperating with the Executive Board of Directors and the various other corporate bodies in pursuit of the company's interests, pursuant to the Company Code and the company's Articles of Association. It is elected by the shareholders at the General Meeting.

Pursuant to Article 21 (1) of the Articles of Association, the General and Supervisory Board consists of no fewer than nine effective members, but always more than the number of members of the Executive Board of Directors. The majority of the elected members of the General and Supervisory Board must be independent, pursuant to Article 21 (4) of the Articles of Association.

The names of the members of the General and Supervisory Board in office until 21 April 2015 are given below:

General and Supervisory Board		Independent Members	First appointment date
Chairman	Eduardo de Almeida Catroga	Independent	30/03/2006
Vice-Chairman	China Three Gorges Corporation represented by Dingming Zhang		20/02/2012
	China International Water & Electric Corp. represented by Guojun Lu		20/02/2012
	China Three Gorges New Energy Co. Ltd. represented by Ya Yang		20/02/2012
	China Three Gorges (Europe), S.A. represented by Shengliang Wu		20/02/2012
	Cajastur Inversiones, S.A. represented by Felipe Fernández Fernández		02/06/2008
	José de Mello Energia, S.A. represented by Luis Filipe da Conceição Pereira		14/04/2011
	Senfora S.a.r.l. represented by Mohamed Ali Ismael Ali Al Fahim		16/04/2010
	Sonatrach represented by Harkat Abderezak		12/04/2007
	Alberto João Coraceiro de Castro	Independent	30/03/2006
	António Sarmiento Gomes Mota	Independent	15/04/2009
	Maria Celeste Ferreira Lopes Cardona	Independent	20/02/2012
	Fernando Maria Masaveu Herrero		20/02/2012
	Ilídio da Costa Leite de Pinho	Independent	20/02/2012
	Jorge Avelino Braga de Macedo	Independent	20/02/2012
	Manuel Fernando de Macedo Alves Monteiro	Independent	30/03/2006
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Independent	20/02/2012
	Vasco Joaquim Rocha Vieira	Independent	20/02/2012
	Vítor Fernando da Conceição Gonçalves	Independent	30/03/2006
	Rui Eduardo Ferreira Rodrigues Pena	Independent	12/04/2007
	Augusto Carlos Serra Ventura Mateus	Independent	06/05/2013
	Nuno Manuel da Silva Amado		06/05/2013

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

The representatives of the companies China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and China Three Gorges (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

The following members were elected to the General and Supervisory Board at the General Meeting of Shareholders that was held on 21 April 2015 for the three-year period between 2015 and 2017:

General and Supervisory Board ⁽¹⁾		Independent Members	First appointment date
Chairman	China Three Gorges Corporation represented by Eduardo de Almeida Catroga		20/02/2012
Vice-Chairman	Luís Filipe Marques Amado	Independent	21/04/2015
	China Three Gorges New Energy Co. Ltd. represented by Ya Yang		20/02/2012
	China International Water & Electric Corp. represented by Guojun Lu		20/02/2012
	China Three Gorges (Europe), S.A.) represented by Dingming Zhang		20/02/2012
	China Three Gorges (Portugal), Sociedade Unipessoal, Lda. represented by Shengliang Wu		21/04/2015
	DRAURSA, S.A. represented by Felipe Fernández Fernández		21/04/2015
	Fernando Maria Masaveu Herrero		20/02/2012
	Banco Comercial Português, S.A. represented by Nuno Manuel da Silva Amado		21/04/2015
	Sonatrach represented by Ferhat Ounoughi		12/04/2007
	Senfora BV represented by Mohamed Ali Ismaeil Ali Al Fahim		21/04/2015
	António Sarmento Gomes Mota	Independent	15/04/2009
	Maria Celeste Ferreira Lopes Cardona	Independent	20/02/2012
	Ilídio da Costa Leite de Pinho	Independent	20/02/2012
	Jorge Avelino Braga de Macedo	Independent	20/02/2012
	Vasco Joaquim Rocha Vieira	Independent	20/02/2012
	Augusto Carlos Serra Ventura Mateus	Independent	06/05/2013
	João Carvalho das Neves	Independent	21/04/2015
	Alberto Joaquim Milheiro Barbosa	Independent	21/04/2015
	María del Carmen Fernández Rozado	Independent	21/04/2015
	António Manuel de Carvalho Ferreira Vitorino	Independent	21/04/2015

1) Eduardo Catroga was an independent member of the GSB in 2006-2008, 2009-2011 mandates and chairman, also independent, in 2012-2014 mandate. The representatives of the companies China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and China Three Gorges (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is responsible for managing the company's activities and representing the company, pursuant to Article 431 of the Company Code and Article 17 of the Articles of Association and is elected by the shareholders at a General Meeting. The Executive Board of Directors is currently made up of eight members.

Pursuant to Article 16 (2) of the Articles of Association, amended at the Annual General Meeting held on 21 April 2015, the Executive Board of Directors must have a minimum of five and a maximum of eight members.

The Executive Board of Directors in office until 21 April 2015 was composed of seven members:

Executive Board of Directors		First appointment date
Chairman	António Luís Guerra Nunes Mexia	30-03-2006
	Nuno Maria Pestana de Almeida Alves	30-03-2006
	João Manuel Manso Neto	30-03-2006
	António Manuel Barreto Pita de Abreu	30-03-2006
	António Fernando Melo Martins da Costa	30-03-2006
	João Manuel Veríssimo Marques da Cruz	20-02-2012
	Miguel Stilwell de Andrade	20-02-2012

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

The following members of the Executive Board of Directors were elected at that General Meeting of Shareholders for the 2015-2017 mandate:

Executive Board of Directors		First appointment date
Chairman	António Luís Guerra Nunes Mexia	30-03-2006
	Nuno Maria Pestana de Almeida Alves	30-03-2006
	João Manuel Manso Neto	30-03-2006
	António Fernando Melo Martins da Costa	30-03-2006
	João Manuel Veríssimo Marques da Cruz	20-02-2012
	Miguel Stilwell de Andrade	20-02-2012
	Miguel Nuno Simões Nunes Ferreira Setas	21-04-2015
	Rui Manuel Rodrigues Lopes Teixeira	21-04-2015

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

18. INDEPENDENT MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

EDP's Articles of Association (Article 9 (1), Article 10 (1), Article 11 (2) (d), Article 21 (4), Article 22 (1) (a), Article 23 and Article 27) and the Internal Regulations of the General and Supervisory Board (Article 7)), both available on its website (www.edp.pt), lay down the rules on independence and incompatibilities for members of any of the company's corporate bodies.

The criteria of independence set out in EDP's Articles of Association are in line with those laid down in 414 (5) of the Company Code and determine that independence means an absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently.

Pursuant to Article 9 (1) of EDP's Articles of Association, independence is "absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently".

In view of the need to clarify the aforementioned Article 414 (5) of the Company Code, as there are diverging legal opinions, Associação de Emitentes de Valores Cotados em Mercado ("AEM") requested an opinion from the CMVM, whose opinion was that the capacity as independent is only lost if, "on the basis of the criterion of number of terms of office, in a situation likely to affect his/her impartiality in analyses or decisions if the members of the supervisory bodies of public limited companies, having been elected for a first term of office and re-elected continuously or intermittently for a second and third term, are re-elected (for the third time, therefore) for a fourth term of office."

Pursuant to its Internal Regulations, the General and Supervisory Board has in place a specific procedure regarding compliance with a large number of rules on incompatibilities and independence applicable to positions on this board (Articles 6 and 7 of the General and Supervisory Board Internal Regulations). This procedure includes the following aspects:

- ❑ Acceptance of a position as member of the General and Supervisory Board is subject to a written statement setting out specifically (i) the inexistence of any incompatibility under the law or Articles of Association; (ii) compliance with the independence requirements set out in its Internal Regulations, if the person has been elected as an independent member; (iii) the members' obligation to report to the Chairman of the General and Supervisory Board or, for the Chairman, directly to the board any subsequent event that might generate incompatibility or loss of independence;
- ❑ Every year, the members of the General and Supervisory Board must renew their statements as to the inexistence of incompatibility and compliance with the independence requirements, if applicable;

Also every year, the General and Supervisory Board conducts a general assessment of compliance with the rules of incompatibility and independence by its members.

At the same time, the Internal Regulations of the General and Supervisory Board has broadened the independence criteria applicable to its members, going beyond the provisions of Article 414 (5) of the Company Code and Article 9 of EDP's Articles of Association, and so people who directly or through their spouse or relative or similar in a straight line and to the collateral third degree, inclusive, are in one of the following situations cannot have independent status:

- ⌘ Being holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in EDP or the same percentage in a company of which it is a subsidiary;
- ⌘ Being a holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in a company that is a competitor of EDP; and
- ⌘ Having been re-elected for more than two consecutive or non-consecutive terms of office.

The rules of independence covering members of the General and Supervisory Board are particularly important regarding the following requirements:

- ⌘ The board must consist of a majority of independent members (Article 434 (4) of the Company Code and Article 21 (4) of EDP's Articles of Association);
- ⌘ The Financial Matters Committee/Audit Committee is entirely composed of independent members of the General and Supervisory Board (Article 23 (2) of EDP By-Laws and Article 2 (1) of the Financial Matters Committee/Audit Committee's Internal Regulations);
- ⌘ The Remuneration Committee of the General and Supervisory Board must comprise a majority of independent members (Article 27 (1) (b) of the General and Supervisory Board's Internal Regulations).

In compliance with the above procedure, at the start of their terms of office, the members of the General and Supervisory Board stated that they were not in any of the situations of incompatibility set out in the Company Code (Article 414-A (1) (a) to (e), (g) and (h) (ex vi Article 434 (4)) and Article 437 (1)) or under the Articles of Association and, where applicable, that they complied with the independence requirements of the Internal Regulations of the General and Supervisory Board.

At the end of 2015, the members of the outgoing General and Supervisory Board renewed their statements on incompatibilities and independence. On 3 March 2016, the General and Supervisory Board assessed compliance with the rules on incompatibilities and independence of the elected members at the General Meeting of 21 April 2015.

The Chairman and Vice-Chairman of the Board of the General Meeting made similar statements of compliance with the criteria of independence and incompatibility for their positions, as set out in Article 414 (5) and Article 414-A (1) of the Company Code and in Articles 9 and 10 of EDP's Articles of Association.

The above statements are available to the public on EDP's website, at "<http://www.edp.pt/en/aedp/governosocietario/Independenciaeincompatibilidade/Pages/DeclaraçãodeIndependênciaIncompatibilidades.aspx>".

The independent members of the General and Supervisory Board are shown in the table in Point 17 above.

19. QUALIFICATIONS OF THE MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

See Annex I.

20. FAMILY, WORK-RELATED AND BUSINESS RELATIONSHIPS OF THE MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS WITH SHAREHOLDERS OWNING A QUALIFYING SHAREHOLDING OF OVER 2% OF THE VOTING RIGHTS

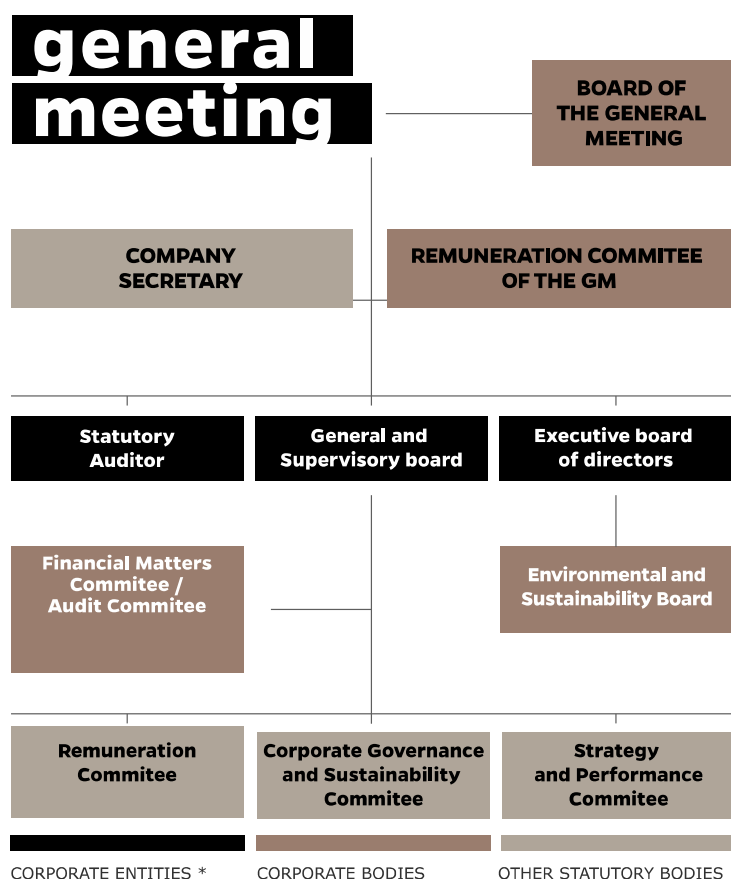
The Chairman of the Executive Board of Directors, António Luís Nunes Guerra Mexia, is a director of Banco Comercial Português, S.A. which holds indirectly a 2.44% shareholding in EDP.

As for the General and Supervisory Board, there are professional relationships between Board members and shareholders attributed a qualifying holding of more than 2% of voting rights, as described below:

- ⌘ The members of the General and Supervisory Board Ya Yang, Guojun Lu, Dingming Zhang, and Shengliang Wu are managers of China Three Gorges Corporation which, through its subsidiary China Three Gorges (Europe), S.A., (formerly CWEI (Europe), S.A.) has a 21.35% shareholding in EDP.

- ❑ The member of the General and Supervisory Board Fernando Masaveu Herrero is chairman of the management body of Masaveu International, S.L. which owns 55.9% of Oppidum, S.L., a company with a 7.19% shareholding in EDP.
- ❑ The member of the General and Supervisory Board Felipe Fernández Fernández is a manager of Liberbank, S.A. which owns 44.1% of Oppidum, S.L., a company with a 7.19% shareholding in EDP.
- ❑ The member of the General and Supervisory Board Mohamed Ali Al-Fahim is a manager of International Petroleum Investment Company (IPIC) which wholly owns Senfora, BV, a company with a 4.06% shareholding in EDP.
- ❑ The member of the General and Supervisory Board Nuno Manuel da Silva Amado is a manager of Banco Comercial Português S.A. which holds indirectly a 2.44% shareholding in EDP.
- ❑ The member of the General and Supervisory Board Ferhat Ounoughi is a manager of Sonatrach which has a 2.38% shareholding in EDP.

21. ORGANISATION CHART, DELEGATION AND DIVISION OF POWERS



*Corporate Entities are also Corporate Bodies, pursuant to the article 8 of EDP's Articles Association.

POWERS OF THE GENERAL AND SUPERVISORY BOARD

Pursuant to article 22 of the Articles of Association, the General and Supervisory Board is especially responsible for:

- ❑ Permanently monitor the management of EDP and its subsidiaries and provide management advice and assistance to the Executive Board of Directors, particularly with regard to strategy, goals and compliance with the law;
- ❑ Issue opinions on the annual report and accounts;

- ⌘ Permanently oversee the work of the statutory auditor and external auditor and, with regard to the former, issue an opinion on their election or appointment, dismissal, independent status and other relations with the company;
- ⌘ Oversee, on a permanent basis, and evaluate internal accounting and auditing procedures, the efficacy of the risk management system, internal control system and internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- ⌘ Propose to the General Meeting the removal from office of any member of the Executive Board of Directors;
- ⌘ Monitor the definition of criteria and responsibilities required or appropriate for the structures and internal bodies of the company or Group and their impact and draft follow-up plans;
- ⌘ Provide for the replacement of members of the Executive Board of Directors in the event of permanent or temporary absence, as required by law;
- ⌘ Issue an opinion on their annual vote of confidence in the directors set out in Article 455 of the Company Code, on its own initiative or when requested to do so by the CEO;
- ⌘ Monitor and assess matters of corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes and systems for appraising and resolving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;
- ⌘ Obtain the financial or other resources that it reasonably deems necessary for its work and ask the Executive Board of Directors to take any measures or make any corrections that it considers pertinent, with the power to hire independent consultants, if necessary;
- ⌘ Receive regular information from the Executive Board of Directors on significant business relations between the company or its subsidiaries and shareholders with a qualifying holding and persons related to them;
- ⌘ Appoint the Remuneration Committee and Financial Matters Committee/Audit Committee;
- ⌘ Represent the company in its relations with the directors;
- ⌘ Supervise the work of the Executive Board of Directors;
- ⌘ Oversee compliance with the law and Articles of Association;
- ⌘ Select and replace the company's external auditor, giving the Executive Board of Directors instructions for engagement or dismissal;
- ⌘ Monitoring the bookkeeping, accounts and supporting documents and the status of any assets or securities held by the company, as and when it deems appropriate;
- ⌘ Supervise the preparation and disclosure of financial information
- ⌘ Call the General Meeting when it deems appropriate;
- ⌘ Approve internal rules, including rules on relations with the other corporate bodies;
- ⌘ Exercise any other powers that may be granted by law, the Articles of Association or by the General Meeting.

Under the corporate governance model in place at EDP, the General and Supervisory Board also has a power of particular importance. Although it does not have management powers, pursuant to Article 442 (1) of the Company Code, Article 17 (2) of the Articles of Association lays down that the approval of EDP's strategic plan and performance of the operations indicated below by EDP or its subsidiaries are subject to a prior favourable opinion from this board (see also Article 13 of the Internal Regulations of the General and Supervisory Board):

- ⌘ Acquisitions and sales of assets, rights or shareholdings of significant economic value;
- ⌘ Financing operations of significant value;

- ❑ Opening and closure of establishments, or important parts thereof, and substantial extensions or limitations of company activity;
- ❑ Other transactions or operations of significant economic or strategic value;
- ❑ Formation or termination of strategic partnerships or other forms of lasting cooperation;
- ❑ Plans for splits, mergers or conversions;
- ❑ Amendments to the Articles of Association, including changes of registered office and share capital increases when on the Executive Board of Directors' initiative;
- ❑ Approval of the draft decision of the Executive Board of Directors to increase the share capital by means of one or more share capital increases, up to the aggregate limit of 10% of the current share capital by issuing Category A shares to be subscribed by new inputs of cash;
- ❑ Formation or termination of strategic partnerships or other forms of lasting cooperation.

The Chairman of the General and Supervisory Board is granted particular powers, and, pursuant to Article 18 of the Rules of Procedure of the General and Supervisory Board, is responsible for:

- ❑ Convening and presiding over meetings of the General and Supervisory Board;
- ❑ Representing the General and Supervisory Board institutionally;
- ❑ Coordinating the work of the General and Supervisory Board and ensuring the correct operation of its committees, being entitled to attend any meeting and being kept informed of their activities;
- ❑ Proposing to the plenary General and Supervisory Board the members, the Chairman and, when appropriate, the Vice-Chairman of each committee;
- ❑ Ensuring that the members of the General and Supervisory Board punctually receive the information they need for their duties;
- ❑ Requesting from the Executive Board of Directors relevant information for the General and Supervisory Board and its committees to perform their duties and ensuring that the members of the General and Supervisory Board receive it in good time;
- ❑ Taking the necessary measures to ensure that the General and Supervisory Board adequately monitors the activity of EDP and the Executive Board of Directors in particular;
- ❑ Monitoring implementation of the General and Supervisory Board's budget and managing the material and human resources assigned to it;
- ❑ Ensuring correct implementation of General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board or, in his/her absence or incapacity, a member delegated by the board for that purpose, may attend meetings of the Executive Board of Directors whenever s/he sees fit and take part in the discussion of matters to be submitted to the General and Supervisory Board, without having any voting rights pursuant to Article 21 (10) of EDP's Articles of Association.

The members of the Financial Matters Committee/Audit Committee have a duty to attend the meetings of the Executive Board of Directors when the accounts are appraised, (see Article 4 (3) (e) of the Rules of Procedure of the Financial Matters Committee/Audit Committee).

With the assistance of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually performs:

- ❑ A self-assessment of its activity and performance and those of its committees, the conclusions of which are set out in its annual report (see Article 10 of the General and Supervisory Board Internal Regulations);
- ❑ An independent assessment of the activity and performance of the Executive Board of Directors, the conclusions of which are submitted to the General Meeting and are presented in an annex to the annual report of the General and Supervisory Board.

EDP, on the initiative of the General and Supervisory Board has voluntarily established a formal, impartial process to assess the activity of this board and of the Executive Board of Directors. Experience of recent years

has allowed the General and Supervisory Board to make some changes in the process to make it more effective and efficient. The method used comprises the following stages:

- ⌘ After the year's end, the Chairman of the General and Supervisory Board sends assessment questionnaires to the members of its Board. The questionnaires are answered individually and are confidential.
- ⌘ The General and Supervisory Board Support Office statistically processes the data received and prepares the information for consideration at a General and Supervisory Board meeting;
- ⌘ The General and Supervisory Board issues its assessment opinions and they are included in this board's annual report;
- ⌘ At the General Meeting, the Chairman of the General and Supervisory Board presents the board's opinion in the item of the agenda for assessment of the Executive Board of Directors.

POWERS OF THE EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is a collegial body. Individual directors in office are only allowed to represent one absent director at each meeting. All directors have equal voting rights and the Chairman has the casting vote.

The powers of the Executive Board of Directors, in accordance with the Article 17 (1) of the Articles of Association, include:

- ⌘ Setting the goals and management policies of EDP and the EDP Group;
- ⌘ Drawing up the annual business and financial plans;
- ⌘ Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the responsibilities of other company bodies;
- ⌘ Representing the company in and out of court, actively and passively, with the power to waive, transact and admit guilt in any legal proceedings and make arbitration agreements;
- ⌘ Buying, selling or by any other means disposing or encumbering rights or immovable assets;
- ⌘ Setting up companies and subscribing, purchasing, encumbering and selling shareholdings;
- ⌘ Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, in compliance with the annual quantitative limits set by the General and Supervisory Board;
- ⌘ Establishing the technical and administrative organisation of EDP and the rules of procedure, particularly in relation to personnel and their remuneration;
- ⌘ Appointing proxies with such powers as it sees fit, including the power to delegate;
- ⌘ Appointing the Company Secretary and alternate;
- ⌘ Hiring and dismissing the External Auditor on recommendation of the General and Supervisory Board;
- ⌘ Exercising any other powers that may be granted to it by law or by the General Meeting;
- ⌘ Establishing its own internal rules.

Proposals to amend EDP's Articles of Association regarding share capital increases submitted by the Executive Board of Directors require a prior opinion from the General and Supervisory Board, pursuant to Article 17 (2) (g) of the Articles of Association.

The Chairman of the Executive Board of Directors sends the Chairman of the General and Supervisory Board the notices of meetings, support documents and minutes of the meetings and, on request, provides appropriate, timely information, which is accessible to all the members of the General and Supervisory Board and of the Financial Matters Committee/Audit Committee.

When so requested by other members of the corporate bodies, the Executive Board of Directors also provides all the required information in a timely and appropriate fashion. There is an information sharing portal for the Executive Board of Directors and General and Supervisory Board, which is accessible to all their members.

The Chairman of the Executive Board of Directors is granted particular powers by Article 18 of the Articles of Association. These powers are:

- ▣ Representing the Executive Board of Directors;
- ▣ Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- ▣ Ensuring proper execution of the decisions of the Executive Board of Directors.

The Chairman of the Executive Board of Directors is entitled to attend the meetings of the General and Supervisory Board, whenever considered appropriate, except when these concern decisions on the supervision of the work of the Executive Board of Directors and, in general, any situations that may involve a conflict of interest, pursuant to Article 18 (2) of the Articles of Association.

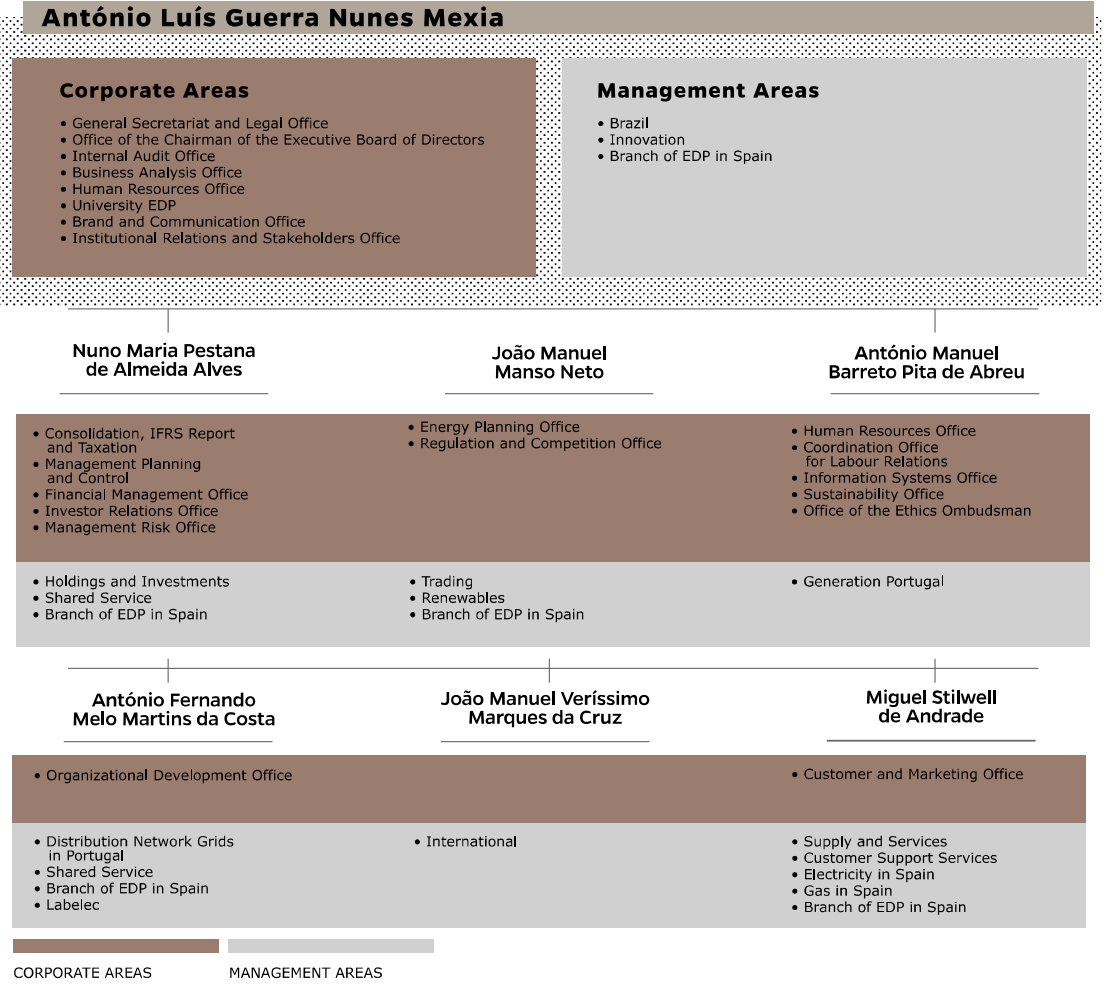
In the Executive Board of Directors there is a functional division of management areas to each of its members. The college of directors is responsible for making decisions on all matters within its remit. Delegated powers are not granted to directors individually, because of the board's particular nature.

The activity and performance of the Executive Board of Directors are assessed continuously and independently by the General and Supervisory Board on an annual basis.

The members of the Executive Board of Directors were responsible for the following management areas and corporate topics up until 21 April 2015:



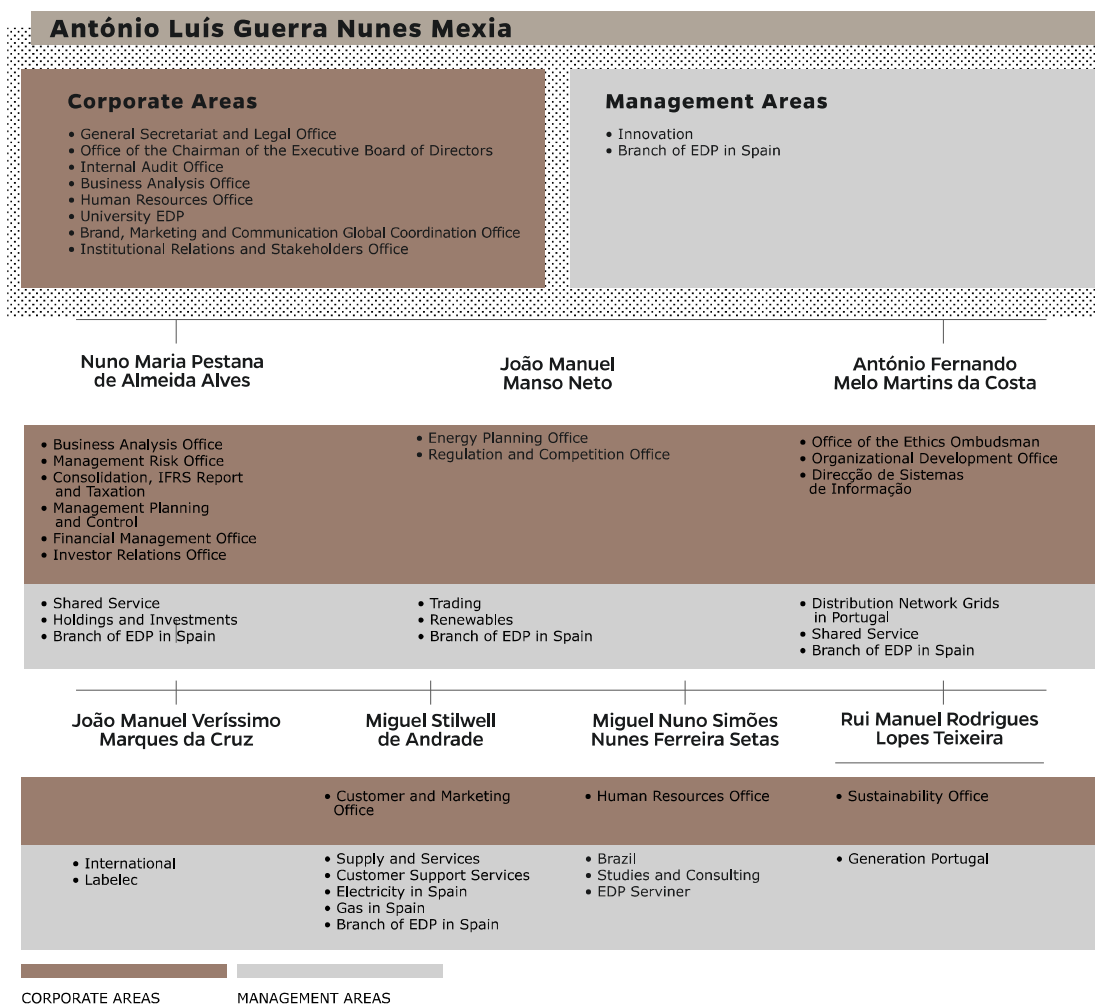
executive board of directors



The members of the Executive Board of Directors were responsible for the following management areas and corporate topics after 22 April 2015:



executive board of directors



EDP'S FUNCTIONAL STRUCTURE

GROUP'S ORGANISATIONAL MODEL

The Executive Board of Directors is responsible for defining the EDP Group's organisational model and dividing duties among the different business units, the service company EDP Valor - Gestão Integrada de Serviços, S.A. (EDP Valor) and central structure. This structure consists of a Corporate Centre that provides assistance to the Executive Board of Directors in defining and monitoring the execution of strategies, policies and goals.

The Corporate Centre is divided into departments and business units, allowing for optimisation and greater efficiency of the organisational structure.

The Executive Board of Directors is also assisted by specialised committees, which ensure more effective monitoring of matters and contribute to the decision-making process.

CORPORATE CENTRE

The central support structure for decision-making processes in 2015 was as follows:

Corporate Centre • Business Units	
OFFICES	
SUPPORT TO GOVERNANCE AREA	
General Secretariat and Legal office	Maria Teresa Pereira
Office of the Chairman of the Executive Board of Directors	Martim Salgado ⁽¹⁾
Internal Audit Department	Azucena Viñuela Hernández
Office of the Ethics Ombudsman	José Figueiredo Soares
STRATEGIC AREA	
Energy Planning Department	Pedro Neves Ferreira
Business Analysis Department	Duarte Castro Bello
Risk Management Department	Pedro Neves Ferreira
Regulation and Competition Department	Maria Joana Simões
Sustainability Department	António Neves de Carvalho
FINANCIAL AREA	
Financial Management Department	Paula Cristina Guerra
Consolidation, IFRS Reporting and Taxation Department	Miguel Ribeiro Ferreira
Management Planning and Control Department	João Gouveia Carvalho ⁽²⁾
Investor Relations Department	Miguel Henriques Viana
RESOURCES AREA	
Organisational Development Department	José Filipe Santos
Information Systems Department	Vergílio Rocha
Human Resources Department	Paula Maria Carneiro
Labour Relations Coordination Office	Eugénio Carvalho
EDP University	António Pita de Abreu ⁽³⁾
MARKETING AND COMMUNICATION AREA	
Brand, Marketing and Communication Global Coordination Department	Paulo Campos Costa
Customer and Marketing Department	José Ferrari Careto
Institutional Relations and Stakeholders	Jorge Cruz Morais ⁽³⁾
BUSINESS UNITS	
Energy Management Business Unit	Carlos Mata

1) On 22 December 2015 the EBD appointed Pedro McCarthy Cunha with effect from 1 January 2016

2) Appointed on 23 April 2015

3) Appointed on 21 September 2015

The current departments and their duties are as follows:

The **General Secretariat and Legal Office** provides administrative and logistical assistance to the Executive Board of Directors and legal advice to EDP companies with their head offices in Portugal, in order to ensure the effective operation of the Corporate Centre, compliance with applicable legislation and harmonisation of corporate governance policies in the Group.

The **Office of the Chairman of the Executive Board of Directors** assists the CEO in all matters within his/her remit in order to help maximise the effectiveness of decisions and instructions.

The main mission of the **Internal Audit Department** is to conduct internal audits or ensure they are performed in the Group and also run the Internal Control System for Financial Reporting ("SCIRF") in the Group. It independently assesses this system and proposes and promotes measures contributing to its effectiveness by improving and aligning processes and systems.

The **Ethics Ombudsman's Office** is responsible for conducting ethics procedures or ensuring that they are conducted in the Group, in order to maintain confidentiality and protect rights associated with these procedures.

The mission of the **Energy Planning Department** is to coordinate studies for the Group's energy portfolio development strategy in order to assist the Executive Board of Directors in building an integrated view of the portfolio and contributing to the planning of its development in the different regions in which EDP operates.

The **Business Analysis Department** coordinates studies to assist with the Group's overall business strategy and performs development operations via investments, divestitures and/or partnerships in order to assist the Executive Board of Directors in optimising EDP's business portfolio and promoting and taking new business opportunities.

The **Risk Management Department** coordinates studies to assess the Group's risk, in order to assist the Executive Board of Directors in monitoring and mitigating risk and to supply integrated analyses of return-risk.

The **Regulation and Competition Department** studies and implements regulatory strategy for the business in the MIBEL and coordinates energy regulation and competition projects for the Group, with the aim of supporting the Executive Board of Directors in decision-making and ensuring regulatory compliance by the companies covered.

The **Sustainability Department's** mission is to analyse, propose and guarantee the Group's sustainability strategy in order to assist the Executive Board of Directors in policies and goals and to ensure their implementation in the business units.

The remit of the **Financial Management Department** is to propose and implement the Group's financial management policy and analyse and monitor management of its pension fund in order to optimise and guarantee financial sustainability and control financial liabilities in accordance with Group policy.

The **Consolidation, IFRS Reporting and Taxation Department** is in charge of the Group's IFRS reporting in order to ensure compliance with deadlines and accounting and tax processing that is appropriate and consistent in operations at all the Group companies.

The **Management Planning and Control Department** is responsible for the Group's management planning and oversight, to ensure alignment with strategic goals and monitor implementation of the business plan.

The **Investor Relations Department** communicates with analysts and investors in Group companies to ensure the sustainability of EDP's image and reputation and fulfil the information requirements of regulators and financial supervisors.

The **Organisational Development Department** analyses, proposes and coordinates the organisation's development and provides Group-wide programmes for implementing its strategy, in order to optimise the competitiveness of EDP's organisation and operation.

The **Information Systems Department** is in charge of managing the Group's information and communication systems in the Iberian Peninsula and analysing and proposing the Group's ICT strategy in order to align it with the business units' strategy and create value by providing solutions that foster efficacy, efficiency and innovation in EDP's processes.

The **Human Resources Department** analyses and proposes the Group's human resource strategy and is in charge of group-wide support processes, in order to contribute to the implementation of its business strategy, value and develop all employees and develop a culture that is in line with the corporate values. manages labour relations matters and coordinates labour regulations studies in Portugal, in order to achieve bargaining solutions that are in line with EDP's business goals and ensure that internal regulations are in line with labour legislation.

EDP University provides, retains and shares knowledge in the Group in order to reinforce a common culture, foster employees' vocational development and facilitate the appearance of new talents and full use of their skills.

In 8 October 2015, the Executive Board of Directors defined the creation of the **Brand, Marketing and Communication Global Coordination Department**, whose competences are development and execution of the global communication plan; a centralized and optimized management of brand costs; to offer a group vision in all geographies and business areas; to promote a brand positioning that grows with the new business and communication challenges; and to offer an integrated and synergic response to brand, marketing, communication and client areas.

Direcção de Coordenação Global de Marca, Marketing e Comunicação, desenvolvendo as competências da Área de Coordenação Global de Marca e Comunicação e da autonomização das áreas de Comunicação e Marca, que passaram a denominar-se Direcção de Comunicação e Direcção de Marca, cujas funções são o desenvolvimento e execução do plano global de comunicação, uma gestão centralizada e otimizada dos

custos com a marca, oferecer uma visão de grupo, nas diferentes geografias e áreas de negócio, e promover um posicionamento de marca que cresce e evolui de acordo com os novos desafios de mercado, de negócios e de comunicação, e oferecer uma resposta integrada e sinérgica entre as áreas de marca, comunicação, marketing e cliente.

The **Customer and Marketing Department** analyses, proposes and monitors the commercial marketing strategy in the Iberian Peninsula in order to build a competitive market positioning and o maximise the profits of the business units covered.

The **Institutional Relations and Stakeholders** provides the Group's stakeholders with integrated, consistent reports, in line with its vision and strategy, in order to maximise the Group's communication potential with its stakeholders and contribute to fluid, systematised information on the Group and its shares.

The **Energy Management Business Unit** (UNGE) is responsible for negotiating physical and forward purchases of fuel and contracting maritime transport on behalf of the appropriate EDP Group companies. It is also responsible for spot and forward purchases and sales in the electricity market of a physical or financial nature, such as energy derivatives and foreign exchange operations. It also decides on operation and despatch programmes for the EDP Group power stations whose energy management is its responsibility in order to optimise its portfolio and supply energy to customers of the EDP Group's sellers. It also manages the EDP Group's CO2 allowance operations and green certificates.

SPECIFIC EDP COMMITTEES (FUNCTIONAL STRUCTURES)

The EDP organisational model provides for management committees that contribute in two ways to the company's decision-making process:

- ⌘ They input information to assist the Executive Board of Directors in its decision-making reflecting opinions and information from the areas in the organisation most affected by the proposal in question;
- ⌘ They are used by an organisational unit (belonging to the Corporate Centre, a business unit or shared service unit to assist in gathering information, alignment, decisions and implementation of policies and practices with an impact on a number of areas in the organization.

Considering the principle of continuous improvement that the EDP Group follows and the committees' importance in the Group's organisational model, the Executive Board of Directors approved a change in structure of the committees and appointed new members in 21 September 2015.

On 31 December 2015, the committee structure was as follows:

Strategic Corporate Committees	Functional Corporate Committees	Business Committees
Risk Committee	Innovation Committee	Generation Committee
Sustainability Committee	Ethics Committee	Distribution Networks Committee
Energy Planning Committee	Information Disclosure Committee	Iberian Commercial Committee
Investments Committee	Stakeholder Committee	Transversal Coordination of Internationalization Projects Committee
Regulation Committee	Procurement Committee	
Prices and Volumes Committee	Accident Prevention and Safety Committee	
Iberian Commercial and Market Committee	Pension Plan and Fund Committee Management	
	Corporate Development Committee	
	Human Resources Committee	
	Information Technology Committee	
	Local Authorities Committee	
	Compliance Committee	
	Information Security and Data Management Committee	

I - STRATEGIC CORPORATE COMMITTEES

RISK COMMITTEE

The main duties of the Risk Committee are:

- ⌘ Share information on the EDP Group's key risks and risk profile;
- ⌘ Discuss the result of significant risk assessment projects undertaken in conjunction with the business units;
- ⌘ Discuss and issue opinions or recommendations on policies, procedures, significant risks, risk limits and extraordinary risk situations;
- ⌘ Promote and monitor maintenance of the inventory of the most significant risks (risk portal);
- ⌘ Approve the periodical reporting model to be submitted by the business units or the Risk Management Department and other mechanisms for reporting and monitoring EDP's risks.

The Risk Committee's membership is as follows:

Risk Committee
Chairman: Chairman of the EBD
Secretary Head of CC Risk Management
Members of the EBD (besides the Chairman):
Member of the EBD (Risk/Finance)
Member of the EBD (Spain)
Member of the EBD (Brazil)
Member of the EBD (Trading, Spain)
CC and BU members (besides the secretary):
Head of CC Energy Planning
Head of CC Regulation and Competition
Head of CC General Secretariat and Legal Office
Head of UNGE
<i>Ad-hoc members:</i>
Board member of EDP Produção
Board Member of EDP Distribuição
Board Member of EDP Comercial
Board Member of EDP Internacional
Board Member of EDP Valor
General Manager EDP Spain
Representative of EDP Brasil

The Risk Committee held three meetings in 2015.

SUSTAINABILITY COMMITTEE

The Sustainability Committee's responsibilities are as follows:

- ⌘ Share information and discuss the implications of major legislative packages in the field of sustainability;
- ⌘ Share the Group's environmental performance indicators and benchmarks;
- ⌘ Discuss and give opinions on the annual Operational Environment and Sustainability Plans (POSA) and the annual consolidated budget;
- ⌘ Discuss and give opinions on the annual action plans and the EDP Group's goals and targets;
- ⌘ Monitor the progress of approved action plans and the activities of the EDP Group companies' sustainability management structures.

The Sustainability Committee's membership is as follows:

Sustainability Committee

Chairman: Chairman of the EBD

Secretary: Head of CC Sustainability

Members of the EBD (besides the Chairman):

Member of the EBD (Área Sustainability)

CC and BU members (besides the secretary):

Board member of EDP Produção

Board member of EDP Distribuição

Board member of EDP Soluções Comerciais

Board member of EDP Valor

Board member of EDP Inovação

Board member of EDP Foundation

Head of CC Risk Management

Head of CC Investor Relations

Head of CC Human Resources

Head of CC EDP University

Head of CC Coordination of Communication

Head of CC Institutional Relations and Stakeholder

Head of EDP Spain (Environmental) (HC/NG)

General Manager of EDP Comercial

General Manager of EDP Gás

Rep. EDP Renováveis

Rep. EDP Brasil

The Sustainability Committee held one meeting in 2015.

ENERGY PLANNING COMMITTEE

The main tasks of the Energy Planning Committee are:

- Share up-to-date information on the different markets and businesses in which the EDP Group operates (Iberia, wind, Brazil) and the performance of its portfolio in these areas;
- Analyse attractive business areas along the value chain and in the different geographic areas;
- Propose a generation portfolio and identify gas and CO2 needs for a 5-year horizon.

The Energy Planning Committee's membership is as follows:

Energy Planning Committee
Chairman: Chairman of the EBD
Secretary: Head of CC Energy Planning
Members of the EBD (besides the Chairman):
Member of the EBD(Renewables)
Member of the EBD (Trading, Spain)
Member of the EBD (Generation)
Member of the EBD (Brazil)
CC and BU members (besides the secretary)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Renováveis
Board member of EDP Brasil
General Manager EDP Spain (HC/NG)
Head of CC Business Analysis
Head of CC Risk Management
Head of CC Management Planning and Control
Head of CC Regulation and Competition
Head of UNGE
Head of EDP Renováveis (Regulação e Mercados)
Head of EDP Brasil (Energy Planning)
<i>Ad-hoc members :</i>
Board Member of EDP Internacional
Board Member of EDP Inovação
Head of CC Sustainability
Head of Investor Relations

The Energy Planning Committee held one meeting in 2015.

INVESTMENTS COMMITTEE

The Investments Committee discusses and issues opinions on proposed investment and disinvestment projects and WACC proposals for the business units.

The Investments Committee's membership is as follows:

Investments Committee
Chairman: Member of the EBD (Finance)
Secretary: Representative of Head of CC Business Analysis
Membros CC (besides the secretary)
Head of CC Business Analysis
Head of CC Management Planning and Control
Head of CC Energy Planning
Head of CC Risk Management
<i>ad-hoc members :</i>
Responsible for the investment proposals under analysis

The Investments Committee held thirty meetings in 2015.

REGULATION COMMITTEE

The remit of the Regulation Committee is as follows:

- ❑ Share regulatory practices in the Iberian Peninsula and the rest of Europe and those followed in Brazil;
- ❑ Analyse the European Commission's energy strategy and policies and the implementation of directives by the internal market and the competition and policies, legislation, regulations and organisation of the energy sectors in Portugal and Spain;
- ❑ Analyse prices and the implications of tariff policies and decisions on regulated activities;
- ❑ Discuss the impacts of developments and regulatory changes;
- ❑ Discuss and give an opinion on proposals for the definition of positions to be defended by the EDP Group in the Iberian and European market.

The Regulation Committee's membership is as follows:

Regulation Committee
Chairman: Member of the EBD (Regulation and Competition)
Secretary: Head of CC Regulation and Competition
Members of the EBD (besides the Chairman):
Member of the EBD (Distribution)
Member of the EBD (Trading, Spain)
CC and BU members (besides the secretary):
Head of CC Energy Planning
Head of UNGE
Head of DNG UNGE
Head of EDP Spain (Regulation)
Head of EDP Distribuição (Regulation)
Head of EDP Comercial
Head of EDP Brasil (Regulation)
Head of EDP Renováveis (Regulation and Markets)
Head of EDP Spain (Operations) (HC/NG)
Head of EDP Gás (Regulation)
Head of EDP Spain (Regulation Gas) (HC/NG)
Rep. Head of CC Regulation and Competition (Regulation)
Rep. Head of CC Regulation and Competition (Competition)
Rep. of EDP Soluções Comerciais (Regulation)
Representative of EDP Serviço Universal (Regulation)

The Regulation Committee held nine meetings in 2015.

PRICES AND VOLUMES COMMITTEE

The Prices and Volumes Committee's main duties are:

- ❑ Share relevant, up-to-date information on recent developments in the Iberian electricity and gas markets;
- ❑ Discuss and align historical information and forecasts shared by business areas;
- ❑ Issue an opinion on the forward curve representing the EDP Group's best estimate on the growth of the wholesale market for a one to two-year horizon;
- ❑ Propose adjustments to management of the Iberian wholesale margin (in terms of risk coverage, commercial activity, placement of gas contracts, etc).

The Prices and Volumes Committee's membership are as follows:

Prices and Volumes Committee
Chairman: Member of the EBD (Energy Planning)
Secretary: Head of CC Energy Planning
Members of the EBD (besides the Chairman):
Member of the EBD (Trading/Spain)
Member of the EBD (Generation)
CC and BU members (besides the secretary):
Board member of EDP Produção
Board member of EDP Comercial
Board member of EDP Renováveis
Head of EDP Spain (HC/NG)
Head of CC Risk Management
Head of CC Management Planning and Control
Head of CC Regulation and Competition
Head of CC Business Analysis
Head of UNGE
Head of DMO UNGE
Head of DME UNGE
Head of EDP Spain (Regulation) (HC/NG)
Head of EDP Spain (Projects) (HC/NG)
Head of EDP Produção (Planning and Control)
Head of EDP Spain (Operations Gas) (HC/NG)
Head of EDP Renewables (Regulation Markets)

The Prices and Volumes Committee held four meetings in 2015.

MARKET AND COMMERCIAL IBERIAN COMMITTEE

The Market and Commercial Iberian Committee's responsibilities are as follows:

- ⌘ Share information on the energy trading market and Iberian business for the supply of electricity, gas and services in all market segments (purchase of natural gas, gas sales balance sheet, customer losses, prices, competition, etc);
- ⌘ Analyse the market situation and competitiveness of prices in the different electricity and gas market in segments Portugal and Spain;
- ⌘ Propose preferential segments for the placement of gas and price policies in different segments, strategies for gas auctions, gas placement or purchase goals in gas trading, measures to retain strategic customers, adaptation or correction of current commercial policies and setting or revision of intra-group transfer prices;
- ⌘ Monitor the implementation of the above measures.

The Market and Commercial Iberian Committee's membership are as follows:

Market and Commercial Iberian Committee
Chairman: Member of the EBD (UNGE)
Secretary: Head of UNGE
Members of the EBD (besides the Chairman):
Member of the EBD (Trading, Spain)
CC and BU members (besides the secretary):
Board of Directors of EDP Comercial
Board member of EDP Serviço Universal
Head of EDP Spain (Trading) (HC/NG)
Head of EDP Spain (Gas) (HC/NG)
Adjoint Manager UNGE
Head of UNGE (Supply)
Head of EDP Spain (Trading B2B) (HC/NG)
Head of EDP Spain (Marketing and Trading B2C) (HC/NG)
Head of EDP Spain (Operations Gas) (HC/NG)
Head of EDP Comercial (B2B)
Representative EDP Sucursal em Espanha

The Market and Commercial Iberian Committee held eight meetings in 2015.

II - FUNCTIONAL CORPORATE COMMITTEES

INNOVATION COMMITTEE

The responsibilities of the Innovation Committee are as follows:

- ❑ Discuss and propose strategic areas of innovation in the EDP Group;
- ❑ Follow the governance model and EDP's innovation results Discuss and propose changes;
- ❑ Monitor the EDP Group's ongoing innovation initiatives and EDP Group projects in progress and propose corrective action.

The Innovation Committee's membership is as follows:

Innovation Committee
Chairman: Chairman of the EBD
Secretary: Board member of EDP Inovação
CC and BU members (besides the secretary)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Brasil
Board member of Fundação EDP
Board member of Labelec
General Manager of EDP Spain (HC/NG)
Head of EDP Renováveis (Technical)
Head of CC Energy Planning
Head of CC Business Analysis
Head of CC Communication Coordination
Head of CC EDP University
Head of EDP Spain (NG/HC)
<i>Ad-hoc members:</i>
Head of CC Sustainability
Head of CC Organisational Development
Head of CC IT Systems
Head of CC Human Resources
Head of CC Customer and Marketing
Others, sub-committees responsible or <i>ad-hoc</i> matters

The Innovation Committee held one meeting in 2015.

ETHICS COMMITTEE

EDP has always operated in a framework of explicit or implicit ethical values. Examples of this are the vision, values and commitments defined by the Executive Board of Directors and the principles of sustainable development with customers, in professional relationships and commitments to shareholders.

The Ethics Committee's duties are as follows:

- ⌘ Issue opinions on the EDP Group's policy on its code of conduct, good practices and compliance with the highest ethical standards;
- ⌘ Propose guidelines on regulation of matters under its remit;
- ⌘ Foster correct regulatory application of ethical matters in the EDP Group companies.

The Ethics Committee, which was set up after approval of the EDP Group's Code of Ethics, articulates with the Corporate Governance and Sustainability Committee of the General and Supervisory Board and its responsibilities are as follows:

- ⌘ Draft and propose its Internal Regulations to the Corporate Governance and Sustainability Committee of the General and Supervisory Board;
- ⌘ Submit corporate ethics instruments, policies, goals and targets to the Corporate Governance and Sustainability Committee;
- ⌘ Receive and examine cases of infringement prepared by the Ethics Ombudsman and issue an opinion on them;

- ❑ Issue an opinion, when requested to do so by any of the managing bodies of the EDP Group companies and entities on practices or codes of conduct in the fields of ethics or professional conduct within the framework of specific, legal or regulatory needs;
- ❑ Analyse decisions made by the Ethics Committee of EDP Energias do Brasil, S.A. and the Ethics Committee of EDP Renováveis, S.A. referred to it according to 3.3.2 of the Regulations of the Ethics Code;
- ❑ Draft quarterly reports on the EDP Group's performance in implementing the Code of Ethics;
- ❑ Annually review the Code of Ethics' suitability to the EDP Group's needs of and draw up a report, on proposal of the Ethics Ombudsman and the Sustainability Department of the EDP Corporate Centre.

The Ethics Committee's membership is as follows:

Ethics Committee
Chairman: Chairman of the EBD
Secretary: Ethics Ombudsman
Members of the EBD (besides the Chairman):
Member of the EBD (Ethics)
CC and BU members (besides the secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Valor
Board member of EDP Renováveis
Board member of EDP Gás
Board member of EDP Serviço Universal
Head of CC Human Resources
Head of CC Internal Audit
Representative of EDP Brasil
Ethics Ombudsman
Representative of EDP Spain

The Ethics Committee held three meetings in 2015.

INFORMATION DISCLOSURE COMMITTEE

The Information Disclosure Committee's has two main duties:

- ❑ Analysing and assessing information that is or should be provided periodically by EDP during preparation of reports and other communications for the market;
- ❑ Assessing the mechanisms for monitoring and disclosing information about EDP.

The Information Disclosure Committee's membership are as follows:

Information Disclosure Committee
Chairman: Member of the EBD (Finance)
Secretary: Representative of Head of CC Investor Relations
CC and BU members (besides the secretary):
Head of CC General Secretariat and Legal Office
Head of CC Management Planning and Control
Head of CC Finance Management
Head of CC Consolidation, Accounting Control and Taxation
Head of CC Coordination of Communication
Representative of EDP Brazil (Investor Relations)
Representative of EDP Brazil (Accounting, Consolidation and Taxation)
Representative of EDP Renováveis (Investor Relations)

The Information Disclosure Committee held one meeting in 2015.

STAKEHOLDERS COMMITTEE

The Stakeholder Committee's duties are as follows:

- ⌘ Evaluate the alignment and consistency of stakeholder relationship strategies in the different markets and geographical areas where the EDP Group operates;
- ⌘ Discuss priorities and propose guidelines and a management model for the Group's relations with stakeholders;
- ⌘ Assess compliance with the Group's stakeholder management policy.

The Stakeholders Committees' membership is as follows:

Stakeholders Committee
Chairman: Chairman of the EBD
Secretary: Head of CC Institutional Relations and Stakeholders
Members of the EBD (besides the Chairman):
Member of the EBD (Renewables)
Member of the EBD (Generation)
Member of the EBD (Distribution Networks)
Member of the EBD (Trading, Spain)
Member of the EBD (Brazil)
Members CC and BU (besides the secretary):
Board member of EDP Comercial
Board member of EDP Renováveis
Board member of EDP Foundation
Board member of EDP Internacional
Head of CC Human Resources
Head of CC Coordination of Communication
Head of CC Customer and Marketing
Head of CC Sustainability
Head of EDP Spain (HC/NG)
Board member of EDP Brasil
Representative of EDP Institute

The Stakeholder Committee held one meeting in 2015.

PROCUREMENT COMMITTEE

The main responsibilities of the Procurement Committee are:

- ❑ Discuss and align strategic guidelines of EDP Group's procurement activity;
- ❑ Validate proposals for amendments to policy and the procurement organizational model of the EDP Group;
- ❑ Validate the procurement annual plan to be approved by the EBD;
- ❑ Promote the alignment of the business units regarding procurement, ensuring the articulation between top management teams;
- ❑ Propose Sponsors and members of the categories of groups and committees oversee the implementation of optimization strategies of categories;
- ❑ Discuss and propose targets for "Performance indicators" and supervise the performance of the procurement activity at global and local level.

The Procurement Committee's membership are as follows:

Procurement Committee
Chairman: Member of the EBD (Finance)
Secretary: Head of EDP Valor (DNC)
Members of the EBD (besides the Chairman):
Member of the EBD (EDP Valor)
Member of the EBD (Trading, Spain)
BU Members (besides the secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Valor
Board member of EDP Brazil
Board member of EDP Renewables
General Manager EDP Spain (HC/NG)

The Procurement Committee held one meeting in 2015.

ACCIDENT PREVENTION AND SAFETY COMMITTEE

The Accident Prevention and Safety Committee has the following main responsibilities:

- ❑ Issue an opinion on proposals for setting the EDP Group's goals in terms of occupational prevention and safety;
- ❑ Analyse the Annual Report and issue an opinion on the EDP Accident Prevention and Safety Action Plan;
- ❑ Assess the main occupational safety indicators and propose ways of improving them;
- ❑ Issue opinions on the regulatory documents of the safety management system that cover the EDP Group as a whole or cut across different sectors.

The Accident Prevention and Safety Committee's membership is as follows:

Accident Prevention and Safety Committee

Chairman: Member of the EBD (EDP Valor)
Secretary: Head of EDP Valor (DSS)
CC and BU Members (besides the secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Valor
Head of CC EDP University
Responsible of Health and Safety (DSS - EDP Valor)
Representative of EDP Gás
Representative of EDP Spain (HC/NG)
Representative of EDP Brazil
Representative of EDP Renováveis

The Accident Prevention and Safety Committee held two meetings in 2015.

PENSION PLAN AND FUND COMMITTEE

The Pension Plan and Fund Committee's main responsibilities are:

- ⌘ Share significant information with an impact on management of the pension fund;
- ⌘ Analyse the performance of assets under management, fund profitability and management mandates and the performance of the different asset managers;
- ⌘ Monitor the value of the fund's liabilities and level of financing;
- ⌘ Issue an opinion on investment policy and/or management mandates, actuarial assumptions used in calculating the fund's liabilities and members' contributions to the fund.

The Pension Plan and Fund Committee's membership is as follows:

Pension Plan and Fund Committee

Chairman: Member of the EBD (Finance)
Secretary: Head of CC Finance Management
CC and BU Members (besides the secretary)
Head of Human Resources
Head of CC Risk Management
Head of CC Consolidation, Control Accounting and Taxation
Representative Head of Human Resources (Labour Relations)

The Pension Plan and Fund Committee held four meetings in 2015.

CORPORATE DEVELOPMENT COMMITTEE

The Corporate Development Committee's duties are as follows:

- ⌘ Promote and monitor group-wide programmes arising from the organisational and operational priorities established at the corporate level;
- ⌘ Promote and analyse organisational benchmark studies;
- ⌘ Analyse, discuss and issue opinions on proposed changes to the management model of Group processes and monitor their implementation;
- ⌘ Coordinate the optimisation of processes of corporate interest;

- ▣ Assess and issue opinions on the support tools and organisational efficiency to meet the common needs of the EDP companies in terms of organisation and operation.

The Corporate Development Committee's membership are as follows:

Corporate Development Committee

Chairman: Member of the EBD (Organisational Development)
Secretary: Head of CC Organisational Development
Members of the EBD (besides the Chairman):
Member of the EBD (Human Resources)
CC and BU members (besides the secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Brazil
Board member of EDP Gás
Board member of EDP Renováveis
Board member of EDP Valor
General Manager EDP Spain (HC/NG)
Head of CC Human Resources
Head of CC IT Systems
Representatives of CC Organisational Development (Organization)
Representatives of CC Organisational Development (Process)

The Corporate Development Committee held two meetings in 2015.

HUMAN RESOURCES COMMITTEE

The Human Resources Management Committee's responsibilities are as follows:

- ▣ Discuss and align the definition of people management strategy of the EDP Group;
- ▣ Analyze key indicators for the different potential segments, and discuss and align development policies and instruments;
- ▣ Share information and issue opinions on measures to promote internal mobility;
- ▣ Discuss and share initiatives aimed at cultural alignment and promoting a culture of meritocracy;
- ▣ Discuss and issue an opinion on the annual budget of Human Resources EDP Group and monitor its progress;
- ▣ Promote best practices in diversity, proposing the incorporation and compliance with the Group's policy.

The Human Resources Committee's membership are as follows:

Human Resources Committee
Chairman: Chairman of the EBD
Secretary: Head of CC Human Resources
Members of the EBD (besides the Chairman):
Member of the EBD (HR/Brazil)
Member of the EBD (Finance)
Member of the EBD (Renewables)
Member of the EBD (Generation)
Member of the EBD (Distribution Networks)
Member of the EBD (International)
Member of the EBD (Trading, Spain)
CC and BU members (besides the secretary):
Board member of EDP Distribuição
Board member of EDP Produção
Board member of EDP Soluções Comerciais
Board member of EDP Comercial
Board member of EDP Valor
Board member of EDP Renováveis
Board member of EDP Gás
Board member of EDP Brasil (Human Resources)
Board member of EDP Foundation
Head of CC Communication and Brand
Head of CC Organisational Development
Head of CC EDP University
Head of CC Institutional Relations and Stakeholders
Ethics Ombudsman
<i>Ad-hoc members:</i>
Manager EDP Brazil (HR)
Manager EDP Renováveis (HR)
Manager EDP Spain (HR) (HC/NG)
Representative Head of CC Human Resources, according to meeting's agenda

The Human Resources Committee held two meetings in 2015.

INFORMATION TECHNOLOGY COMMITTEE

The Information Technology Committee's duties are as follows:

- ⌘ Discuss and issue opinions on guidelines for the strategic planning of information systems;
- ⌘ Validate the plan and annual budget for the IT;
- ⌘ Align priorities related to strategic projects;
- ⌘ Issue an opinion on the relationship model between DSI and Corporate Business Units;
- ⌘ Appreciate the performance of projects, systems and associated services, developing recommendations to achieve greater efficiency and availability.

The Information Technology Committee's membership is as follows:

Information Technology Committee
Chairman: Member of the EBD (Área Sistemas de Informação)
Secretary: Head of CC Sistemas de Informação
CC and BU members (besides the secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Brasil
Board member of EDP Valor
Board member of EDP Inovação
Board member of EDP Renováveis
General Manager EDP Spain (HC/NG)
Head of CC Organisational Development
Head of CC Human Resources
Head of UNGE

The Information Technology Committee held three meetings in 2015.

LOCAL AUTHORITIES COMMITTEE

The Local Authorities Committee's duties are:

- ❑ Share information, events and projects that are important to relations with local authorities in each business area;
- ❑ Analyse strategy for settling disputes, negotiation of specific issues and creation of business opportunities;
- ❑ Analyse, discuss and issue opinions on relations between the Group's areas and local authorities and procedure priorities;
- ❑ Promote and coordinate promotional events in municipalities to develop relationships or exploit business opportunities;
- ❑ Promote a support platform for relations with local authorities for recording contacts with them and other information on their monitoring and relations.

The Local Authorities Committee's membership is as follows:

Local Authorities Committee
Chairman: Member of the EBD (Distribution)
Secretary: Board member of EDP Distribuição
Members of the EBD (besides the Chairman):
Other EBD's Members (ad-hoc/depending on the matters under discussion)
CC and BU members (besides the secretary):
Board member of EDP Produção
Board member of EDP Serviço Universal
Board member of EDP Soluções Comerciais
Board member of EDP Comercial
Board member of EDP Gás Distribuição (Portgás)
Board member of EDP Renováveis
Board member of EDP Imobiliária
Representative of EDP Foundation
Head of CC Communication Coordination
Head of CC Institutional Relations and Stakeholders
Head of EDP Distribuição (Institutional Relations)

The Local Authorities Committee held four meetings in 2015.

COMPLIANCE COMMITTEE

The Compliance Committee and has the following responsibilities:

- ⌘ Monitoring the evolution of rules and regulations in the regulatory, legal and financial matters, applicable to the Group's operations in Portugal;
- ⌘ To monitor and assess Group compliance on rules and regulations within the Committee;
- ⌘ Assess the need for developing compliance reinforcement measures against the legal provisions fall within the scope of the Committee;
- ⌘ Coordinate the implementation of the "Norma" Compliance Programme, the measures adopted under the project "Norma";
- ⌘ Evaluate and issue an opinion on compliance with the Compliance Programme and report results produced annually by the Compliance Officer;
- ⌘ Ensure the interactions considered necessary with the Compliance Officer.

The Compliance Committee is composed as follows:

Compliance Committee

Chairman: Chairman of the EBD
Secretary: Head of CC Auditoria Interna
Members of the EBD (besides the Chairman):
Member of the EBD (Distribution)
Member of the EBD (Finance)
Member of the EBD (Regulation and Competition)
Member of the EBD (Trading)
CC and BU members (besides the secretary)
Board member of EDP Distribuição
Board member of EDP Serviço Universal
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Gás
Board member of EDP Valor
Head of CC General Secretariat and Legal Office
Head of CC Risk Management
Head of CC Regulation and Competition
Head of CC Consolidation, Accounting Control and Tax
Head of CC Organisational Development
Head of CC Information Systems
Ethics Ombudsman
Representative of EDP Distribuição (Legal)
Representative of EDP Gás (Regulation)
Representative of EDP Brazil

The Compliance Committee held two meetings in 2015.

INFORMATION SECURITY AND DATA GOVERNANCE COMMITTEE

The Information Security and Data Governance Committee, established in 21 September 2015, has the following responsibilities:

- ❑ Propose and promote initiatives and guidelines to ensure alignment between the various areas and group companies involved in information security;
- ❑ Discuss and issue opinions on the political and strategic security plan of the EDP Group's information and monitor its implementation;
- ❑ Assess risks and advise on exceptions to the application of information security policy;
- ❑ Monitor serious incidents and the evolution of the Group's information security risk profile, promoting safety initiatives and the development of policy and procedures;
- ❑ Data management;
- ❑ Discuss and advise on strategy, objectives, policies and data lifecycle management standards;
- ❑ Assess and advise on the plan and data governance overall budget and on the allocation of ownership of each master data;
- ❑ Follow the transversal project data to different BU, the operationalization of the defined data organization strategies and promoting corrective action and resolution scaling situations of "conflict" related data;

The Information Security and Data Governance Committee is composed as follows:

Information Security and Data Governance Committee
Chairman: Chairman of the EBD (Information Systems)
Secretary: Head of CC Information Systems
Members of the EBD (besides the Chairman):
Member of the EBD (Trading)
CC and BU members (besides the secretary)
Board member of EDP Valor
Board member of EDP Brasil
Board member of EDP Comercial
Board member of EDP Distribuição
Board member of EDP Serviço Universal
Board member of EDP Inovação
General Manager EDP Spain (HC/NG)
Head of CC Customer and Marketing
Head of CC Internal Audit
Head of CC Risk Management
Manager of EDP Renováveis
Manager of EDP Produção
Head of Information Security (IT)
Head of Data EDP Soluções Comerciais

O Information Security and Data Governance Committee realizou uma reunião em 2015.

III - BUSINESS COMMITTEES GENERATION COMMITTEE

The Generation Committee's main duties are:

- ⌘ Exchange information on business performance in each region, including the critical environments (regulations, etc);
- ⌘ Discuss, align and issue opinions on key matters for approval by the Executive Board of Directors or Board of Directors of generating companies;
- ⌘ Develop a uniform view of the business and maintain multi-region benchmarking (organisation, processes and management information);
- ⌘ Foster (best) common practices in selected processes or activities;
- ⌘ Share unique or specialised assets (human, technological, knowledge).

The Generation Committee's membership is as follows:

Generation Committee

Chairman: Member of the EBD (Generation)

Secretary: Rep. EDP Produção (Knowledge Management)

Members of the EBD (besides the Chairman):

Member of the EBD (Spain)

Member of the EBD (Brazil)

CC and BU members (besides the secretary)

BD of EDP Produção

Board member EDP Brasil

Board member EDP Internacional

Head of UNGE

Head of CC Planeamento Energético

Head of CC Sustentabilidade

Manager EDP Spain (Project) (HC/NG)

Ad-hoc members:

Other, working groups responsible or ad-hoc matters

The Generation Committee held two meetings in 2015.

DISTRIBUTION NETWORKS COMMITTEE

The Distribution Networks Committee's duties are as follows:

- ❖ Exchange information on business performance in each region, including the critical environments (regulations, etc);
- ❖ Discuss, align and issue opinions on key matters for approval by the Executive Board of Directors or Board of Directors of distributing companies;
- ❖ Develop a uniform view of the business and maintain multi-region benchmarking (organisation, processes and management information);
- ❖ Foster (best) common practices in selected processes or activities;
- ❖ Share unique or specialised assets (human, technological, knowledge).

The Distribution Networks Committee's membership is as follows:

Distribution Networks Committee
Chairman: Member of the EBD (Distribution)
Secretary: Board member of EDP Distribuição
Members of the EBD (besides the Chairman):
Member of the EBD (Spain)
CC and BU members (besides the secretary)
Board member of EDP Gás Distribuição (Portgás)
Board member of EDP Brazil
Board member of EDP Spain (Distribution) (HC/NG)
Representative of EDP Branch in Spain
<u>Ad-hoc members:</u>
Head of CC Organisational Developemnt
Head of CC Energy Planning
Head of CC Regulation and Competition
Head of CC Human Resources
Head of CC Sustainability
Head of EDP Distribuição (Regulation)
Head of EDP Distribuição (Environmental)
Head of EDP Distribuição (Human Resources)
Head of EDP Spain (Regulation) (HC/NG)
Head of EDP Spain (Environmental) (HC/NG)
General Manager EDP Brasil (Distribution)
Board member of EDP Inovação (*)
Board member of Labelec (*)
Head of CC EDP University (*)
(*) Other, sub-committees responsible or ad-hoc matters

The Distribution Networks Committee held three meetings in 2015.

IBERIAN COMMERCIAL COMMITTEE

The Iberian Commercial Committee's duties are as follows:

- ⌘ Exchange information on business performance in each region and in the Iberian Peninsula, including the critical environments (regulations, etc);
- ⌘ Discuss, align and issue opinions on key matters (such as goals, marketing plan, etc) for approval by the Executive Board of Directors or Board of Directors of supply companies;
- ⌘ Develop a uniform, integrated view of the Iberian business and maintain the multi-region benchmarking (marketing, products, commercial matters and management information);
- ⌘ Foster (best) common practices in selected processes or activities;
- ⌘ Share unique or specialised assets (human, technological, knowledge).

The Iberian Commercial Committee's membership is as follows:

Iberian Commercial Committee
Chairman: Member of the EBD (Área Comercial)
Secretary: General Manager EDP Spain (HC/NG)
Members of the EBD (besides the Chairman):
Member of the EBD (Regulation and Competition)
Member of the EBD (Spain)
CC and BU members (besides the secretary)
Board member of EDP Serviço Universal
Board member of EDP Comercial (B2B)
Board member of EDP Comercial (B2C)
Board member of EDP Gás Serviço Universal
Board of Directors of EDP Soluções Comerciais
Head of CC Customer and Marketing
Head of CC IT Systems
Head of CC Communication Coordination
Head of UNGE
Manager EDP Spain (Commercial B2B) (HC/NG)
Manager EDP Spain (Commercial B2C) (HC/NG)
Representative of EDP Spanish Branch
<u>Ad-hoc members:</u>
Head of EDP Comercial - Marketing GC
Head of EDP Comercial - Marketing PME&E
Head of EDP Comercial - Marketing B2C

The Iberian Commercial Committee held four meetings in 2015.

TRANSVERSAL COORDINATION OF INTERNATIONALISATION PROJECTS COMMITTEE

The Transversal Coordination of Internationalisation Projects Committee's duties are as follows:

- ❑ To share studies and relevant information for the business development on the areas outside Portugal;
- ❑ Analyse promotional commercial activities in all geographies;
- ❑ Discuss, align and issue opinions on key issues for the business international development;
- ❑ Follow the process composition of commercial proposals;
- ❑ Foster (best) common practices.

The Transversal Coordination of Internationalisation Projects Committee has the following composition:

Transversal Coordination of Internationalisation Projects Committee

Chairman: Member of the EBD (Internationalization)

Secretary: Board member of EDP Internacional

Members of the EBD (besides the Chairman):

Member of the EBD (Renewables)

Member of the EBD (Generation)

CC and BU members (besides the secretary):

Board member of EDP Produção

Board member of EDP Distribuição

Board member of EDP Renováveis

Board member of Labelec

Head of CC Business Analysis

Manager of EDP Internacional

Manager EDP Renováveis

Head of Project A2D

The Transversal Coordination of Internationalisation Projects Committee held two meetings in 2015.

IV - CUSTOMER OMBUDSMAN

The Customer Ombudsman is an independent entity that was created in 2009 to reinforce the EDP Group's customer care policy. Its responsibilities are as follows, pursuant to Article 9 of the EDP Group Companies' Customer Ombudsman Regulations:

- ⌘ Receive and examine complaints filed by customers and directly related to actions or omissions by EDP Group companies;
- ⌘ Enter into dialogue with customers making a complaint;
- ⌘ Arbitrate disputes and conflicts between customers and EDP Group companies;
- ⌘ Issue opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their corporate bodies;
- ⌘ Propose measures to improve quality of service and customer satisfaction;
- ⌘ Contact third parties to obtain specialist information so that recommendations can be made to the EDP Group companies on measures to be taken to improve their customer relations.

The Customer Ombudsman's term of office is three years, and is renewable twice, for an equal period (Article 5 (2) of the EDP Group Companies' Customer Ombudsman Regulations). In the performance of his duties, the Customer Ombudsman has an independent Customer Ombudsman Office and an annual budget (Article 20 of the EDP Group Companies' Customer Ombudsman Regulations).

V - SUBSIDIARY IN SPAIN

Subsidiary EDP España manages and coordinates the energy interests of the EDP Group's dependent subsidiaries in Spain. Its management and supervisory bodies ensure optimisation of synergies and creation of value in operations and activities in Spain. It is also the organisational platform Iberian integration of support services. To this end, Su subsidiary EDP España owns all the majority financial holdings in EDP Renováveis and HC ENERGÍA and, indirectly, in Naturgas Energía Grupo S.A. (Naturgas) via majority control of it, among others

Subsidiary EDP España has offices in Madrid and Oviedo. It is represented in relations with third parties by permanent representatives, who have been appointed members of the EDP Executive Board of Directors for that purpose.

The company's steering, coordination, management and representation structure consists of an Executive Committee and Management Committee. The Executive Committee is composed of five permanent EDP representatives, one Group Controller for activities in Spain, and front line managers in charge of the business units in Spain. This committee basically serves as the coordinator of the permanent representatives' activities.

The Management Committee is chaired by the Group Controller and is a natural extension of the management departments at the EDP Corporate Centre, i.e. the Business Analysis, Legal, Audit, Financial and Management, Commercial Shared Services, Information Systems departments, Human Resources and EDP España Foundation. The committee groups and performs the tasks of these departments in Spain. The Subsidiary EDP España is represented in Committees in the the EDP Iberian committees, namely: Iberian Commercial and Market Committee, Distribution Grids Committee and Iberian Commercial Committee.

EDP Energias de Portugal, Sucursal en España, Sociedad Anónima

ADMINISTRATION, COORDINATION, MANAGEMENT AND REPRESENTATION STRUCTURE

EXECUTIVE COMMITTEE

Permanent EDP Representative	António Mexia (Presidente)
Permanent EDP Representative	Nuno Almeida Alves
Permanent EDP Representative	João Manso Neto
Permanent EDP Representative	António Martins da Costa
Permanent EDP Representative	Miguel Stilwell de Andrade
Chairman of the Board, HC Energía	Manuel Menéndez Menéndez
General Corporate - Activities Spain	Miguel Ribeiro Ferreira
1st Line Responsible, HC Energía	Javier Sáenz de Jubera
1st Line Responsible, NG Energia	Massimo Rossini
1st Line Responsible, EDP Renováveis	João Paulo Costeira

MANAGEMENT COMMITTEE

Legal Department	Pelayo Echavarria
Financial and Management Department	Félix Arribas
Human Resources Department	Félix Arribas
Information Systems Department	José Negueruela
Internal Audit Department	Azucena Viñuela
Business Analysis Department	João Nicolau
Commercial Shared Services Department	Rita Ferreira
EDP España Foundation Department	Vanda Martins
GENERAL SECRETARY	José Luis Martínez Mohedano

B) OPERATION

22. LOCATION WHERE THE OPERATING REGULATIONS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS CAN BE CONSULTED

The operations of the General and Supervisory Board and Executive Board of Directors are governed by their Internal Regulations, available on EDP's website, at "<http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx>".

23. MEETINGS AND ATTENDANCE RATE OF EACH MEMBER OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, on his/her own initiative or at the request of any of its members, the Executive Board of Directors or its Chairman, pursuant to Article 24 (1) of the Articles of Association and Article 19 (1) of the Internal Regulations of the General and Supervisory Board.

The General and Supervisory Board met ten times in 2015 and minutes were kept of all the meetings. Information on the attendance of each member of the board is provided in Annex II to this report.

Pursuant to the provisions of Article 20(1) of the Articles of Association and Article 6(1) of the Rules of the Executive Board of Directors, this body will have ordinarily met at least twice a month, as fortnightly meetings were compulsory. Nevertheless, the Executive Board of Directors meets weekly, as a rule.

The Executive Board of Directors met forty-eight times in 2015 and minutes were kept of all the meetings. Information on the attendance of each member of the board is provided in Annex III of this report.

24. COMPANY BODIES WITH POWERS TO EVALUATE PERFORMANCE OF EXECUTIVE DIRECTORS

The Remuneration Committee of the General and Supervisory Board is responsible for, namely, the annual evaluation of the Executive Board of Directors, taking into account, among other factors, the fulfillment of the company's strategy and the previously set goals, plans and budgets for the purpose of considering and determining the variable remuneration of the Chairman and of the other members of the Executive Board of Directors. It also evaluates the individual performance of each member of the Executive Board of Directors, including this evaluation the contribution of each member to the mode of operation of this body and the relationship between the various corporate bodies of the company.

25. PRE-DETERMINED CRITERIA FOR PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS

These criteria for evaluating the performance of the Members of the Executive Board of Directors are set out in points 69 and 71 of the Corporate Governance report.

26. POSITIONS HELD AT OTHER GROUP OR NON-GROUP COMPANIES BY EACH MEMBER OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

The positions held by members of the General and Supervisory Board and Executive Board of Directors in other EDP Group or non-group companies are shown in Annex I and IV.

C) COMMITTEES OF THE MANAGING OR SUPERVISORY BODY

27. COMMITTEES SET UP IN THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

The Internal Regulations of the General and Supervisory Board provide for the establishment of standing committees and ad hoc committees, composed of some of its members, without prejudice to its responsibility for the exercise of its duties as a corporate body. These committees may be set up whenever it sees fit and appropriate and have specific duties delegated to them.

The main remit of the standing and ad hoc committees is specific, continuous monitoring of the matters entrusted to them, in order to ensure informed decisions by the General and Supervisory Board or provide it with information on certain matters.

The committees' activity is coordinated by the Chairman of the General and Supervisory Board, who ensures proper articulation of the committees with the plenary board through their chairmen, who keep him informed by sending notices and the minutes of meetings.

The General and Supervisory Board believes that the committees are important to the regular functioning of the company as they can perform certain delegated duties, especially monitoring the company's financial information, reflecting on its governance system, assessing the performance of directors and evaluating its own overall performance.

The General and Supervisory Board in office until 21 April 2015 had five specialised committees: Financial Matters Committee/Audit Committee, Remuneration Committee, Strategy Committee, Performance Analysis and Competitiveness Committee, and Corporate Governance and Sustainability Committee.

The General and Supervisory Board that took office thereafter, established in the meeting of 22 April 2015 its specialized committees: Financial Matters Committee/Audit Committee, Remuneration Committee, Strategy Committee, Performance Analysis and Competitiveness Committee, and Corporate Governance and Sustainability Committee.

In the meeting of 18 June 2015, the General and Supervisory Board considered the competences of the Strategy Committee and of the Performance Analysis and Competitiveness Committee were totally compatible and, in several situations, interdependent, having thus decided to fusion both committees, creating the Strategy and Performance Committee. On such meeting all the internal regulations for all the committees was approved by the General and Supervisory Board.

28. MEMBERSHIP OF THE EXECUTIVE COMMITTEE AND/OR NAME OF MANAGING DIRECTOR(S)

Not applicable to EDP's governance model

29. DUTIES OF EACH COMMITTEE AND SUMMARY OF WORK PERFORMED WHILE CARRYING THEM OUT

A. THE COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting, as confirmed by the Curriculum Vitae of Chairman, which can be viewed in the chapter on corporate bodies.

The Financial Committee/Audit Committee had the following members until 21 April 2015:

Financial Matters Committee/Audit Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	21-02-2012
Vice-Chairman	Vítor Fernando da Conceição Gonçalves	13-07-2006
	António Sarmento Gomes Mota	07-05-2009
	Manuel Fernando de Macedo Alves Monteiro	13-07-2006
	Maria Celeste Ferreira Lopes Cardona	18-04-2012

The Financial Committee/Audit Committee had the following members after 22 April 2015:

Financial Matters Committee/Audit Committee		First appointment date
Chairman	António Sarmento Gomes Mota	07-05-2009
Vice-Chairman	João Carlos Carvalho das Neves	22-04-2015
	Alberto Joaquim Milheiro Barbosa	22-04-2015
	Maria del Carmen Ana Fernández Rozado	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012

In accordance with the article 444 (2) of the Companies Code, the Articles of Association and the Internal Regulations of the Financial Matters Committee/Audit Committee, are assigned to this Committee, by delegation from the General and Supervisory Board, the following powers:

- ❑ Issue opinions on the annual report and accounts;
- ❑ Permanently oversee the work of the Statutory Auditor and the External Auditor of EDP and issue opinions on the Statutory Auditor's election or appointment, removal from office, independence and other relations with EDP;
- ❑ Permanently monitor and assess internal accounting and auditing procedures and the efficacy of the risk-management system, internal control system and internal audit system;
- ❑ Monitor the bookkeeping, accounting records, supporting documents and the status of any assets or securities held by EDP in any capacity, as and when it sees fit;
- ❑ Exercise the powers expressly granted by the General and Supervisory Board;
- ❑ Exercise any other powers that may be specifically granted by law.

As a specialised committee of the General and Supervisory Board, the Financial Matters Committee/Audit Committee also assists it in the hiring and dismissal of the External Auditor, pursuant to Article 10 (1) (k) of the Internal Regulations of the Financial Matters Committee/Audit Committee.

The membership, role and functioning of the Financial Matters Committee/Audit Committee are in line with the European Commission Recommendation of 15 February 2005 (2005/162/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC).

In view of these duties, the Financial Matters Committee/Audit Committee held eleven meetings in 2015, as envisaged in its Activity Plan. The matters addressed in those meetings were: supervision of the financial reporting and business of EDP, monitoring the activity of Internal Audit Department, monitoring the activity of the Risk Management Department of the EDP group, monitoring the activity of IT Department of the EDP Group, monitoring litigation processes in the EDP group, monitoring the contractual relationship with the statutory auditor and external auditor, their activities and assessing the objective conditions of their independence,

monitoring reports of irregularities (whistleblowing) and the relationship with the Audit Committees of the subsidiaries.

REMUNERATION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD

The Remuneration Committee appointed by the General and Supervisory Board, pursuant to Article 27 of EDP's Articles of Association, defines the remuneration of the Executive Board of Directors as well as any supplements.

According to the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit a declaration on the remuneration policy followed for the members of the Executive Board of Directors and which it has approved by it.

The Remuneration Committee held four meetings during 2015, considering its duties. The following topics were discussed: (i) the 2014 financial year variable annual remuneration policy for the members of the EBD, based on the guidelines already approved and approved at the General Meeting (ii) assessing the adequacy of the current remuneration policy of the members of the EBD and, for this purpose, the Commission decided to hire an external consultant expert in these matters to support the Committee on this matter (iii) analysis and discussion the conclusions of the study carried out by the external consultant on the relative position of the remuneration policy of EBD members of EDP by comparison with those in the market, including PSI 20 and Euro Stoxx Util 600 Companies and (iv) determination of the remuneration policy of the EBD members for 2016 in terms of fixed remuneration and annual variable remuneration and for the triennium 2015-2017, in terms of multiannual remuneration

The Remuneration Committee of the General and Supervisory Board is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, who are all independent from the managing body. This committee always has a representative at the General Meetings of Shareholders.

Until 21 April 2015, the Remuneration Committee had the following members:

Remuneration Committee of the GSB		First appointment date
Chairman	Alberto João Coraceiro de Castro	13-07-2006
	Ilídio da Costa Leite de Pinho	22-05-2012
	Guojon Lu	11-05-2012
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	18-04-2012

The Remuneration Committee then had the following members after 22 April 2015:

Remuneration Committee of the GSB		First appointment date
Chairman	Yang Ya	22-04-2015
	Fernando Masaveu Herrero	22-04-2015
	Ilídio da Costa Leite de Pinho	22-05-2012
	João Carvalho das Neves	22-04-2015
	Vasco Joaquim Rocha Vieira	22-04-2015

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to permanently monitor and supervise all matters related with the following:

- ⌘ Corporate governance;
- ⌘ Strategic sustainability;
- ⌘ Internal codes of ethics and conduct;
- ⌘ Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- ⌘ Monitoring of the definition of criteria and duties to be complied with in EDP's bodies or subsidiaries and their repercussions on their membership; and

❑ Drafting of succession plans.

The role of the Corporate Governance and Sustainability Committee is to assist the General and Supervisory Board in the continuous evaluation of the management and the performance assessment of the General and Supervisory Board itself. The General and Supervisory Board makes this assessment annually, based on the committee's work, and publishes them in a report. The conclusions of this assessment are included in the annual report of the General and Supervisory Board and presented to shareholders at the Annual General Meeting.

The topics covered in-depth at the five meetings held in 2015 of the Corporate Governance and Sustainability Committee, in compliance with its specific duties, were the following: reporting of relevant situations in terms of Conflicts of Interest, conduct and ethics, sustainability, corporate image and approval of the new Manual of Corporate Governance and monitoring the activities of the Office of the Ethics Ombudsman.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board, the majority of whom are independent, with the appropriate qualifications and experience for their duties.

The Corporate Governance and Sustainability Committee had the following members until 21 April 2015:

Corporate Governance and Sustainability Committee		First appointment date
Chairman	Manuel Fernando de Macedo Alves Monteiro	18-04-2012
	Ilídio da Costa Leite de Pinho	18-04-2012
	Maria Celeste Lopes Cardona	18-04-2012
	Vasco Joaquim Rocha Vieira	18-04-2012
	Shengliang Wu	11-05-2012

The Corporate Governance and Sustainability Committee then had the following members after 22 April 2015:

Corporate Governance and Sustainability Committee		First appointment date
Chairman	Luís Filipe Marques Amado	22-04-2015
	Felipe Fernández Fernández	22-04-2015
	Jorge Avelino Braga de Macedo	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012
	Shengliang Wu	11-05-2012

STRATEGY COMMITTEE AND COMPETITIVENESS AND PERFORMANCE ANALYSIS COMMITTEE

Until 21 April 2015, the Strategy Committee was composed of the following members:

Strategy Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	18-04-2012
Vice-Chairman	Dingming Zhang	11-05-2012
	Felipe Fernández Fernández	18-04-2012
	Harkat Abderezak	18-04-2012
	Jorge Braga de Macedo	18-04-2012
	Mohamed Ali Ismaeil Ali Al Fahim	18-04-2012
	Augusto Carlos Serra Ventura Mateus	09-05-2013
	Nuno Manuel da Silva Amado	09-05-2013
	Shengliang Wu	09-05-2013

From 22 April 2015 to 18 June 2015, the Strategy Committee was composed of the following members:

Strategy Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	18-04-2012
	Alberto Joaquim Milheiro Barbosa	18-06-2015
	Augusto Carlos Serra Ventura Mateus	09-05-2013
	Dingming Zhang	11-05-2012
	Fernando Maria Masaveo Herrero	22-04-2015
	João Carlos Carvalho das Neves	22-04-2015
	Jorge Avelino Braga de Macedo	18-04-2012
	Mohamed Ali Ismaeil Ali Al Fahim	18-04-2012
	Nuno Manuel da Silva Amado	09-05-2013
	Ferhat Onoughi	22-04-2015
	Shengliang Wu	22-04-2015

The Strategy Committee met three times up until 18 June 2015 and the respective minutes were drawn up.

PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE

Until 21 April 2015, the Competitiveness and Performance Analysis Committee was composed of the following members:

Performance Analysis and Competitiveness Committee		First appointment date
Chairman	Luís Filipe da Conceição Pereira	18-04-2012
Vice-Chairman	Ya Yang	11-05-2012
	Alberto João Coraceiro de Castro	18-04-2012
	António Sarmiento Gomes Mota	18-04-2012
	Fernando Masaveu Herrero	18-04-2012
	Nuno Manuel da Silva Amado	09-05-2013
	Shengliang Wu	09-05-2013

From 22 April 2015 to 18 June 2015, the Competitiveness and Performance Analysis Committee was composed of the following members:

Performance Analysis and Competitiveness Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	18-04-2012
	Alberto Joaquim Milheiro Barbosa	18-06-2015
	Augusto Carlos Serra Ventura Mateus	09-05-2013
	Dingming Zhang	11-05-2012
	Fernando Maria Masaveo Herrero	22-04-2015
	João Carlos Carvalho das Neves	22-04-2015
	Jorge Avelino Braga de Macedo	18-04-2012
	Mohamed Ali Ismaeil Ali Al Fahim	18-04-2012
	Nuno Manuel da Silva Amado	09-05-2013
	Ferhat Onoughi	22-04-2015
	Shengliang Wu	22-04-2015

The Competitiveness and Performance Analysis Committee met three times until 18 June 2015 and the respective minutes were drawn up.

STRATEGY AND PERFORMANCE COMMITTEE

The Strategy and Performance Committee is a specialised Committee of the General and Supervisory Board, the purpose of which is to follow and supervise the questions regarding the following matters at all times:

- ⌘ The short-, medium- and long-term scenarios and strategies.
- ⌘ The strategic implementation, business planning and the respective budgets.
- ⌘ The investments and divestments.
- ⌘ Debt and funding.
- ⌘ Strategic alliances.
- ⌘ Market and competitiveness evolution.
- ⌘ Regulation.
- ⌘ Analysis of the performance of the Group and the Business Units.
- ⌘ The benchmarking of the company group performance compared with the companies at the top of the sector.
- ⌘ The assessment of the competitiveness of the EDP business portfolio.

The Strategy and Performance Committee is composed of the following members:

Strategy and Performance Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	18-06-2015
	Alberto Joaquim Milheiro Barbosa	18-06-2015
	Augusto Carlos Serra Ventura Mateus	18-06-2015
	Dingming Zhang	18-06-2015
	Fernando Maria Masaveo Herrero	18-06-2015
	João Carlos Carvalho das Neves	18-06-2015
	Jorge Avelino Braga de Macedo	18-06-2015
	Mohamed Ali Ismaeil Ali Al Fahim	18-06-2015
	Nuno Manuel da Silva Amado	18-06-2015
	Ferhat Ounoughi	18-06-2015
	Shengliang Wu	18-06-2015

The Strategy and Performance Committee held five meetings and the respective minutes were drawn up.

B. OTHER COMPANY BODIES

ENVIRONMENT AND SUSTAINABILITY BOARD

The Environment Board was set up as a company body in 1991. Its name was changed to Environment and Sustainability Board by decision of the Annual General Meeting of 30 March 2006.

As a company body, the Environment and Sustainability Board has powers to advise the Executive Board of Directors on environment and sustainability matters. In particular, it provides advice and support in defining the company's environmental and sustainability strategy and drafting opinions and recommendations on the environmental impact of projects planned by the EDP Group (Article 28 (1) of EDP's Articles of Association).

The current members of the Environment and Sustainability Board, pursuant to Article 28 (2) of EDP's Articles of Association, have acknowledged competence in the field of environmental protection and sustainability.

The members of the Environment and Sustainability Board were re-elected at the Annual General Meeting of Shareholders on 21 April 2015 for a new term of office for the three-year period between 2015 and 2017.

The Environment and Sustainability Board's membership is as follows:

Environmental and Sustainability Board	
Chairman	José Pedro Sucena Paiva
	Alberto da Ponte
	António José Tomás Gomes de Pinho
	José Manuel Viegas
	Maria da Graça Madeira Martinho

REMUNERATION COMMITTEE OF THE GENERAL MEETING

The remuneration of the corporate bodies, with the exception of the members of the Executive Board of Directors, is defined by the Remuneration Committee elected by the General Meeting (Article 11 (2) (d) of EDP's Articles of Association).

Pursuant to this Article, the majority of the members of the Remuneration Committee of the General Meeting must be independent.

The Remuneration Committee of the General Meeting in force until 21 April 2015 had the following members:

Remuneration Committee of the General Meeting	
Chairman	José Manuel Archer Galvão Teles
	José de Mello - Sociedade Gestora de Participações Sociais, S.A. (represented by Luís Eduardo Brito Freixial de Goes)
	Álvaro João Duarte Pinto Correia

From 22 April 2015, the Remuneration Committee of the General Meeting has the following composition:

Remuneration Committee of the General Meeting	
Chairman	Luís Miguel Nogueira Freire Cortes Martins
	José Gonçalo Maury
	Jaime Amaral Anahory

III. SUPERVISION

A) COMPOSITION

30. THE SUPERVISORY BODY

EDP's two-tier model of corporate governance has made possible an effective separation between supervision and management of the company. The General and Supervisory Board is the highest supervisory body.

31. MEMBERSHIP FINANCIAL MATTERS COMMITTEE - EFFECTIVE MEMBERS AND TERM OF OFFICE

The duties of the Financial Matters Committee /Audit Committee are described in Point 29 of the corporate governance report.

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting, as confirmed by the Curriculum Vitae of the Chairman, which The Financial Committee/Audit Committee had the following members until 21 April 2015:

The Financial Committee/Audit Committee had the following members until 21 April 2015:

Financial Matters Committee/Audit Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	21-02-2012
Vice-Chairman	Vítor Fernando da Conceição Gonçalves	13-07-2006
	António Sarmento Gomes Mota	07-05-2009
	Manuel Fernando de Macedo Alves Monteiro	13-07-2006
	Maria Celeste Ferreira Lopes Cardona	18-04-2012

The Financial Committee/Audit Committee had the following members after 22 April 2015:

Financial Matters Committee/Audit Committee		First appointment date
Chairman	António Sarmento Gomes Mota	07-05-2009
Vice-Chairman	João Carlos Carvalho das Neves	22-04-2015
	Alberto Joaquim Milheiro Barbosa	22-04-2015
	Maria del Carmen Ana Fernández Rozado	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012

32. INDEPENDENT MEMBERS OF THE FINANCIAL MATTERS COMMITTEE

See Point 31.

33. QUALIFICATIONS OF MEMBERS OF THE FINANCIAL MATTERS COMMITTEE

See Annex I.

B) OPERATION

34. LOCATION AT WHICH THE OPERATING PROCEDURES OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE CAN BE VIEWED

The Financial Matters Committee/Audit Committee's work is governed by Internal Regulations, available on EDP's website at <http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx>.

35. MEETINGS AND ATTENDANCE RATE OF EACH MEMBER OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

In 2014, the Financial Matters Committee/Audit Committee met eleven times and minutes of its meetings were kept. Information on the attendance rate of the committee's members is given in Annex V of this report.

36. POSITIONS HELD IN OTHER COMPANIES WITHIN AND OUTSIDE THE GROUP BY EACH FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE MEMBER

See Annex I.

C) POWERS AND DUTIES

37. PROCEDURES AND CRITERIA GOVERNING THE SUPERVISORY BODY'S INVOLVEMENT IN HIRING ADDITIONAL SERVICES FROM THE EXTERNAL AUDITOR

The proposal for hiring additional services of the External Auditor and Statutory Auditor is made by the Executive Board of Directors to the Financial Matters Committee/Audit Committee and any contracting requires the prior authorisation of that Committee.

Rules of procedure on the Provision of Services by the Statutory Auditor and External Auditor of EDP are in force, in this regard, and the implications on the hiring of additional services are described in point 46.

There are other rules of procedure adopted by the Executive Board of Directors that ensure all EDP Group companies comply with the rules contained in the referred rules of procedure.

38. OTHER DUTIES OF THE SUPERVISORY BODIES AND, IF APPLICABLE, OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

The duties of the Financial Matters Committee/Audit Committee, delegated to it by the General and Supervisory Board pursuant to the Articles of Association and the Internal Regulations of the Financial Matters Committee/Audit Committee are described in Point 29.

IV. STATUTORY AUDITOR

39. THE STATUTORY AUDITOR AND THE CERTIFIED AUDITOR REPRESENTING IT

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. (KPMG), represented by Vítor Manuel da Cunha Ribeirinho, was elected EDP's Statutory Auditor for 2015-2017 at the General Meeting of 21 April, 2015.

40. NUMBER OF YEARS FOR WHICH THE STATUTORY AUDITOR HAS WORKED CONSECUTIVELY WITH THE COMPANY AND/OR GROUP

The Statutory Auditor has been working with the company since 31 January 2005.

41. OTHER SERVICES PROVIDED TO THE COMPANY BY THE STATUTORY AUDITOR

The Statutory Auditor is the company body responsible for the examination of the accounting documents. It is elected by the General Meeting for three year terms, pursuant to Article 25 of EDP's Articles of Association and Article 446 of the Portuguese Company Code.

According to the Company Code and the company's Articles of Association, the Statutory Auditor is responsible for checking (see Article 446 (3) of the Company Code):

- ⌘ The regularity of the company's books, accounting records and their supporting documents;
- ⌘ The cash and all assets or securities belonging to the company or received by it as guarantees, deposits or for any other purpose, whenever and however it sees fit;
- ⌘ The accuracy of the accounting documents;
- ⌘ Whether the company's accounting policies and valuation criteria result in an accurate assessment of its assets and results.

A description of the services provided by the statutory auditor can be found on Point 46.

V. EXTERNAL AUDITOR

42. THE EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT

EDP's External Auditor is KPMG and Vítor Manuel da Cunha Ribeirinho, manager of auditing at KPMG, is the partner in charge of overseeing and performing audits of the EDP Group's accounts. KPMG is registered with the CMVM under number 9093.

The external auditor performs the necessary audit work to ensure the reliability of the financial reporting and credibility of the accounting documents.

The external auditor's duties include checking compliance with remuneration policies and systems, the efficacy of internal control mechanisms and reporting of any deficiencies to the General and Supervisory Board.

EDP takes measures specifically aimed at ensuring the independence of the external auditor, in view of the scope of services provided by audit firms.

43. NUMBER OF YEARS FOR WHICH THE EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT HAVE WORKED CONSECUTIVELY WITH THE COMPANY AND/OR GROUP

EDP's external auditor has been KPMG since December 2004 and Vítor Manuel da Cunha Ribeirinho has been the certified auditor partner since 2012.

44. POLICY ON AND FREQUENCY OF ROTATION OF EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT

The policy on rotation of the external auditor and certified auditor partner representing it depends on the strict assessment by the Financial Matters Committee/Audit Committee of the independence and quality of the work done and consideration of the independence of the statutory auditor and external auditor and the advantages and costs of replacing them.

The General and Supervisory Board decided, under its duties of selecting and replacing the external auditor, to hold a tendering procedure in 2013.

Accordingly, the Financial Matters Committee/Audit Committee launched a tendering process, inviting 4 audit firms of international repute to submit bids for the provision of statutory audit and external audit services to EDP for the 2014-2016 period.

Following the above tendering procedure, and taking into account that the mandate of the statutory auditor ended on 31 December 2014, the General Meeting of April 21, 2015 reappointed KPMG for the period 2015-2017.

Given the recently legislation published on this matter, at the end of the mandate (31 December 2017) the new rules on the mandatory rotation of the statutory auditor shall be complied.

45. BODY RESPONSIBLE FOR ASSESSING THE EXTERNAL AUDITOR AND FREQUENCY OF ASSESSMENT

The Financial Matters Committee/Audit Committee presents annually to the General and Supervisory Board a proposal for the assessment of the independence of the external auditor, which is published in the report of the General and Supervisory Board as well as the result of the appreciation of the proposal.

46. WORK OTHER THAN AUDITING DONE BY THE EXTERNAL AUDITOR FOR THE COMPANY AND/OR SUBSIDIARIES AND INTERNAL PROCEDURES FOR APPROVING HIRING OF THESE SERVICES AND REASONS FOR HIRING THEM

Proposals to hire additional services from the external auditor and statutory auditor are made by the Executive Board of Directors to the Financial Matters Committee/Audit Committee and their hiring requires prior authorisation from this committee.

The Regulations on Services Provided by EDP's Statutory Auditor and External Auditor, available on the EDP website, (<http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx>), on hiring of additional services, requires the Financial Matters Committee/Audit Committee to deny authorisation of additional services if:

- ❑ The additional service is prohibited;
- ❑ In accordance with the standard of an objective, reasonable informed third party, the service involves a possible threat to the independence of the statutory auditor or the external auditor, i.e. not allowing self-audit or personal interest.

In order to implement this CMVM recommendation, the Regulations on Services Provided by EDP's Statutory Auditor and External Auditor define the services in the following categories:

AUDIT SERVICES

- a) Necessary services (including internal control procedures required as part of audits) for the issue of the external auditor's annual or interim reports on the accounts.
- b) Services required for compliance with local legislation (including internal control procedures required as part of audits) for the issue of legal certifications of accounts.
- c) Other services related to the above, with a specific or limited purpose or scope, such as:
 - ❑ Opinion on the internal control system on financial reporting;
 - ❑ Opinion on the Consumption Efficiency Promotion Plan (PPEC);
 - ❑ Opinion on the Environmental Development Promotion Plan (PPDA);
 - ❑ Opinion on regulated accounts;
 - ❑ Statements of compliance under contractual agreements;
 - ❑ Reports on specified accounts, accounting elements or items in an EDP financial statement;
 - ❑ Comfort letters in the issue of securities.

ADDITIONAL SERVICES

Other services for guaranteeing reliability – services that take the form of a commitment, on the basis of appropriate, duly identified criteria, to evaluate or quantify a certain element for which a third party is responsible or to express an opinion providing a certain degree of certainty on this element.

- a) Tax consultancy – advisory and support services on tax matters.
- b) Other non-audit related services – covering all other services not included in the other additional service categories. The following additional services were hired from the External Auditor in 2015:
 - ⌘ Analysis of the business continuity management for some of the Group’s companies in Portugal
 - ⌘ Due diligence services supporting sale of financial stakes
 - ⌘ Technical support for a project regarding the harmonization of performance indexes
 - ⌘ Tax and accountancy consultancy for transactions
 - ⌘ Support for the review and translation of reports and accountancy manual
 - ⌘ Technical support for sustainability projects

The reasons for hiring these services were essentially i) better understanding of the Group's business and tax issues associated with its business activity, ensuring appropriate knowledge of the relevant information, which favours greater agility and efficiency in providing solutions and ii) it was considered that the hiring of said services were not considered a threat to the independence of the External Auditor and did not foster any situation of personal interest in relation to the guarantee of independence given by the External Auditor.

Additional services provided in 2015 account for around 20% of the total value of services rendered to the EDP Group by these entities.

47. ANNUAL REMUNERATION PAID BY THE COMPANY AND/OR SUBSIDIARY OR GROUP COMPANIES TO THE AUDITOR AND OTHER NATURAL OR LEGAL PERSONS BELONGING TO THE SAME NETWORK AND BREAKDOWN OF PERCENTAGE FOR THE FOLLOWING SERVICES

KPMG is responsible for conducting an independent external audit of all the EDP Group companies in Portugal, Spain, Brazil (EDP Renováveis), USA and other countries in which the Group operates. In the subgroup of EDP Brasil independent external auditing is conducted by PriceWaterhouseCoopers.

In 2015, the recognised, specialised costs of the fees of KPMG and PriceWaterhouseCoopers for auditing, guarantee and reliability services, tax consultancy and services other than auditing for Portugal, Spain, Brazil, USA and other countries were as follows:

KPMG

	Portugal	Spain	Brazil	United States of America	Other Countries	Total	
Audit and Statutory Audit of Accounts	1,859,405 (1)	1,822,522	105,435	1,113,337	901,114	5,801,812	
Other Audit Services (2)	573,940	560,867	0	0	22,555	1,157,362	
Total of Audit Services	2,433,345	2,383,389	105,435	1,113,337	923,669	6,959,173	80%
Tax Consultancy Service	844,859	372,583	0	115,768	16,300	1,349,510	
Other Additional Services	140,260	293,523	0	0	1,212	434,995	
Total of Other Services	985,119	666,106	0	115,768	17,512	1,784,505	20%
Total	3,418,463	3,049,495	105,435	1,229,105	941,181	8,743,678	100%

(1) Includes the remuneration of the Statutory Auditors of EDP amounting 180,000 euros.

(2) Includes assurance and reliability services of the exclusive competence and responsibility of the Statutory Auditor and External Auditor in accordance with the regulations on services provided approved by the GSB.

PRICE WATERHOUSE COOPERS

Euros	Brazil
Audit and Statutory Audit of Accounts	896,884
Other Audit Services	66,253
Total of Audit Services	963,137
Tax Consultancy Service	0
Other Additional Services	0
Total of Other Services	0
Total	963,137

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. RULES ON AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

EDP's Articles of Association do not set out special rules on their amendment and the general rule set out in 3 Article 386 (3) of the Company Code therefore applies, i.e. decisions to amend the Articles of Association must be approved at a General Meeting by two-thirds of the votes cast.

EDP's Articles of Association may also be amended under the powers of the Executive Board of Directors to move EDP's registered office (Article 2 (1) of EDP's Articles of Association) and increase EDP's share capital (Article 4 (3) of EDP's Articles of Association). Pursuant to the general rule set out in Article 410 (7) of the Company Code, by reference to Article 433 of this code, these decisions by the Executive Board of Directors must be passed by a majority of the votes of the directors present or represented.

II. WHISTLEBLOWING

49. WHISTLEBLOWING POLICY AND CHANNELS

The EDP Group has consistently implemented measures to ensure the good governance of its companies, including the prevention of incorrect practices, particularly in the areas of accounting and finance.

EDP provides Group employees with a channel that enables them to report any alleged unlawful practice or accounting or financial irregularity in their company directly and in confidence to the Financial Matters Committee/Audit Committee of the General and Supervisory Board.

With the creation of this channel for reporting irregular accounting and financial practices, EDP aims at:

- ❑ Ensuring that any employee can freely communicate his/her concerns in these fields to the Financial Matters Committee/Audit Committee;
- ❑ Facilitating the early detection of irregular situations that, if they occurred, might cause serious damage to the EDP Group, its employees, customers and shareholders.

The Financial Matters Committee/Audit Committee can be contacted by email, fax and post and access to information received in this regard is restricted. The members of this committee are authorised to receive these reports.

All complaints sent to the Financial Matters Committee/Audit Committee are treated in strict confidence and the complainant remains anonymous, unless this prevents investigation of the complaint.

Pursuant to the regulations, EDP guarantees that whistleblowing employees will not suffer any reprisals or disciplinary action for exercising their right to report irregularities, provide information or assist in an investigation.

On 27 October 2011, the General and Supervisory Board approved new regulations, which were submitted for registration with the National Data Protection Authority. The application was approved on 6 July 2012.

The Financial Matters Committee/Audit Committee informed the General and Supervisory Board of its work as part of the whistleblowing mechanism in 2015. The conclusion was that none of the 60 reports received contained complaints with an impact on accounting, finance, internal control or audit matters, and all the complaints have been dealt and closed by the Financial Matters Committee/Audit Committee at the end of 2015.

EDP makes available, at its website, greater detail regarding the Whistle Blowing Procedures' Regulation to adopt in what concerns to Communication of Erroneous Procedures (<http://www.edp.pt/en/aedp/governosocietario/comunicacaodeirregularidades/Pages/ComunicacaodeIrregularidades.aspx>).

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. PEOPLE, BODIES OR COMMITTEES RESPONSIBLE FOR INTERNAL AUDITS OR IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS

Internal control matters are the responsibility of the Corporate Centre, which plays a structural role in assisting the Executive Board of Directors in defining and overseeing implementation of strategies, policies and goals.

The most important of the Corporate Centre departments and offices in terms of internal control are the Internal Audit Department and the Risk Management Department.

The former performs internal audits or ensures that they are performed in the Group. It is also responsible for the financial reporting internal control system (SCIRF) in the Group, with a view to an independent assessment of the internal control system and implementation of measures to make it more effective by optimising and aligning processes and systems.

The Risk Management Department's main responsibility is to coordinate the Group's risk assessment studies in order to assist the Executive Board of Directors in controlling and mitigating them and provide integrated risk-return analyses.

Under the law, the General and Supervisory Board permanently oversees and evaluates internal accounting and auditing procedures, the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries from employees and others are handled. This duty has been assigned to the Financial Matters Committee/Audit Committee, which, among other tasks, permanently monitors and supervises:

- ⌘ EDP's financial affairs;
- ⌘ Internal auditing procedures, the company's accounting practices and the internal control system for financial information and financial reporting, in coordination with the Internal Audit Department;
- ⌘ Matters relating to the risk management process, particularly taxation, legal and financial aspects.

51. DESCRIPTION OF HIERARCHICAL AND/OR FUNCTIONAL DEPENDENCY ON OTHER COMPANY BODIES OR COMMITTEES

The Internal Audit Department belongs to the Corporate Centre and although it is answerable to the CEO, it reports in practice to the Financial Matters Committee/Audit Committee. The department's work is supervised by the Financial Matters Committee/Audit Committee, which approves the annual internal audit plan before it is sent to the Executive Board of Directors and monitors its systematic implementation.

52. OTHER COMPANY AREAS WITH RISK CONTROL DUTIES

The management of risk is an integral part of the common practices of business management and it is the responsibility of all, from the Executive Board of Directors right down to the individual staff member. Each one is responsible for knowing the risks existing in their area of intervention and for managing them in accordance with their role, expertise and delegated responsibilities.

The Group manages its meaningful risks in a portfolio approach, optimizing the risk/ return trade-off transversely across its business areas, aiming to create value and to stand out in the markets where it operates. The Group works towards a permanent progress of its risk management processes in order to reflect the evolution of its needs and to maintain its alignment with international risk management best practices.

The integration of risk management in the most relevant business and decision making processes is promoted as part of i) strategic development, ii) investment decisions, iii) business plan and iv) operations management, with the purpose of ensuring stability in results and optimize its response to changes in context and opportunities.

The risk management process is structured around 3 lines of defence (business operation, risk management and internal and external auditing), each led independently and ensuring an adequate level of segregation relative to one another. The functions of risk identification, analysis, quantification, management and monitoring are followed by a set of bodies with clearly established roles and responsibilities, typified by Group policies that are approved and ratified by the competent bodies of the Group:

- ⌘ **General and Supervisory Board (GSB)**, in particular the Financial Committee/Audit Committee, is responsible for monitoring on a permanent basis and evaluating internal procedures for accounting and auditing, in addition to the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed,

whether originating from employees or not. The General and Supervisory Board is additionally responsible for the approval of the Group's Strategic Plan, ensuring, implicitly, an alignment between management and shareholders regarding risk appetite.

- ❑ **Executive Board of Directors (EBD)** is the highest body responsible for risk-related decision-making, supervision and management control. It is responsible for setting the management objectives and policies of the EDP Group. It is responsible, among other duties, for defining the Group's risk exposure, in line with the best practices in risk management procedures and policies, as well as the allocation of resources, depending on the risk-return profile of the various options available.
- ❑ **Risk Management Department**, headed by the Chief Risk Officer lends an integrated and holistic view of the Group's risk position (top-down perspective), supporting the prioritisation and coordination of cross-cutting initiatives, offering a segregated and business-independent view regarding key risks. Its main responsibilities are: i) maintaining and updating the inventory of the Group's most significant risks and fostering their implementation in the various Business Units and Corporate Areas; ii) promoting and monitoring the implementation of the management and control actions relative to the Group's most significant risks; iii) systematically measuring specific risks and conducting risk-return analyses, noting and reporting adjustment needs when necessary; iv) defining main concepts, methods and risk measures and Key Risk Indicators (KRI) supplementing the Key Performance Indicators (KPI); v) developing and supporting projects and initiatives aimed at the effective improvement of the management process of significant risks; and vi) supporting the EBD in the risk management and business continuity fields.
- ❑ **Corporate Departments and the Energy Management Business Unit (UNGE)** have an important role in the integrated management of risk in their areas of responsibility, in due articulation with the Risk Management Department. Their responsibilities include: i) integration and promotion of risk management and compliance in their areas of responsibility; ii) the implementation of adequate risk management methods and internal control, within the policies and objectives set by the Executive Board of Directors (in coordination with the Risk Management Department); iii) risk transfer through products or services of a material or financial nature; and iv) monitoring and reporting on integrated risk management and the effectiveness of the risk controls implemented in its business activity.
- ❑ **All other Business Units** have the key role in the operational implementation of risk management, usually having a dedicated staff member (risk officer) directly answerable to the respective Board of Directors, as well as in functional coordination with the Group's Chief Risk Officer, who leads risk management activities in a segregated and independent fashion from the management of business operations. In Business Units where its size and/or complexity so requires, a local-level replica of the Corporate Risk Management structure is in place, in close communication with the latter. Their responsibilities include: i) integration and promotion of risk management and compliance in their areas of responsibility; ii) the implementation of adequate risk management methods and internal control, within the policies and objectives set by the Executive Board of Directors (in coordination with the Risk Management Department); iii) the development of specialized studies and opinions within the scope of risk management (in coordination with other areas of the Group); iv) risk hedging/mitigation through products or services of a material or financial nature; and v) monitoring and reporting on integrated risk management and the effectiveness of the risk controls implemented in its business activity.

Furthermore, there is a set of regular forums for the discussion, analysis and issue of opinions on risk-related topics:

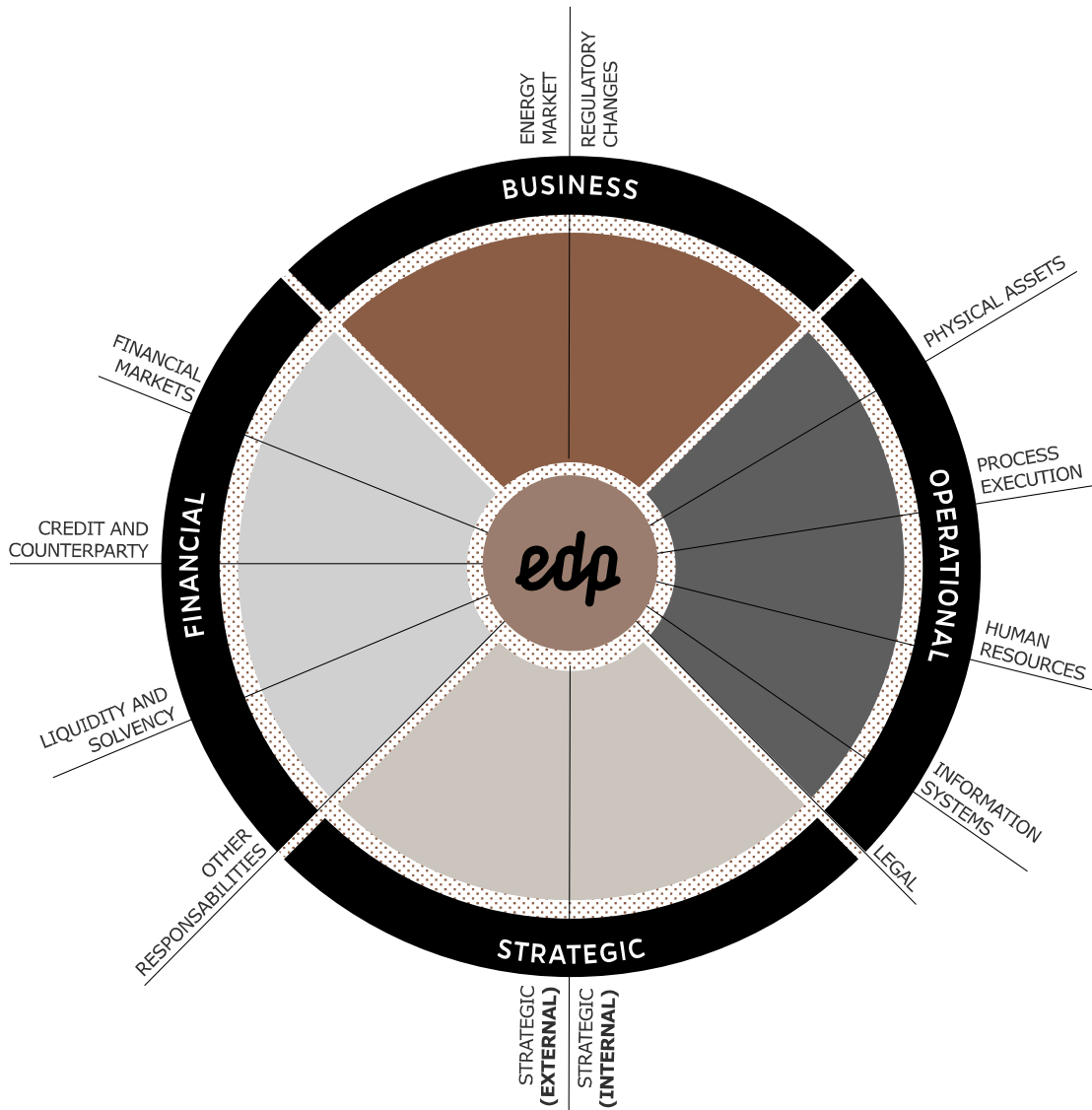
- ❑ **EDP Group Risk Committee** has the main objective of supporting the decisions of the Executive Board of Directors in the identification, assessment, management and control of risk. It is responsible for: i) the monitoring of significant risks and the EDP Group's risk profile; ii) the approval of the reporting template or other monitoring mechanisms for EDP's risks as presented by the Business Units or by the Corporate Centre units; iii) the approval or definition of recommendations on the Group's significant risks and extraordinary situations in terms of risk, for consideration by the Executive Board of Directors; and iv) issuing recommendations on policy, procedure and risk limits for the EDP Group, for consideration and approval by the Executive Board of Directors. This Committee is held at half-yearly intervals (at least). It is composed of the key decision makers and those responsible for the Group's risk (the Executive Board of Directors, the Corporate Centre and selected Business Units).
- ❑ **The Individual Risk Committees** are set up and held at Business Unit levels when the degree of complexity of risk management justifies such, taking on a structure replicated from the Group's Risk Committee. These Committees are composed of the key decision makers and those responsible for risks of each Business Unit, typically coordinated by the respective risk officer.



EDP Group's risk Governance Bodies

53. THE MAIN TYPES OF ECONOMIC, FINANCIAL AND LEGAL RISK TO WHICH THE COMPANY IS EXPOSED IN ITS BUSINESS

The taxonomy of risks for the EDP Group combines in an integrated approach and in common language the various mapped risks existing in relation to the Group's different Business Units, structured around four major families: business, financial, operational and strategic.



EDP Group's risks taxonomy

BUSINESS RISKS

The business risks encompass all risk factors intrinsically linked to revenue from the core activity of the EDP Group in the generation, distribution and sale of energy in the various countries and markets where it operates. The business risks can be broken down into two different types:

- ⚡ **Energy market risks**, related to electricity prices (pool) and other commodities, renewable energy generating volumes (hydro and wind power), energy consumption (associated with demand) and supply margins.
- ☰ **Regarding the price of electricity**, the impact is limited by the fact that a significant share of generation is contracted in the long term, as is the case of power plants covered by CMEC¹ (in Portugal) or other PPA agreements (especially in relation to EDP Renováveis and most of the installed capacity in Brazil). Currently, generation subject to market price fluctuations includes: i) all ordinary status generation in Spain; ii) the Ribatejo and Lares power plants, new hydroelectric power plant projects, as well as power plants progressively migrating to the market in Portugal until 2017; iii) generation in Brazil in excess of or in deficit to the PPA; and iv) part of the wind energy farms of EDP Renováveis in Spain, USA, Poland and Romania. The Energy Management Business Unit (UNGE) is responsible for proactively acting in the MIBEL² and other forward markets (including OTC) in order to optimise the margin of market generation and limit the respective risk, according to the delegation of powers clearly established and ensuring periodic M@R - "Margin at Risk" reporting, based on a proprietary model. UNGE's operations are adequately framed by a specific risk policy, including exposure limits.
- ☰ **Regarding the price of other commodities (mostly fuel and CO₂)**, subject to fluctuation due to supply and demand dynamics or changes in international legislation and relevant only to power plants exposed to market risk, this risk is monitored and proactively managed by the Energy Management Business Unit (UNGE), which negotiates and manages coal and gas contracts and CO₂ allowances. It is also responsible for mitigation of the fuel prices risk via hedging (including foreign exchange risk in USD, in coordination with the Financial Management Department).
- ☰ **Regarding renewable energy generation volumes**, the EDP Group has a degree of material exposure to this risk, particularly in relation to water volume (Wind Energy Capability Index³ tends to be less volatile than the Hydroelectric Capability Index⁴, on an annual basis), arising from its increasing focus on a generation portfolio with ever greater renewable energy. It should be noted that this risk, although it may introduce some volatility in annual results, has a significantly lower impact on NPV⁵ in the lifetime of the hydroelectric power plants, since it i) diversifies inter-annually; and ii) is uncorrelated with the market ($\beta_6 = 0$). Moreover, this risk in Portugal is mitigated for the part of generation that is covered by CMEC. On the other hand, exposure in Brazil is significantly mitigated by i) the fact that there is hydrological diversification throughout the country (through financial coupling mechanisms); as well as ii) the fact that a PPA on fixed energy generation is established; and iii) the fact that the Group joined, in the end of 2015, the hydro risk renegotiation mechanism, which combined with the cap on the spot price (PLD) at R\$ 388/MWh⁷, limits the exposure to the deficit of allocated energy relative to energy sold in PPA (for the Regulated Environment). On the other hand, the normalization of hydrological affluences and reservoir levels, investment plans for new capacity as well as the current macro-economic context contribute to limit the materiality of this risk in the future.
- ☰ **Regarding energy consumption (electricity and gas)**, the EDP Group is subject to fluctuations in the amounts of energy sold (depending on factors such as, among others, economic activity and annual temperatures). A trend of falling energy sales has been noted in recent years, as the result of a slowdown in economic activity in Portugal and Spain. Consumption can also be affected, besides such economic cycle fluctuations, by situations of rationing (as happened in Brazil in 2001). Government estimates indicate a low probability of rationing in Brazil, due to the progressive normalization of hydro affluences and consequently reservoir levels (figures above homologous periods) as well as a slowdown in demand as a consequence of the current macro-economic context. This risk, like the previous one, is difficult to mitigate by itself. EDP chooses to manage it through diversification across multiple technologies, countries and business lines.
- ☰ **Regarding sales margins**, the current customer migration to the free market enhances the aggressiveness of offers from suppliers and can add additional volatility in terms of market shares and unit margins. Moreover, there is risk associated with deviations in actual consumption from the forecasting model adopted by the Group. These risks are managed by the Group's energy sales companies, with particular emphasis on initiatives to i) strengthening the core offer (e.g., through combined electricity and gas products); and ii) introducing innovative products and services (e.g.,

¹ Costs of Maintenance of Contractual Balance (compensation mechanism applicable to power plants that had a Contract of Energy Acquisition with REN and migrated to market on the 1st July 2007). The revisibility mechanism contemplated by the CMEC will expire, depending on power plant, by 2017, exposing the respective plants to market risk

² Iberian electricity market

³ Ratio between the yearly wind energy output vs. reference year

⁴ Ratio between the yearly hydro energy output vs. reference year

⁵ Net present value

⁶ Measure of volatility in comparison to the market

⁷ Spot price cap increased to R\$ 422,53/MWh in 2016

Funciona and Re:dy). In addition, the Prices and Volumes Committee evaluates and regularly makes recommendations for the dynamic management of this risk.

- ⚡ **Regulatory risks**, related to changes in legislation and regulations that the Group is required to comply with in the various countries and markets in which it operates (in particular, but not limited to, sectoral packages, regulatory frameworks, environmental legislation and taxes, and other).

Changes resulting from the introduction of sectoral packages and modifications of revenue models have impacted on the EDP Group in recent years in a material manner, particularly in Portugal (as a result of the Financial Assistance Programme) and Spain (due to the large imbalance of the tariff deficit in that country). It is expected that this risk shall continue to be relevant in the future, although somehow less burdensome as a result of the gradual stabilisation of the macroeconomic environment in Portugal and the tariff deficit in Spain and Portugal.

This risk is managed proactively by the EDP Group, through monitoring and thorough preparation of the various dossiers and adopting a constructive and cooperative attitude in their discussion. This allows the materialisation of unfavourable options and/or those out of synch with reality in the different market contexts in which the Group operates to be anticipated and minimised.

FINANCIAL RISKS

The financial risks encompass the market risk factors linked to the (non-operational) energy business of the EDP Group in the various countries and markets where it operates. Financial risks can be divided into four different types:

- ⚡ **Financial variables risks**, associated with fluctuations in international markets in interest rates, exchange rates, inflation and valuation of financial assets held by the Group.
 - ≡ **Regarding interest rates**, the risk is mainly associated with the percentage of debt at floating rates, as well as any increases in costs associated with fixed rate debt refinancing needs in a context of rising current interest rates. This risk is managed and mitigated by the Group's Financial Management Department, which ensures compliance with the risk profile, using the procedures and tools provided by the Group's risk policies. Periodic reports on the evolution of these variables and sources of risk are prepared.
 - ≡ **Regarding foreign currency exchange rates**, the risk is associated with fluctuations in the cost of the purchase and sale of electricity and fuel and with the cost of investments denominated in foreign currencies, as well as fluctuations in the value of net assets, debt and income denominated in foreign currencies. The EDP Group acts proactively in order to ensure a balanced net structural exposure (assets - liabilities) in USD, CAD and PLN. The remaining risks are managed and mitigated by the Group's Financial Management Department, in conjunction with the Energy Management Business Unit, EDP Renováveis and EDP Brasil, in the same way as above.
 - ≡ **Regarding inflation**, the risk is mainly associated with the fluctuation of operating revenues and costs in the various countries where the EDP Group operates. In terms of mitigation, the revenue models of regulated activities as well as part of the PPAs include inflation pegging components in order to preserve adequate revenue for the business activity. A significant component of the Group's current business activities are also focused on markets with stable inflation rates. For the remaining risk, as well as active management of the various supply and services contracts, the EDP Group addresses this risk from an integrated perspective, mitigating it through an appropriate debt profile (fixed rate/floating rate).
 - ≡ **Regarding the valuation of financial assets**, EDP adopts a conservative risk policy with reduced levels of exposure, based on a reduced weight of strategic financial assets and short term cash investments mainly based on bank deposits (without market risk). This risk mainly results from the possibility of devaluation of the financial assets that EDP holds (traded on securities markets). It is managed according to the procedures and tools provided by the Group's risk policies.
- ⚡ **Counterparty and credit risks**, associated with unexpected changes in the compliance capacity with obligations by customers, financial counterparties (mainly associated with deposits in financial institutions) and energy counterparties.
 - ≡ **Regarding financial counterparties**, the adverse macroeconomic and financial environment has led to a fall in ratings of various financial institutions where the Group invests its liquidity (impacted by the adverse macroeconomic and financial environment). This risk is managed through: i) a careful selection of counterparties; ii) an appropriate diversification of risk over multiple counterparties; iii) an exposure based on financial instruments of reduced complexity, high liquidity and of a non-speculative nature; and iv) regular monitoring of the positions held.
 - ≡ **Regarding energy counterparties**, this risk is reduced for operations in an organised market. For operations in OTC markets and fuel purchases, the Energy Management Business Unit (UNGE), which is responsible for monitoring and the interface with wholesale markets, monitors transactions by applying exposure and negotiation limits that have been established and approved in advance by a higher management according to the counterparty rating (external whenever possible, or internally rated if the former is unavailable), and using clearing houses for clearing. The

counterparty risk is also associated with the sale of long-term energy agreements (PPA), which is minimised by the fact that a significant proportion of counterparties in this context are sovereign entities (governments or state-owned electricity systems). Meticulous scrutiny and approval criteria are likewise applied for private counterparties.

- ≡ **Regarding customers**, the Group is exposed to default risk in Portugal, Spain and Brazil. The average level of risk in Spain is structurally mitigated in terms of expected loss due to a mix of customers with greater weight of the B2B segment (which has less relative weight of average default). The risk in Brazil is mitigated through financial collateral to mitigate the loss (for the Free Contracting Environment), and through the partial recovery of non-compliance by the regulated tariff (for the Regulated Contracting Environment). This is monitored by EDP Distribuição and EDP Soluções Comerciais (in Portugal) and HC Energía and Naturgas (in Spain), which are responsible for carrying out the meter reading cycles and cutting off the service/taking legal action and debt recovery. In addition, mitigation tools such as credit insurance and setting up bank collateral are used, whenever this is deemed necessary.
- ⚡ **Liquidity/solvency risk**, associated with specific cash shortfalls, difficulties in access/cost of credit and rating reduction risk.

 - ≡ **Regarding possible sporadic cash shortfalls**, there is a risk of possible default of the EDP Group in meeting all its short-term liabilities in the committed time periods, or just being able to do so under unfavourable conditions. This risk is mitigated through careful liquidity management, by means of: i) centralisation (cash pooling) of all the Group's liquidity at the holding company except for Brazil; ii) keeping adequate levels of liquidity (cash and firmly committed credit lines) based on detailed forecasting of cash requirements (enough to cover one to two years of refinancing); iii) an appropriate strategy to diversify funding sources; and iv) the diversification of debt type and maturity profiles.
 - ≡ **Regarding access to and the cost of credit**, the EDP Group has achieved, despite the adverse economic context, all funding necessary for the usual roll over of debt and to finance the Group's business. EDP's Group has successfully continued with its strategic commitment to reduce leverage (expressed as Net Debt/EBITDA excluding Regulatory Assets) over forthcoming years. Additionally, the Group has acted throughout 2015 towards increasing the average maturity of its debt and reducing its average cost.
 - ≡ **Regarding the risk of a ratings decline**, the EDP Group can be impacted in its access to and cost of financing by adverse changes in its rating profile (assigned by international agencies). Regarding this matter, it should be noted positive developments during 2015 either at Group-level rating (upgrade by Moody's) or at national level (Portuguese Republic rating upgrade by Standard & Poor's). EDP proactively manages this risk by maintaining a low risk profile and maintaining stable contractual standards, which assure that its liquidity position does not depend on mechanisms as financial covenants or rating triggers.
- ⚡ **Other liabilities' risk**, associated with obligations relating to the capitalisation of the Defined Benefit Pension Fund of the Group for Portugal (which has a risk associated with the market value of its assets), and additional costs associated with early retirement as well as medical expenses. The liabilities for employee social benefits are calculated annually by an Independent Actuary on the basis of IFRS-IAS assumptions (taking various factors into account, including interest rate, demographic aspects, economic variables and the applicable requirements). The Defined Benefit Pension Fund is regularly monitored by a specific committee that meets at an established frequency (Pension Fund Committee), in terms of the value of its assets and the variations in terms of its liabilities (e.g., actuarially related).

OPERATIONAL RISKS

The operational risks encompass the risk factors other than those linked to the energy and financial business of the EDP Group in the various countries and markets where it operates, associated with the planning, construction and operation of physical assets, implementation of processes, human resources, information systems and litigation. The operational risks can be broken down into five different types:

- ⚡ **Physical assets risks**, related to unforeseen occurrences in projects under development/construction, damage to physical assets in operation and (technical and non-technical) operating losses, associated with the operation of the assets (mainly in distribution).
- ≡ **Regarding projects under development/construction and assets in operation**, the EDP Group is exposed to incidents derived from external causes (e.g., seismic or atmospheric phenomena, fire, damage to structures, burglary and theft, environmental pollution) or internal causes (e.g., damage caused by defects of origin and/or faulty installation), which can result in, inter alia, threats to the physical integrity of the Group's employees or third parties, repair or replacement costs of equipment, asset unavailability and consequential loss of profit or compensation to third parties.

These risks are initially managed and mitigated by the various operational areas of the Group's business units, which propose and implement in an articulated manner the best practices in terms of the different policies, standards and operating procedures, inspection and regular preventive

maintenance as well as crisis management plans and business continuity for catastrophic events. To this regard, it should be noted the revision of crisis management and business continuity policies in 2015, in order to ensure the continuous alignment with international best practices. Secondly, a significant portion of the remaining risk is mitigated through a comprehensive range of insurance policies (particularly in terms of property damage, civil liability, and the environment), insured in an integrated manner through a special area for this field - the Insurable Risks' Unit. This approach ensures consistency in the risk management policies, guarantees the dissemination of best practices and strengthens the negotiating position of the Group. The existing insurance policies contribute to significantly mitigate the impact of large-scale events (e.g., associated with extreme and comprehensive weather phenomena, non-availability of revenue generating assets or significant compensation to third parties) as well as much less frequent incidents with catastrophic impact (e.g., earthquakes).

- ≡ **Regarding operating losses**, the EDP Group is, firstly, liable for regulatory penalties if it does not meet the objectives set for distribution efficiency (technical losses) and also, on the other hand, for the loss of revenue associated with increased consumption of non-invoiced energy (non-technical losses). The various energy distribution business units (EDP Distribuição, EDP Gás, HC Energia, Naturgas Energia, Bandeirante and Escelsa) are responsible for this risk. Programmes are continuously developed to monitor and mitigate this risk (including the launch of comprehensive programmes to combat fraud).
- ⚡ **Process implementation risks**, associated with irregularities in the implementation of various processes (particularly, but not limited to, commercial activities, supplier selection and management, billing and collection from customers, planning and budgeting of activities). This risk is monitored by the various business units. Its mitigation regarding financial reporting is controlled through the group-wide Financial Reporting Internal Control System (SCIRF), which systematically assess both quantitatively and qualitatively the existence and adequacy of the design and documentation of the various existing processes, as well as their internal control mechanisms, based on annual cycles.
- ⚡ **Personnel risks**, associated with incidents impacting on the physical integrity of employees, the impact of unethical conduct and labour and trade union relations.
- ≡ **Regarding incidents impacting on the physical integrity of employees**, the Group directs its activity around a zero accident culture, with awareness of employees concerning the risks involved in the various activities, as well as continuous identification and implementation of best practices for the prevention and meticulous analysis of incidents.
- ≡ **Regarding potentially unethical conduct by employees or other associated entities**, the EDP Group regularly develops a training course (for all employees) on ethical models of conduct and behaviour in the presence of transgressions in the ethical domain. This risk is monitored by the Office of the EDP Ethics Ombudsman, which is an independent entity responsible for collecting, analysing and assessing in the Ethics Committee all allegations of unethical conduct, under strict conditions of confidentiality and protection of the respective sources. Moreover, the EDP Group Ethics Committee is responsible for establishing the action lines to mitigate and penalise unethical conduct, whenever necessary, according to the facts collected and reported by the Ombudsman.
- ⚡ **Information systems risks**, associated with both the non-availability of management information systems as well as failures in the integrity and security of their data.

These risks are managed by specialised areas within each of the business units (centralised in the Information Systems Department for Portugal and Spain). Criticality and maximum unavailability times permissible for each of the main families of applications have been established for their mitigation, in close coordination with the various Business Units (end users). Disaster recovery redundant systems been sized and implemented (at Sacavém and Ermesinde, in Portugal) to address the business specifications (particularly demanding for the associated critical systems, e.g., the implementation of financial transactions, communication and grid operation and trading of energy).

- ⚡ **Litigation risks**, associated with losses arising from non-compliance with existing tax, labour, administrative, or civil legislation, or any other, that has an economic (penalties, compensation and agreements) and reputation impact.

EDP Group analyses, monitors and reports the aggregate exposure and material developments to all relevant bodies, whether at the level of the Board of Directors or the General and Supervisory Board. In addition to overall exposure and by country, all cases deemed to be of a material nature (contingency over EUR 2.5 million) are collected, analysed and reported individually. All ongoing processes are evaluated and classified individually as probable, possible or remote, according to their probability of resulting in a negative impact on the EDP Group. All processes characterised as probable have, in accordance with current legislation, a provision set up equivalent to 100% of the value at risk. This treatment includes not only ongoing disputes (litigation in courts), but also the main contingencies in dispute and not materialised (and which may also translate into a negative impact, either through decision by the court or by out of court settlement).

STRATEGIC RISKS

Strategic risks typically incorporate risk of medium to long-term time horizons and low probability of occurrence. In any case, the EDP Group closely monitors and reports on these risks, since it considers that these risks may have a significant impact if they occur. The strategic risks can be broken down into two different types:

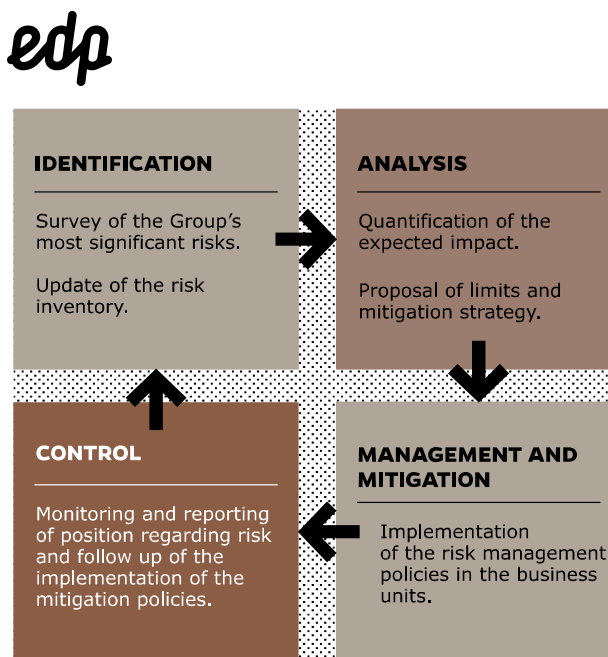
- ⚡ **Risk of the surrounding context**, associated with external developments that may have a negative material impact on the Group, in particular but not limited to, the risk of Portugal and/or Spain leaving the Euro, expropriation of assets in countries where it operates, technological disruptions of various kinds, profound changes resulting from climate change and disruptive changes in the competitive paradigm.
- ☰ **Regarding the risk of Portugal and/or Spain exiting the Euro** (and consequent devaluation of redenominated assets in local currency), the EDP Group believes that the conclusion of the Financial Assistance Programme in Portugal (with no need for a precautionary programme) and the relative stability of the state deficit and government debt in Portugal and Spain suggest a material reduction of the probability of actual occurrence of these risks (compared with previous years).
- ☰ **Regarding the potential expropriation of assets**, the EDP Group believes that in the current context, political and social conditions are not envisaged for short-medium term that suggest the occurrence of this risk in the various countries where the Group operates.
- ☰ **Regarding technological disruption**, the EDP Group has sought to position itself at the forefront of technological development in the sector, looking at this issue not as a threat but as a central vehicle for promoting growth in the future. The EDP Group has accordingly actively and transversely invested in and investigated the promotion of new technologies in the various stages of the value chain.
- ☰ **Regarding climate change**, such changes may have a significant and across-the-board impact on the various stakeholders over the medium to long term (e.g., in terms of average temperatures, average sea levels, structural changes in water and/or wind volumes, or the incidence of extreme weather phenomena). In this sense, the Group has decisively invested over recent years in strengthening its portfolio of renewable energy as well as in a concerted strategy of environmental sustainability, which has been internationally recognised, not only in order to reduce its ecological footprint, but also to ensure its resilience to the possible materialisation of risks deriving from climate change.
- ☰ **Regarding disruptive changes to the competitive paradigm**, the Group recognises the risks associated with changes to the business model paradigm (e.g. in relation to distributed generation). The EDP Group addresses this risk through meticulous analyses and prospective investment, allowing it to proactively anticipate and adapt its business model to possible market development trends.
- ⚡ **Strategy risks**, associated with investment decisions, relationships with key partners (shareholders and others), internal governance and corporate planning (in its various forms).
- ☰ **Regarding investment decisions**, EDP's growth strategy implies the constant evaluation and decision-making in relation to investment options that allow it to implement the strategy established and approved by its shareholders. Accordingly, a meticulous and consistent process is defined across the Group, with pre-established criteria⁸ for analysis, decision-making and monitoring of projects. This process is conducted at the corporate level by the Business Analysis Department, locally supported by the various Business Units. Additionally, Investment Committees regularly meet to discuss, monitor and advise on i) investment analysis and decisions; ii) compliance with investment implementation schedules; and iii) evaluation of impact of detected or potential deviations. These forums are performed both at the Business Unit level and at the corporate level, involving decision-makers and key experts of the Group in the relevant fields.
- ☰ **Regarding the relationship with partners** (shareholders and others), the EDP Group has a solid and stable core of shareholders, which is aligned with and actively participates in the Group's strategy. On the other hand, the EDP Group is guided by strict criteria at all levels for the selection of its partners in the various countries and business areas in which it operates, the management of which is led by the Executive Board of Directors, Business Units and a dedicated unit (Institutional Relations and Stakeholders Department).
- ☰ **Regarding internal governance**, the Group considers that the design and implementation of its various corporate bodies ensures compliance with the best international practices on this topic (see previous section for more information).
- ☰ **Regarding corporate planning** (particularly in terms of brand and communication, investor relations, human resources, information systems, business strategy, and others) the Group believes

⁸ Particularly related to the definition of minimum return levels, up to date and geography/ business line-specific discount rates as well as to the resilience to multiple adverse scenarios of delays, overruns, fluctuations in key business variables, political environment and regulations

that the current structures and processes allow it to adequately manage these risks. The inauguration of the new headquarters in 2015, in addition to optimising costs, centralised in one place multiple areas presently spread over a variety of locations, promoting increased proximity between the various areas.

54. IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND MANAGEMENT OF RISKS

It is important, given the size of EDP Group and its geographical diversity, to define a common process for all Business Units that recognises and manages risks, working to ensure reduced aggregate risk. Risk management can accordingly be divided into four major integrated and structured phases:



EDP Group's Risk Management Process

- ⌘ **The identification** of risks concerns the survey and update of the main risks associated with the Group's business. This exercise is firstly the responsibility of each of the Business Units, within their scope. The Risk Management Department is responsible for the coordination of the different exercises and for obtaining and maintaining a global perspective (at the EDP Group level). A top-down update of the global risk map was recently implemented, based on interviews and work in conjunction with the Group's main risk-owners. In terms of support tools, the internally developed EDP Group's Risk Portal acts as an updated and real time repository of the EDP Group's main risks. It also serves as a privileged interface between the various managers of the risk, the Risk Management Department, other employees and external stakeholders (naturally safeguarding the adequate levels of confidentiality for each context).
- ⌘ **The analysis** of risks is related to the assessment of the nature and order of relative magnitude according to various scenarios, as well as support for decision-making (whether or not directly related to the management and mitigation of the risks proper). This standardisation and systematisation of analysis and assessment criteria helps make risks of a heterogeneous nature comparable, informs the various decision makers of the orders of magnitude of the various risks and guides the prioritisation of management and mitigation initiatives and the definition of clear risk management policies at various levels (including the definition of limits). In addition to this perspective, risk-return analyses are systematically conducted (based on EBITDA@Risk, CF@Risk or other methods) associated with the main strategic guidelines and decisions of the Group (e.g., regarding the Group's Strategic Plan, key investment decisions or other topics deemed to be relevant).
- ⌘ **Management and mitigation** are the responsibility of the Board of Directors of the different Business Units of the Group, supported by their risk officers who, functionally reporting to the Chief Risk Officer and acting in a coordinated and business-independent manner, should propose and adopt a comprehensive set of policies (particularly in relation exposure limits by risk category) and initiatives to mitigate risk, reduce the probability of its occurrence or the impact of that risk or its transfer (e.g., using insurance policies or other hedging activities). Of note in this context is the launch in 2015 of a training course promoting a culture of risk (through EDP University), for senior management of the Group, as well as the carryout of a number of initiatives in the field of Crisis Management and Business Continuity in the various Group Business Units.

- ⚡ **The control** of risks ensures the effectiveness of action on identified risks, both in terms of monitoring and periodic reporting of the Group's position as regards several risk factors, as well as the effective implementation of the policies, standards and procedures established for risk management. This role is guaranteed by the Boards of Directors of the various Group Business Units. The Risk Management Department is responsible for promoting and enhancing risk control and management measures, disseminating best practices and supporting the disclosure of concepts, methods, risk measures and key risk indicators (KRI), to support the Executive Board of Directors in obtaining an overall view of the position and aggregate monitoring of the main risks. Weekly and quarterly executive management information reports are generated for this purpose (and presented to the Executive Board of Directors).

55. MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN PLACE IN THE COMPANY FOR THE DISCLOSURE OF FINANCIAL INFORMATION

EDP Group has incorporated, into its management, the Internal Control System of Financial Reporting (SCIRF), based on criteria established by the regulatory framework of internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013), in relation to business processes and entity level controls, and the Control Objectives for Information and Related Technologies (COBIT), in relation to the general controls of information technology.

According to the adopted methodology and approved responsibilities model, activities were carried out related to the development, monitoring and maintaining of the internal control system, within the competence of those responsible that participating in it at the corporate level, entrepreneurial units and business units level (EU and BU).

As part of the activities related to internal control system development, there is harmonization and unification between geographies, of a selected set of global controls, as well as the issue, for the first time, of entity level controls certificates for the Corporate Centre and redesign the IT general controls, strengthening the control environment and corresponding accountability at different levels in the hierarchical line.

The monitoring and maintenance work was carried out through: (i) corporate and ii) EU and BU.

- ⚡ The activities at **corporate level** were as follows:
 - ⚡ Planning and monitoring cycle, maintenance and review of reference models, conceptual and methodological support to EU and BU;
 - ⚡ Defining SCIRF 2015 Scope based on the consolidated financial information, supported on materiality and risk criteria on a "top down" (Corporate Internal Audit Department) and "bottom up" basis (EU/UN), from which the companies and Corporate Centre departments and respective processes considered relevant were identified. Autonomously, they were covered by the scope, most of the companies in Portugal, Spain and Brazil geographies and in aggregate, the units that make up EDP Renewables, SA, EDP Renewables Europe, SL and EDP Renewables North America, LLC;
 - ⚡ Support for EU and BU in the documentation and review of new controls and redesigned of the existing, resulting from the inclusion of new topics, by materiality and/or risk and legal, structural or procedural changes;
 - ⚡ Identification of relevant computer applications that support SCIRF and analysis of "service organizations", for monitoring the issuance of the ISAE 3402 reports corresponding to an independent assessment of the control environment used by EDP's information technology service providers;
 - ⚡ Support and monitoring the cycle evaluation process, by the External Auditor, in terms of work planning, interaction with EU and BU, resolution of identified non-compliances and reporting to those internal responsible and supervisors;
 - ⚡ Launch and monitoring of the self-certification process, through which those responsible for the internal control of the EU and BU, declare their explicit recognition about the sufficiency or insufficiency of the controls documentation in terms of updating and adjustment, its execution and maintenance of evidence, actions approval and implementation related to the resolution of non-compliance and compliance with the Code of Ethics;
 - ⚡ Completion of the self-assessment process for SCIRF 2015 cycle, through which the CAE, represented by the CEO and CFO, emit a responsibility report on the safety and reliability degree of consolidated financial statements preparation and presentation;

The activities at subgroup level were as follows:

- ⚡ Analysis of the results of the scope model application to the financial statements on an individual basis and inclusion of new topics and relevant applications, following the risk analysis "bottom up";
- ⚡ Application of stand alone scope level for the HC Energia/ Naturgas, EDP Renováveis and EDP Brasil subgroups, with the profile of materiality and risk appropriate to their size, have been published by the Auditors, in their respective annual reports, the corresponding independent reports on the internal control system, in line with the publication made in the annual consolidated report;

- ⌘ Identification, review and appointment of SCIRF responsible, depending on the result of the Scope model application and on the review and/or update due to organizational, structural, legislative and operational changes in the EU and BU;
- ⌘ Documentation of new controls and redesign of the controls documented in previous cycles, subject to revision due to changes at different levels of the EU and BU;
- ⌘ Implementation of actions necessary for the resolution of non-compliances identified in the assessment tests;
- ⌘ Self-certification by which the SCIRF leaders assess, at all levels of the chain, the sufficiency and updating of documentation and maintenance of evidence in the execution of control activities;
- ⌘ Self-assessment by the CEO and CFO of Subgroups HC Energia/Naturgas, EDP Renováveis and EDP Brasil, through the issue of responsibility reports on the degree of safety and reliability of the preparation and presentation of financial statements, in line with the issuance of the independent reports, by the External Auditor, at "stand alone" level;

The SCIRF 2015 evaluation was made by the Group's External Auditor, KPMG, according to the "ISAE 3000 - International Standard on Assurance Engagements" in all geographies covered by the scope model, with the support of Price Waterhouse Coopers, in the specific case of EDP Brazil.

The External Auditor issued an independent report on the Group's Internal Control System of Financial Reporting related to the financial statements of December 31, 2015, without reservations nor qualifications, presented in the annex "Reporting Principles", concluding with a reasonable degree of assurance regarding the effectiveness of internal controls system on financial reporting of EDP Group.

The External Auditor issued an independent report on the Group's internal control system for the financial statements of 31 December 2015, which is described in Annex "External Checks".

IV. INVESTOR RELATIONS

56. COMPOSITION, DUTIES AND INFORMATION PROVIDED BY THESE SERVICES AND THEIR CONTACT INFORMATION

The essential role of the Investor Relations Department is to act as the interlocutor between EDP's Executive Board of Directors and investors and the financial markets in general. It is responsible for all the information provided by the EDP Group, in terms of disclosure of privileged information and other market communications and publication of periodic financial statements.

In carrying out its duties, the department is in constant contact with investors and financial analysts, providing all the information that they request, while observing the applicable legal and regulatory provisions.

EDP's Investor Relations Department comprises six people and is coordinated by Miguel Viana. It is located at the company's head office:

Avenida 24 de Julho, nº 12, 4º Piso - Poente

1249-300 Lisboa

Telephone: +351 21 001 2834

Fax + 351 21 001 2899

E-mail: ir@edp.pt

Website: www.edp.pt

The table following shows the communication channels through which EDP provides its shareholders with information on each type of documentation.

CHANNELS	In Person	www.edp.pt	E-mail	IR Phone Number	By Mail	www.cmvm.pt
Elements required by law or regulation ¹⁾						
Notice of meeting	√	√	√	√	√	√
Executive Board of Directors' proposals	√	√	-	√	√	√
Amendment of the Articles of Association	√	√	-	√	√	√
Other proposals	√	√	-	√	√	-
Annual Report	√	√	√	-	-	√
Management and supervisory positions held in other Group companies by company officers	√	√	-	√	-	√
Elementos adicionais disponibilizados pela EDP						
Ballots for voting by proxy	√	√	√	√	√	-
Ballots for voting by mail	√	√	√	√	√	-
Ballots for voting by e-mail	√	√	√	√	√	-
Clarification of any issues	√	√	√	√	√	-
EDP Articles of Association and Regulations	√	√	√	√	√	√

1) At EDP's headquarters

2) IR phone number +351 21 0012834;

3) Written notice from the Chairman of the Executive Board of Directors regarding Annual General Meetings

4) Art. 289 of Companies Code and Regulation of CMVM 5/2008

57. REPRESENTATIVE FOR MARKET RELATIONS

The representative for market relations is Nuno Maria Pestana de Almeida Alves, member of the Executive Board of Directors.

58. PERCENTAGE OF AND RESPONSE TIME TO QUERIES RECEIVED IN THE YEAR OR PENDING FROM PREVIOUS YEARS

EDP's goal is for communication with the market to consist of objective, transparent information that is understandable to all stakeholders and financial market agents.

This is only possible with a financial reporting policy based on transparent, consistent information provided to investors and analysts, as the company has been doing.

The company has therefore made a systematic effort to meet the needs of investors and analysts, which is not an easy task due to the complexity of the sector, always with a view to fostering relationships of trust with financial agents and markets.

In 2015, EDP participated in events with analysts and investors to inform the market of the company's strategy and operational and financial performance. These included roadshows, presentations to analysts and investors, meetings and conference calls.

88 market communications were made in 2015. The Investor Relations Department received 355 requests for information and had 361 meetings with analysts and investors. The average response time to queries was less than 24 hours and no requests were held over into 2016.

The company's efforts have been rewarded at a number of events. In 2015, EDP was nominated for the "IR Magazine Europe Awards 2015", having been considered the 1st best company for senior management team (CEO and CFO), 2nd best company in the utilities sector concerning IR communication and 2nd best company in southern Europe. In terms of the global ranking of the "IR Magazine Europe Awards 2015", EDP cemented its position, having been elected in 2015 the 5th best public company in Europe.

V. WEBSITE

59. WEBSITE ADDRESS

EDP's website (http://www.edp.pt/en/aedp/governosocietario/Pages/msg_PCGS.aspx) provides comprehensive legal or corporate governance information, updates on the Group's activity and complete financial and operational data in order to facilitate searches and access to information by shareholders, financial analysts and others.

The information made available through this channel in Portuguese and English includes data on the company, financial statements and accounts, privileged information, the Articles of Association and internal regulations of corporate bodies, the Group's shareholder structure, preparatory documentation for General Meetings, historical

performance of EDP share prices, a calendar of company events, the names of members of the corporate bodies and the representative for market relations, contact information for the Investor Relations Department and other information of potential interest about the Group. EDP's website also allows visitors to view or request accounting documents for any financial year since 1999.

60. LOCATION OF INFORMATION ABOUT THE COMPANY, ITS STATUS AS A PUBLIC LIMITED COMPANY, HEAD OFFICE AND OTHER DETAILS MENTIONED IN ARTICLE 171 OF THE COMPANY CODE

The information set out in Article 171 of the Company Code is available on EDP's website on:

<http://www.edp.pt/en/aedp/governosocietario/Pages/Dados%20da%20Sociedade.aspx>

61. LOCATION OF THE ARTICLES OF ASSOCIATION AND REGULATIONS OF BODIES OR COMMITTEES

The Articles of Association and regulations of bodies and committees are available on EDP's website on:

<http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx>

62. LOCATION OF INFORMATION ON THE NAMES OF MEMBERS OF THE CORPORATE BODIES, MARKET RELATIONS REPRESENTATIVE, INVESTOR RELATIONS OFFICE OR EQUIVALENT BODY, THEIR DUTIES AND FORMS OF ACCESS

The names of members of the corporate bodies, market relations representative, investor relations office or equivalent body, their duties and forms of access are available on EDP's website on:

http://www.edp.pt/en/aedp/governosocietario/orgaosgovernosocietario/Pages/default_new.aspx

<http://www.edp.pt/en/aedp/governosocietario/Pages/Dados%20da%20Sociedade.aspx>

63. LOCATION OF ACCOUNTING DOCUMENTS, WHICH MUST BE AVAILABLE FOR AT LEAST FIVE YEARS AND THE SIX-MONTHLY CALENDAR OF COMPANY EVENTS DISCLOSED AT THE START OF EACH HALF YEAR, INCLUDING GENERAL MEETINGS, DISCLOSURE OF ANNUAL, SIX-MONTHLY AND, IF APPLICABLE, QUARTERLY ACCOUNTS

The accounting documents and calendar of company events are available on EDP's website on:

<http://www.edp.pt/en/Investidores/Resultados/Pages/Resultados.aspx>

<http://www.edp.pt/en/investidores/calendario/Pages/Calendario.aspx>

64. LOCATION OF NOTICE OF MEETING FOR GENERAL MEETINGS AND ALL THEIR PREPARATORY AND SUBSEQUENT INFORMATION

The notice of meeting for General Meetings and all their preparatory and subsequent information are available on EDP's website on:

<http://www.edp.pt/en/Investidores/assembleiasgerais/assembleiasanuais/Pages/AssembleiasAnuais.aspx>

65. LOCATION OF HISTORY OF DECISIONS MADE AT THE COMPANY'S GENERAL MEETINGS, THE SHARE CAPITAL REPRESENTED AND RESULT OF VOTES FOR THE PREVIOUS THREE 3 YEARS

The history of decisions made at the company's General Meetings, the share capital represented and result of votes are available on EDP's website on:

<http://www.edp.pt/en/Investidores/assembleiasgerais/assembleiasanuais/Pages/AssembleiasAnuais.aspx>

D. REMUNERATION

I. POWER TO SET REMUNERATION

66. POWER TO SET THE REMUNERATION OF CORPORATE BODIES AND COMPANY DIRECTORS

Pursuant to the Articles of Association, payments to the company officers are fixed by a Remuneration Committee appointed by the General Meeting of Shareholders, with the exception of the remuneration to members of the Executive Board of Directors, which is fixed by a Remuneration Committee appointed by the General and Supervisory Board.

When establishing the remuneration of the members of the General and Supervisory Board and Statutory Auditor, the Remuneration Committee of the General Meeting takes account of its fixed nature and the imperative rules on its determination, in particular Article 440 (2) of the Company Code, which sets out the criteria for setting the remuneration of the General and Supervisory Board, Article 374-A of the Company Code on the remuneration of members of the officers of the General Meeting and Article 60 of Decree-Law 224/2008 of 20 November on the remuneration of the Statutory Auditor.

II. REMUNERATION COMMITTEE

67. MEMBERSHIP OF THE REMUNERATION COMMITTEE, INCLUDING NAMES OF THE NATURAL OR LEGAL PERSONS HIRED TO ASSIST AND DECLARATION ON INDEPENDENCE OF EACH MEMBER AND CONSULTANT

The membership of the Remuneration Committee of the General Meeting and the Remuneration Committee appointed by the General and Supervisory Board is set out in Point 29.

In 2015, the Remuneration Committee hired an external consultant - Mercer (Portugal) Lda. - to provide support regarding the assessment of the adequacy of the current remuneration policy of the EBD members.

The Remuneration Committee of the General Meeting also hired an external consultant - Mercer (Portugal) Lda. - to provide support regarding the revision of the remuneration policy of the members of the corporate bodies, with the exception of members of the Executive Board of Directors, as well as the presentation of the remuneration practices of the companies in the energy, oil & gas and utilities sector with a government structure similar to EDP's.

This external consultant did not provide, in the last three years, services to any unit answerable to the Executive Board of Directors, the Executive Board of Directors itself, or with a current relationship with the company or consultant of the company. This recommendation also applies to any natural or legal person related to the former under an employment or service agreement.

68. KNOWLEDGE AND EXPERIENCE OF REMUNERATION POLICY OF THE MEMBERS OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the General and Supervisory Board is composed of members of the General and Supervisory Board with qualifications and experience in remuneration policy, according to Annex I of the current Report.

III. REMUNERATION STRUCTURE

69. REMUNERATION POLICY OF MANAGEMENT AND SUPERVISORY BODIES EXECUTIVE BOARD OF DIRECTORS

Remuneration policy for the members of the managing body is set by the Remuneration Committee appointed by the General and Supervisory Board. This committee defined the remuneration of the directors, intending for it to reflect the performance of each member of the Executive Board of Directors in each year of their term of office (annual variable remuneration) and their performance during their term by fixing a variable component that is consistent with maximisation of EDP's long-term performance (variable multi-annual remuneration).

The recommendation uses an undetermined concept whose satisfaction depends on the concrete circumstances of the issuing company and especially on its shareholders' understanding of what is reasonable in these circumstances. Interpretation of the reasonability of the relative weight of the variable remuneration against the fixed remuneration must take account of the other elements in the recommendation, particularly of orientation towards alignment of the remuneration structure with the shareholders' long-term interests. One of the natural consequences of this principle is an increase in the weight of the variable component in order to create appropriate incentives for the company's executive directors to foster sustainable growth.

The relative weight of the variable remuneration against the fixed remuneration take account particularly of orientation towards alignment of the remuneration structure with the shareholders' long-term interests. As a result the weight of the variable component is higher to create appropriate incentives for the company's executive directors to foster its sustainable growth.

The remuneration policy statement, as approved by the shareholders, lays down that the total variable component can reach twice the fixed component during a term of office, thereby placing a maximum limit of two-thirds of the remuneration depending on fulfilment of strict company performance goals. Variable remuneration depends on whether the executive directors achieve a performance of 90% of the business plan. Only if they achieve 110% fulfilment will they receive the maximum amounts allowed by the company's remuneration policy.

Variable remuneration is divided into annual, which may only reach 80% of fixed remuneration, and multi-annual, which may reach 120% of the fixed remuneration. Variable multi-annual remuneration is only paid if the goals have been met and is paid three years after the financial year in question.

If the remuneration goals are fully met in a term of office, 60% of the directors' variable remuneration is deferred for no less than three years.

If we compare this percentage with that set out for credit institutions and financial companies, pursuant to Directive 2010/76/EU of the European Parliament and of the Council of 24 November, as it is a paradigm that was widely analysed and discussed in Europe, we find that EDP's policy on variable remuneration is equivalent to the strictest used by these entities.

In accordance with the remuneration policy of the members of the Executive Board of Directors proposed by the Remuneration Committee of the General and Supervisory Board "a significant part of the variable remuneration" corresponding to the variable multi-annual remuneration may be a maximum of 120% of gross annual remuneration and it will be paid three years after the financial year in question.

The remuneration policy statement approved by the General Meeting on 21 April, 2015 for 2015-2017 sets out the following:

- ⚡ **Fixed remuneration** – EUR 600,000 annual gross for the CEO and 80% of this sum for the remaining members of the Executive Board of Directors. Maintenance of directors' retirement savings plans during their term of office, at a net amount of 10% of their fixed Annual remuneration. The characteristics of these retirement savings plans are set out in current legislation applicable to these financial products;
- ⚡ **Annual variable remuneration** – for each member of the Executive Board of Directors its value is limited to 80% of their gross annual fixed remuneration. The amount is determined on the basis of the following indicators for each year in office: performance of the EDP Group's total shareholder return against Eurostoxx Utilities and PSI-20, ROIC/WACC, growth in gross margin, growth in net profit, performance of EBITDA and operational cash flow excluding regulatory receivables. The weighted average of these indicators is given an overall weight of 80% for all members of the Executive Board of Directors, when determining their performance bonus. The other 20% is based on an individual assessment by the Remuneration Committee of the General and Supervisory Board;
- ⚡ **Multi-annual variable remuneration** – also for each member of the Executive Board of Directors, this component may be between 0% and 120% of their gross annual remuneration based on an annual accumulated assessment of the directors' performance in achieving economic sustainability for the EDP Group. The award of this multi-annual remuneration, although calculated on an annual basis, only takes effect if, at the end of the term of office, at least 90% of the strategic objectives have been achieved. These will be assessed on the basis of performance and comparison with defined strategic benchmarks. This payment component is fixed on the basis of the following factors: performance of the EDP Group's EBITDA in the term of office, ROIC/WACC, performance of total return for the Group's shareholders against Eurostoxx Utilities and PSI-20 in the term of office, performance of the sustainability index applied to the EDP Group (DJSI method) and performance of operational cash flow excluding regulatory receivables in the term of office. The weighted average of these indicators is given an overall weight of 68% for all members of the Executive Board of Directors, when determining their performance bonus. As for annual indicators, 32% of the remuneration that is determined by internal assessment of the Executive Board of Directors by the Remuneration Committee of the General and Supervisory Board is reserved.

GENERAL AND SUPERVISORY BOARD

The remuneration of the members of the General and Supervisory Board is fixed, in view of their duties.

The remuneration of the Chairman of the General and Supervisory Board was fixed on the basis of the full-time performance of his duties, unlike the rest of the members.

At the Annual General Meeting on 21 April 2015, the Chairman of the Remuneration Committee of the General Meeting submitted an appreciation of the remuneration policy for the corporate bodies, with the exception of the Executive Board of Directors, for the current three-year period, as follows:

- ❑ A simple, clear, transparent policy in line with EDP's culture so that remuneration practices can be based on uniform, consistent, fair, balanced criteria;
- ❑ A policy consistent with effective risk management and control in order to avoid excessive exposure to risk and conflicts of interest and achieve coherence with the company's long-term goals and values;
- ❑ Assessment and encouragement of meticulous action in which merit is properly rewarded, while ensuring levels of homogeneity compatible with the necessary cohesion of the General and Supervisory Board but still taking account of the economic and financial situation of the company and the country;
- ❑ Alignment of remuneration of the members of corporate bodies in companies with the highest market capitalisation and especially Iberian counterparts;
- ❑ The latest recommendations of the European Union and CMVM;
- ❑ Consideration of the effects of the economic crisis and current financial constraints, in order to meet requirements of great social justice in the country and in the company's different remuneration schemes.

Based on these criteria the committee decided that:

- ❑ A differentiation between the remuneration of the members of the General and Supervisory Board and those of the members of the Executive Board of Directors shall be maintained, and there will be no variable component or any other remunerative supplement for the General and Supervisory Board.
- ❑ The difficulties that the country is experiencing as a result of the worldwide economic, financial and social crisis, as well as the challenges the country holds ahead following the end of the financial intervention it was through, require containment of remuneration, though account should always be taken of the merits and the complexity of the work of the members of each body in order not to jeopardise the company's cohesion, stability and development.
- ❑ The progressive increase in work and responsibility of the Audit Committee members must be taken into consideration in order to differentiate them from the other members of the General and Supervisory Board.
- ❑ It is also important to distinguish other specific positions in the General and Supervisory Board, such as the coordination work of the Chairman and Vice-Chairman.

The shareholders approved the statement of remuneration policy.

70. HOW REMUNERATION IS STRUCTURED TO ALLOW ALIGNMENT OF THE INTERESTS OF THE MEMBERS OF THE MANAGING BODY WITH THE COMPANY'S LONG-TERM INTERESTS AND HOW IT IS BASED ON ASSESSMENT OF PERFORMANCE AND DISCOURAGES EXCESSIVE RISK-TAKING

As set out in the remuneration policy described in Point 69, remuneration is structured to allow alignment of the interests of the members of the Executive Board of Directors with the company's long-term interests.

The time period considered for the payment of the variable component of the remuneration (gap of three years regarding the exercise at stake), the subjection of this payment to the non-performance of unlawful willful actions known after the assessment and that jeopardize the sustainability of the company's performance, to which is added i) the utilization of qualitative criteria looking forward for a strategic perspective and of medium term in the development of the company, ii) the existence of a maximum limit for the variable remuneration and iii) the relative weight of this component in the total value of the remuneration, represent decisive elements to promote a performance of the company's management focused not only in short term goals, but also that integrates in its performance the company's and the shareholders' interests in a medium and long term perspective.

The members of the managing body have not concluded any agreements with the company or third parties that have the effect of mitigating the risk of variability of their remuneration fixed by the Remuneration Committee.

71. REFERENCE TO A VARIABLE REMUNERATION COMPONENT AND ANY IMPACT OF PERFORMANCE EVALUATION ON THIS COMPONENT

As described above in point 69, remuneration policy in effect for 2015-2017 involves three main components: i) fixed remuneration, ii) annual variable remuneration and iii) multi-annual variable remuneration.

The indicators used to assess the performance of the Executive Board of Directors in order to determine annual and multi-annual variable remuneration are as follows:

ANNUAL PERFORMANCE INDICATORS

- 1) Quantitative component and its weight

Total shareholder return vs. Eurostoxx utilities and PSI20: 19%

ROIC/WACC: 19%

Growth in gross profit: 14%

Growth in net profit: 14%

Performance of EBITDA: 7%

Performance of operational cash flow excluding regulatory receivables: 7%

The 80% resulting from the weighted sum of these indicators reflects a performance common to all the members of the Executive Board of Directors.

2) Qualitative component

The other 20% is based on an individual assessment by the Remuneration Committee of the General and Supervisory Board, based on the individual performance of each member of the Executive Board of Directors.

The resulting amount of the quantitative and qualitative component is then weighted, as mentioned above, by a coefficient of 80% of the annual fixed remuneration.

MULTI-ANNUAL PERFORMANCE INDICATORS

1) Quantitative component and its weight

Total shareholder return vs. Eurostoxx utilities and PSI20: 17%

ROIC/WACC: 17%

Performance of EBITDA: 8.5%

Performance of operational cash flow excluding regulatory receivables: 8.5%

Sustainability Performance Indicator: 17%

The 68% resulting from the weighted sum of these indicators reflects a performance common to all the members of the Executive Board of Directors.

2) Qualitative componente

The other 32% is based on an individual assessment by the Remuneration Committee of the General and Supervisory Board, based on the individual performance of each member of the Executive Board of Directors.

The resulting amount of the quantitative and qualitative component is then weighted, as mentioned above, by a coefficient of 120% of the annual fixed remuneration.

72. DEFERRAL OF PAYMENT OF VARIABLE COMPONENT OF REMUNERATION AND ITS LENGTH

The multi-annual variable remuneration is calculated every year and only becomes effective at the end of the term of office if at least 90% of the strategic goals have been achieved, as assessed on the basis of company performance and its comparison with the strategic benchmarks and the individual contribution of each member of the Executive Board of Directors.

All multi-annual eventual variable remuneration are paid three years after the financial year in question.

73. CRITERIA ON ALLOCATION OF VARIABLE REMUNERATION IN SHARES AND EXECUTIVE DIRECTORS' MAINTENANCE OF THESE SHARES, ANY AGREEMENTS CONCLUDED CONCERNING THESE SHARES, SUCH AS HEDGING OR RISK TRANSFER CONTRACTS, THEIR LIMIT AND THEIR ASSOCIATION WITH TOTAL ANNUAL REMUNERATION

The members of the Executive Board of Directors do not own company shares under variable remuneration schemes.

74. CRITERIA ON ALLOCATION OF VARIABLE REMUNERATION IN OPTIONS, PERIOD OF DEFERRAL AND PRICE OF EXERCISE

EDP has no variable remuneration option schemes.

75. MAIN PARAMETERS AND BASIS OF ANY ANNUAL BONUS SYSTEM AND ANY NON-MONETARY BENEFITS

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

76. MAIN CHARACTERISTICS OF SUPPLEMENTARY PENSION OR EARLY RETIREMENT SCHEMES FOR DIRECTORS AND DATE OF APPROVAL INDIVIDUALLY AT A GENERAL MEETING

The remuneration fixed by the Remuneration Committee of the General and Supervisory Board sets for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, through the application of a net amount correspondent to 10% (ten percent) of their fixed annual remuneration. It was granted in accordance with the Remuneration Policy Statement approved by resolution of the General Shareholders' Meeting dated 21 April 2015. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the Company Code.

IV. DISCLOSURE OF REMUNERATION

77. ANNUAL AGGREGATE AND INDIVIDUAL REMUNERATION PAID TO THE MEMBERS OF THE COMPANY'S MANAGING BODY BY THE COMPANY, INCLUDING FIXED AND VARIABLE REMUNERATION AND ITS DIFFERENT COMPONENTS

The total gross amount paid by EDP to the members of the Executive Board of Directors in 2015 was 10,004,408 euros.

The table below shows the gross amounts of remuneration paid individually to the members of the Executive Board of Directors in office until 21 April 2015:

Euros	Remuneration paid by EDP	
	Fixed	Variable (2014)
António Luís Guerra Nunes Mexia (Chairman)	239,313	480,000
Nuno Maria Pestana de Almeida Alves	190,803	384,000
João Manuel Manso Neto	182,836	384,000
António Manuel Barreto Pita de Abreu	223,685	365,809
António Fernando Melo Martins da Costa	182,836	381,937
João Manuel Veríssimo Marques da Cruz	101,240	225,408
Miguel Stilwell de Andrade	185,182	384,000

The Remuneration Committee decided to award an additional bonus, in the amount of 360,000 euros, covering the years 2012-2014, as a result of the leadership qualities and strategic vision revealed by the Chairman of the EBD during this period.

In turn, in the table below, shows the gross amounts of remuneration paid individually to the members of the Executive Board of Directors in office after 21 April 2015:

Euros	Remuneration paid by EDP
	Fixed
António Luís Guerra Nunes Mexia (Chairman)	547,618
Nuno Maria Pestana de Almeida Alves	436,613
João Manuel Manso Neto	418,382
António Fernando Melo Martins da Costa	418,382
João Manuel Veríssimo Marques da Cruz	231,666
Miguel Stilwell de Andrade	423,751
Miguel Nuno Simões Nunes Ferreira Setas	175,183
Rui Manuel Rodrigues Lopes Teixeira	404,969

The remuneration of the Chairman and directors of the Executive Board of Directors include the amounts associated with the retirement savings plan. The amounts of the variable remuneration were fixed on the basis of the tax treatment applicable in the director's country of tax residence. The amounts paid by EDP subsidiaries refer solely to their period of residence abroad.

As results of the policy in force, the compensation is structured to allow the alignment of the EBD members' interests with the long-term interests of the company. In this way, taking into account the objective calculations associated with the remuneration model, the Commission set the multi-annual variable component imputable to the first year of the 2012/2014 mandate.

Euros	Remuneration paid by EDP	
	Fixed	Pluriannual Variable (2012)
António Luís Guerra Nunes Mexia (Chairman)	549.149	
Nuno Maria Pestana de Almeida Alves	439.319	
João Manuel Manso Neto	439.319	
António Manuel Barreto Pita de Abreu	293.185	
António Fernando Melo Martins da Costa	319.727	
João Manuel Veríssimo Marques da Cruz	231.797	
Miguel Stilwell de Andrade	404.298	

78. AMOUNTS PAID FOR ANY REASON BY OTHER SUBSIDIARY OR GROUP COMPANIES OR COMPANIES UNDER COMMON CONTROL

The table below shows the gross amounts of remuneration paid by other subsidiary or Group companies or companies under common control.

Euros	Remuneration paid by EDP	
	Fixed	Variable (2014)
João Manuel Veríssimo Marques da Cruz	240.000	0
Miguel Nuno Simões Nunes Ferreira Setas	197.968	0

79. REMUNERATION IN THE FORM OF PROFIT-SHARING AND/OR PAYMENT OF BONUSES AND REASONS FOR THESE BONUSES OR PROFIT SHARING

EDP has no schemes in place for payment of remuneration in the form of profit-sharing and/or payment of bonuses.

80. COMPENSATION PAID OR OWED TO FORMER EXECUTIVE DIRECTORS FOR TERMINATION IN THE FINANCIAL YEAR

There are no agreements between the company and members of the managing and supervisory bodies providing for compensation in the event of termination, as proven by the remuneration policy statement in effect for 2015. As a result no compensation for termination was paid or is owed to former directors.

It should also be noted that there are no contracts for severance payment in force, nor does the remuneration policy provide for such, in the event of dismissal or termination by agreement from the post of director.

In particular, the company does not assign compensation beyond the legally required in case of dismissal from the post of director founded in inadequate performance neither was any payments made in this context during the year 2015.

81. ANNUAL AGGREGATE AND INDIVIDUAL REMUNERATION PAID TO THE MEMBERS OF THE COMPANY'S SUPERVISORY BODIES

1. GENERAL AND SUPERVISORY BOARD

The total gross amount paid by EDP to the members of the General and Supervisory Board in 2015 was 1,674,066 euros.

The table below shows the remuneration paid in 2015 to the members of the General and Supervisory Board in office until 21 April 2015:

Euros	Fixed
Eduardo de Almeida Catroga	149.166
China Three Gorges Corporation	22.200
China International Water&Electric Corporation	14.762
China Three Gorges New Energy Corporation Ltd.	16.865
China Three Gorges International (Europe)	15.814
Cajastur Inversiones, S.A.	16.033
Luis Filipe da Conceição Pereira	17.575
Mohamed Ali Ismaeil Ali Al Fahim	15.814
Sonatrach	15.814
Alberto João Coraceiro de Castro	17.575
António Sarmento Gomes Mota	24.443
Maria Celeste Ferreira Lopes Cardona	21.288
Fernando Masaveu Herrero	15.814
Ilídio da Costa Leite de Pinho	15.814
Jorge Braga de Macedo	15.814
Manuel Fernando de Macedo Alves Monteiro	21.583
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	16.033
Vasco Joaquim Rocha Vieira	15.814
Vítor Fernando da Conceição Gonçalves	26.208
Rui Eduardo Ferreira Rodrigues Pena	17.575
Augusto Carlos Serra Ventura Mateus	15.814
Nuno Manuel Silva Amado	17.333

The table below shows the remuneration paid in 2015 to the members of the General and Supervisory Board in office after 21 April 2015:

Euros	Fixed
China Three Gorges Corporation	341.334
Luís Filipe Marques Amado	49.800
China Three Gorges New Energy Co. Ltd.	38.593
China International Water & Electric Corp.	33.780
China Three Gorges (Europe), S.A.	36.186
China Three Gorges (Portugal), Sociedade Unipessoal, Lda.	35.967
DRAURSA, S.A.	35.967
Fernando Maria Masaveu Herrero	36.186
Banco Comercial Português, S.A.	34.667
Sonatrach	36.186
Senfora BV	36.186
António Sarmento Gomes Mota	55.932
Maria Celeste Ferreira Lopes Cardona	48.712
Ilídio da Costa Leite de Pinho	36.186
Jorge Avelino Braga de Macedo	36.186
Vasco Joaquim Rocha Vieira	36.186
Augusto Carlos Serra Ventura Mateus	36.186
João Carvalho das Neves	48.417
Alberto Joaquim Milheiro Barbosa	48.417
María del Carmen Fernández Rozado	48.417
António Manuel de Carvalho Ferreira Vitorino	39.425

2. OTHER COMPANY BODIES

ENVIRONMENT AND SUSTAINABILITY BOARD

The members of the Environment and Sustainability Board are paid in attendance vouchers of EUR 1,750 per meeting. In 2015, the remuneration paid to the members of the Environment and Sustainability Board was as follows:

Euros	
José Pedro Silva Sucena Paiva	1.750
Alberto Manuel Rosete da Ponte	1.750
António José Tomás Gomes de Pinho	1.750
José Manuel Viegas ⁽¹⁾	0
Maria Graça Madeira Martinho	1.750

(1) Resigned remuneration

REMUNERATION COMMITTEE OF THE GENERAL MEETING

The members of the Remuneration Committee of the General Meeting received the following remuneration in 2015:

Euros	
Luís Miguel Nogueira Freire Cortes Martins	15.000
José Gonçalo Maury	10.000
Jaime Amaral Anahory	10.000

82. REMUNERATION OF THE CHAIRMAN OF THE GENERAL MEETING. IN THE YEAR

The Chairman and Secretary of the General Meeting do not earn any remuneration in that capacity, given that they are remunerated as a member of the General and Supervisory Board and company Secretary, respectively. The Vice-Chairman of the General Meeting is paid an amount of EUR 2,000 a year, plus EUR 2,000 for each meeting over which s/he presides.

V. AGREEMENTS AFFECTING REMUNERATION

83. CONTRACTUAL LIMITATIONS FOR COMPENSATION PAYABLE TO DIRECTORS FOR DISMISSAL WITHOUT DUE CAUSE AND THEIR ASSOCIATION WITH THE VARIABLE COMPONENT OF REMUNERATION.

In accordance with the remuneration policy statement in effect for 2015, EDP has no existing contracts providing for payments in the event of dismissal or termination by mutual agreement of directors.

84. DESCRIPTION AND AMOUNTS OF AGREEMENTS BETWEEN THE COMPANY AND MEMBERS OF THE MANAGING BODY AND DIRECTORS, AS SET OUT IN ARTICLE 248-B (3) OF THE SECURITIES CODE, PROVIDING FOR COMPENSATION IN THE EVENT OF DISMISSAL WITHOUT DUE CAUSE OR TERMINATION OF EMPLOYMENT FOLLOWING A CHANGE OF COMPANY CONTROL

Considering Article 248-B (3) of the Securities Code, EDP has no directors other than the members of the corporate bodies. In addition to the members of these bodies, there are no managers who have regular access to privileged information and participate in decisions on the company's management and business strategy.

Furthermore, we reiterate that, in accordance with the remuneration policy statement approved at a General Meeting and in effect for 2015, EDP has no existing agreements providing for payments in the event of dismissal or termination by mutual agreement of directors.

VI. STOCK PURCHASE OPTION PLANS OR STOCK OPTIONS

85. PLAN AND ITS BENEFICIARIES

There are no stock options for company employees.

86. DESCRIPTION OF THE PLAN (CONDITIONS FOR AWARD, CLAUSES ON NON-SALEABILITY OF SHARES, SHARES PRICE CRITERIA, PRICE OF OPTIONS IN FINANCIAL YEAR, PERIOD IN WHICH OPTIONS CAN BE EXERCISED, CHARACTERISTICS OF SHARES OR OPTIONS, INCENTIVES FOR PURCHASE OF SHARES OR EXERCISE OF OPTIONS)

There are no stock options for company employees.

87. STOCK OPTIONS OF COMPANY EMPLOYEES

There are no stock options for company employees.

88. CONTROL MECHANISMS SET OUT IN ANY EMPLOYEE SHARE SCHEME SO THAT THEY DO NOT EXERCISE THEIR VOTING RIGHTS DIRECTLY

The company has no such control mechanisms.

E. TRANSACTIONS WITH RELATED PARTIES

I. MECHANISMS AND PROCEDURES OF CONTROL

89. COMPANY MECHANISMS FOR MONITORING TRANSACTIONS WITH RELATED PARTIES

The General and Supervisory Board approved objective, transparent rules on the identification, prevention and resolution of relevant corporate conflicts of interest called Framework on Handling of Conflicts of Interest, which was revised in late 2009.

Following a decision made by the General and Supervisory Board, on 17 May, 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties.

These rules are also available on EDP's website.

As part of its improvement of governance practices, on 29 July 2010, the General Supervisory and Board approved EDP's rules on conflicts of interest and transactions between related parties, which was reviewed in 2015 and a new version was approved on 29 October 2015, available on EDP's website (www.edp.pt). This set of rules on the prevention, identification and resolution of potential corporate conflicts of interest has a wider scope of application than that set out in CMVM Regulation 4/2013.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

For further information on this matter, see Point 3.5.2. of the annual report of the General and Supervisory Board.

90. TRANSACTIONS THAT UNDERWENT CONTROLS IN THE YEAR

Attentive to the current reporting obligations, the Executive Board of Directors, during 2015, submitted to the General and Supervisory Board the information concerning the transactions between related parties. Such information concerned the transactions listed below:

- ❖ Sale to CWEI (Brasil) Participações, Ltda., a subsidiary of CTG, of a minority interest in wind farms in Brazil. According to the terms of the purchase, CWEI (Brasil) Participações, Ltda. will invest a total of R\$ 385.7 million, including investments already made and an estimated R\$ 86.8 million in future investments for projects currently being built/developed.
- ❖ Provision by Banco Comercial Português (BCP) bank to EDP Group of financial intermediary services, having integrated the syndicate of banks which acted as Joint Lead Managers and Bookrunners for the issue of subordinated debt, in September 2015.
- ❖ Also in 2015, approximately € 100 million was transferred to BCP, through an assignment without recourse, which referred to part of the extra-cost deficit of SRP 2015.

- ∴ Sonatrach provided natural gas to the EDP group and the Soto 4 combined cycle power station under long-term supply contracts, for the amount of € 153,540,000.

The General and Supervisory Board noted that, on the basis of the cases analysed and information provided by the Executive Board of Directors for 2015, there was no evidence that the potential conflicts of interest in EDP's operations were resolved contrary to the company's interests.

At the same time, it is important to highlight Article 17(2) of the EDP Memorandum of Association, that defines a number of matters subject to the prior approval of the General and Supervisory Board, which has the power to set the parameters for measuring the economic or strategic value of the operations that must be submitted for its opinion, which were approved by this body in 18 June 2015.

In 2015, 17 operations with an average value of EUR 487 million and a maximum value of EUR 1400 million were submitted to the General and Supervisory Board for a prior opinion. 8 operations with an average value of EUR 289 million and a maximum value of EUR 750 million were submitted to the General and Supervisory Board after waiving of a prior opinion.

In what concerns the operations subject to issue of a favourable prior opinion from the General and Supervisory Board, 5 of them (in the average value of EUR 930 million) have subjacent transactions with related parties. Regarding operations in which there were waiver of prior opinions, only one (in the approximate value of EUR 100 million) had subjacent a transaction with a related party. Considering the specificities inherent to these operations, previously to the issue of a favourable prior opinion or to the waiver of a prior opinion by the General and Supervisory Board, the Corporate Governance and Sustainability Committee analyzed them and concluded for the non-existence of evidences that the potential conflict of interests subjacent to the operations performed by EDP have been resolved in a way contrary to the Company's interests.

91. PROCEDURES AND CRITERIA APPLICABLE TO THE SUPERVISORY BODY'S PRIOR ASSESSMENT OF TRANSACTIONS BETWEEN THE COMPANY AND HOLDERS OF QUALIFYING SHAREHOLDINGS OR ENTITIES RELATED TO THEM IN ANY WAY

The current rules on the issue and waiving of a prior opinion from the General and Supervisory Board, as referred previously, were approved on 18 June, 2015, along with the procedures for communication and clarifications between it and the Executive Board of Directors.

Pursuant to EDP's Articles of Association, the General and Supervisory Board fixes the parameters for measuring the economic or strategic value of operations submitted to it for an opinion and sets up speedy mechanisms for issuing an opinion in urgent cases or when the nature of the subject so warrants and the situations in which this opinion can be waived (Article 21 (7)). The mechanism for waiving a prior opinion from the General and Supervisory Board may only be used in cases of exceptional urgency or if the nature of the subject so warrants, as set out in EDP's Articles of Association and the regulations of the General and Supervisory Board in effect in 2011 (current Article 13 (5)).

All matters in which a prior opinion is waived are later appraised at meetings of the General and Supervisory Board.

Furthermore, the General and Supervisory Board has set out strict rules on transactions between related parties in order to prevent conflicts of interest.

Within this scope, it should be highlighted what is defined in the Regulation regarding "Conflicts of interests between related parties in EDP" in what concerns the procedures and criteria applicable to the supervision for previous evaluation of business between the company and qualified shareholders or any entities with whom the latter are related:

For legal transactions or situations between related parties that are likely to cause a conflict of interest between those involved that will have an impact on the interests of EDP, the Executive Board has to request the preliminary opinion of the General and Supervisory Board or its waiver, and also has to provide the following information:

- ∴ A brief description of the operations and obligations assumed by the parties.
- ∴ A statement the procedures adopted for selecting the counterparty, particularly if the operation was based on a tender/consultation or limited tendering procedure.
- ∴ In the case of a limited tendering procedure, the reasons for such decision and the measures adopted to mitigate any risks from potential conflicts of interests.
- ∴ In the case of a tender/consultation, statement of the type of contact established with potential stakeholders and identify such.
- ∴ In the event competitive offers existed, information on the terms of the different proposals and the reason for the choice made.
- ∴ Identification of the parameters to measure the operation performed under "normal market conditions for similar transactions".
- ∴ Measures taken to prevent or resolve potential conflicts of interests.

- ❑ Evidence, if applicable, of the multiannual nature of the operation, in which case the starting date of the selected tender/contract should be reported together with the date on which the supplies and/or services provided shall be provided or carried out.

With respect to legal business or cases that exist between related parties that are likely to give rise to a conflict of interests between those involved, which could impact the interests of EDP, these should be subject to a preliminary opinion from the General and Supervisory Board:

- ❑ If the Corporate Governance and Sustainability Committee can meet before the General and Supervisory Board meeting, an opinion from this Committee should be requested, which should be presented to the General and Supervisory Board for decision making purposes.
- ❑ If it is not possible for the Corporate Governance and Sustainability Committee to meet, the assessment of the potential conflict of interests must be made directly by the General and Supervisory Board within its decision making authority.

With respect to legal business or cases that exist between related parties that are likely to give rise to a conflict of interests between those involved, which could impact the interests of EDP, which are subject to a request for waiver of the preliminary opinion from the General and Supervisory Board, at least three Members of the Committee should be consulted, and the majority have to be independent.

When considering the request by the Executive Board, in the event of a request to waive the preliminary report, the Corporate Governance and Sustainability Committee, the General and Supervisory Board or the Chairman of this Board, may recommend to the Executive Board that appropriate measures must be taken to address the potential conflict of interest.

II. BUSINESS INFORMATION

92. LOCATION OF ACCOUNTING DOCUMENTS PROVIDING INFORMATION ON TRANSACTIONS WITH RELATED PARTIES, PURSUANT TO IAS 24, OR REPRODUCTION OF THE INFORMATION

Information on transactions with related parties, pursuant to IAS 24, is set out in Note 46 of the consolidated and individual financial statements.

PART II - ASSESSMENT OF CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE CODE IN EFFECT

EDP – Energias de Portugal, S.A. (EDP) is a listed company whose securities are admitted to trading on the NYSE Euronext Lisbon stock market.

Pursuant to Article 2 (1) of CMVM Regulation 4/2013 on governance of companies issuing shares admitted to trading in a regulated market located or operating in Portugal, EDP abides by the recommendations set out in the Corporate Governance Code, as approved by the CMVM in July 2013, available on www.cmvm.pt. It has not opted to follow any other code of recommendations in this matter.

This report is structured in compliance with Article 1 (4) of CMVM Regulation 4/2013, and therefore abides by the model in its Annex I, not including the sections not applicable to EDP's corporate governance model.

2. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The following table lists the CMVM recommendations on corporate governance established in the referred Corporate Governance Code and indicating whether or not they were adopted, in full or partially by EDP, as well as where more detailed information can be found in this report on the adoption of each specific recommendation.

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN REPORT
I. VOTING AND CONTROL OF THE COMPANY			
I.1. Companies must encourage their shareholders to take part and vote in general meetings, for instance by not fixing an excessively large number of shares required to have voting rights and introduce the means necessary for postal and online votes.	Adopted		Chapter B Title I No. 12 page 143
I.2. Companies must not use mechanisms that hinder decision-making by their shareholders, such as by fixing a deliberative quorum larger than that provided for by law.	Adopted		Chapter B Title I No. 14 page 144
I.3. Companies must not set up mechanisms that result in a time lapse between the right to receive dividends or subscribe new securities and the voting right of each ordinary share, unless this is duly justified by the shareholders' long-term interests.	Adopted		Chapter B Title I No. 12 page 143

<p>I.4. The articles of association of companies that limit the number of votes that can be held or cast by a single shareholder, individually or with other shareholders, must also set out that the amendment or maintenance of this provision must be submitted to the vote of the general meeting at least every five years – with no increased quorum requirement above that laid down by law – that all the votes cast must be counted without the aforementioned limitation on this decision.</p>	<p>Not Adopted</p>	<p>Over the past five years, the subject of statutory limitation on voting rights has already been discussed by the General Meeting of EDP on two occasions. The limitation of the number of votes set out in Article 14 of the Articles of Association reflects the will of the shareholders of EDP expressed through resolutions of the General Meeting, in the defence of the company's specific interests: (i) a change of the limit from 5% to 20% was approved by the shareholders at the General Meeting of 25 August 2011, involving participation of 72.25% of the capital and approval by a majority of 94.16% of the votes cast; (ii) a later increase to the current 25% was approved at the General Meeting of 20 February 2012, involving participation of 71.51% of the capital and approval by a majority of 89.65% of the votes cast.</p> <p>The shareholders have thus been periodically called on to decide on limiting the number of votes. The continued existence of the limitation has prevailed and the reflection on the adjustment of the relevant ceiling for counting voting rights, precisely to progressively increase this level.</p> <p>The momentum of shareholders of the Company has thus proven to be perfectly in tune with the sense advocated in the Recommendation and sufficiently apt for pursuing its goals, avoiding rigid formulas for this review set down in the Articles of Association, which has also fostered the particularly intense scrutiny of this clause by shareholders.</p>	
<p>I.5. No measures must be taken that have the effect of requiring payments or liability for expenses on the part of the company in the event of transfer of control or a change in the membership of the management body that may interfere with the free transmissibility of shares and free appreciation by the shareholders of the members of the management body board.</p>	<p>Adopted</p>		<p>Chapter A Title I No. 4 and 5 page 135 and 136</p>

II. SUPERVISION, MANAGEMENT AND OVERSIGHT		
II.1. SUPERVISION AND MANAGEMENT		
II.1.1.1. Within the limits of the law and unless the company becomes too small, the board of directors must delegate the everyday running of the company. The powers delegated must be indicated in the annual Corporate Governance Report.	Not Applicable	<p>This recommendation does not apply to the company's current governance model.</p> <p>The delegation of powers granted in the Latin model to delegated directors does not exist in the Executive Board of Directors of EDP. It only has an allocation of management areas to each of the members of the Executive Board of Directors, with the college of directors responsible for taking decisions on all matters under its jurisdiction. Moreover, Article 431(3) of the Portuguese Company Code on the powers of the Executive Board of Directors establishes that the powers of management and representation of directors is governed by the scheme provided for in Article 406, 408 and 409 and excludes Article 407 concerning the delegation of management powers.</p>
II.1.1.2. The Board of Directors must ensure that the company acts in accordance with its goals and must not delegate its powers to: <i>i)</i> define the company's general strategy and policies; <i>ii)</i> define the group's corporate structure; <i>iii)</i> make decisions that must be deemed strategic due to their amount, risk or special characteristics.	Not Applicable	<p>This recommendation does not apply to the company's current governance model.</p> <p>According to the two tier model of governance, the Executive Board of Directors does not delegate any of the matters referred to in this Recommendation. However, the supervisory body and management monitoring body issues prior opinions concerning the approval of the strategic plan and certain strategic or significant operations (Article 17(2) of the Articles of Association).</p>

<p>II.1.3. In addition to the exercise of its supervisory duties, the General and Supervisory Board must take full responsibility for the company's governance and so the articles of association or an equivalent provision must enshrine the board's obligation to give its opinion on the company's strategy and main policies, definition of the group's corporate structure and decisions that must be deemed strategic due to their amount or risk. This board must also assess compliance with the company's strategic plan and implementation of its main policies.</p>	<p>Adopted</p>		<p>Chapter B Title II No. 21 page 150</p>
<p>II.1.4. Unless the company becomes too small, the Board of Directors and the General and Supervisory Board, depending on the model used, must set up any necessary committees to:</p> <ul style="list-style-type: none"> a) Make a competent, independent assessment of the performance of the executive directors and their own overall performance and that of the other committees; b) Reflect on the system, structure and governance practices used, verify their efficacy and propose improvement measures to the competent bodies. 	<p>Adopted</p>		<p>Chapter B Title II No. 24 and 29 page 181</p>
<p>II.1.5. The Board of Directors or General and Supervisory Board, depending on the applicable model, must set goals for risks and create systems to control them in order to guarantee that risks actually run are consistent with these goals.</p>			<p>Chapter B Title II No. 21 page 150</p>
<p>II.1.6. The Board of Directors must include a number of non-executive members to guarantee its effective capacity to monitor, supervise and assess the work of the remaining members of the management body.</p>	<p>Not Applicable</p>	<p>This recommendation does not apply to the company's current governance model.</p>	

<p>II.1.7. The non-executive directors must include an appropriate proportion of independents, depending on the company's governance model, size, shareholder structure and free float.</p> <p>The independence of the members of the General and Supervisory Board and of the Audit Committee will be measured in accordance with current legislation. Where the other members of the Board of Directors are concerned, independent directors are persons who are not associated with any group with specific interests in the company and who are not in a situation liable to affect their impartial analysis or decision, due, for example, to:</p> <ul style="list-style-type: none"> a. Having been employees of the company or a subsidiary or group company in the last three years; b. Having provided services or done significant business with the company or a subsidiary or group company directly or as an owner, director or manager of a legal person in the last three years; c. Receiving remuneration paid by the company or a subsidiary or group company in addition to the remuneration from their position as director; d. Living in a common-law marriage or being the spouse, relative or similar in a direct line to the third degree, inclusive, in the collateral line of directors or natural persons directly or indirectly owning qualifying shareholdings; e. Owning qualifying shareholdings or being the representative of a shareholder owning qualifying shareholdings. 	<p>Adopted</p>		<p>Chapter B Title II No. 18 page 148</p>
<p>II.1.8. Directors who perform executive duties when asked to do so by other members of the corporate bodies must provide the information requested by these bodies in a timely fashion and in the appropriate form.</p>	<p>Adopted</p>		<p>Chapter B Title II No. 21 page 150</p>
<p>II.1.9. The chairman of the executive management body or executive committee must send the invitations and minutes of their meetings to the Chairman of the Board of Directors, Chairman of the Supervisory Board, Chairman of the Audit Committee, Chairman of the General and Supervisory Board and Chairman of the Financial Committee, as applicable.</p>	<p>Adopted</p>		<p>Chapter B Title II No. 21 page 150</p>

<p>II.1.10. If the chairman of the management body performs executive duties, this body must appoint from among its members an independent director to coordinate the work of the other non-executive members and the right conditions for them to make independent, informed decisions or find another equivalent mechanism for this coordination.</p>	<p>Not Applicable</p>		
<p>II.2. OVERSIGHT</p>			
<p>II.2.1. Depending on the model in question, the chairman of the Supervisory Board, Audit Committee or Financial Committee must be independent in accordance with the applicable legal criterion, and have the appropriate powers for his/her duties.</p>	<p>Adopted</p>		<p>Chapter B Titles II and III No.s 29 and 33 pages 181 and 188</p>
<p>II.2.2. The oversight body must be the main interlocutor with the external auditors and the first recipient of their reports and will be responsible for proposing their remuneration and ensuring that the appropriate conditions exist in the company for the provision of the services.</p>	<p>Adopted</p>		<p>Chapter B Title II No.s 21 and 29 pages 150 and 181</p>
<p>II.2.3. The oversight body must assess the external auditors every year and propose to the competent body their dismissal or termination of their service contract whenever so justified.</p>	<p>Adopted</p>		<p>Chapter B Title II No.s 21 and 29 pages 150 and 181</p>
<p>II.2.4. The oversight body must assess the internal control and risk management systems and propose any necessary adjustments.</p>	<p>Adopted</p>		<p>Chapter B Title II No.s 21 and 29 pages 150 and 181</p>

<p>II.2.5. The Audit Committee, General and Supervisory Board and the Supervisory Board must give their opinion on work plans and resources allocated to internal audit services and compliance services and must receive these services' reports at least when they cover matters related to rendering of accounts, identification or resolution of conflicts of interest and detection of potential illegalities.</p>	<p>Adopted</p>		<p>Chapter C Title II No. 49 page 192</p>
<p>II.3. FIXING REMUNERATION</p>			
<p>II.3.1. All members of the Remuneration Committee or equivalent must be independent from the executive members of the management body and include at least one member with knowledge and experience of remuneration policy.</p>	<p>Adopted</p>		<p>Chapter B Title II No. 29 page 181</p>
<p>II.3.2. No natural or legal person who provides or has provided services to any unit answerable to the management body, the company's management body itself or with a current relationship with the company or consultant of the company in the last three years may be hired to assist the Remuneration Committee in its duties. This recommendation also applies to any natural or legal person related to the former under an employment or service agreement.</p>	<p>Adopted</p>		<p>Chapter D Title II No. 67 page 206</p>

<p>II.3.3. The remuneration policy statement by the management and supervisory bodies set out in Article 2 of Law 28/2009 of 19 June must also contain:</p> <ul style="list-style-type: none"> a) Explicit identification of the criteria used to determine the remuneration paid to the members of the corporate bodies; b) Information on the maximum potential individual amount and the maximum potential aggregate amount payable to the members of the corporate bodies and an indication of the circumstances in which these maximum amounts may be payable; d) Information as to whether payments for dismissal or termination are required or not. 	<p>Adopted</p>		<p>Chapter D Titles III and IV No.s 69, 70, 71, 72 and 80 pages 206 to 209 and 211</p>
<p>II.3.4. The proposal on approval of plans to allocate shares and/or share options or based on variations in share prices to members of the corporate bodies must be submitted to the General Meeting. The proposal must contain all the necessary elements for a proper assessment of the plan.</p>	<p>Not Applicable</p>	<p>There is no share allocation scheme in force.</p>	<p>Chapter D Title VI No. 85 page 214</p>
<p>II.3.5. The proposal on approval of any retirement benefit system for members of the corporate bodies must be submitted to the General Meeting. The proposal must contain all the necessary elements for a proper assessment of the system.</p>	<p>Not Applicable</p>	<p>EDP has not set up a specific retirement benefit system for the members of its management and supervisory bodies. Nevertheless, the members of the Executive Board of Directors receive a "standard" retirement savings plan financial product correspondent to 10% of the fixed component of the annual remuneration. Such financial product does not bear any charge for EDP in the future, since its subscription is valid only while the members of its management body hold office. Such provision was assigned in accordance with the Remuneration Policy Statement approved in the general meeting of 12 May 2014. On the referred Remuneration Policy Statement it is also mentioned that the characteristics of these "standard" retirement savings plan are the ones in force in the legal framework applicable to these financial products.</p>	<p>Chapter D Title III No. 69 and 76 Pages 206 and 210</p>

III. REMUNERATION				
III.1. The remuneration of the management body's executive members must be based on actual performance and discourage excessive risk taking.	Adopted			Chapter D Title III No.s 69 and 70 pages 206 to 208
III.2. The remuneration of the management body's non-executive members and of the members of the oversight body must not include any component that depends on the company's performance or value.	Partially Applicable and Adopted		The first part of the recommendation is not applicable given the current governance model of the company.	Chapter D Title III No. 69 page 206
III.3. The variable component of remuneration must be generally reasonable in relation to the fixed remuneration component and maximum limits must be set on all components.	Adopted			Chapter D Title III No. 69 page 206
III.4. A significant part of variable remuneration must be deferred for no less than three years and the right to receive it must be dependent on the continued good performance by the company in this period.	Adopted			Chapter D Title III No. 72 page 209
III.5. The members of the management body must not conclude agreements with the company or with third parties that have the effect of mitigating the risk of variability in remuneration fixed for them by the company.	Adopted		There are no contracts entered into by the members of the management body that include such clauses.	Chapter D Title III No. 70 page 208

<p>III.6. Up to the end of their term of office, the executive directors must keep the company shares to which they have had access under variable remuneration schemes up to a limit of twice the amount of their total annual remuneration, with the exception of shares that need to be sold to pay taxes resulting from benefits from them.</p>	<p>Not Applicable</p>	<p>There is no share allocation scheme in force.</p>	
<p>III.7. If variable remuneration includes share options, the start of the exercise period must be deferred for no less than three years.</p>	<p>Not Applicable</p>	<p>No stock options plan exists.</p>	
<p>III.8. If the dismissal of a director is not the result of a serious breach of his/her duties or unfitness for normal performance of his/her job, but is still due to inadequate performance, the company has the appropriate, necessary legal instruments to ensure that no compensation other than that legally payable can be demanded.</p>	<p>Adopted</p>		<p>Chapter D Title IV No. 80 page 211</p>
<p>IV. AUDIT</p>			
<p>IV.1. As part of his duties, the external auditor must verify compliance with remuneration policies and systems for the corporate bodies and the efficacy and efficiency of internal control mechanisms and report any deficiencies to the company's oversight body.</p>	<p>Adopted</p>		<p>Chapter B Title III No. 42 page 189</p>
<p>IV.2. Neither the company nor any of its subsidiaries must contract services other than audit services from the external auditor or any entities in the same group or network with him. If it is necessary to contract such services (which must be approved by the oversight body and set out in its Annual Corporate Government Report), they must not amount to more than 30% of the total value of the services provided to the company.</p>	<p>Adopted</p>		<p>Chapter B Title III No. 46 page 190</p>
<p>IV.3. Companies must endeavour to change auditors after two or three terms of office, depending on whether they are for four or three years, respectively. Their continuation beyond this limit must be justified in a specific opinion from the oversight body that expressly indicates the auditor's independence and the advantages and costs of his replacement.</p>	<p>Adopted</p>		<p>Chapter B Title III No. 44 page 189</p>

V. CONFLICTS OF INTEREST AND RELATED-PARTY TRANSACTIONS			
<p>V.1. The company's business with shareholders owning qualifying shareholdings or with entities in any way related to them, pursuant to Article 20 of the Securities Code must be conducted under normal market conditions.</p>	<p>Adopted</p>		<p>Chapter A Title II No. 10 page 141</p>
<p>V.2. The management or oversight body must establish procedures and criteria for defining the relevant degree of significance of business with shareholders owning qualifying shareholdings (or with entities in any of the relationships set out in Article 20 (1) of the Securities Code) and business deals of substantial importance will require a prior opinion from the body.</p>	<p>Adopted</p>		<p>Chapter B Title II No. 21 page 150 Chapter E Title I No. 91 page 215</p>

VI. INFORMATION			
<p>VI.1. Companies must provide access to information on their progress and current economic, financial and governance situation on their websites in Portuguese and English.</p>	<p>Adopted</p>		<p>Chapter C Title V No. 59 page 204</p>
<p>VI.2. Companies must have an office for investor relations and permanent contact with market to respond to investors' requests in a timely fashion. A record must be kept of requests submitted and how they were handled.</p>	<p>Adopted</p>		<p>Chapter C Title IV No. 56 page 203</p>

3. OTHER INFORMATION

Attached to this report and considered part of it there are the following documents:

Annex I Corporate Bodie's Biography

Annex II Attendance list of the General and Supervisory Board

Annex III Attendance list of the Executive Board of Directors

Annex IV Positions held by the members of the Executive Board of Directors in other companies belonging or not to the EDP Group

Annex V Attendance list of Financial Matters Committee/Audit Committee

Annex VI Other operations with financial instruments in which EDP's share was used as an underlying asset were also performed

ANNEX I

GENERAL AND SUPERVISORY BOARD

EDUARDO DE ALMEIDA CATROGA. Chairman He was born on 14th November 1942. He has a degree in Finance from ISEG of Universidade Técnica de Lisboa (currently ISEG) in 1966 having received the award Alfredo da Silva for the highest course classification as well as a several other scholar awards. He was a professor at ISEF (from 1968 to 1974) and an invitee graduated professor from 1990 onwards. In 1979 he had a post-graduate degree from Harvard Business School (Program for Management Development). In 2012 he obtained the Honoris Causa Degree from Universidade Técnica de Lisboa. He as a long corporate career of over 47 years, mainly in the private sector. He began in 1967 at CUF (by then the larger corporate group in the Iberia) where he was responsible for the finance department, for the planning and control department and, by the age of 31, Chief Financial Officer and member of the Board and of the Executive Committee. Later on, he was Executive Vice-Chairman of Quimigal (sector of chemistry) from 1978 to 1980. In 1981 he became delegate director of Sapec (Belgian holding with a diversified business portfolio) and is now its Chairman. On the 80's he was non-executive director of BP (British Petroleum) Portugal and Chairman of the Board of Directors of CELCAT. Since February 2012, he is the Chairman of EDP General and Supervisory Board, where he has been a Member since 2006. He is also a non-executive director at Nutrinveste (company that is a world leader at the consume products area such as oil and olive oil) and at the Group Banco Financia Holding (investment bank). He is also a member of the Investment Committee of PVCI (Portugal Venture Capital Initiative), a fund of investment funds connected to Banco Europeu de Investimentos. He was Minister of Finance of the XII Government, as independent, in the last mandate of Cavaco Silve as Prime-Minister, between December 1993 and October 1995. He has also performed, always as independent, two other political missions: in 2010, he led the negotiation group of Partido Social Democrata (PSD) who agreed with the socialist government of José Sócrates the fruition of 2011 State General Budget; in middle 2011, as per PSD invitation, he coordinated the preparation of the proposal for PSD electoral programme for the June 2011 elections. He published *Política Económica – 22 Meses no Ministério das Finanças* (1995) and *Intervenções sobre Política Económica* (vol. I, Discursos and vol. II, Debates e Entrevistas, 1995), beyond several articles in specialty magazines in the areas of economic policy, portuguese economy and corporate strategy. On 9th June 2006 he was granted by the President of Republic, with the Grã-Cruz da Ordem Militar de Cristo. In 2007, he obtained the award *Carreira de Economista*, attributed by Economists Bar and the distinction of Antigo Aluno do Ano by ISEG.

LUÍS FILIPE MARQUES AMADO Vice-Chairman. He was born on 17th December 1953. Natural from Porto de Mós, with a degree in economy, auditor of Tribunal de Contas. He was a deputy of Assembleia Regional da Madeira and of Assembleia da República, Secretary of State of Internal Administration and Foreign Affairs, Minister of National Defense and Minister of State and of the Foreign Affairs. He was a "Visiting professor" at Georgetown University. Currently, he is an advisor. He was non-Executive Chairman of Banif and he is non-executive director of SOM. Invitee professor of Instituto Superior de Ciências Sociais e Políticas and of Business School of Universidade Nova. Curator of Fundação Oriente and Member of the Board of Directors of Fundação Francisco Manuel dos Santos. Member of the European Council of Foreign Relations. He received the Grã-Cruz da Ordem de Cristo and several distinctions from foreign governments. He was elected Vice-Chairman of EDP General and Supervisory Board on the General Shareholders Meeting in 21st April 2015.

YA YANG, He was born on 27th August 1962. He has a Bachelor's degree in Finance from Changsha University of Electricity. He later got his "Diplôme d'Etudes Supérieures Spécialisées" from the Business School of the University of Montreal, Canada and EMBA from HEC Paris. He served a series of posts before devoting to the China Three Gorges Project. He was Project Officer of the Bureau of Hydropower Construction of Ministry of Water Resources & Hydropower and Auditor of Beijing Office of PriceWaterHouseCoopers. Currently, he is the Chief Accountant & Corporate Controller of China Three Gorges Corporation, Member of the Board of China Yantze Power Company Limited and Vice-Chairman of Risk Management Committee of China Society for Hydropower Engineering. He was appointed member of the General and Supervisory Board of EDP, in representation of China Three Gorges New Energy Co. Ltd, on 20th February 2012 and initiated their term of office on 11th May 2012. He was appointed as representative of China Three Gorges New Energy Co. Ltd, elected as Member of EDP'S General and Supervisory Board on the 21st April 2015 General Shareholders' Meeting.

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GUOJUN LU He was born on 12th July 1956. He has a Bachelor's degree in Engineering from East China Institute of Water Resources Engineering and a PhD in Economics from Central University of Finance and Economics in China. He served for China International Water and Electric Corporation from 1982 to 2010, starting as Deputy Chief of the Sri Lanka Office, Manager of the Pakistan Project Department and Deputy Chief of the Hydropower Department 1. He then served as Vice President and President of China International Water and Electric Corporation and Executive Vice President of China Water Investment Group Corporation. Currently, he is Assistant President of China Three Gorges Corporation and Chairman of China Three Gorges International Corporation. He was appointed member of the General and Supervisory Board of EDP, in representation of China International Water & Electric Corp, on 20th February 2012 and initiated their term of office on 11th May 2012. He was appointed as representative of China International Water & Electric Corp, elected as Member of EDP'S General and Supervisory Board on the 21st April 2015 General Shareholders' Meeting.

DINGMING ZHANG He was born on 1st December 1963. He has a Bachelor's degree in Power System and Automation from Huazhong University of Science and Technology in 1984 and his Master's degree in Management from Huazhong University of Science and Technology in 2001. He served as an associate and then Deputy Division Chief in the Key Project Construction Department of the State Planning Commission of China (1984-1994), working in Germany between 1992 and 1993. He then worked as Deputy Division Chief, Division Chief and Deputy Director of Capital Planning Department of the Three Gorges Construction Committee under the State Council (1994-2002), before he became Deputy Director of Power Production Department of China Three Gorges Corporation (2002). He then worked as Executive Vice President of China Yangtze Power Company Limited (2002-2011) and President of Beijing Yangtze Power Capital Co. Ltd. (2008-2011). His past experience also includes Director of the Board of Guangzhou Development Industry (Holding) Co. Ltd. and Director of the Board of Yangtze Three Gorges Technology and Economy Development. From 2011 to 2015, he served as Board Secretary, Director of Strategic Development Department and Director of Marketing Department in China Three Gorges Corporation. Since 2015, he is President of China Yangtze Power Company Limited. He was appointed Vice-Chairman of the General and Supervisory Board of EDP, in representation of China Three Gorges Corporation, on 20th February 2012 and initiated their term of office on 11th May 2012. He was appointed as representative of China Three Gorges (Europe), S.A., elected as Member of EDP'S General and Supervisory Board on the 21st April 2015 General Shareholders' Meeting.

SHENGLIANG WU He was born on 11th March 1971. He received Bachelor's degree in Engineering from Wuhuan University of Hydraulic and Electrical Engineering in 1992. Master's degree in Technical Economics and Management from Chongqing University in 2000. He served as technician and later as an engineer in Gezhouba Hydropower Plant (1992-1998). Secretary of Corporate Affairs Department in Gezhouba Hydropower Plant (1998-2002). Financial Manager of Capital Operating Department of China Yangtze Power Company (2002-2003). Information manager and then Deputy Director of Office of the Board of China Yangtze Power Company (2004-2006). Deputy Director and then Director of Capital Operating Department of China Yangtze Power Company (2006-2011). His past experience includes Director of the Board of Daye Non-ferrous Metals Co., Ltd (2008-2011). Executive Vice President of Beijing Yangtze Power Capital Co. Ltd (2008-2011). In 2011, he was appointed as Deputy Director of Strategic Planning Department in China Three Gorges Corporation. Since 2015, he is Vice President of China Three Gorges International Corporation, President of China Three Gorges (Europe) S.A. He was appointed member of the General and Supervisory Board of EDP, in representation of China Three Gorges International (Europe) S.A. on 20th February 2012 and initiated their term of office on 11th May 2012. He was appointed as representative of China Three Gorges (Portugal), Sociedade Unipessoal, Lda., elected as Member of EDP'S General and Supervisory Board on the 21st April 2015 General Shareholders' Meeting.

FELIPE FERNÁNDEZ FERNÁNDEZ He was born on 21st December 1952. He has a degree in Economics and Management Sciences (1970 - 1975) from the University of Bilbao. His professional career includes the following positions: Professor at the Faculty of Economics and Business, University of Oviedo (1979 - 1984), Director of Regional Economy and Planning of the Principality of Asturias (1984 - 1990), Member of the Board and Executive Committee of the Caja de Ahorros de Asturias (1986 - 1990), Member of the Board of Directors and Vice-President of " Sociedad Asturiana de Estudios Económicos e Industriales" (1986 - 1990), Member of the Board of Directors and Vice-President of the company SEDES , SA (1988 - 1990), President of the Committee for Planning and Urbanism of Asturias (1990 - 1991); Counsel for Planning, Urbanism and Housing in the Principality of Asturias (1990 - 1991); Counsel for Rural and Fishing Affairs in the Principality of Asturias (1991 - 1993), Director of the Department of Management Control of Hidrocarbónico (1993 - 1998), Director of the Department of Management Control, Purchasing and Quality of Hidrocarbónico (1998 - 2001), Chairman of the company Gas Asturias (2001 - 2003), Director of Support Areas and Control of Hidrocarbónico (2001 -

2002); Hidrocantábrico CFO, Chairman of Gas Capital, CEO of Hidrocantábrico Servicios, Board Member of Naturcorp, Gas de Asturias, SINAE, Canal Energía, Telecable and Sociedad Regional de Promoción de Asturias (2002 - 2004). He is currently Board Member of HC Energía, Board Member of Naturgas Energía Grupo, Board Member of Ahorro Corporación, Board Member of Liberbank and Member of its Management Committee (participation in the preparation and approval of Risk Appetite Frame (RAF) and of 2015 Liberbank Recovery Plan, and participation and approval of risk reports Información con Relevancia Prudencial 2014 and Informe de Autoevaluación de Capital 2014 of Liberbank; participation in trainee seminars of Price Waterhouse Coopers: Recovery Pan (November 2015) and Risk Appetite Frame – RAF (May 2015); Board Member of Cementos Tudela Veguín and Masaveu Inmobiliaria. Member of the Patronage of Fundação Princesa das Asturias and Member of the Jurado de la Concordia. He was appointed member of the General and Supervisory Board of EDP, in representation of Cajastur Inversiones SA, on 20th February 2012 and, in representation of DRAURSA, S.A., in 21st April 2015; currently he is a Member of the Corporate Governance and Sustainability Committee.

FERNANDO MARIA MASAVEU HERRERO He was born on 21st May 1966 in Oviedo (Asturias). He received a law degree from the University of Navarra. He started to work at Masaveu Group in 1993 where he played various roles. He currently performs the following positions, among others: Chairman of Masaveu Corporation; Board Member of Hidroeléctrica del Cantábrico, S.A.U.; Board Member of Naturgas Energía Grupo; Board Member of Bankinter; Member of the Bankinter Executive Committee; Member of Bankinter Audit Committee and Rule Compliance; Board Member of ENEO SGPS; Board Member of Olmea International; Chairman of Fundação Maria Cristina Masaveu Peterson; Chairman of the Fundação San Ignacio de Loyola; Protector of Fundação Princesa das Astúrias; Member of the Executive Committee of Fundação Princesa das Astúrias; Member of the Patrimonial Committee of Fundação Princesa das Astúrias; International Protector of Associação Amigos do Museu do Prado; Honor medal of Escuela Superior de Música Reina Sofia; Patroness of scholarships; Chairman of the Board of Oppidum Capital, S.L. Beyond this, he is a Member of the Board of several companies in Masaveu Group. In the past, he occupied relevant positions in several areas: I+D: Board Member and Vice-Chairman of Agrupación de Fabricantes de Cemento (OFICEMEN) and joint Board Member of Masaveu Medicina; Furthermore: Chairman of Bodegas Murúa, Bodegas Fillaboa and Bodegas Pagos de Aráiz, Board Member at Rioja Alta; Foundations: Protector and Chairman of Fundação Masaveu, Protector and Secretary at Fundação Virgen de los Dolores, Protector of Fundação Oso; Energia: Chairman of Audit Committee of Hidroeléctrica del Cantábrico; Financial: Board Member of Financiera Interprovincial SINCAV, Board Member of Banco Herrero, Member of the International Advisory Board of Santander Group; Transportation: Joint Board Member of Transportes Covadonga, Comercial Iberoamericana de Servicios e Fletamentos y Consignaciones Marítimas. Environment: Board Member of Teconma; Medical: Board Member of Molypharma and of Medicina Asturiana; Editorials: Vice-Chairman of the Board of Directors and of the Executive Committee of Ediciones Nobel; Real State and Concessions: Joint Board Member of COCANSA, Chairman of the Board of Directors of DRAURSA, Chairman of the Board of Directors of Estacionamientos Iruña, Joint Director of Aparcamientos Asturias y Estacionamientos Noroeste, Vice-Chairman and Board Member of Propiedades Urbanas, Chairman of the Board of Directors of Agúeira e Hoteles y Turismo de la Meseta, Managing Director of Danyson Kft. Member of EDP General and Supervisory Board; Member of EDP Strategy and Performance Committee; Member of EDP Remunerations Committee; he was elected Member of EDP's General and Supervisory Board in 20th February 2012 and in 21st April 2015.

NUNO MANUEL DA SILVA AMADO He was born on 14th August 1957. He has a degree in Companies Organization and Management from ISCTE – Instituto Superior das Ciências do Trabalho e da Empresa. He has also complementary executive degree from INSEAD, Fontainebleau (Advanced Management Programme). From 1980 to 1985 he was employee of KPMG Peat Marwick, at the Audit and Consulting Department. From 1985 onwards he worked at Citibank and Banco Fonecas & Burnay. Afterwards he was Member of the Board of Directors of Deutsche Bank Portugal, Member of the Executive Committee of BCI (Banco de Comércio e Indústria) / Banco Santander, Vice-Chairman of the Executive Committee of Crédito Predial Português, Vice-Chairman of the Executive Committee of Banco Totta & Açores, Member of the Executive Committee of Banco Santander Negócios de Portugal, of Banco Santander Totta, S.A. and of Banco Santander Totta, SGPS. From August 2006 until January 2012 he became CEO and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.A. and of Banco Santander Totta, SGPS. Since February 2012 he is Vice-Chairman of the Board of Directors and CEO of Banco Comercial Português. He is Vice-Chairman of the Supervisory Board of Bank Millennium Polónia. He was appointed Member of the General and Supervisory Board of EDP – Energias de Portugal, S.A. on May 6th 2013. At the General Shareholders' Meeting of the 21st April 2015 he was elected Member of EDP – Energias de Portugal, S.A., as representative of Banco Comercial Português, S.A.

FERHAT OUNOUGH He was born in 26th April 1967. He has a degree in Finance by the Institute of Economic Sciences of the University of Algiers in 1991. He has also an Executive MBA in Strategy by MDI Algiers and by EDHEC, University of Lille II, France, 2008. He has also professional education in audit and internal control from IFACI, the French Institute of Internal Control and Audit, 2009. He has attended several training courses on accountancy, finance, audit, dispute resolution, project management, production and exploitation of petroleum, leadership and commercial development. After the military service, he joined Sonatrach, the national Algerian company for oil and gas, at the Accountant and Financial Department. In 1999, he assume his first management position as "Order to Pay Manager" at the oil and gas production department. In 2002, he was promoted and became the financial responsible for the engineering and construction of Sonatrach upstream activity. In 2004 he was again promoted and assumed the position of Audit Procedures Head at Sonatrach upstream activity. Between 2006 and 2013, he became Internal Audit Director of Sonatrach upstream activity. While connected to the internal audit, he attended several seminars within the scope of the management risk, namely, "Risk Management" in 2007, "The role of internal Audit in the Risk Management" in 2008 and "Mapping

of Major Risks" (in 2009). In 2013, he is appointed Director of Financial Operations in the Head Quarter of Sonatrach, position that he stills assumes currently. He was elected Member of EDP – Energias de Portugal, S.A. General and Supervisory Board as Sonatrach's representative on the 21st April 2015.

MOHAMED ALI AL-FAHIM He was born on 4th March 1976. He has a degree in Finance by the University of Suffolk, Boston (1999). He has started his professional career at Abu Dhabi National Oil Company (ADNOC), where he worked from 2000 to 2008. His activity was focused in the identification and in the definition of investment strategies for a balanced investment portfolio of ADNOC, which could be able to meet the Groups requirements for cash flow and returns. During that time, he also had working experience as Corporate Finance Consultant for KPMG-Dubai (2001-2002) and for HSBC Bank at the Project and Export Finance Division-London (2006). Since September 2008, he has been Head of Finance at the Finance & Accounts Department of International Petroleum Investment Company (IPIC). He is a member of the board of directors of several companies as IPIC representative: AABAR Investment PJS (since May 2010), Arabtec Holdings PJSC (since April 2012), Al Izz Islamic Bank (since November 2012), RHB Group (since May 2014) and Depa Interiors (since May 2013). Mr. Al Fahim has attended Risk Management program for corporate leaders at Harvard Business School on December 2013. He was appointed member of the General and Supervisory Board of EDP, in representation of Senfora Sarl, on 16th April 2010 and 20th February 2012 and, as representative of Senfora B.V. on the 21st April 2015.

ANTÓNIO SARMENTO GOMES MOTA He has born on 10th June 1958. He has a degree in Management by ISCTE, (1981), an MBA by the School of Economics of Universidade Nova de Lisboa (1984) and a PhD in Management by ISCTE. He is a Full Professor and the head of ISCTE Business School (since 2003). He is also the head of INDEG/ISCTE (since 2005); Chairman of the General Board of the Fundo de Contragarantia Mútua (1999-) and a non-executive member of the Board of CIMPOR (2009-). Member of the Direction Board of the Portuguese Corporate Governance Institute (2010-). Previously, he was also head of the Finance and Accountancy Department of ISCTE Business School (2001-2003); Chairman of the Board of CEMAF – Centro de Investigação de Mercados e Activos Financeiros of ISCTE (1995-2003); member of the Investment Committee of FINPRO-SGPS (2002-2004); Chairman of the Board of Directors of SIEMCA – Sociedade Mediadora de Capitais (1990-1997); Consultant of PME Investimentos 1998-2000). Co-founder and first director of the "Management Revue", he is also author of a number of books and papers on areas such as corporate governance, financial markets and instruments, strategy and business restructuring. He was appointed member of the General and Supervisory Board of EDP on 15th April 2009 and reappointed on 2th February 2012 and on 21st April 2015.

MARIA CELESTE FERREIRA LOPES CARDONA She was born on 30th June 1951. She holds a degree, a master and a Phd (legal-administrative sciences, specialization in Administrative Law) in law from Faculdade de Direito da Universidade de Lisboa. She was a Member of Centro de Estudos Fiscais of THE Minister of Finance. She represented Portugal, on behalf of Minister of Finance, on the Tax Affair Committee of OCDE. She has been an Assistant Professor in Faculdade de Direito da Universidade de Lisboa and in Universidade Lusíada. She was Deputy at the European Parliament and at the National Parliament. She was Minister of Justice of the XV Constitutional Government. She was graced the degree of Grande Oficial da Ordem do Infante D. Henrique, attributed in 1998, by his Excellency the President of the Portuguese Republic. She was also a non-executive Board Member of Caixa Geral de Depósitos. Mrs. Celeste Cardona published articles and opinions in specialty magazines, namely in "Ciência e Técnica Fiscal". She is also author of several monographs and varied studies, such as "As agências de regulação no Direito Comunitário", "O problema da retroactividade na lei fiscal e na Constituição", "A prescrição da obrigação tributária e a caducidade da liquidação de impostos", e "A natureza e o regime das empresas de serviço público". She is currently a lawyer and a consultant in M. Cardona Consulting, Lda. and also a non-executive member of BCI, headquartered in Maputo, Mozambique, a member of the Fiscal Council of SIBS and a legal and fiscal consultant for several financial and non-financial institutions. She was appointed Member of the General and Supervisory Board of EDP on the 20th February 2012 and on the 21st April 2015.

ILÍDIO DA COSTA LEITE DE PINHO He was born on 19th December 1938. Degree in Electronics and Machinery Engineering. Grã-Cruz Order of Merit, Honorary member of the Industrial Order of Merit. Member of the "Ordens Honoríficas Portuguesas" from 1986 to 1999. Gold Medal and "Honorary citizen" award granted by the city of Vale de Cambra, in 1999. Gold medal and "University Benefactor" award granted by "Universidade Católica Portuguesa". Golden Badge by the Portuguese Association of Voluntary Firemen, in 2002. Between 1986 and 1991 was non-executive Board of Directors Member of "ICEP" in representation of the National Industry. President of the City Hall Council of Vale de Cambra between 1979 and 1983 and President of the City Hall Assembly of Vale de Cambra, between 1993 and 1997. Member of the Administrative Committee of "Universidade Católica" – Oporto and of the Senate of "Universidade do Porto". Member of University Counsel of "Universidade de Aveiro". Member of the board of several business association. Member of the "Trilateral Commission" between 1988 and 1996. Was founder and Chairman of the Board of Directors of COLEP. Was founder of NacionalGás, S.A. and its subsidiaries, LusitâniaGás, EGA, EGL, EMPORGÁS, EDISOFT, S.A. and MEGASIS. Was the main shareholder of Transinsular. Was non-executive Member of the Board of Directors of "Banco Espírito Santo, S.A." between 2000 and 2005. Shareholder of "CEM - Companhia de Electricidade de Macau, SARL". Chairman of the Strategy Committee of "Fomentinvest, S.A.". Founder and Chairman of the Board of Directors and the Board of Trustees of Fundação Ilídio Pinho. Chairman of various companies of Group Ilídio Pinho. He was appointed member of the General and Supervisory Board of EDP on the 20th February 2012 and on the 21st April 2015.

JORGE BRAGA DE MACEDO He was born on 1st December 1946. He has a law degree from Universidade de Lisboa in 1971. At Yale University, he completed M.A. in International Relations (1973) and also has PhD in Economics (1979). He aggregated in the Faculty of Economics from Universidade de Lisboa in 1982. Since 1999 to 2003 he belonged to the Organisation for Economic Cooperation and Development (OECD) and the European Commission in Brussels between 1988 and 1991. At a national level, he was Minister of Finance (1991-1993 having chaired ECOFIN) and President of the Parliamentary Commission for European Affairs (1994-1995) and of the Instituto de Investigação Científica e Tropical (2004 – 2015). He has taught in several universities in the USA, Europe and Africa. He was a trainee at Fundo Monetário Internacional and has been a consultant at the European Bank for Reconstruction and Development, the United Nations, the World Bank. Currently, he is a Professor and Director of the Center Globalization and Governance (CG & G) at the Nova School of Business and Economics from the Universidade Nova and a researcher at NBER (Cambridge, Mass); CEPR (London) and CIGI (Waterloo, Ont.). He was appointed member of the General and Supervisory Board of EDP on the 20th February 2012 and on the 21st April 2015.

VASCO JOAQUIM ROCHA VIEIRA He was born on 16th August 1939. He has a degree in Civil Engineering. He took several courses and specialties, including General Course of Staff (1969-1970), Complementary Course of General Staff (1970-1972), Course of Command and Direction for Official General (1982-1983) and the Course of National Defense (1984). In 1984 in was promoted to Brigadier and later, in 1987, he was promoted General. In 1956 he joined the Military College having received the Alcazar of Toledo Award, given to the highest rated finalist of all students from the Military Academy, and the Marechal Hermes Award in Brazil. From 1969 to 1973 he collaborated with Lisbon's City Hall. He taught at the Military Academy and at the Institute for Advanced Military Studies. He was Deputy Secretary for Communications and Public Works of the Macau Government (1974-1975). He joined the original core of officers of the Portuguese Armed Forces, promoting the installation of a democratic regime in Portugal. Attributing great importance to his military career, he was Chief of Staff of the Army and, inherently, member of the Revolution Council (1976-1978), National Military Representative at NATO Supreme Headquarters Allied Powers in Europe - SHAPE, in Belgium, and Director and Honorary Director of Weapons and Engineering. He was Minister of the Republic for the Azores (1986-1991), and Governor of Macau, where he served from 1991 until 1999. Currently, he is Member of the Board of Engineers, Member of the Academy of Engineering, Chancellor of the Former Military Orders, Member of the Supreme Council of Associations of the Former Students of the Military College, member of the Supreme Council of SHIP (Sociedade Histórica da Independência de Portugal), member of the Honorary Council of the ISCSP (Instituto Superior de Ciências Sociais e Políticas), Member of the School Board of the same Institute and Member of the Advisory Board of the Nova School of Business and Economics at Universidade Nova de Lisboa. He is an honorary associate of Lisbon Geography Society, of Sociedade Histórica da Independência de Portugal and of the Combatants League. He was appointed member of the General and Supervisory Board of EDP on 20th February 2012.

AUGUSTO CARLOS SERRA VENTURA MATEUS He was born on 27th August 1950. He has a degree in Economics from the Superior Institute of Economics and Finance (ISCEF), of Technical University of Lisbon. Guest Professor at ISEG with diversified responsibilities in the areas of European and Portuguese Economy, Economic Policy and Industrial and Competitiveness Policy at the level of degrees and masters' degrees. Researcher and consultant in the areas of macroeconomics, economic policy, industrial competitiveness, business strategy, territorial development, program evaluation, policy and economic development of culture and creativity. Responsible for the coordination of several studies of evaluating programs and policies and for the coordination of several research projects and studies in applied economics. He has held the positions of Secretary of State for Industry (October 1995 until March 1996) and Ministry of Economy (March 1996 until December 1997). He is currently Chairman of the consulting company Augusto Mateus & Associados, founded in 1998, and General Chairman of Instituto Politecnico de Tomar since 2011. He was appointed member of the General and Supervisory Board of EDP on May 6th 2013 and on the 21st April 2015.

JOÃO CARVALHO DAS NEVES Professor in finance and planning and management control, ISEG, Universidade de Lisboa. Director of the master degree in Real Estate Management and Assessment. Advisor at A2ES – Agência de Avaliação e Acreditação do Ensino Superior para as áreas da Gestão, Gestão de Saúde, Banca e Finanças. Manager Advisor (pro bono) of Raríssimas – Associação Nacional de Doenças Mentais e Raras. Independent management consultant. PhD by Manchester Business School, center for Creative Leadership, Kennedy Harvard Government School), in management control (HEC Paris and Wisconsin Graduate Business School in Madison), in company finances (IMD and Management Center of Europe), in international finances (INSEAD), in analysis and risk management (Stern New York University) and in banks (International Banking Centre from Manchester Business School and the International Center for Monetary and Banking Studies in Geneva). Fellow by RICS Royal Institution Chartered Surveyors (management and assessment of real estate) since January 2008. Statutory Auditor since 1998 (activity suspended since portuguese legal regime in force until January 2016 made incompatible these function with the Board Members ones). Technical Account Admitted since 1981. Approved s Business Coach by the ECA European Coaching Association. Approved as Multi-Health Systems in Emotinal Intelligence Bar-On model. Chairman of ACSS Administração do Sistema Central de Saúde, I.P (2011-2014). Board Member of BPN (2008) and SLN (2008 – 2009) where he was included as member of Miguel Cadilhe team; Judicial administrator (1993 – 1998) of Torralta, TVI and Casino Hotel de Troia, taking part of the recovery process of these companies. Associated Partner of Coopers & Lybrand, now PWC (1992 – 1993), director of CIFAG/IPE (1985 – 1992) and assistant controller of Cometna (1981 – 1984); Member of the Scholar Council ISEG (2014 - ...); Chairman of the Audit Board ADVANCE Centro de Investigação em Gestão do ISEG (2009 – 2014); Chairman of the Audit Board of Federação Portuguesa de Judo (1997 – 2013); Member of the Audit Board of SIBS, S.A. (2007 – 2008); Member of the Audit Board of FCCN – Fundação para a Computação

Científica Nacional (2009 – 2011); Member of the Scientific Council of INE for the housing prices index (2010 – 2011); Member of ISEG Scientific Council (2005 – 2008); Chairman of Management Department at ISEG (2007 – 2008); MBA Director at ISEG (1998 – 2020 and 2014 – 2016) and of the post-graduation and master degree in management and real estate assessment (2001 - ...). Relevant experience as consultant, invitee professor abroad and author and co-author of management books. To point out the activity developed in the risk area, namely the attendance of courses, the coordination of projects, the co-authorship on several articles on the matter, the communication in national and international conferences and the guidance in PhD dissertations. He was elected member of EDP – Energias de Portugal, S.A. in 21st April 2015.

ALBERTO BARBOSA Has more than 35 years of professional experience. After obtaining his degree in Electrical Engineering he taught at the Faculty of Engineering of Porto University as an assistant professor and started his industrial career as an engineer in electrical studies. He enhanced his competences throughout his career with multiple technical and management training programs of both national and international institutions. He is currently member of the Board, overseeing Efacec activities in the fields of Electrical Mobility, amongst others. He has previously held positions of President of Board, Executive Director or General Manager in several national and international companies, within the Efacec and Tech M5 Groups. He has also held positions of Director and Head of Department of Efacec Automation division earlier in his career. During his career, Alberto Barbosa has headed or been involved in mergers, acquisitions and sale of over 20 companies or business areas (some of them involving several hundred million euros) and has overseen multiple projects including strategic analysis, technical analysis and financial package preparation. He has also gained strong experience in investor relations, as well as in negotiation with financial institutions. He is a member of the Portuguese Academy of Engineering (Academia de Engenharia) and has actively participated in multiple industry associations and fora, including the IEC, the Portuguese Institution of Engineers (Ordem dos Engenheiros), Animee, UNICE, APDC, APREN, APIEE and ADFER. He has also worked as an Expert for the CEC, advising the Commission on several subjects in the fields of Energy and Information Technology. Over the last 20 years he has participated in multiple conferences and colloquiums, having presented over 100 lectures in technical fields (electricity networks, telecommunications, transportation systems) as well as management areas, and wrote technical and position articles in various magazines and newspapers. He was appointed member of the General and Supervisory Board of EDP on the 21st April 2015.

MARIA DEL CARMEN FERNÁNDEZ ROZADO Degree in Economic and Business Administration and Political Science and Sociology in the Complutense University of Madrid. PHD in aforementioned University. MBA in IESE Business School (University of Navarra). Member of State Tax Inspectors Body, by public competition. Account Auditor (Registered in the Auditing and Accounting Institute). During professional career, has participated in more than 50 workshops, international and national workshops and seminars regarding: Finance, Auditing, Taxes, Global Management, Business Strategy, Renewable Energies, International Cooperation. More than 35 years of experience in the field of Finance, Accounting, Taxation and in the Energy Sector. From 1983-1999 she has occupied relevant positions in the Ministry of Economy and Finance (General Tax Inspector Chief in Madrid). In 1999 was appointed member of the Board of the National Energy Commission (Regulatory Body of Spanish Energy System). During this period (1999-2011) she has participated in the Planning of the Sector including authorizations, mergers and acquisitions as well as in the implementation of the retribution model for Electricity distribution in the Spanish Market and other subjects... President during several years of the Renewable Energy TASK FORCE, Sustainability Energy Efficiency and Carbon Market in ARIAE (Latin American Energy Regulators Association). A large part of her professional career has been carried out in Latin America providing technical assistance in the Regulatory Bodies in Peru, Colombia, Dominican Republic, Guatemala, Argentina and Uruguay regarding aspects in implementation of technical norms in the tender of renewable energies. Development of projects in wind, solar and mini hydraulic, energy efficiency, carbon markets (elaboration of PDDs, baseline, follow-up and monitoring of GEI emissions). In the EU, she has been Vice-President of renewable energies in MEDREG (Mediterranean Regulatory Body). Since September 2011 she is International advisor for the development and implementation of business plans in energy and in Infrastructures in Latin America and Asia. Local Support with Institutions and Regulatory Bodies. From 2012-2013 she was a member of the Advisory Board of Ernst & Young (EY) in Madrid. In April 2015 she was appointed member of the General and Supervisory Board and the Audit Committee of EDP (Energias de Portugal), Lisbon. Professor at several Universities and Business Schools both Spanish and Foreign, developing programs in relation with Fiscal, Account Auditing, financing of Renewable Energy projects and Carbon Markets. Author of numerous articles and publications regarding previously mentioned activities. Member of Several Professional Associations in Spain and Latin American. Patron of the Comillas University Foundation ICAI-ICADE, Madrid. Vice-president of the Club Financiero Genova, Madrid.

ANTÓNIO VITORINO He was born in Lisbon, in 1957. He has a degree in law by Faculdade de Direito da Universidade de Lisboa, in 1981. He has a master degree in legal-political sciences by Faculdade de Direito da Universidade de Lisboa, in 1986. He is a Member of Portuguese Bar Association since 1982. He was an assistant professor at Faculdade de Direito de Lisboa since 1982. He is an invitee professor at Faculdade de Direito da Universidade Nova de Lisboa between 2008 and 2010. He was a deputy at Assembleia da República between 1980 and 2006. He was Secretary of State of Parliamentary Issues (1983 – 1985); he was an Alternate Secretary of Macao Government (1986 – 1987) and a Judge at Constitutional Court (1989 – 1994). He was a Deputy at the European Parliament (1994 – 1995). He was Minister of Presidency and National Defense (1995 – 1997). He was European Commissioner for the Justice and Internal Affairs (1999 – 2004). He is Chairman of the General Shareholders' Meeting of Banco Santander Totta, Brisa, Auto-Estradas de Portugal, S.A. and EDP – Energias de Portugal, S.A.; he is the Chairman of the Audit Board at Siemens Portugal and Tabaqueira Industria. He is also a non-executive Chairman of Áreas (Portugal), Board Member of CTT, Correios de Portugal. Chairman

of Instituto Jacques Delors, Paris. Partner of Cuatrecasas, Gonçalves Pereira from December 2005 onwards. He was elected Member of EDP – Energias de Portugal, S.A. on the 21st April 2015.

EXECUTIVE BOARD OF DIRECTORS

ANTÓNIO LUIS GUERRA NUNES MEXIA, Chairman. He was born on 12th July 1957. He received a degree in Economics from Université de Genève (Switzerland) in 1980, where he was also Assistant Lecturer in the Department of Economics. He was a postgraduate lecturer in European Studies at Universidade Católica. He was a lecturer at Universidade Nova de Lisboa and at Universidade Católica from 1982 to 1995. He served as Assistant to the Secretary of State for Foreign Trade from 1986 until 1988. From 1988 to 1990 he served as Vice-Chairman of the Board of Directors of ICEP (Portuguese Institute for Foreign Trade). From 1990 to 1998 he was Director of Banco Espírito Santo de Investimentos and, in 1998, he was appointed Chairman of the Board of Directors of Gás de Portugal and Transgás. In 2000 he joined Galp Energia as Vice-Chairman of the Board of Directors. From 2001 to 2004, he was the Executive Chairman of Galp Energia and Chairman of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico. In 2004, he was appointed Minister of Public Works, Transport and Communication for Portugal's 16th Constitutional Government. He also served as Chairman of the Portuguese Energy Association (APE) from 1999 to 2002, member of the Trilateral Commission from 1992 to 1998, Vice-Chairman of the Portuguese Industrial Association (AIP) and Chairman of the General Supervisory Board of Ambelis. He was also a Government representative to the EU working group for the trans-European network development. On January 2008 he was appointed as member of the General and Supervisory Board of Banco Comercial Português, SA, having been previously a member of the Superior Board of this bank. He was appointed as a Member of the Board of Directors of this bank on February 2012. He is Chairman and Counselor-Delegate of EDP - Renováveis and Chairman of The Union of the Electricity Industry – EURELECTRIC. He was appointed on 30th March 2006 as Chairman of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009, 20th February 2012 and 21st April 2015.

NUNO MARIA PESTANA DE ALMEIDA ALVES. He was born on 1st April 1958. He holds a degree in Naval Architecture and Marine Engineering (1980) and a Master in Business Administration (1985) by the University of Michigan. In 1988, he joins the Planning and Strategy Department of Millennium BCP and in 1990 becomes an associate director of the bank's Financial Investments Division. In 1991, Mr. Nuno Alves is appointed as the Investor Relations Officer for the Group and in 1994 he joins the Retail network as Coordinating Manager. In 1996, he becomes Head of the Capital Markets Division of Banco CISF, currently Millennium bcp Investimento, and, in 1997, Co-Head of the bank's Investment Banking Division. In 1999, Mr. Nuno Alves is appointed as Chairman and CEO of CISF Dealer, the brokerage arm of Banco CISF. Since 2000, before his appointment as EDP's Chief Financial Officer in March 2006, Mr. Nuno Alves acted as an Executive Board Member of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets. He is member of the Board of Directors of EDP - Energias do Brasil and Hidroeléctrica del Cantábrico and CEO of EDP - Imobiliária e Participações and Sãvida. He was appointed on March 30th, 2006 as a Member of the Executive Board of Directors, which office began on June 30th, 2006, and reappointed on April 15th, 2009, February 20th, 2012 and April 21st 2015.

JOÃO MANUEL MANSO NETO. He was born on April 2nd 1958. He graduated in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed a professional education course through the American Bankers Association (1982), the academic component of the Master's Degree programme in Economics at the Faculty of Economics, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the Wharton School in Philadelphia. From 1981 to 1995 he worked at Banco Português do Atlântico, occupying several positions, mainly as Head of the International Credit Division, and General Manager responsible for Financial and South Retail areas. From 1995 to 2002 he worked at the Banco Comercial Português, where he held the posts of General Manager of Financial Management, General Manager of Large Corporates and Institutional Businesses, General Manager of the Treasury, member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank Gdansk in Poland. From 2002 to 2003, he was a member of the Board of Banco Português de Negócios. From 2003 to 2005 he worked at EDP as General Manager and Member of the Board of EDP Produção. In 2005 he was elected CEO at HC Energia, Chairman of Genesa and Member of the Board of Naturgas Energia and OMEL. Currently he is CEO of EDP Renováveis and responsible for Regulation and Energy Management (Gas and electricity) at Iberian level. He was appointed on 30th March 2006 as a member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009, 20th February 2012 and 21st April 2015.

ANTÓNIO FERNANDO MELO MARTINS DA COSTA. He was born in Oporto, Portugal on December 13th, 1954. He holds a degree in Civil Engineering from Faculdade de Engenharia do Porto (1976) and a MBA from Porto Business School (1989). He also has complementary Executive degrees from INSEAD (Fontainebleau, France – 1995), PADE from AESE (Lisbon, 2000) and the Advanced Management Program from Wharton School (Philadelphia, USA – 2003). He was a Teacher's Assistant at the Instituto Superior de Engenharia do Porto between 1976 and 1989. In 1981 he joined the Hydro Generation department at EDP where he stayed until 1989. Between 1989 and 2003 he was General Director at the Millennium BCP Bank, and executive board member of Insurance, Pensions and Assets Management companies of BCP Group. Between 1999 and 2002 he was Executive Director of Eureko BV (The Netherlands), President of Eureko Polska (Poland) and Vice-President of PZU. He was the CEO and Vice-Chairman of the Board of Directors of EDP – Energias do Brasil between 2003 and 2007. During this period, he also held positions as Vice-President of the Portuguese Chamber of Commerce in Brazil and President of the Brazilian Association of Electricity Distribution companies. In 2007, he assumed functions as Chairman and CEO of Horizon Wind Energy in the USA, being also a Member of the Executive Board of EDP Renováveis since its incorporation in 2008 until 2012. Between 2009 and 2012, he was CEO of EDP

Internacional, and CEO of EDP Soluções Comerciais from 2009 to 2013. He is CEO of EDP Gás since 2012 and CEO of EDP Valor since 2013. Maintains responsibilities for EDP Distribuição at EDP's Executive Board level. He is a Founding Member of the Portuguese Institute for Corporate Governance. He was appointed on 30th March 2006 as a member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009, 20th February 2012 and 21st April 2015.

JOÃO MANUEL VERÍSSIMO MARQUES DA CRUZ. He was born on 23rd May 1961. He holds a degree in Management (1984) from Lisbon's ISE at the Technical University of Lisbon - Instituto Superior de Economia da Universidade Técnica de Lisboa, an MBA (1989) from the Technical University of Lisbon - Universidade Técnica de Lisboa and a Post Graduation in Marketing and Management of Airlines (1992) from the Bath University /International Air Travel Association, UK. He began his career at the TAP Group in 1984 (Transportes Aéreos de Portugal) having had several positions until becoming General Director. Between 1997 and 1999 he was a Board Member of TAPGER. Between 2000 and 2002, he was a member of the Board of several companies within CP – Portuguese Railways, namely EMEF. From 2002 and 2005, became CEO of Air Luxor, an airline company, and from 2005 and 2007 he was chairman and CEO of ICEP - Instituto do Comércio Externo de Portugal. From March 2007 to 2012, he was a board member of EDP Internacional S.A. and in 2009 he was nominated Chairman of the Board of Directors of CEM – Macao Electrical Company. He was appointed as a member of the Executive Board of Directors of EDP Renováveis on May 2012, as Chairman of the Câmara Comércio Luso-Chinesa on April 2012 and Chairman of EDP Internacional on September 2014. He was appointed as a member of the Executive Board of Directors of EDP - Energias do Brazil SA on April 10, 2015. He was appointed as a member of the Executive Board of Directors on 20th February 2012 and reappointed on 21st April 2015.

MIGUEL STILWELL DE ANDRADE. He was born on 6th August 1976. Graduated with an M.Eng with Distinction in Mechanical Engineering in the University of Strathclyde (Glasgow, Scotland) and an MBA by MIT Sloan (Boston, USA). He initiated his career at UBS Investment Bank in London, UK, where he worked primarily in Mergers and Acquisitions in various projects in European countries, including Portugal, as well as in Japan, Thailand and Brazil. Miguel lived between 1994 and 2003 in Scotland, Italy, England, Portugal and the USA. In 2000, he joined EDP in the area of Strategy and Corporate Development / M & A and was the Director of this area between 2005 and 2009. During this period Miguel coordinated and managed various M&A and capital market transactions for EDP, including the acquisition of several companies that gave rise to EDP Renewables, the acquisition of Hidrocantabrico, the different phases of EDP's privatization, EDP's share capital increase in 2004, EDP Energias do Brazil IPO in 2005 and EDP Renewables IPO in 2008. He was a member of the Board of EDP Distribuição Energia from January 2009 to February 2012. Miguel was also a non-executive Member of the Board of Directors of EDP Inovação, EDP Ventures, EDP Gas Distribution and Chairman of InovGrid ACE. On 2012 he was appointed Chairman of EDP Comercial as well as Counselor-Delegate and Vice-Presidente of Hidroeléctrica del Cantabrico and Naturgas Energia. On 2014 he was appointed as Chairman of EDP Soluções Comerciais. He is currently a Director of FAE – Fórum de Administradores de Empresas and Executive Board Member of Câmara Hispano Portuguesa of Comercio and Industria in Spain. He was appointed as a member of the Executive Board of EDP on the 20th February of 2012 and reappointment on 21st April 2015.

MIGUEL NUNO SIMÕES NUNES FERREIRA SETAS. He was born on November 12, 1970. In Brasil since 2008, Miguel Setas is currently, since January 2014, the CEO of EDP Energias do Brasil. Between 2010 and 2013, he was the Vice-President responsible for the Distribution business (CEO of EDP Bandeirante and EDP Escelsa, two electricity distribution companies). Between 2008 and 2009, he was the VP responsible for New Business Development, Commercialization and Renewables. He joined EDP in 2006, as the CEO Chief of Staff. In 2007, he was executive board member of EDP Comercial (responsible for the commercialization in the liberalized energy market). He was also Board Member of EDP Inovação, Portgás and Fundação EDP. He holds a BSc. in Physics, and a MSc. in Electrical and Computing Engineering, both granted by IST (Instituto Superior Técnico, Lisbon). He has an MBA from Universidade Nova de Lisboa (Lisbon MBA). He has been working in the energy sector since 1998, when he was Corporate Director in GDP - Gás de Portugal. Between 1999 and 2001, he was Board Member of Setgás (natural gas distribution company in Setúbal, part of Galp Energia). Between 2000 and 2001, he was Executive Board Member of Lisboagás (natural gas distribution company in Lisbon, part of Galp Energia). He was Strategic Marketing Director of Galp Energia (oil and gas) until 2004. In the transportation sector, he was Executive Board Member of CP - Comboios de Portugal and CEO of CP Lisboa (largest business unit of CP), between 2004 and 2006. He started his career, in 1995, as consultant in McKinsey & Co, developing strategic projects for energy, banking, insurance, retail and industry clients. He was appointed on 21st April 2015 as a member of the Executive Board of Directors.

RUI MANUEL RODRIGUES LOPES TEIXEIRA. He was born on 10th October 1972. Previously he was member of the Board of Directors of EDP Renováveis, S.A., member of the Executive Committee, and the Chief Financial Officer of the Company. From 1996 to 1997, he was assistant director of the commercial naval department of Gellweiler— Sociedade Equipamentos Marítimos e Industriais, Lda. From 1997 to 2001, he worked as project manager and ship surveyor for Det Norske Veritas, with responsibilities for offshore structures, shipbuilding and ship repair. Between 2001 and 2004, he was consultant at McKinsey & Company, focussing on energy, shipping and retail banking. From 2004 to 2007, he headed the corporate planning and control division

within the EDP Group. In 2007 also served as Chief Financial Officer of EDP Renewables Europe SL (former NEO). He was nominated Chief Financial Officer of EDP Renováveis SA in 2008. He holds a Master of Science degree in Naval Architecture and Marine Engineering from the Instituto Superior Técnico de Lisboa, a Master in Business and Administration from the Universidade Nova de Lisboa and is a graduate of Harvard Business School's Advanced Management Program. He is Chief Executive Officer of EDP – Gestão da Produção de Energia, S.A. He is also Member of the Board of Directors of several subsidiaries of the Company's Group. He was appointed on 21st April 2015 as a member of the Executive Board of Directors of EDP.

ANNEX II

Meetings of the General and Supervisory Board and each member's attendance:

Previous mandate

Name	22/jan	03/apr	%
Eduardo de Almeida Catroga - Chairman	P	P	100
Dingming Zhang - Vice-Chairman	P	P	100
Guojun Lu	R	R	0
Ya Yang	R	P	50
Shengliang Wu	P	P	100
Felipe Fernández Fernández	P	P	100
Luis Filipe da Conceição Pereira	P	A	50
Mohamed Ali Ismaeil Ali Al Fahim	P	P	100
Harkat Abderezak	P	A	50
Alberto João Coraceiro de Castro	P	P	100
António Sarmento Gomes Mota	P	P	100
Maria Celeste Ferreira Lopes Cardona	P	P	100
Fernando Maria Masaveu Herrero	P	P	100
Ilídio da Costa Leite de Pinho	P	P	100
Jorge Avelino Braga de Macedo	P	P	100
Manuel Fernando de Macedo Alves Monteiro	P	P	100
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	P	P	100
Vasco Joaquim Rocha Vieira	P	P	100
Vítor Fernando da Conceição Gonçalves	P	P	100
Rui Eduardo Ferreira Rodrigues Pena	P	P	100
Augusto Carlos Serra Ventura Mateus	P	A	50
Nuno Manuel da Silva Amado	P	A	50

P = Presence; **A** = Absence; **R** = Represented**Total of meetings in 2015:** **2****Attendance average:** **84%**

Current mandate

Name	22/apr	07/may	18/jun	30/jul	11/sep	29/oct	03/dec	17/dec	%
Eduardo Almeida Catroga - Chairman	P	P	P	P	P	P	P	P	100
Luís Filipe Marques Amado – Vice-Chairman	P	P	P	P	P	P	P	P	100
Dingming Zhang	P	R	R	R	R	P	A	P	37.5
Guojun Lu	R	R	R	R	R	R	A	A	0
Ya Yang	P	R	P	R	P	P	A	P	62.5
Shengliang Wu	P	P	P	P	P	P	P	P	100
Fernando María Masaveu Herrero	P	P	P	P	A	P	R	P	75
Felipe Fernández Fernández	P	P	P	P	P	P	P	P	100
Mohamed Ali Ismaeli Ali Al Fahim	P	P	P	P	P	P	P	A	87.5
Nuno Manuel da Silva Amado	A	P	P	P	A	P	P	P	75
Ounoughi Ferhat	P	P	P	P	A	P	A	P	75
Alberto Joaquim Milheiro Barbosa	P	P	P	P	P	P	P	P	100
António Manuel de Carvalho Ferreira Vitorino	P	P	A	P	P	P	P	P	87.5
António Sarmento Gomes Mota	P	P	P	P	P	P	P	P	100
Augusto Carlos Serra Ventura Mateus	P	P	P	P	P	P	P	P	100
Ilídio da Costa Leite de Pinho	P	P	P	A	A	P	A	P	62.5
João Carvalho das Neves	P	P	P	P	P	P	P	P	100
Jorge Avelino Braga de Macedo	P	P	P	P	P	P	A	P	87.5
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	P	P	P	P	100
María del Carmen Fernandez Rozado	P	P	P	P	P	P	P	P	100
Vasco Joaquim Rocha Vieira	P	P	P	P	P	P	P	P	100

P = Presence; A = Absence; R = Represented

Total of meetings in 2015: 8

Attendance average: 83%

ANNEX III

Meetings of the Executive Board of Directors and each member's attendance:

Previous mandate

Name	%	8-jan	20-jan	27-jan	3-feb	13-feb	19-feb	24-feb	25-feb	3-mar	6-mar	17-mar	31-mar	7-apr	10-apr	20-apr
António Luís Guerra Nunes Mexia	100	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Nuno Maria Pestana de Almeida Alves	93	P	P	P	P	P	P	P	P	P	P	A	P	P	P	P
João Manuel Manso Neto	100	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
António Manuel Barreto Pita de Abreu	93	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P
António Fernando Melo Martins da Costa	100	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
João Manuel Veríssimo Marques da Cruz	100	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Miguel Stilwell de Andrade	93	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P

P = Attendance

A = Absence

Total of meetings held in 2015 (Until 21 April 2015): 15

Current mandate

Name	%	23-apr	28-apr	29-abr	7-may	8-may	21-may	26-may	5-jun	16-jun	2-jul	7-jul	14-jul	23-jul	23-jul	28-jul	30-jul
António Luís Guerra Nunes Mexia	100%	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Nuno Maria Pestana de Almeida Alves	91%	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P
João Manuel Manso Neto	100%	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
António Fernando Melo Martins da Costa	91%	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P
João Manuel Veríssimo Marques da Cruz	94%	P	P	A	P	P	P	P	P	P	P	P	P	P	A	P	P
Miguel Stilwell de Andrade	97%	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Miguel Nuno Simões Nunes Ferreira Setas	91%	P	P	A	P	P	P	A	P	P	P	P	P	P	P	P	P
Rui Manuel Rodrigues Lopes Teixeira	100%	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P

Name	4-aug	1-sep	8-sep	21-sep	6-oct	13-oct	23-oct	23-oct	29-oct	3-nov	10-nov	24-nov	30-nov	2-dec	10-dec	15-dec	22-dec
António Luís Guerra Nunes Mexia	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Nuno Maria Pestana de Almeida Alves	P	P	A	P	P	P	P	P	P	P	P	P	P	P	A	P	P
João Manuel Manso Neto	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
António Fernando Melo Martins da Costa	A	P	A	P	P	P	P	P	P	P	P	P	P	P	P	P	P
João Manuel Veríssimo Marques da Cruz	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Miguel Stilwell de Andrade	A	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Miguel Nuno Simões Nunes Ferreira Setas	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	A
Rui Manuel Rodrigues Lopes Teixeira	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P

P = Attendance

A = Absence

Total of meetings held in 2015 (After 21 April 2015): 33

Average attendance: 95%

ANNEX IV

Positions held by the members of the Executive Board of Directors in other companies belonging or not to the EDP Group:

	António Mexia	Nuno Almeida Alves	João Manso Neto	António Martins da Costa	João Marques da Cruz	Miguel Stillewell Andrade	Miguel Setas	Rui Teixeira
Balwerk - Consultadoria Económica e Participações, S.U, Lda.	-	M	-	-	-	-	-	-
Bandeirante Energia S.A.	-	-	-	-	-	-	CBD	-
CNET - Centre for New Energy Technologies, S.A.	-	-	-	-	CBD	-	-	-
EDP - Ásia Soluções Energéticas Lda.	-	-	-	-	CBD	-	-	-
EDP - Energias de Portugal Sociedade Anónima, Sucursal en España	PR	PR	PR	PR	-	PR	-	-
EDP - Estudos e Consultoria, S.A.	-	-	-	-	-	-	CBD	-
EDP - Gestão da Produção de Energia, S.A.	-	-	-	-	-	-	-	CBD
EDP - Soluções Comerciais, S.A.	-	-	-	-	-	CBD	-	-
EDP Comercial - Comercialização de Energia, S.A.	-	-	-	-	-	CBD	-	-
EDP Comercializadora de Último Recurso S.A.	-	-	-	-	-	CBD	-	-
EDP Empresa de Servicios Energéticos S.L.	-	-	-	-	-	CBD	-	-
EDP Energia Gas S.L.	-	-	D	-	-	-	-	-
EDP Energia Gas SL	-	-	D	-	-	-	-	-
EDP Energia Ibérica S.A.	-	-	D	-	-	-	-	-
EDP Energias do Brasil, S.A.	CBD	D	-	-	D	-	VP	-
EDP Finance BV	R	R	R	R	R	R	-	-
EDP Gás, SGPS, S.A.	-	-	-	CBD	-	D	-	-
EDP Gás.Com - Comércio de Gás Natural, S.A.	-	-	CBD	-	-	D	-	-
EDP Imobiliária e Participações, S.A.	-	CBD	-	-	-	-	-	-
EDP Intemacional, S.A.	-	-	-	-	CBD	-	-	-
EDP International Investments and Services SL	-	-	-	-	CBD	-	-	-
EDP Pequenas Centrais Hidroelétricas S.A.	-	-	-	-	-	-	CBD	-
EDP Renewables Europe SL	-	-	CBD	-	-	-	-	-
EDP Renováveis Brasil, S.A.	-	-	CBD	-	-	-	-	-
EDP Renováveis Servicios Financieros S.L.	-	-	CBD	-	-	-	-	-
EDP Renováveis, S.A.	CBD/CD	CD	VP/CD	-	-	-	-	-
EDP Soluciones Comerciales, S.A.	-	-	-	-	-	CBD	-	-
EDP Valor - Gestão Integrada de Serviços, S.A.	-	-	-	CBD	-	-	-	-
Empresa Hidroeléctrica do Guadiana, S.A.	-	-	-	-	-	-	-	CBD
Enagás - S.G.P.S, S.A.	-	-	-	CBD	-	-	-	-
ENERGEST S.A.	-	-	-	-	-	-	CBD	-
Energia Ásia Consultoria, Lda.	-	-	-	-	CBD	-	-	-
Energia RE, S.A.	-	CBD	-	-	-	-	-	-
ESCELSA - Espírito Santo Centrais Elétricas S.A.	-	-	-	-	-	-	CBD	-
Hidrocantábrico Energia, S.A.U.	-	-	-	-	-	CBD	-	-
Hidroeléctrica del Cantábrico, S.A.	-	D	D	D	-	D	-	-
Hydro Global Investment Limited	-	-	-	-	CBD	-	-	-
INVESTCO S.A.	-	-	-	-	-	-	CBD	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	-	-	-	-	CBD	-	-	-
Lajeado Energia S.A.	-	-	-	-	-	-	CBD	-
Naturgás Energia Grupo, S.A.	-	-	D	D	-	VP	-	-
Naturgas Energia Servicios S.A.U.	-	-	-	-	-	CBD	-	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica S.A.	-	-	-	-	-	-	CBD	-
Porto do Pecém Geração de Energia S.A.	-	-	-	-	-	-	CBD	-
Sávida - Medicina Apoiada, S.A.	-	CBD	-	-	-	-	-	-
SCS - Serviços Complementares de Saúde, S.A.	-	CBD	-	-	-	-	-	-
Companhia de Electricidade de Macau - CEM, S.A.	-	-	-	-	CBD	-	-	-
Banco Comercial Português, S.A.	D	-	-	-	-	-	-	-
EURELECTRIC Union de l'Industrie Electrique	CBD	-	-	-	-	-	-	-
Operador del Mercado Ibérico de Energía, Polo Español, S.A. (OMEL)	-	-	R	-	-	-	-	-
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	-	-	R	-	-	-	-	-

CBD - Chairman of the Board of Directors

CD - Counselor-Delegate

VP/CD - Vice-President and Counselor-Delegate

D - Director

M - Manager

RP - Permanent Representative

R - Representative

VP - Vice-President

ANNEX V

Meetings of the Financial Matters Committee/Audit Committee and each member's attendance:

Previous mandate

NAME	23-jan	06-feb	24-feb	%
Eduardo de Almeida Catroga (Chairman)	P	P	P	100
Vítor Fernando Conceição Gonçalves (Vice-Chairman)	P	P	P	100
António Sarmiento Gomes Mota	P	P	P	100
Manuel Fernando de Macedo Alves Monteiro	P	P	P	100
Maria Celeste Ferreira Lopes Cardona	P	P	P	100

P = Present; **A** = Absent; **R** = Represented

Total from 2015 meetings: 3

Average participation: 100%

Current mandate

Name	29-apr	25-may	18-jun	27-jul	21-sep	22-oct	19-nov	11-dec	%
António Sarmiento Gomes Mota (Chairman)	P	P	P	P	P	P	P	P	100
João Carvalho das Neves (Vice-Chairman)	P	P	P	P	P	P	P	P	100
Alberto Barbosa	P	P	P	P	P	P	P	P	100
Maria del Carmen Fernandez Rozado	P	P	P	P	P	P	P	P	100
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	P	P	P	P	100

P = Present; **A** = Absent; **R** = Represented

Total from 2015 meetings: 8

Average participation: 100%

ANNEX VI

In 2015, the members of the Executive Board of Directors performed the following operations with EDP shares:

Titular do Órgão Social	Company	Security	Date	Quantity	Operation	Avg. Purchase Price (euros)
João Manuel Veríssimo Marques da Cruz	EDP - Energias de Portugal, S.A.	Obrigações	18-10-2015	200.000	Aquisição	0,9636

In 2015, the members of the General and Supervisory Board performed the following operations with EDP shares:

Member of Corporate Body	Company	Security	Date	Quantity	Operation	Avg. Purchase Price (euros)
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	17/04/2015	80,145	Purchase	6.156
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	20/04/2015	321,157	Purchase	6.233
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	21/04/2015	23,000	Purchase	6.243
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	21/04/2015	375,000	Purchase	6.240
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	22/04/2015	2,750	Purchase	6.235
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	24/04/2015	81,000	Purchase	6.333
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	30/04/2015	70,840	Purchase	6.208
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	04/05/2015	60,000	Purchase	6.409
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	05/05/2015	155,000	Purchase	6.450
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	05/05/2015	35,000	Purchase	6.481
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	05/05/2015	18,600	Purchase	6.450
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	20/05/2015	95,559	Purchase	6.744
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	21/05/2015	60,000	Purchase	6.739
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	01/06/2015	30,000	Sale	6.514
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	02/06/2015	20,000	Sale	6.530
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	02/06/2015	59,444	Sale	6.517
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	03/06/2015	80,000	Sale	6.550
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	03/06/2015	35,353	Sale	6.532
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	04/06/2015	37,051	Sale	6.703
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	05/06/2015	60,000	Sale	6.578
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	08/06/2015	29,087	Sale	6.478
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	03/06/2015	30,000	Sale	6.603
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	09/06/2015	48,517	Sale	6.354
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	11/06/2015	150,000	Sale	6.571
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	11/06/2015	41,298	Sale	6.613
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	11/06/2015	30,000	Sale	6.570
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	30/09/2015	147,555	Sale	5.887
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	30/09/2015	475,000	Sale	5.879
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	01/10/2015	56,146	Sale	5.846
Ilídio da Costa Leite de Pinho	EDP Renováveis, S.A.	Shares	01/10/2015	48,600	Sale	5.838

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FINANCIAL STATEMENTS
31 December 2015

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EDP - Energias de Portugal

Consolidated Income Statement
as at 31 December 2015 and 2014

Thousands of Euros	Notes	2015	2014
Revenues from energy sales and services and other	6	15,516,799	16,293,883
Cost of energy sales and other	6	-10,062,093	-10,926,754
		5,454,706	5,367,129
Other income	7	848,783	402,278
Supplies and services	8	-920,608	-896,959
Personnel costs and employee benefits	9	-652,979	-555,438
Other expenses	10	-805,944	-674,617
		-1,530,748	-1,724,736
		3,923,958	3,642,393
Provisions	11	-16,056	-52,095
Amortisation and impairment	12	-1,464,523	-1,397,238
		2,443,379	2,193,060
Financial income	13	936,221	960,845
Financial expenses	13	-1,768,736	-1,532,742
Share of net profit in joint ventures and associates	20	-23,899	15,094
Profit before income tax and CESE		1,586,965	1,636,257
Income tax expense	14	-277,769	-310,952
Extraordinary contribution to the energy sector (CESE)	15	-62,054	-61,495
		-339,823	-372,447
Net profit for the period		1,247,142	1,263,810
Attributable to:			
Equity holders of EDP		912,703	1,040,448
Non-controlling Interests	33	334,439	223,362
Net profit for the period		1,247,142	1,263,810
Earnings per share (Basic and Diluted) - Euros	30	0.25	0.29

LISBON, 3 MARCH 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income
as at 31 December 2015 and 2014

Thousands of Euros	2015		2014	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	912,703	334,439	1,040,448	223,362
Items that will never be reclassified to profit or loss (i)				
Actuarial gains/(losses)	-46,223	-15,536	-153,912	11,638
Tax effect from the actuarial gains/(losses)	13,217	5,282	21,942	-3,957
	-33,006	-10,254	-131,970	7,681
Items that are or may be reclassified to profit or loss (i)				
Exchange differences arising on consolidation	-249,688	-310,119	5,887	54,445
Fair value reserve (cash flow hedge)	-31,591	3,513	9,725	-8,593
Tax effect from the fair value reserve (cash flow hedge)	8,545	-1,156	-4,646	1,230
Fair value reserve (available for sale investments)	13,546	122	-33,642	-1,250
Tax effect from the fair value reserve (available for sale investments)	-3,085	-	8,583	237
Share of other comprehensive income of joint ventures and associates, net of taxes	10,638	-2,173	-13,359	-1,077
	-251,635	-309,813	-27,452	44,992
Other comprehensive income for the period, net of income tax	-284,641	-320,067	-159,422	52,673
Total comprehensive income for the period	628,062	14,372	881,026	276,035

(i) See Consolidated Statement of Changes in Equity

LISBON, 3 MARCH 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Financial Position
as at 31 December 2015 and 2014

Thousands of Euros	Notes	2015	2014
Assets			
Property, plant and equipment	16	22,773,716	20,523,100
Intangible assets	17	5,524,634	5,813,026
Goodwill	18	3,388,588	3,321,286
Investments in joint ventures and associates	20	664,011	872,974
Available for sale investments	21	200,206	224,457
Investment property	22	36,465	37,399
Deferred tax assets	23	272,498	218,747
Trade receivables	25	101,087	174,591
Debtors and other assets from commercial activities	26	3,211,231	3,052,139
Other debtors and other assets	27	444,257	780,877
Collateral deposits associated to financial debt	35	66,855	388,808
Total Non-Current Assets		36,683,548	35,407,404
Inventories	24	204,206	266,456
Trade receivables	25	1,895,517	1,945,103
Debtors and other assets from commercial activities	26	1,573,383	1,734,129
Other debtors and other assets	27	443,118	318,848
Current tax assets	28	314,867	371,653
Financial assets at fair value through profit or loss	52	9,288	10,665
Collateral deposits associated to financial debt	35	13,060	40,362
Cash and cash equivalents	29	1,245,449	2,613,995
Assets held for sale	42	154,529	164,402
Total Current Assets		5,853,417	7,465,613
Total Assets		42,536,965	42,873,017
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-62,691	-69,931
Share premium	30	503,923	503,923
Reserves and retained earnings	32	3,659,302	3,550,487
Consolidated net profit attributable to equity holders of EDP		912,703	1,040,448
Total Equity attributable to equity holders of EDP		8,669,775	8,681,465
Non-controlling Interests	33	3,451,718	3,287,679
Total Equity		12,121,493	11,969,144
Liabilities			
Financial debt	35	15,653,876	16,400,827
Employee benefits	36	1,647,730	1,682,988
Provisions	37	481,439	463,975
Deferred tax liabilities	23	794,983	804,744
Institutional partnerships in USA	38	1,956,217	1,801,963
Trade and other payables from commercial activities	39	1,237,274	1,269,476
Other liabilities and other payables	40	548,136	517,486
Total Non-Current Liabilities		22,319,655	22,941,459
Financial debt	35	3,616,664	3,897,356
Employee benefits	36	175,763	197,285
Provisions	37	24,633	21,564
Hydrological correction account	34	11,417	1,010
Trade and other payables from commercial activities	39	3,380,358	3,182,255
Other liabilities and other payables	40	311,574	235,795
Current tax liabilities	41	517,380	415,821
Liabilities held for sale	42	58,028	11,328
Total Current Liabilities		8,095,817	7,962,414
Total Liabilities		30,415,472	30,903,873
Total Equity and Liabilities		42,536,965	42,873,017

LISBON, 3 MARCH 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Income Statement
for the three-month period from 1 October to 31 December 2015 and 2014

Thousands of Euros	2015	2014*
Revenues from energy sales and services and other	3,912,022	4,470,651
Cost of energy sales and other	-2,517,729	-2,982,258
	1,394,293	1,488,393
Other income	165,721	85,303
Supplies and services	-262,644	-253,782
Personnel costs and employee benefits	-181,250	-207,792
Other expenses	-183,257	-177,284
	-461,430	-553,555
	932,863	934,838
Provisions	-7,020	-30,710
Amortisation and impairment	-406,149	-382,867
	519,694	521,261
Financial income	212,591	296,473
Financial expenses	-419,351	-414,923
Share of net profit in joint ventures and associates	1,310	-9,661
Profit before income tax	314,244	393,150
Income tax expense	-41,898	-37,355
Extraordinary contribution to the energy sector (CESE)	-1,191	-
	-43,089	-37,355
Net profit for the period	271,155	355,795
Attributable to:		
Equity holders of EDP	176,784	274,126
Non-controlling Interests	94,371	81,669
Net profit for the period	271,155	355,795
Earnings per share (Basic and Diluted) - Euros	0.05	0.08

* Restated for IFRIC 21 purposes with impacts in Other expenses of 7,880 thousands of Euros, in Income tax expense of 1,909 thousands of Euros and in Extraordinary contribution to the energy sector (CESE) of 15,552 thousands of Euros.

LISBON, 3 MARCH 2016

THE CERTIFIED ACCOUNTANT
N.º 17.713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income
for the three-month period from 1 October to 31 December 2015 and 2014

Thousands of Euros	2015		2014*	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	176,784	94,371	274,126	81,669
Items that will never be reclassified to profit or loss				
Actuarial gains/(losses)	-81,993	-12,298	-42,213	18,225
Tax effect from the actuarial gains/(losses)	19,531	4,181	-7,652	-6,197
	-62,462	-8,117	-49,865	12,028
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	11,469	75,606	-40,739	-46,437
Fair value reserve (cash flow hedge)	2,334	477	12,992	-566
Tax effect from the fair value reserve (cash flow hedge)	-1,499	-315	-4,716	-780
Fair value reserve (available for sale investments)	10,157	122	-46,767	-583
Tax effect from the fair value reserve (available for sale investments)	-2,258	-	12,013	10
Share of other comprehensive income of joint ventures and associates, net of taxes	1,264	803	-4,995	3,552
	21,467	76,693	-72,212	-44,804
Other comprehensive income for the period (net of income tax)	-40,995	68,576	-122,077	-32,776
Total comprehensive income for the period	135,789	162,947	152,049	48,893

* Restated for IFRIC 21 purposes with impact in Net profit for the period attributable to equity holders of EDP of 19,754 thousands of Euros and in non-controlling interests of 1,769 thousands of Euros.

LISBON, 3 MARCH 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Consolidated Statement of Changes in Equity as at
31 December 2015 and 2014

Thousands of Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS Investments) (ii)	Exchange differences (ii)	Treasury stock (iii)	Equity attributable to equity holders of EDP	Non-controlling Interests (iv)
Balance as at 31 December 2013*	11,527,902	3,656,538	503,923	620,069	3,859,171	-53,016	72,935	-128,291	-85,573	8,445,756	3,082,146
Comprehensive income:											
Net profit for the period	1,263,810	-	-	-	1,040,448	-	-	-	-	1,040,448	223,362
Changes in the fair value reserve (cash flow hedge) net of taxes	-2,284	-	-	-	-	5,079	-	-	-	5,079	-7,363
Changes in the fair value reserve (available for sale investments) net of taxes	-26,072	-	-	-	-	-	-25,059	-	-	-25,059	-1,013
Share of other comprehensive income of joint ventures and associates net of taxes	-14,436	-	-	-	-	-2,301	-	-11,058	-	-13,359	-1,077
Actuarial gains/(losses) net of taxes	-124,289	-	-	-	-131,970	-	-	-	-	-131,970	7,681
Exchange differences arising on consolidation	60,332	-	-	-	-	-	-	5,887	-	5,887	54,445
Total comprehensive income for the period	1,157,061	-	-	-	908,478	2,778	-25,059	-5,171	-	881,026	276,035
Transfer to legal reserve	-	-	-	39,544	-39,544	-	-	-	-	-	-
Dividends paid	-671,879	-	-	-	-671,879	-	-	-	-	-671,879	-
Dividends attributable to non-controlling interests	-161,705	-	-	-	-	-	-	-	-	-	-161,705
Purchase and sale of treasury stock	12,142	-	-	-	-2,184	-	-	-	14,326	12,142	-
Share-based payments	1,460	-	-	-	144	-	-	-	1,316	1,460	-
Sale without loss of control of EDPR France subsidiaries	27,645	-	-	-	2,481	1,627	-	-	-	4,108	23,537
Sale without loss of control of EDPR France	68,971	-	-	-	6,781	830	-	-	-	7,611	61,360
Sale without loss of control of South Dundas	15,494	-	-	-	1,748	-	-	162	-	1,910	13,584
Changes resulting from acquisitions/sales and equity increases	-8,144	-	-	-	-911	-	-	-	-	-911	-7,233
Other reserves arising on consolidation	197	-	-	-	242	-	-	-	-	242	-45
Balance as at 31 December 2014	11,969,144	3,656,538	503,923	659,613	4,064,527	-47,781	47,876	-133,300	-69,931	8,681,465	3,287,679
Comprehensive income:											
Net profit for the period	1,247,142	-	-	-	912,703	-	-	-	-	912,703	334,439
Changes in the fair value reserve (cash flow hedge) net of taxes	-20,689	-	-	-	-	-23,046	-	-	-	-23,046	2,357
Changes in the fair value reserve (available for sale investments) net of taxes	10,583	-	-	-	-	-	10,461	-	-	10,461	122
Share of other comprehensive income of joint ventures and associates net of taxes	8,465	-	-	-	-	20,165	-	-9,527	-	10,638	-2,173
Actuarial gains/(losses) net of taxes	-43,260	-	-	-	-33,006	-	-	-	-	-33,006	-10,254
Exchange differences arising on consolidation	-559,807	-	-	-	-	-	-	-249,688	-	-249,688	-310,119
Total comprehensive income for the period	642,434	-	-	-	879,697	-2,881	10,461	-259,215	-	628,062	14,372
Transfer to legal reserve	-	-	-	39,289	-39,289	-	-	-	-	-	-
Dividends paid	-672,308	-	-	-	-672,308	-	-	-	-	-672,308	-
Dividends attributable to non-controlling interests	-146,553	-	-	-	-	-	-	-	-	-	-146,553
Purchase and sale of treasury stock	6,223	-	-	-	484	-	-	-	5,739	6,223	-
Share-based payments	1,501	-	-	-	-	-	-	-	1,501	1,501	-
Sale without loss of control of windfarms in the USA	304,372	-	-	-	-9,475	-1,141	-	-4,189	-	-14,805	319,177
Sale without loss of control of solar farms in the USA	25,546	-	-	-	407	-	-	-737	-	-330	25,876
Sale without loss of control of windfarms in Brazil	61,280	-	-	-	4,993	-	-	5,344	-	10,337	50,943
Changes resulting from acquisitions/sales and equity increases	-69,301	-	-	-	33,257	-4,501	1,042	-	-	29,798	-99,099
Other reserves arising on consolidation	-845	-	-	-	-168	-	-	-	-	-168	-677
Balance as at 31 December 2015	12,121,493	3,656,538	503,923	698,902	4,262,125	-56,304	59,379	-392,097	-62,691	8,669,775	3,451,718

(i) See note 30
(ii) See note 32
(iii) See note 31
(iv) See note 33

* Restated for IFRS 10 and 11 purposes

LISBON, 3 MARCH 2016

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Consolidated and Company Statement of Cash Flows
as at 31 December 2015 and 2014

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Operating activities				
Cash receipts from customers	14,357,283	14,802,734	2,775,960	2,403,909
Proceeds from tariff adjustments sales	903,070	1,557,113	-	-
Payments to suppliers	-10,512,735	-11,417,036	-2,846,916	-2,387,043
Payments to personnel	-781,382	-813,108	-35,349	-14,884
Concession rents paid	-277,627	-268,249	-	-
Other receipts/(payments) relating to operating activities	-462,695	-385,753	-47,976	-46,476
Net cash flows from operations	3,225,914	3,475,701	-154,281	-44,494
Income tax received/(paid)	-141,780	-226,915	78,986	28,883
Net cash flows from operating activities	3,084,134	3,248,786	-75,295	-15,611
Investing activities				
Cash receipts relating to:				
Sale of assets/subsidiaries with loss of control (i)	242,985	228,114	-	431,398
Other financial assets and investments (ii)	33,498	1,199	16,726	-
Changes in cash resulting from consolidation perimeter variations (iii)	101,389	35	-	-
Property, plant and equipment and intangible assets	11,596	13,685	19,772	2,012
Other receipts relating to tangible fixed assets	16,308	35,246	-	-
Interest and similar income	84,922	107,868	434,541	504,657
Dividends	34,359	38,441	762,260	465,704
Loans to related parties	4,482	-	645,720	-
	529,539	424,588	1,879,019	1,403,771
Cash payments relating to:				
Acquisition of assets/subsidiaries (iv)	-207,971	-21,774	-936,822	-21,940
Other financial assets and investments	-78,014	-115,323	-	-250
Property, plant and equipment and intangible assets	-1,835,636	-1,736,269	-57,900	-41,398
Loans to related parties	-40,583	-	-967,085	-
	-2,162,204	-1,873,366	-1,961,807	-63,588
Net cash flows from investing activities	-1,632,665	-1,448,778	-82,788	1,340,183
Financing activities				
Receipts/(payments) relating to loans	-1,458,838	-46,219	437,373	-37,888
Interest and similar costs including hedge derivatives	-920,577	-855,562	-399,474	-464,370
Share capital increases/(decreases) by non-controlling interests	-46,168	-6,116	-	-
Receipts/(payments) relating to derivative financial instruments	-22,808	56,561	-36,757	-2,706
Dividends paid to equity holders of EDP (v)	-672,308	-671,879	-672,588	-672,158
Dividends paid to non-controlling interests	-128,971	-123,836	-	-
Treasury stock sold/(purchased) (v)	6,223	12,142	7,724	13,602
Sale of assets/subsidiaries without loss of control (vi)	394,904	109,107	-	-
Receipts/(payments) from institutional partnerships - USA	68,474	147,860	-	-
Net cash flows from financing activities	-2,780,069	-1,377,942	-663,722	-1,163,520
Changes in cash and cash equivalents	-1,328,600	422,066	-821,805	161,052
Effect of exchange rate fluctuations on cash held	-39,946	35,222	344	274
Cash and cash equivalents at the beginning of the period	2,613,995	2,156,707	1,344,731	1,183,405
Cash and cash equivalents at the end of the period *	1,245,449	2,613,995	523,270	1,344,731

- (i) On a consolidated basis, includes the sale of the assets of gas transmission - Naturgas (transaction included in the notes 5, 7 and 42);
- (ii) On a consolidated basis, includes the sale of Setgás - Sociedade de Distribuição de Gás Natural, S.A. and Setgás Comercialização, S.A. (transaction included in the note 5). On a company basis, includes the sale of fraction of Porto headquarters to EDP Distribuição (see note 22);
- (iii) On a consolidated basis, includes the ENEOP assets split operation (transaction included in the notes 5, 7 and 53);
- (iv) On a consolidated basis, includes the payments made by EDPR EU subgroup with the following detail: acquisition of the ENEOP portfolio (transaction included in the notes 5, 7 and 53), acquisition of non-controlling interests (transactions included in the note 5), advance payments on acquisitions (conclusion of operations to be expected during 2016), capital contributions mainly in the associated french companies booked under equity method and acquisition of other companies and success fees. Additionally, on a consolidated basis, includes the payments made by EDP Brasil subgroup for companies acquisitions (transactions included in the note 5). On a company basis, includes the acquisition of 15,5% shareholding of EDP Renováveis S.A. to Hidrocontábrico subgroup;
- (v) See Consolidated and Company Statement of Changes in Equity;
- (vi) On a consolidated basis, includes the sale by EDPR NA of 49% of shareholding in several american companies and 49% of shareholding in several brazilian companies (transactions included in the note 5).

* See details of "Cash and cash equivalents" in note 29 of the Financial Statements.

LISBON, 3 MARCH 2016

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Income Statement
as at 31 December 2015 and 2014

Thousands of Euros	Notes	2015	2014
Revenues from energy sales and services and other	6	2,916,655	2,518,101
Cost of energy sales and other	6	-2,733,592	-2,316,860
		183,063	201,241
Other income		11,657	14,821
Supplies and services	8	-172,484	-185,731
Personnel costs and employee benefits	9	-47,137	-19,183
Other expenses	10	-20,775	-14,851
		-228,739	-204,944
		-45,676	-3,703
Provisions	11	9,882	-982
Amortisation and impairment	12	-14,430	-12,828
		-50,224	-17,513
Financial income	13	2,061,812	2,026,466
Financial expenses	13	-1,219,754	-1,230,078
Profit before income tax		791,834	778,875
Income tax expense	14	10,612	6,905
Net profit for the period		802,446	785,780

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THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
Company Statement of Comprehensive Income
as at 31 December 2015 and 2014

Thousands of Euros	2015	2014
Net profit for the period	802,446	785,780
Items that will never be reclassified to profit or loss (i)		
Actuarial gains / (losses)	-194	-1,215
Tax effect from the actuarial gains / (losses)	49	304
	-145	-911
Items that are or may be reclassified to profit or loss (i)		
Fair value reserve (cash flow hedge)	8,941	-16,032
Tax effect from the fair value reserve (cash flow hedge)	-2,635	4,762
Fair value reserve (available for sale investments)	6,979	3,135
Tax effect from the fair value reserve (available for sale investments)	-2,055	-294
Other comprehensive income for the period (net of income tax)	11,085	-9,340
Total comprehensive income for the period	813,531	776,440

(i) See Company Statement of Changes in Equity

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THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Financial Position
as at 31 December 2015 and 2014

Thousands of Euros	Notes	2015	2014
Assets			
Property, plant and equipment	16	206,054	137,492
Intangible assets		2,371	2
Investments in subsidiaries	19	10,965,580	10,036,969
Investments in joint ventures and associates	20	6,597	6,595
Available for sale investments	21	53,679	46,926
Investment property	22	32,522	104,393
Deferred tax assets	23	35,140	27,434
Debtors and other assets from commercial activities		1,659	1,097
Other debtors and other assets	27	7,799,328	6,650,873
Collateral deposits associated to financial debt	35	-	311,990
Total Non-Current Assets		19,102,930	17,323,771
Inventories		-	11
Trade receivables	25	167,089	178,647
Debtors and other assets from commercial activities	26	427,621	300,623
Other debtors and other assets	27	2,126,996	1,925,649
Current tax assets	28	89,603	141,421
Collateral deposits associated to financial debt	35	-	22,507
Cash and cash equivalents	29	523,270	1,344,731
Total Current Assets		3,334,579	3,913,589
Total Assets		22,437,509	21,237,360
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-56,596	-63,836
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,393,324	2,268,563
Net profit for the period		802,446	785,780
Total Equity		7,299,635	7,150,968
Liabilities			
Financial debt	35	9,540,894	7,188,672
Employee benefits	36	22,828	1,346
Provisions	37	12,207	22,540
Trade and other payables from commercial activities		4,037	1,744
Other liabilities and other payables	40	2,739,715	1,685,230
Total Non-Current Liabilities		12,319,681	8,899,532
Financial debt	35	1,803,482	3,628,645
Employee benefits	36	346	-
Provisions	37	1,262	271
Hydrological correction account	34	11,417	1,010
Trade and other payables from commercial activities	39	550,616	638,820
Other liabilities and other payables	40	396,852	912,911
Current tax liabilities	41	54,218	5,203
Total Current Liabilities		2,818,193	5,186,860
Total Liabilities		15,137,874	14,086,392
Total Equity and Liabilities		22,437,509	21,237,360

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three-month period from 1 October to 31 December 2015 and 2014

Thousands of Euros	2015	2014
Revenues from energy sales and services and other	808,256	732,012
Cost of energy sales and other	-763,601	-690,425
	44,655	41,587
Other income	2,461	5,495
Supplies and services	-45,029	-50,474
Personnel costs and employee benefits	-15,175	-7,036
Other expenses	-4,970	-485
	-62,713	-52,500
	-18,058	-10,913
Provisions	10,989	-394
Amortisation and impairment	-3,955	-2,051
	-11,024	-13,358
Financial income	628,178	599,391
Financial expenses	-316,702	-385,789
Profit before income tax	300,452	200,244
Income tax expense	-10,201	-6,087
Net profit for the period	290,251	194,157

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income
for the three-month period from 1 October to 31 December 2015 and 2014

Thousands of Euros	2015	2014
Net profit for the period	290,251	194,157
Items that will never be reclassified to profit or loss		
Actuarial gains / (losses)	-194	-1,215
Tax effect from the actuarial gains / (losses)	49	304
	-145	-911
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	-4,559	-18,334
Tax effect from the fair value reserve (cash flow hedge)	1,344	5,456
Fair value reserve (available for sale investments)	2,093	-4,944
Tax effect from the fair value reserve (available for sale investments)	-616	2,249
	-1,738	-15,573
Other comprehensive income for the period (net of income tax)	-1,883	-16,484
Total comprehensive income for the period	288,368	177,673

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity as at
31 December 2015 and 2014

Thousands of Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS investments) (ii)	Treasury stock (iii)
Balance as at 31 December 2013	7,033,084	3,656,538	503,923	620,069	2,316,620	-868	16,280	-79,478
Comprehensive income:								
Net profit for the period	785,780	-	-	-	785,780	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-11,270	-	-	-	-	-11,270	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	2,841	-	-	-	-	-	2,841	-
Actuarial gains / (losses) net of taxes	-911	-	-	-	-911	-	-	-
Total comprehensive income for the period	776,440	-	-	-	784,869	-11,270	2,841	-
Transfer to legal reserve	-	-	-	39,544	-39,544	-	-	-
Dividends paid	-672,158	-	-	-	-672,158	-	-	-
Purchase and sale of treasury stock	12,142	-	-	-	-2,184	-	-	14,326
Share-based payments	1,460	-	-	-	144	-	-	1,316
Balance as at 31 December 2014	7,150,968	3,656,538	503,923	659,613	2,387,747	-12,138	19,121	-63,836
Comprehensive income:								
Net profit for the period	802,446	-	-	-	802,446	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	6,306	-	-	-	-	6,306	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	4,924	-	-	-	-	-	4,924	-
Actuarial gains / (losses) net of taxes	-145	-	-	-	-145	-	-	-
Total comprehensive income for the period	813,531	-	-	-	802,301	6,306	4,924	-
Transfer to legal reserve	-	-	-	39,289	-39,289	-	-	-
Dividends paid	-672,588	-	-	-	-672,588	-	-	-
Purchase and sale of treasury stock	6,223	-	-	-	484	-	-	5,739
Share-based payments	1,501	-	-	-	-	-	-	1,501
Balance as at 31 December 2015	7,299,635	3,656,538	503,923	698,902	2,478,655	-5,832	24,045	-56,596

(i) See note 30

(ii) See note 32

(iii) See note 31

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THE EXECUTIVE BOARD OF DIRECTORS

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1. ECONOMIC ACTIVITY OF EDP GROUP

The Group's parent company, EDP - Energias de Portugal, S.A. (EDP, S.A.), was incorporated in 1976 as a result of the nationalisation and merger of the major Portuguese companies in the electricity sector operating in mainland Portugal. EDP S.A.'s head office is located in Lisbon at Avenida 24 de Julho, 12. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split of EDP, S.A., which led to a number of directly or indirectly wholly owned subsidiaries of EDP, S.A.

The Group's businesses are currently focused on the generation, distribution and supply of electricity and distribution and supply of gas. Although complementary, the Group also operates in related areas such as engineering, laboratory tests, vocational training, energy services and property management.

The EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors.

Activity in the energy sector in Portugal

Electricity - Portugal

The National Electricity System (SEN) basis of organization and operation, as well as the general basis applicable to the production, transportation, distribution, supply activities of electricity, change of supplier logistics operation, and organisation of organised electricity markets, are established by the Decree-Law (DL) 29/2006 of 15 February, this DL was developed by the DL 172/2006 of 23 August. The DL 29/2006 and 172/2006 were updated by the DL 215-A/2012 and B/2012 of 8 October, incorporating essentially the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July 2009, establishing common rules for the electricity internal market.

The National Electricity System includes the activities of generation and supply of electricity under free market competition conditions (through licensing in generation and through prior registration in supply), and the activities of transmission and distribution provided through exclusive public service concessions. The management activity exercise of organized electricity markets is free, subject to authorization. The activity of logistic operation to change the electricity supplier must be independent of the other SEN entities - the Entidade Reguladora dos Serviços Energéticos - ERSE (Energy Sector Regulator) determined that, until it is developed the logistic and the legislation for this activity, it should be performed by the distribution operator of medium and high voltage, currently EDP Distribuição.

The transmission, distribution and supply of electricity (including last resort activities and market facilitator), as well as the logistics of changes of supplier and organized markets management are subject to regulation by ERSE, which is responsible for the preparation, issuance and enforcement of regulations and for establishing the tariffs and prices related to network usage - access tariffs - and electricity supply for clients in the regulated market - electricity tariffs charged by the Supplier of Last Resort.

For transmission, distribution and supply of last resort activities, the law establishes a remuneration right fixed by ERSE, under the tariff regulations, to ensure economic and financial balance under an efficient management.

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN - Redes Energéticas Nacionais, SGPS, S.A., for a period of 50 years.

The Law 83-C/2013, Law of the State Budget 2014 ("Lei do Orçamento de Estado 2014"), approved by the Portuguese Government on 31 December 2013, introduced an extraordinary contribution applicable to the energy sector (CESE), with the objective of financing mechanisms that promote the energy sector systemic sustainability, through the establishment of a fund which aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector. This contribution focuses generally on the economic operators that develop the following activities: (i) generation, transport or distribution of electricity; (ii) transport, distribution, storage or wholesale supply of natural gas; (iii) refining, treatment, storage, transport, distribution and wholesale supply of crude oil and oil products.

CESE is calculated based on the companies' net assets as at 1 January, which comply, cumulatively, to: (i) tangible assets; (ii) intangible assets, except industrial property elements; (iii) financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets if it is higher than the value of those assets.

The applicable rate is 0.85% for power plants with an equivalent annual utilization of installed capacity greater than or equal to 3,000 hours, 0.565% for power plants with an equivalent annual utilization of installed capacity greater than or equal to 1,500 and less than 3,000 hours and 0.285% for power plants with an equivalent annual utilisation of installed capacity less than 1,500 hours.

The exemptions include assets of wind generation, mini-hydric power plants, and power plants with licenses granted following a public tender and land comprising the public domain.

The CESE system was been extended for the years 2015 and 2016 by the Law 82-B/2014, of 31 December, Law of the State Budget 2015 ("Lei do Orçamento de Estado 2015") and Law 159-D/2015 of 30 December. Note that the Stability Programme 2015-2019, published in April 2015 by the Portuguese Government had already provided the term of the CESE until 2018.

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Generation

The generation of electricity covers generation under ordinary and special regimes. Under the ordinary regime, where EDP Group is represented by EDP Gestão da Produção, S.A., electricity is generated and sold under free market conditions, in organised markets or through bilateral agreements, being subject only to licensing.

The special regime (PRE) allows producers to deliver electricity to the network, through bilateral agreements with the Supplier of Last Resort (CUR), being subject to specific legislation, namely to promote the use of endogenous renewable resources, cogeneration or micro generation. With the publication of Decree-Law No. 215-A/2012, of 8 October, the PRE begins to integrate beside the production subject to special legal regime the entire generation of electricity from indigenous, renewable and non-renewable resources, even if not covered by a special legal regime, or even not having guaranteed remuneration, it can be remunerated by the market. The EDP Group is present in this segment through its subsidiaries EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., among others.

Following the publication of Decree-Law 240/2004 of 27 December, which established the creation of a compensation mechanism to maintain the contractual balance (CMEC), in January 2005 the EDP Group signed the early termination of contracts for the Power Purchase Agreements (PPAs) related to the binding electricity production plants of the EDP Group, effective as of 1 July 2007, date of the launch of the Iberian Electricity Market (MIBEL).

With the publication of Decree-Law 199/2007, of 18 May, the Portuguese Government confirmed its decision to early terminate the PPAs and implement the CMEC mechanism and defined the rules to calculate the compensations due to the power generators for such early termination, which essentially consisted in an adjustment of the reference market price of electricity used to calculate the CMEC initial compensation amount. On 15 June 2007, EDP and REN agreed on the early termination of the PPAs, effective as of 1 July 2007. The CMEC regulation sets the compensation due at 833,467 thousands of Euros, which in accordance with the legislation can be subject to securitisation.

In June 2007, Decree-Law 226-A/2007 of 31 May, which approves the new legal regime for using hydric resources under the terms of the new Water Law (Lei da Água), came into force. This Decree-Law in article 91, foresees the transfer of concession rights of public hydric resources of RTN to the companies holding the rights, and being subject to the payment of an economic and financial equilibrium value. The article 92 defines the calculation formula for the economic and financial equilibrium value, which was determined based on the value identified in two assessments conducted by highly reputed independent entities: Caixa - Banco de Investimento, S.A. and Credit Suisse First Boston. On that basis, the Government (INAG), REN and EDP Produção signed on 8 March 2008, several service concession arrangements related to the ex- SEP plants for which EDP Produção paid approximately 759 millions of Euros (corresponding to the contractual compensation following the Dispatch 16982/07) for the extension of the period to operate the public hydric domain for an additional average period of 26 years.

On 20 August 2012, the Administrative Order 251/2012 was published. This regulation replaces the previous mechanisms and establishes a new incentive scheme to energy generators. Capacity payments should contribute decisively and rationally to maintain the production capacity of electricity (availability incentive) and to perform future investment in new production capacity (investment incentive), and therefore, to ensure security supply levels that are not guaranteed by the operation of the normal market mechanisms. The availability incentive is applicable to thermoelectric power plants until the end of the operating license, beginning in the calendar year following the date of termination of the PAF ("Programa de Apoio Financeiro"). This incentive corresponds to an annual compensation of 6,000 Euro/MW/year. Investment incentive is applicable to new hydroelectric power plants and power enhancement projects, during the first 10 years after the formal recognition of their eligibility to receive the incentive.

On 27 February 2013, the Administrative Order 85-A/2013 was published, approving the nominal tariff applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the Contractual Stability Compensation (CMEC), setting the rate at 4.72%. This rate is applicable between 1 January 2013 and 31 December 2027 and reflects a costs reduction for the system of approximately 13 millions of Euros per year, which corresponds to a present value of 120 millions of Euros. This adjustment results from the application of the calculating mechanism of the interest rate related with the fixed portion set out in Decree-Law 240/2004, of 27 December, amended by Decree-Law 32/2013, of 26 February (point iv) of paragraph b) n.4 of article 5.º).

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013, that modifies the remuneration applicable to the production of electricity by mini hydro plants (PCH). Establishes that the PCH that were framed by a remuneration scheme prior to Decree-Law 33-A/2005, of 16 February, benefit from that remuneration scheme for a period of 25 years from the grant date of the exploration license or until the expiration date of their water use license, whichever occurs first. After this 25-year period and as long as the above mentioned license remains valid, electricity produced by these plants will be sold at market prices.

Following the publication of Law 74/2013 of 4 June, which established a regulatory scheme in order to ensure the balance of competition in the wholesale electricity market, determining that the costs of general economic interest (CIEG) of the global use of the system tariff (UGS) should also be supported by the producers under the ordinary regime and other producers not included in the guaranteed return system, the Dispatch 12955-A/2013, of 10 October fixed the payment per MWh injected into the network, for each one of the power plants covered, in 3€ for on-peak hours and 2€ for off-peak, during the period from 11 October to 31 December 2013. Directive 26/2013 of 27 December, established the terms and conditions of the business relationship between those electricity producers covered by Decree-Law 74/2013 and the operator of the transmission network.

On 6 February 2014, the Order 1873/2014 was published, which maintains the charge, as an advanced payment on the amounts mentioned in the n.1 of the Order 12955-A/2013 of 10 October until another mechanism to allow a fixed price paid in advance regarding the MWs injected into the network is set in the future.

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On 30 July 2015, the Administrative Order 225/2015 was published, which change the Law 74/2013 implementing rules. The impact of the designated "extra market rules" being now determined by Order of the Government member responsible for the energy. The Administrative Order still establish that between 11 October 2013 and 31 December 2014 should be paid an additional advanced payment amount in 0.9€ per MWh injected into the network, for the power plants covered by the law.

On 15 October 2015, the Office of the Secretary of State for Energy (SEE) published the Order 11566-A / 2015, with the valuation of the parameters for calculation of the formula in Article 3 of Ordinance 288/2013, of 20 September, as amended by Decree 225/2015 of 30 July.

On 1 April 2014, the Order 4694/2014 was published, entered into force on the next business day after its publication, which lays down the general guidelines of the revisibility calculation provided by the Decree-Law 240/2004, of 27 December, concerning the participation of CMEC plants in the secondary regulation market band, as well as the principles of the prices formation earned by the secondary regulation band power plants participating in the services system market with reference to the Spanish' system services market.

Decree-Law 172/2014, of 14 November, amends the Decree-Law 138-A/2010, in order to extend the eligibility criteria for the social tariff attribution of electricity supply to final customers which are considered economically vulnerable and Decree-Law 102/2011, of 30 September, by creating and setting out the conditions for the award of extraordinary social support to the energy consumer. This legislation states that the financing of the social tariff is carried out in proportion to the installed capacity of each power plant in ordinary regime.

In May 2015, it was published by ERSE, the technical standard for determining the marginal cost of reference for natural gas combined cycle plants and the monthly estimates from April 2014 to April 2015, required in the SEE Order 4694/2014.

Distribution

Electricity distribution is carried out through the National Distribution Network (RND) and consists of a medium and high-tension network and a low-tension distribution network, exclusively under public service concessions.

The distribution of electricity in medium and high-tension has been concessioned to EDP Distribuição by the Portuguese Government pursuant to article 70 of Decree-Law no. 29/2006, as a result of converting the licence held by EDP Distribuição under the former regime into a concession agreement, which was signed on 25 February 2009, for a period of 35 years. The terms of the concession are set forth in Decree-Law no. 172/2006.

In accordance with specific legislation (Decree-law 344-B/82, with the amendments set out in Decree-law 297/86 of 19 September, Decree-law 341/90 of 30 October and Decree-law 17/92 of 5 February), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição. These concessions are in return for payment of a rent to the respective municipalities, determined in accordance with Decree-Law 230/2008 of 27 November. Although the existing concession agreements were maintained pursuant to Decree-Law no. 172/2006, the terms for the new concessions will be established after a competition process to be implemented by the relevant municipalities.

Supply

The Electricity supply market is open to competition, subject only to a licensing regime. Suppliers have the right of access to the national transmission and distribution networks upon payment of the access charges set by ERSE. The activity of free supply, in EDP Group, is developed by EDP Comercial, S.A. The activity of supply of last resort (CUR), including universal public service obligations, is subject of license and is guaranteed by EDP Serviço Universal, S.A., a company wholly owned by EDP Distribuição S.A.

Electric Energy Price Regime

In the non-regulated market, electricity tariffs are defined by an agreement between each supplier and its customers. In the regulated market the tariffs charged by the supply of last resort are defined by ERSE.

The Decree-Law 104/2010 of 29 September (amended by Decree-Law n.º 78/2011, of 20 June, 75/2012 of 26 March, 256/2012 of 29 November and 13/2014, of 22 January), establishes the end of customers regulated tariffs for very high, high, medium and low-tension from 1 January 2011. The DL 13/2014 has established that the suppliers of last resort shall, until the date to be set by ordinance, and by applying transitional rates continue to supply electricity to customers who have not hired on the open market their supply. Ordinance n.º 27/2014 has defined as the termination date of the transitional rates for this type of supplies on 31 December 2014.

At 30 March 2015, Ordinance 97/2015 defined a new termination date of the transitional rates for this type of supplies on 31 December 2017.

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For the low-voltage segment, the Decree-Law 75/2012 of 26 March, establishes the extinction of the regulated tariffs for sales to final customers with contracted power higher or equal to 10.35 kVA from 1 July 2012, and from 1 January 2013, for customers with contracted power less than 10.35 kVA. This law also establishes a transitional tariffs system set by ERSE: (i) final customers with contracted power between 10.35 and 41.4 kVA can take advantage of this rate until 31 December 2014 ; (ii) final customers with contracted power lower to 10.35 kVA can take advantage of this rate until 31 December 2015. The Decree-Law 75/2012, also establishes, for the economically vulnerable customers, the right to join the contract on the open market or choose to keep the supply by the supplier of last resort, benefiting, in any case from discounts in the tariff access provided by law.

In order to postpone the extinction of the transitional rules for the supply of natural gas and electricity to final customers with annual consumption lower or equal to 10,000 m³ and in the standard low voltage, was published the Decree-Law 15/2015, of 30 January, which predicts that the date of extinction of the transitional tariff for the standard low voltage would be set by an ordinance. Consequently, Ordinance 97/2015, like happened for the others voltage levels, defined the extinction date for the transitional tariff as 31 December 2017.

Public Domain Assets

In Portugal some fixed assets relating to electricity generation and distribution in the regulated market are subject to the public domain regime. These assets are directly related with the Group's activity, which can freely manage them, but cannot dispose of them for private commercial purposes while they are related with the public domain regime.

Gas - Portugal

The National Natural Gas System (SNGN) basis of organization and operation, was established by the Decree-law 30/2006 of 15 February. This DL was developed by the DL 140/2006 of 26 July, that established the general basis applicable to the SNGN activities. The DL 231/2012 of 26 October, proceeds to the third amendment to the DL 140/2006, changed by the DL 65/2008 of 9 April and by the DL 66/2010 of 11 June, incorporating essentially the principles of the European Parliament and Council's Directive 2009/73/CE of 13 July, establishing common rules for the natural gas internal market.

In the distribution activity for natural gas, EDP Group develops its activity in Portugal through its subsidiary Portgás, S.A. EDP Group is present in the commercialization of natural gas, both in the regulated market (EDP Gás Serviço Universal) and the free market (EDP Comercial). Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL,S.A.

Since 1 January 2013 the retail rates published by ERSE have a transitory character, being susceptible to quarterly reviews, according to DL 74/2012, of 26 March. This transitional period ends: (i) at 30 June 2014, for customers with annual consumption over 10,000 m³; (ii) 31 December 2014, for customers with annual consumption over 500 m³ and less than or equal to 10,000 m³; and (iii) 31 December 2015 for customers with annual consumption of less than or equal to 500 m³.

Decree-Law 15/2015, of 30 January, amending Decree-Laws 74/2012, of 26 March, 66/2010, of 11 June, and 104/2010 of 29 September, in order to change the way of fixing the period of application of transitional tariffs for natural gas supplies to final customers with annual consumption lower or equal to 10,000 m³. The date for the tariffs application shall be set by a governmental order of the office responsible for the energy sector, after ERSE been heard.

Therefore, according with Ordinance 97/2015 of 30 March, the extinction of the transitional tariffs for the natural gas supply to final customers with annual consumption lower or up to 10 000 m³ was set at 31 December 2017. This ordinance, also proceeds to the alteration of the extinction date of the transitional tariffs for the natural gas supply to final customers with annual consumption over to 10 000 m³, from 30 June 2015 to 31 December 2017 (amending the Ordinance 127/2014 of 25 June).

On 15 June 2015, the tariffs set by ERSE were published for the years 2014-2015. The income allowed for Portgás S.A. include the initial revaluation of its assets (with reference to 31 December 2007), approved by the Finance Ministry.

Activity in the energy sector in Spain

Electricity - Spain

In Spain, Hidroeléctrica del Cantábrico (HC Energia) is the parent company of an industrial group, EDP-España, that operates in the electricity and gas sectors. In the electricity sector, HC Energia generates, distributes and supplies electricity. Production is based essentially on traditional coal thermal power plants and, on a smaller scale, on hydroelectric and nuclear power plants.

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Electric Sector Regulation

On 27 November 1997 the Electric Sector's Law 54/1997 was approved, which (i) implements the principles included in the Protocol signed on 11 December 1996 between the Ministry of Industry and the major electric power companies regarding greater liberalization and competition in the electricity sector and (ii) incorporates into Spanish law the provisions contained in Directive 96/92/EC on common rules for the internal electricity market. Additionally, on 6 July 2007 the Law 17/2007 of 4 July came into force, amending the Law 54/1997, to adapt it to the Directive 2003/54/EC of the European Council and Parliament of 26 June 2003 on common rules for the internal market of electricity. Law 54/1997 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July that revokes the Directive 2003/54/CE. On 27 December, was published in the Official State Gazette the Law 24/2013 which replaces Law 54/1997 maintaining the principles established in previous legislation but with particular emphasis on economic and financial sustainability of the electricity sector.

Generation

Since 1 January 1998 electricity generation operates on a free market competition basis, which covers the purchase and sale of energy and other services related to the supply of electricity.

The market structure for electricity generation has been widened by Law 17/2007 of 4 July, in order to include the forward market and the intraday market, as well as technical issues, complementary services, deviations management and non-organised markets. The organisation and regulation of the market for electric power generation is defined by Royal Decree 2019/1997 of 26 December, and its implementing standards.

Electricity is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of 27 September, which revised the electricity tariffs from 1 October 2007, replaced the concept of "power availability" remuneration of electricity generation by the concept of "capacity payments" stated in article 14.5 of the Law 24/2013, which sets a remuneration of the availability service - for the procurement of capacity in the medium term developed on the Order ITC/3127/2011 - and the incentive to invest in long-term capacity.

The set-up of new generation units is liberalised, subject to obtaining the necessary permits.

Producers have the right to use primary energy sources in their generation units as deemed most appropriate, with the applicable environmental restrictions. As at 1 October 2010, the Royal Decree Law 1221/2010 was approved (which changed the Royal Decree Law 134/2010 of 12 February) that establishes the procedure for guarantee supply restrictions, as a protective measure to promote the consumption of local coal. As at 23 December of the same year entered into force the Royal Decree Law 14/2010, which obliges the producers to pay for the use of the transmission and distribution grids. On 27 January 2012, the promulgation of the Law 1/2012, temporarily suspended the new facilities' right to benefit from the specific remuneration regime of the facilities which use renewable energy sources, waste or cogeneration (applicable to the facilities that, since 28 January 2012, do not fulfil the administrative requirements referred in this standard). From 1 January 2013, the amounts of the premiums applicable to the remuneration of all facilities of the special regime were also eliminated, leaving only the tariff option or market price (Royal Decree-Law 2/2013).

The Royal Decree-Law 9/2013 and the Law 24/2013, change the remuneration scheme for facilities that use cogeneration, renewable energy sources and waste (former special regime) and, in addition of the price market sale, can be charged a specific fee to cover the costs not recovered in the market, calculated based on the efficient company criteria. This scheme does not exceed the minimum necessary to cover the costs that allow equal competition between facilities and other technologies on the market generating a return, before tax, equal to the rate of the 10-year Spanish state bonds, plus a spread. This spread, since July 2013, is 300 basis points. The above mentioned Royal Decree-Law was developed in: (i) the Royal Decree 413/2014, which replaced the previous rules governing the remuneration model used mainly contained in Royal Decree 661/2007; and (ii) the Order 1045/2014, approving the remuneration parameters applicable to the plants which are using renewable energy sources, waste or cogeneration.

Transmission

Red Eléctrica de España, S.A. performs the activities of Transmission Manager and System Operator, being responsible for its technical management, to ensure the continuity of supply and efficient management of the generation and transmission systems. The responsibility for the economic management of the system is guaranteed by OMI - Polo Español, S.A.

The entities and qualified consumers have free access to the transmission and supply grids, setting out a system of "tariffs" for traffic. The remuneration for the transmission and distribution activities is set by the regulatory entity.

The Royal Decree 325/2008 of 29 February, established a new fee regime applicable to electricity transportation facilities, that entered into service from 1 January 2009. However, since the adoption of the Royal Decree 9/2013, the retribution will be calculated based on the Spanish Government ten year bond yield, plus 200 basis points. These assumptions were developed in Royal Decree 1047/2013, repealing the Royal Decree 325/2008.

According to the Law 24/2013 the transmission activity is performed by a single entity. There is also a distinction made between the primary transmission system (facilities > 380 kV with international networks and with extra-peninsular and insular systems) and the secondary transmission system (facilities <220 kV other than primary transmission systems and the one below with transmission functions).

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Distribution

Law 54/1997 established that the remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modified the system of "Acometidas" (system that regulates the installation that connects the distribution grid to the point of delivery of energy to the customers). This remuneration system is based on investments and increased demand of each distributor. On 1 April 2012, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity related to the assets in use that are not amortised, taking as basis for their financial retribution their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January $t+2$. However, since the adoption of the Royal Decree 9/2013, the distribution activity remuneration will be calculated based on the Spanish Government ten year bond yield, plus 100 basis points. During the second quarter of 2013 and 200 b.p. from 2014 forward. These principles were embodied in the new Law 24/2013 and developed in Royal Decree 1048/2013, repealing the Royal Decree 222/2008.

Supply

Law 54/1997 established a progressive liberalisation of electricity supply and the introduction of supply activities to enable customers to progressively choose their suppliers and liberalising the supply market from 1 January 2003. Additionally, since 1 July 2009, distributors can no longer act as suppliers (sell electricity) acting strictly as grid operators. Law 24/2013 determines that certain consumers are entitled to be provided with voluntary prices for small consumers and last resort tariffs for reference traders. The reference traders are determined according to the criteria established in Royal Decree 216/2014.

Electricity Tariffs Regime

The electrical system cost is described in Article 13.3 of Law 24/2013. These costs will be financed through the revenue from the electrical system, including access fees (which are intended to cover the remuneration of the transmission and distribution), charges for the payment of the cost of other items that are not covered by other income, may be compensated for any financial mechanism legally established, including the state budget.

Fees, equal in all the Spanish territory, must be determined with the methodologies defined by the National Markets and Competence Commission (CNMC) considering the costs of the system as defined in the Law 24/2013. Charges applicable to consumers and producers are determined by calculation methods adopted by the Government and CNMC that will serve to cover certain costs of the system, without prejudice of what is in force for transport and distribution.

Temporarily, and while these methodologies are not approved, fees and charges are defined by the Ministry of Industry, Energy and Tourism.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the liberalised market. However, the Royal Decree 485/2009 of 3 April, provided that the consumers of low-tension, with contract capacity not exceeding 10 kW, were eligible for last resort tariff, which determines the maximum price of supply. These tariffs will be applicable by the suppliers of last resort, where EDP Comercializadora Último Recurso, S.A. is included.

Law 24/2013 replaces the concept of "last resort tariff" by "voluntary price for the small consumer" and the concept of "CUR" by "reference supplier", leaving the term tariff of last resort reserved for reducing the rate to be applied to vulnerable consumers or rate disincentive for consumers who are temporarily without supplier. The Royal Decree 216/2014 sets out the methodology for the calculation of the voluntary price for small consumer and their legal framework of contracting.

Vulnerable Consumers

Royal Decree 13/2012 and Law 24/2013 define vulnerable consumers as individuals who meet certain social characteristics of consumption and consumer purchasing power determined by the Ministry of Industry. Until the Ministry of Industry defines new criteria, these customers must apply the criteria defined by Royal Decree 6/2009 of 30 April on the social allowance, which is a subsidy covering the difference between the value of the Tariff of Last Resort (TUR) and the reference value.

The Royal Decree-Law 9/2013 establishes that social allowance will be financed by vertically integrated companies that perform simultaneously the activities of generation, distribution and sale of electricity. Law 24/2013 maintains the established by Royal Decree-Law 9/2013 and determines that the social allowance will cover the difference between the voluntary price for small consumer and a baseline, called tariff of last resort and will be applied by the correspondent reference supplier in the invoices of the covered consumers. Since Royal Decree 216/2014, the discount is a reduction of 25% of the value of the voluntary price for the small consumer.

On 28 March 2014, the Spanish Government approved the Royal-Decree 216/2014 which establishes the structure and the calculation of the voluntary prices applicable to small electricity consumers and the legal regime under which the contracts will be indexed to the market electricity price. This Royal-Decree entered into force on 1 April, with retroactive effects to 1 January 2014.

Gas - Spain

NG Energia, a subsidiary of HC Energia Group which operates in the natural gas distribution and supply, owns all the EDP Group's gas assets in Spain. The transport and distribution of natural gas in Spain is a regulated activity.

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Law 34/1998, approved on 7 October 1998, amended by Law 12/2007 of 2 July 2007, transposed to Spanish legislation the provisions of Directive 2003/55/EC of the European Parliament and Council of 26 June 2003 related with common rules for the natural gas internal market. Law 34/1998 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles set by the European Parliament and Council's Directive 2009/72/CE of 13 July which came to revoke the Directive 2003/55/CE.

The above mentioned legislation identifies the following operators in the context of the supply of natural gas by pipeline:

- § Gas transport companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas. After the publication of Royal Decree 13/2012, companies that hold the equipment from the main grid of transport must operate and manage their own grids or hand over their management to an independent operator, in the cases referred by legislation;
- § Distribution companies, owners of distribution facilities, whose function is to distribute natural gas by pipeline, as well as to build, maintain and operate such facilities in order to bring natural gas to the consumption points;
- § Suppliers, companies that have access to the facilities owned by third parties, which purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges;
- § Final consumers, who purchase natural gas for own consumption and direct consumers in the market, who have direct access to third party facilities.

The Royal Decree 6/2000 of 23 June, also creates the figure of Technical Manager of the System, which is responsible for the technical management of the basic gas and secondary transmission grids, attributed to ENAGÁS, S.A.

The system of provisioning and supplying based on tariffs for natural gas distribution companies expired on 1 July 2008. Since then, new last resort tariffs have been set, that can benefit consumers who are covered by the regulation (from July 2009 defined as those consuming less than 50,000 kWh/year), and which will be implemented by the suppliers that, in accordance with Article 82 of Law 34/1998, have an obligation as suppliers of last resort. EDP Comercializadora Último Recurso, S.A. is one of the trading companies designated by the Ministry.

For suppliers of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (EDP Comercializadora de Último Recurso, S.A. currently covers suppliers obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff (TUR) became the only tariff from 1 January 2010 on, denying to suppliers of last resort the application of discounts over customers with TUR.

Law 15/2012, of 27 December, of Fiscal measures for the Energetic Sustainability, modifies the type of taxes applied to hydrocarbons of natural gas that until this date was 0% with the exception of vehicles gas, and establishes three types of taxes depending on the natural gas use, and the tax payer becomes the supplier rather than the distributor.

On 4 July 2014, the Spanish Government approved the Royal Decree-Law 8/2014, subsequently amended by Law 18/2014, of 15 October. Thus, urgent measures were approved for growth, competitiveness and efficiency in the energy sector, in accordance with european directives. For the gas sector, the objective of this reform is to design an economical stable system, minimizing costs to consumers and eliminating the structural tariff deficit.

The main measures are: i) creation of a National Energy Efficiency Fund, for which the gas and electricity suppliers companies and petroleum products traders will have to make mandatory contributions until 2020. This fund will also be provided with resources from EU funds (FEDER) and other resources allocated by the state budget; ii) definition of the mechanism of gas deficit recovery generated until 31 December 2014 for a period of 15 years and the deficit generated from 1 January 2015 for a period of 5 years; and iii) aligning remuneration of regulated activities with the demand trends; iv) elimination of the distribution remuneration update based on price and review of the compensation units; and v) cut in the remuneration of regulated activities since 5 June 2014. The parameters of the remuneration of the regasification, storage, transportation and distribution of natural gas activities will be determined by regulatory periods of 6 years, subject to adjustments every 3 years.

The Ministerial Order IET/289/2015, of 20 February, establishes the contribution obligations to the National Fund for Energy Efficiency in 2015 as needed to comply with the energy efficiency requirements of traders. It also oversees the payment of the contribution obligation of the year 2014.

Law 2/2015 of 30 March, on the indexation of the Spanish economy, aims to establish a new index system, in order to monetary values of regulated prices do not be amended as a result of price index or formulas, affecting the determination of price updates related to the hire of meters, royalties, and periodic inspections. Until the approval of the Royal-Decree that will detail how these updates will be revised, the reference prices as the industrial index price and the consumer index price will be zero.

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Law 8/2015 of 21 May, which among other modifies the Law 34/1998 of 7 October, liberalize the periodic inspection service in the hydrocarbon sector, that until now was performed exclusively by the distributor, considers the connections of transport- distribution as distribution' assets and enables the Corporation of Strategic Reserves of Oil Products (CORES) to constitute strategic reserves of natural gas and promote the development of the organized market. These aspects are regulated in more detail in Royal Decree 984/2015 of 30 October.

Additionally, Royal Decree 984/2015 amends the Royal Decree 949/2001 in relation to third party access regime to the natural gas system facilities allowing independent procurement of inputs and outputs for the transmission and distribution system that allows users to change the gas introduced without any restriction, which is essential for the development of the organized market of natural gas.

The regulation of the natural gas organized market is complete with the Resolution of 4 December 2015, of the Secretary of State for Energy, approving: (i) the market rules that determine the technical and economic management of the organized market; (ii) the accession agreement that the agents have to subscribe to operate in the market; and (iii) the resolutions relating to the operation of the market.

The Ministerial Order IET/2736/2015, of 17 December, establishes the tariffs and the revenues related with the access to the gas sector installations by third parties and the remuneration of regulated activities for the year 2016. The update of the retribution will be calculated according to Law 18/2014.

Activity in the energy sector in Brazil

Electricity - Brazil

In Brazil, the EDP Group generates, distributes and supplies electric energy through its subsidiary EDP Energias do Brasil, S.A. (EDP Energias do Brasil).

In early 90s, the Brazilian electricity sector has undergone major structural and institutional changes, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system.

Regulated System

The Regulated Contracting Environment is for the sale of electricity between generators, energy importers or retailers, selling energy to distributors who in turn, acquire energy to ensure supply to consumers.

Since 2004, the main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by National Electricity Agency (ANEEL). The rules of these auctions are designed so that the winner is the one with the lowest price.

The distribution companies must estimate the amount of electricity to contract in auctions and they are obliged to purchase 100% of their needs respecting the condition that, market increases must be met by energy from new ventures, contracted 3 years (Auction A-3) or 5 years (Auction A-5) in advance. Failure to comply with the supply of energy to its markets may result in severe fines.

Liberalised system

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5,163/04). Free consumers can return to the regulated system under certain conditions.

The Federal Government has defined changes in the electric sector through Provisional Measures. The Provisional Measure 577, published on 31 August 2012, addresses the termination of public service concessions of electricity and the temporary service, and the intervention for the suitability of the public service of electricity.

Regulatory changes

Several significant changes in regulation regarding the electric sector occurred during 2012, such as the Provisional Measure 579/2012, in which the Federal Government presented measures to reduce electric energy bill to the consumer. The expected average reduction for Brazil amounted to 20.2% due to government actions: Concession Renewals (13%) and changes of Sector charges (7%). This measure results in the Law 12,783 of 11 January 2013.

Regarding concessions renewal, the generation concessionaires in which contracts expire between 2015 and 2017 may renew their concessions and shall make available their physical energy guarantee for the quotas system to be distributed proportionally to the market share of each distributor, affecting the energy acquisition contracts. The transmission concessionaires in which contracts expire between 2015 and 2017 may renew their concessions and, considering that the assets bounded to the electricity transmission service are totally depreciated, only the operation and maintenance costs will be considered for the annual allowed revenues calculation.

On 24 January 2013, ANEEL approved the Extraordinary Tariff Review - ETR specific for the adjustment of energy costs, transmission costs and sectorial charges, from all energy distributors. Thus, the unmanageable costs and supply tariffs will be reduced, with no impact in the distributors margin. These effects were noticeable by consumers, from the end of January 2013.

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On 23 January 2013, was published the Provisional Measure 605, which objective was to increase the scope of application of the resources of the CDE (Energy Development Account), which began promoting resources to cover the discounts applied to the tariffs and involuntary exposure of distributors resulting from the non-adherence to the extension of part of the generation concessions. This measure amended the Law 10,438/2002 which established the application of CDE resources.

The Decree 7,891, of 23 January 2013, establishes more options for the implementation of CDE resources, which can be used to compensate the discount on the electricity tariffs established by law, such as the social tariff of low income, rural, water, sewage and sanitation, among others. Thus, the difference the revenue due to the discounts no longer will be reimbursed through the tariffs of other consumers. This decree was amended on 7 March 2013, by the Decree 9,745, which increased the costs that can be incurred with funds from the Energy Development Account - CDE.

Eletrobrás, the managing company of the sector funds, among them the CDE, is responsible for monthly transferring to the distribution utilities of the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013 and the annual amounts approved by ANEEL to cover, entirely or partially, the positive balances in "Conta de Compensação de Variação de Valores de Itens da Parcela A - CVA", arising from the cost of purchasing electricity and System Services Charge - ESS.

Following the tariff readjustment process of EDP Escelsa, on 30 July 2013, Resolution 1,576/13 approved the amount of 90,670 thousands of Reais. For EDP Bandeirante this process occurred on 23 October 2013 and Resolution 1,641/13 approved the amount of 237,874 thousands of Reais. These values were transferred by Eletrobrás, as a lump sum to cover the positive balances of CVAs corresponding to the acquisition of electricity and the ESS, as established in Decree 7,891, with redaction of the Decree 7,945.

On 12 February 2014, ANEEL, after examining the administrative appeal filed by EDP Escelsa, reviewed by the Order No. 287/2014, the Regulatory Remuneration Base (BRR) part of the 6th Periodic Tariff Review, incorporating 32 millions of Reais to the Gross BRR and 24 millions of Reais to the Net BRR. The amount was incorporated into the tariff and the values that were not received in 2013 were adjusted by the SELIC (overnight rate of the Sistema Especial de Liquidação e de Custódia) and added as financial component in the tariff adjustment of 2014.

On 7 March 2014, the Decree 8,203/2014 was published, which authorizes the transfer of funds from CDE to pay the exposure costs to the spot market in the Electricity Trading Chamber - CCEE in January 2014. 1.2 millions of Reais were allocated to Brazilian distribution companies, according to ANEEL's calculations published in Order No. 515/2014.

On 13 March 2014, the Ministries of Mines and Energy (MME) and Treasury announced the following measures to support the national electricity sector: (i) Establishment of Centralized Account (Account-ACR), managed by the CCEE (Electricity Trading Chamber) with the aim of preserving the consumer tariff volatility, besides relieving distributors cash flow for 2014 expenses; (ii) 4 billions of Reais of additional Financial Contribution from the National Treasury in the Energy Development Account (CDE); and (iii) performance of Existing Energy Auction of the Year "A", with energy delivery in 2014, expected to be held in April and supply starting from 1 May 2014.

These measures were implemented by Decree 8,221/2014, of 2 April 2014 related with the cover of the extra costs for 2014, with retroactive effects to February, which defines the financing method and the subsequent effect on electricity tariffs. This is a non-refundable contribution cost.

On 25 April 2014, CCEE signed contracts with some banks to finance 11.2 billions of Reais for the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The Energy Development Account - CDE was incharge for the funds for the loan payment, present in the energy tariffs and the reimbursement will be made starting on November 2015. The ACR-Account resources obtained through bank loans sold out in April 2014. Therefore, in August 2014 a new loan of 6.5 billions of Reais was approved. EDP Escelsa received 596 millions of Reais until November, related with the months of February to October 2014, while, for the same period EDP Bandeirante received 309 millions of Reais. The value of the Account-ACR was insufficient to cover the November and December deficit, forcing ANEEL to defer payment for 2015. In March 2015, CCEE signed a new loan of 3.4 billions of Reais. Thus, EDP Escelsa and EDP Bandeirante received 104.2 millions of Reais and 64.4 millions of Reais, respectively, to cover the deficits of November and December 2014. The amounts received by the ACR-Account to cover the 2014 deficit will be considered in the energy tariffs from the 2015 ordinary tariff processes.

The existing energy auction, called Auction "A", held on 30 April 2014, for the purchase of electricity from existing generation projects secured the contracting of approximately 2,046 MW of hydroelectric and thermal power plants of natural gas and biomass. The power supply starts in 1 May 2014 until 31 December 2019. Auction "A" aimed to meet the immediate need for energy contracting by distribution due to involuntary exposure as well as reduce the impact on tariff adjustments.

Following the tariff readjustment process of EDP Escelsa, which occurred on 6 August 2014, Resolution 1,768/14 approved an index of 26.54% which 19.61% is from economic adjustment and 6.93% from the financial components adjustment. For EDP Bandeirante the tariff adjustment process took place on 22 October 2014, and was approved by Resolution 1,809/14 an index of 22.34% rate, being 15.05% the economic adjustment and 7.29% the financial components adjustment.

Through Normative Resolution 613/2014 of May of 2014, ANEEL establishes the criteria for the allocation of the exceeding funds of the Reserve Energy Account - CONER, which has been allocated to distributors in order to reduce the tariff deficit.

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From January 2015, entered into force the Flags Tariff System. This system signals to consumers the real costs of electricity generation, and consists on three flags: green, yellow and red. The green flag indicates that the cost of energy production is lower and, therefore no changes are applied to the energy tariffs. The yellow and red flags represent the increase in energy production cost, and is added an additional amount to the energy tariff. Only consumers classified as low income residential subcategory will have discount on the additional amount applied by the yellow and red flags. On a monthly basis, the operating system conditions are reassessed by the National Electric System Operator - ONS, which defines the best strategy for power generation over demand.

On 4 February 2015, the Tariff Flag Resource Account was established, through the Decree 8,401. Distributors should collect the proceeds from the application of this system to this account, managed by the CCEE. Proceeds are allocated to cover the costs that are not included in the distribution tariff, such as: Energy Security of the System Service Charge - ESS, thermal dispatch, Itaipu hydrological risk and quotas, exposure to spot market and the Power Reserve Account - CONER surplus.

ANEEL should approve on a monthly basis, the transfers to the distribution companies. Any costs not covered by revenue will be considered in the next tariff process.

On 27 February 2015, through Ratifying Resolution 1,859, ANEEL established the new criteria for the additional tariff and the operation of the Flags Tariff System:

- a) Green Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is less than the amount of 200 R\$/MWh;
- b) Yellow Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than 200 R\$/MWh and lower than the maximum value of the Differences Settlement Price - PLD, currently at 388.48 R\$/MWh. For the period of 1 January to 1 March 2015, the consumption proportional increase is 1.5 R\$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 2.5 R\$ per 100 KWh; and
- c) Red Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than the maximum value of the PLD. For the period from 1 January to 1 March 2015, the consumption proportional increase is 3 R\$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 5.5 R\$ per 100 KWh. After 1 September 2015, as determined by ANEEL Ratifying Resolution 1,945 of 28 August 2015, occurred the approval of the red flag amount reduction to 4,5 R\$ per 100 KWh.

At the same time, ANEEL accepted the request of Extraordinary Tariff Review - RTE from the distributors and defined the applicable methodology. The results of the RTEs Dealers of Electricity Distribution were approved, through the Resolution 1,858. For EDP Bandeirante the application of new tariffs, from 2 March, resulted in an average increase in its customers of 25.12% and for EDP Escelsa the effect was 26.83%.

As at 26 January 2016, ANEEL approved the division of the red flag in two price levels, into force from 1 February. The first level will have a value of 3 R\$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched is between 422.56 R\$/MWh and 610 R\$/MWh; the second level will continue to be 4.50 R\$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched exceeds 610 R\$/MWh.

On 28 April 2015, through the Normative Resolution 660, ANEEL approved changes in the methodology applicable to the Periodic Tariff Review processes for distributors valid for the processes performed from 6 May 2015. The changes occurred on the following aspects: (i) general procedures; (ii) operating costs; (iii) X factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues and (vi) other income, among with:

- a) Extinction of the tariff cycle concept, starting to be used methodologies and parameters prevailing at the time of the tariff review. The update of the parameters will occur in periods of 2/4 years while the updating of the methodologies in periods of 4/8 years;
- b) The weighted average cost of capital (WACC) increased from 7.5% to 8.09% (after taxes). The points considered in the update were: (i) standardization of series; (ii) use of average credit risk of companies in the debt capital of third parties; and (iii) recalculation of the cost of capital every 3 years, with methodology review in every 6 years;
- c) Remuneration for the risk associated with investment operations carried out with third-party funds (subsidies);
- d) For the definition of efficient operating costs, were considered the "quality index" and "losses";
- e) To define the level of non-technical losses, it was included the variable "low-income" and the database updated based on 3 statistical models;
- f) The level of unrecoverable revenues (%) shall be calculated based on past 60 months of non-compliance of the reference distributors;
- g) The percentage share of other revenue has been changed to 30% in the following services: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. For the other services the share percentage was set at 60%; and
- h) The calculation of the X Factor now regards commercial quality.

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These changes, which represent an increase in future income, will only impact the tariff review of Bandeirante, that occurred at 20 October 2015, and Escelsa, which according with Management expectations should occur in August 2016.

On 4 August 2015, ANEEL approves the Annual Tariff Adjustment of EDP Escelsa, through Resolution 1,928. The rates were increased on average by 2.04% and 1.68% for high voltage consumers and 2.29% for low voltage consumers.

On 20 October 2015, ANEEL approved the result of the 4th Periodic Tariff Review of EDP Bandeirante. The average effect for consumers was 16.14%, being 17.09% for high voltage consumers and 15.37% for low voltage consumers. The portion B, designed to cover the costs of the electricity distribution business, was set at 823 millions of Reais, which deducted from the Other Revenue sharing results in 791 millions of Reais. For 2016 to 2019, the annual Productivity component (Pd) of factor X was set at 1.14%, while the transition component (T) of the same factor X was set at -0.23%. Technical losses were set at 4.59% and non-technical losses were fixed in a downward trajectory that starts at 9.83% in 2016 and ends at 8.45% in 2019.

On 23 November 2015, ANEEL approved, through Normative Resolution 686/2015, changes to the tariff revision methodology on Regulatory Remuneration Base (BRR). The main changes are the following: (i) the exchange of BRR monetary adjustment index, from IGP-M (General Market Price Index), from FGV (Getulio Vargas Foundation), to the IPCA (Price Index Broad consumer), from IBGE (Brazilian Institute of Geography and Statistics); (ii) the assessment of hand labor costs and smaller components of investment through pre-approved regulatory values by type of equipment; and (iii) update of tariff transfer of systems, vehicles, and rentals.

The hydro concessions held by EDP Group - Energias do Brasil have been granted after February 1995, corresponding to the date of the entry into force of Law 8,987, thus they are not covered by the regulatory changes introduced. Still, these changes will influence the rules that will be applied on the renewal of these concessions in the future, in the following conditions:

§ Each hydro plant should be remunerated by a tariff calculated by the ANEEL;

§ Power selling (Physic guarantees) defined through production quotas dedicated exclusively to the regulated sector, that is to the distributors; and

§ Compliance with the quality service standards determined by ANEEL.

Generation

The generation market is based predominantly on the existence of Power Purchase Agreements (PPA) between generators and distributors, with tenders to supply long-term demand, the adjustment of medium and short term and daily market for deviations, or spot market.

Electricity generation in Brazil relies mostly on hydroelectric technology. Power generation plants are the object of concession, permit or registration, according to the type of plant, the power capacity to be installed and the destination of the energy. Depending on the destination of energy, power generation plants can be classified as:

§ Generation companies, producing electricity for public service distribution;

§ Independent producers (which assume the risk of the sale of electricity with distributors or directly with free consumers);

§ Auto-producers (energy generation for own consumption, the excess of which can be sold through an authorization).

The capacity payments of a generation plant defined by the Ministry of Mines and Energy and set out in the concession agreement or authorization act, correspond to the maximum amount of energy that can be used for commercialization through contracts, in accordance with Decree 5,163 of 2004.

An unfavorable hydrological scenario could damage revenues and the results of hydroelectric production due to the lack of capacity to produce the necessary energy in order to fulfill the contractual obligations.

The systemic production deficit, by national hydroelectric plants related to the Energy Reallocation Mechanism (MRE), cause the reduction of capacity of all hydropower plants in the country, through the factor known as Generation Scaling Factor - GSF. This decrease compels those companies to buy energy in the free market to comply with the agreements with the consequent of a negative exposure in the spot market.

According to the Provisional Measure 688, published on 18 August 2015, the hydrological risk supported by hydroelectric generation agentes of MRE can be combined again by producers, with ANEEL approval, with effect from 1 January 2015, upon consideration of hydroelectric generation agents such as the payment of risk premium for hydropower producers, among others. In bidding processes of production concessions, transmission and distribution of electricity that are not extended, pursuant to Law 12,783, will be required the payment of the bonus for the award of the concession of production, distribution and transmission of electricity. This Provisional Measure was converted into Law 13,203/2015 and by Normative Resolution 684/2015.

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Distribution

The public service concession arrangements for electricity distribution are allocated by tender and establish rules regarding price, regularity, continuity, safety, timeliness and quality of services and supplies provided to consumers and users. These arrangements also define penalties for possible irregularities.

With the publication of the Decree 8,461, of 2 June 2015, the extension of the electricity distribution concessions encompassed in the Law 12,783, of 11 January 2013, may be extended for thirty years, once meet the following criteria: (i) relative efficiency to the service quality; (ii) economic and financial management efficiency; (iii) operating and economic rationality; and (iv) moderate tariffs.

The distribution concessions held by EDP - Energias do Brasil, which were granted after February 1995, date of entry into force of Law 8,987, are not covered by the regulatory changes. Still, these changes are likely to influence the rules that will be applied in the renewal of these concessions.

In most states, mainly in the North and Northeast, the concession area corresponds to the state boundaries. However, mainly in São Paulo and Rio Grande do Sul, the concessions for distribution may cover areas smaller than the state itself. In some cases, the concession area is extended beyond the geographical limits of the state where the distribution company is located.

The distribution activity operates in a regulated environment, with tariffs determined in the context of incentive regulation ("price cap") with a remuneration on the basis of the assets used in the distribution energy service (BRR). The tariff also includes a portion to cover the operating costs established from a standard company, the reference company (with costs that would be charged by an efficient operator at the concession area). The regulatory EBITDA has two parts: (i) regulatory depreciation of BRR assets and (ii) return on capital prudently invested multiplied by the regulatory WACC. Finally, the tariffs also consider the costs of acquiring energy, hiring the use of transmission and sector-based charges as costs to be included in the tariff. The tariff portion that includes the regulatory remuneration, the depreciation charge and the value of the operating costs is called portion B. The costs of buying energy, hiring of basic network and charges, set up the portion A of the tariffs as set out in the concession contracts for distribution companies.

Tariffs are adjusted annually based on changes in portion A costs and in the monetary correction of portion B costs, by the Market prices index (IGPM), discounted of productivity gains (factor X). The adjustment index is calculated in such a way to pass the non-controlling cost variations of the portion A and the corrected portion B. Periodically (on average every 4 years), a Periodic Tariff Review occurs, generating the recalculation of all costs, the definition of a new BRR and a new reference company, capturing productivity gains occurred in the period between revisions. At the beginning of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs. On 25 November 2014, ANEEL made addendums to the concession contracts with Brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities and, as a consequence, to qualify them to be recognised in the financial statements. After the addendums, it was considered that the conditions are met to recognise regulatory assets/liabilities as assets and liabilities. Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement with ANEEL.

Supply

The electricity suppliers that do not own electric assets, are authorised to act exclusively in the free market (ACL), selling or buying energy in quantity, conditions and prices freely negotiated. The commercialization of energy with a distributor is only possible through participation in the "Auction set by the distributors", with the negotiation of contracts, for a maximum of two years, and commencement of energy delivery within a period not exceeding two years.

Public Domain Assets

In Brazil, fixed assets used in the distribution and the supply activities are bound to these services and cannot be removed, sold, transferred or mortgaged without the prior and express consent of the regulator (ANEEL).

Activity in the Renewable Energies Sector

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewable energies sector. On 18 March 2008, EDP Renováveis was converted into a public limited company.

On 4 June 2008, a share capital increase of EDP Renováveis was made through an Initial Public Offering (IPO) of 196,024,306 shares. This share capital increase was not subscribed by the EDP Group, resulting in a dilution of the interest held in EDP Renováveis from 100% to 77.53%. The share capital increase amounted to 1,566,726 thousands of Euros, of which 980,121 thousands of Euros relates to the capital increase and 586,605 thousands of Euros relates to the share premium.

Electricity - Renewable

Generation

In December 2015, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energías del Occidente, S.L.), EDP Renewables North America, L.L.C. (EDPR NA, previous designated as Horizon Wind Energy, L.L.C.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

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EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, EDP Renewables España, EDP Renewables France, Greenwind (Belgium), EDP Renewables Polska, EDP Renewables Romania, EDP Renewables Italia and EDPR UK Limited. As at 31 December 2015, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

In July 2007 the EDP Group acquired from Goldman Sachs, 100% of the share capital of EDPR NA, which develops, manages and operates wind farms in the United States of America. EDPR NA holds a series of wind farms in operation and a pipeline of projects under development for the construction of wind farms.

Regulatory framework for the activities in Spain

On December 2012, following the Law 15/2012 of 27 December, the Spanish Government approved a 7% tax on electricity generation, as well as new taxes on nuclear and large-scale hydropower, plus a new carbon levy. These taxes have been applied since 2013.

On 4 February 2013, the Spanish Government published the Royal Decree-Law 2/2013 "urgent measures in the electrical system and financial sector" that included a set of regulatory modifications applicable to the Spanish electricity sector and affecting wind energy assets. The main measures of RD-L 2/2013 were the following:

- New index to update annually all regulated activities in the electricity sector. This new index is the annual inflation ("IPC") excluding some components of it, such as: tax variations, non-manufactured products and energy products;
- Sole formula to remunerate special regime facilities: the remuneration through the price market plus premium is eliminated. Therefore, the remuneration of all the special regime facilities had to be done under the regulated tariff formula, unless the titleholder of the facility decided to receive only the market price, but without a premium; and
- Other consequences for facilities that had previously chosen the option "market plus premium". Those facilities that between 1 January 2013 and 2 February 2013 (date of entry into force of the Royal Decree-Law) had sold their energy according to that system, received an amount equivalent as if they had chosen the regulated tariff option.

On 12 July 2013 the Spanish Council of Ministers approved a comprehensive reform of the Spanish energy sector aimed to end with the Spanish tariff deficit. The energy reform has been afterwards implemented by means of a new Energy Sector Act, a Decree-Law, eight Royal Decrees and three Ministerial Orders.

As a part of this Energy Reform, the RD-L 9/2013 was approved in July 2013. According to it, renewable energy facilities would be subject to a new framework, by which they would be remunerated by the market price plus a payment per installed MW allowing that the return on investment would be equivalent to the Spanish Government 10-year bonds yield plus a spread of 300 basis points (being based on the asset's regulatory life). The RD-L also suppresses the renewables remuneration for reactive power (2€/MWh).

On 26 December 2013, the Spanish government published a new regulation that will govern the electricity sector (Law 24/2013) replacing the existing from 1997 (Law 54/1997). The law refers to the need to finish with the sector's structural deficit that had been accumulated during the last decade, as the motivation to undertake the reform. Two years after, it seems that this target is to be achieved. Indeed, in November 2015, the CNMC (National commission of markets and competition) published the final balance of the Spanish electricity system for the year 2014 delivering a surplus of 550.3 Millions of Euros, being the first surplus of the Spanish electricity system after 9 consecutive years of deficit.

The Spanish Government published in 20 June 2014, the Order IET/1045/2014, which included the parameters to remunerate the renewable energy assets, under the new remuneration framework that was approved by the Decree-Law 413/2014 of June 2014.

The final legislation had no significant changes to the previous draft versions. In the case of wind farms onshore, the DL 413/2014 confirmed that the wind farms in operation in 2003 (and before) would not receive any further incentive, while the incentive for the rest of the wind farms would be calculated in order to reach of 7.398% return before taxes.

In October 2015 the Government approved the Royal Decree 947/2015 and a Ministerial Order aimed at allowing the installation of new renewable capacity through competitive auctions. On 3 December 2015, the conditions for the upcoming auction were published. Additionally, the Government also approved the "National Energy Infrastructure Plan 2015-20", envisaging an increase in wind capacity of 6.5 GW and the "Plan de Relanzamiento de la Industria Eólica", consisting in 15 specific measures focused in relaunching the wind manufacturing sector. Some of the measures are focused to spur the competitiveness of the Spanish wind manufacturer sector, while others are aimed at increasing turbine exports and others at boosting research and development.

On 14 January 2016, the first auction of renewables' capacity was held. The auction was designed to provide a similar remuneration scheme that the one that applies to current installations (RD 413/2014). Following this framework, auction participants were requested to bid on the "initial investment" (CAPEX) parameter which would then, by being plugged in the formula set by RD 413/2014 determine the "Rinv" (investment premium) that would eventually be awarded.

Developers were bidding to build 500 MW of wind energy and 200 MW of biomass plants. The auction was very competitive, around 5 times oversubscribed for onshore wind energy, and awarded contracts without any incentive, this is, at 100% discount to the opening price. EDPR Group was awarded 93 MW of wind energy (see note 48).

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The Government has announced that more auctions will be organised, possibly in 2016, to contract the capacity that Spain needs to comply with its 2020 targets.

Regulatory framework for the activities in Portugal

The general Portuguese legal bases applicable to the generation of electrical power based on renewable resources are currently established by Decree-Law 189/88 dated 27 May, as amended by Decree-Law 168/99 dated 18 May, Decree-Law 312/2001 dated 10 December, and Decree-Law 339-C/2001 dated 29 December. Also relevant is Decree-Law 33-A/2005, dated 16 February 2005 ("DL 33-A/2005"), which establishes the remuneration formula applicable to energy produced by renewable sources.

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013, that maintains the legal stability of the current contracts (Decree-Law 33-A/2005) and protects the value of the investments made by the wind energy producers in the Portuguese economy. The wind energy producers can voluntarily invest to secure further remuneration stability, through a new tariff scheme to be applied upon the actual 15 years established by law. The total investment will be used to reduce the overall costs of the Portuguese electricity system. In order to maximise the number of wind developers that voluntarily adheres to the extension of the remuneration framework, the Government proposed four alternative tariff schemes to be elected by each of the wind developers, that include the following conditions: (i) alternative cap and floor selling prices; (ii) alternative durations to the new scheme beyond the initial 15 years of the current contracts; and consequently (iii) alternative levels of investment (on a per MW basis) to adhere to the new scheme. EDPR has chosen a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh updated with inflation from 2021 onwards, in exchange for a payment of 5,800€/MW from 2013 to 2020.

The Environment and Energy Ministry published, on 24 June, the Decree Law 94/2014 that allows the increase of installed capacity of wind farms up to 20%. The additional production generated from the capacity increase will have a fixed remuneration of 60 €/MWh, whilst the remaining production is remunerated at the previous tariff.

On 7 April 2015 the Administrative Order 102/2015 was published, which establishes the procedures for the placement of additional energy and for the repowering authorisation of wind farms previously defined by Decree-Law 94/2014 of 24 June.

The main measures introduced by this legislation are: (i) the energy produced by repowering wind farms (increasing the number of wind turbines in existing wind farms) is remunerated at a fixed rate of 60€/MW; (ii) the energy corresponding to the difference between installed capacity and the injected energy in the network is remunerated at 60€/MW; and (iii) recognition of the wind farms repowering as an independent generator.

Regulatory framework for the activities in the United States of America

The United States federal government and various state governments have been implementing policies to promote the growth of renewable energy, particularly wind power. The main federal renewable energy incentive program is the Production Tax Credit (PTC), which was created by the U.S. Congress as part of 1992 EPACT. Additionally, several states have passed legislation, mainly in the form of renewable portfolio standards (RPS), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

American Recovery and Reinvestment Act of 2009 includes a number of energy measures related to tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit (ITC) that could replace the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year of ITC extension, which allow the companies to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012.

On 1 January 2013, the US Congress approved "The American Taxpayer Relief Act" that includes an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set 31 December 2013 as the new expiration date of these benefits and changed the qualification criteria (projects will only qualify as long as they are under construction by year-end 2013). The legislation also includes a depreciation bonus on new equipment placed in service which allows the depreciation of a higher percentage of the cost of the project (less 50% of the Investment Tax Credit) in the year that it is placed in service. This bonus depreciation was 100% in 2011 and 50% for 2012.

On 16 December 2014, the US Congress approved the "Tax Increase Prevention Act of 2014" that included an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set a new expiration date of 31 December 2014 and kept the qualification criteria (projects can qualify as long as they are under construction by year-end 2014).

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On 15 December 2015, the US Congress approved the "Consolidated Appropriations Act of 2016" that included an extension of the PTC for wind energy, as well as the possibility of a 30% Investment Tax Credit instead of the PTC. Developers now have until the end of 2016 to start construction of new wind farms to qualify for 10 years of production tax credits at the full level. Congress introduced a phase out for projects that start construction after 2016 and before 2020. These projects will still qualify for production tax credits, but at reduced levels. The levels are 80% for projects starting construction in 2017; 60% in 2018; and 40% in 2019. Developers of projects that start construction before 2020 may elect to claim 30% investment tax credits instead of production tax credits, subject to a similar phase out. The phase out reduces the value of the 30% investment tax credit to 24% in 2017; 18% in 2018; and 12% in 2019. Neither production tax credits nor investment tax credits are allowed for wind projects that start construction in 2020 or later.

In addition, the "Consolidated Appropriations Act of 2016" extended the Investment Tax Credit (ITC) for solar projects. Solar projects that are under construction by the end of 2019 will now qualify for the 30% ITC. The credit is reduced to 26% for projects starting construction in 2020 and to 22% for projects starting construction in 2021. The credit drops to a permanent 10% level for projects that begin construction in 2022 or later or that begin construction before 2022, but are placed in service in 2024 or later. Projects must be placed in service by the end of 2023 to qualify for a credit above 10%.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for the years ended 31 December 2015 and 2014.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as "financial statements") on 3 March 2016. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company financial statements for the years ended 31 December 2015 and 2014 were prepared in accordance with IFRS as adopted by the E.U. until 31 December 2015.

As described in note 49, the Group adopted in the preparation of consolidated financial statements as at 31 December 2015, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2015. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance. The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 49.

The financial statements were prepared under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets and liabilities at fair value through profit or loss and available-for-sale investments, except those for which fair value is not available. Assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the hedged risk. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell. Liabilities for defined benefit plans are recognised at the present value of the obligation net of plan assets fair value.

In accordance with IFRS 3 - Business Combinations, if the initial purchase price allocation of assets, liabilities and contingent liabilities acquired is identified as provisional, in the subsequent 12 months after the business combination transaction, the legal acquirer should make the final allocation of the purchase price related to the fair value of the assets, liabilities and contingent acquired. These adjustments with impact on the amount of goodwill determined and booked in previous periods, originates a restatement of the comparative information, which are reflected on the Statement of financial position, with effect from the date of the business combinations transactions liabilities.

The preparation of financial statements in conformity with IFRS requires the Executive Board of Directors 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).

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements.

b) Basis of consolidation

The accompanying consolidated financial statements reflect the assets, liabilities and results of EDP, S.A. and its subsidiaries (Group or EDP Group) and the equity and results attributable to the Group, through the investments in associates and jointly controlled entities.

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As from 1 January 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

Controlled entities

Investments in subsidiaries where the EDP Group has control are fully consolidated from the date the Group assumes control over their financial and operating activities until the moment that control ceases to exist.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held.

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the non-controlling interests previously recognised by the Group have been recovered. As from 1 January 2010, the due proportion of accumulated losses are attributed to non-controlling interests, implying that the Group can recognise negative non-controlling interests.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any investee previously held is booked against the income statement when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement, as well as any gain or loss resulting from the disposal.

Jointly controlled entities

EDP Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

After determining the existence of joint control, the Group classifies joint arrangements into two types - joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement, so the assets and liabilities (and related revenues and expenses) in relation to its interest in the arrangement are recognised and measured in accordance with relevant IFRSs applicable.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, so this investment is included in the consolidated financial statements under the equity method.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of joint ventures, included under the equity method. When the Group's share of losses exceeds its interest in a jointly controlled entity, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of that entity.

Entities over which the Group has significant influence

Investments in associates are included in the consolidated financial statements under the equity method from the date the Group acquires significant influence to the date it ceases. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies.

The existence of significant influence by the Group is usually evidenced by one or more of the following:

- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel; and
- Provision of essential technical information.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of associates, included under the equity method. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of the associate.

Accounting for investments in subsidiaries in the company's financial statements

Investments in subsidiaries not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

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Goodwill

Following the transition to International Financial Reporting Standards (IFRS) on 1 January 2004 and as permitted under IFRS 1 - First-time Adoption of International Financial Reporting Standards, the EDP Group decided to maintain the goodwill resulting from business combinations that occurred prior to the transition date, calculated in accordance with the Group's previous accounting policies.

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.

As from 1 January 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January 2010 onwards, the EDP Group has the possibility to book non-controlling interests at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the non-controlling interests, against non-controlling interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the period the business combination occurs.

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless of the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases of non-controlling interests and dilution

Until 31 December 2009, in the acquisition of non-controlling interests, the difference between the fair value of the non-controlling interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability were recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Until 31 December 2009, when an interest in a subsidiary was disposed, without a loss of control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. Until 31 December 2009, the Group recognised the gains or losses resulting from a dilution of the interest in a subsidiary following a sale or capital increase, in the income statement.

As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

Investments in foreign operations

The financial statements of the foreign subsidiaries and associates of the Group are prepared using their functional currency, defined as the currency of the primary economic environment in which they operate. In the consolidation process, the assets and liabilities of foreign subsidiaries are translated into Euros at the official exchange rate at the balance sheet date.

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Regarding the investments in foreign operations that are consolidated using the full consolidation method and equity method, the exchange differences between the amount of equity expressed in Euros at the beginning of the period and the amount translated at the official exchange rates at the end of the period, on a consolidated basis, are booked against reserves.

Foreign currency goodwill arising on the acquisition of these investments is remeasured at the official exchange rate at the balance sheet date directly against reserves.

The income and expenses of foreign subsidiaries are translated into Euros at the approximate exchange rates at the dates of the transactions. Exchange differences from the translation into Euros of the net profit for the period, arising from the differences between the rates used in the income statement and those prevailing at the balance sheet date are recognised in reserves.

On disposal of a foreign subsidiary, the related exchange differences previously recognised in reserves, are accounted for in the income statement.

Balances and transactions eliminated on consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between Group companies, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising on transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Business combinations achieved in stages

In a business combination achieved in stages, the excess of the aggregate of (i) the consideration transferred, (ii) the amount of any non-controlling interest recognized in the acquiree (iii) the fair value of the previously held equity interest in the acquired business; over the net of amounts of the identifiable assets acquired and liabilities assumed, is recognised as goodwill.

If applicable, the negative difference, after evaluating the consideration transferred, of the amount of any non-controlling interest recognised in the acquiree, the fair value of the previously held equity interest in the acquired business; over the net value of the identifiable assets acquired and liabilities assumed, is recognised in the income statement. The Group recognises the difference between the fair value of the previously held equity interest in the acquired business and the carrying value in consolidated results according to its previous classification. Additionally, the Group reclassifies the deferred amounts in other comprehensive income relating to the previously held equity interest to the income statement or consolidated reserves, according to their nature.

c) 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 balance sheet date. These exchange differences arising on translation are recognised in the income statement.

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.

d) 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, being the gains or losses on remeasurement recognised directly in the income statement, except for derivatives designated as cash flow hedging instruments. Recognition, in the income statement, of the resulting gains and losses on remeasurement of hedging derivatives depends on the hedge model used.

The fair value of derivative financial instruments corresponds to their market value, if available, or is determined by external entities through the use of valuation techniques.

Hedge accounting

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting under IAS 39 are accounted for as trading instruments.

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model applied by the Group. 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; and
- (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.

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Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, 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 reserves.

The cumulative gains or losses recognised in reserves 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.

Net investment hedge

The net investment hedge model is applied on a consolidated basis to investments in subsidiaries in foreign currencies. This model allows that the exchange differences recognised in the exchange differences consolidated reserves to be offset by the foreign exchange differences in foreign currency loans or currency derivatives contracted. The ineffective portion of the hedging relationship is recognised in the income statement.

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging instrument recognised in equity are transferred to the income statement when the foreign entity is sold, as part of the gain or loss resulting from the disposal.

Effectiveness

For a hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Group performs prospective tests at the inception date of the hedge and prospective and retrospective tests in each balance sheet date, to demonstrate its 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.

e) Other financial assets

The Group classifies its other financial assets at acquisition date, considering the underlying purpose, in the following categories:

Financial assets at fair value through profit or loss

This category includes: (i) financial assets at fair value through profit or loss, acquired for the purpose of being traded in the short term, and (ii) other financial assets designated at fair value through profit or loss at inception (fair value option).

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets which: (i) the Group intends to hold for an undetermined period of time, or (ii) are designated as available-for-sale on initial recognition.

Initial recognition, measurement and derecognition

Purchases and sales of: (i) financial assets at fair value through profit or loss, and (ii) available-for-sale investments, are recognised on the trade date, which is the date on which the Group commits to purchase or sell these financial assets.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which the transaction costs are recognised directly in the income statement.

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

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value recognised in the income statement in the period in which they arise.

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Available-for-sale investments are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity until the financial assets are derecognised or impaired. When this occurs, the cumulative gains or losses previously recognised in equity are immediately recognised in the income statement. Foreign exchange differences relating to these assets are also recognised in fair value reserves if arising from shares, and in the income statement if arising from debt instruments. Interest, calculated using the effective interest rate method, as well as dividends received, are recognised in the income statement.

The fair value of listed investments in active markets is based on current bid prices. The Group determines the fair value of unlisted securities through (i) valuation methodologies, such as the price of similar recent arm's length transactions and discounted cash flow techniques, and (ii) valuation assumptions based on market information.

The remaining financial assets whose fair value cannot be reliably measured are stated at cost, with any subsequent impairment loss being booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of fair value through profit or loss.

Impairment

At each balance sheet date, an assessment is performed as to whether there is objective evidence of impairment, including any impairment resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets and when it can be reliably measured.

For the financial assets that present evidence of impairment, the respective recoverable amount is determined, and the impairment losses are recognised in the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) in the case of listed securities, a significant or prolonged decline in the listed price of the security, and (ii) in the case of unlisted securities, when that event (or events) has an impact on the estimated amount of the future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

If there is objective evidence of impairment on available-for-sale investments, the cumulative potential loss recognised in fair value reserves, corresponding to the difference between the acquisition cost and the fair value at the balance sheet date, less any impairment loss on that financial asset previously recognised in the income statement, is transferred to the income statement.

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in the income statement up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. In the case of equity instruments, impairment losses can not be reversed and any subsequent event that results in a fair value increase is recognised in equity under fair value reserves.

f) Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, 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 method. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

g) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or other financial asset to another entity, regardless of its legal form, and there is a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issuance of equity instruments are recognised in equity, as a deduction to the amount issued. Amounts paid or received relating to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Distributions related to equity instruments are deducted from equity, as dividends, when declared.

Preference shares issued by the Group are considered as an equity instrument when there is no contractual obligation to redeem the shares and dividends are paid at the discretion of the Group. Preference shares issued by subsidiaries, classified as equity instruments and held by third parties, are recognised as non-controlling interests.

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h) Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less accumulated depreciation and impairment losses. On transition to IFRS, on 1 January 2004, the Group decided to consider as deemed cost the revalued amount of Property, plant and equipment in accordance with the Group's previous accounting policy, which was comparable in general terms to the depreciated cost determined in accordance with IFRS.

Subsequent costs are recognised as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group. Repair and maintenance costs are charged in the income statement as incurred, according to the accrual principle.

The Group carries out impairment tests whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment recognised in the income statement.

The recoverable amount is the higher of fair value less costs to sell and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Land is not depreciated. Depreciation of tangible assets is calculated on a straight-line basis over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
- Hydroelectric generation	30 to 75
- Thermoelectric generation	25 to 45
- Renewable generation	25
- Electricity distribution	10 to 40
- Other plant and machinery	4 to 25
Transport equipment	4 to 25
Office equipment and tools	2 to 16
Other property, plant and equipment	3 to 50

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change in the expected economic benefits flowing from the assets occurs as well as when the technical use planned for the assets differs from previous estimates. Changes occurring in the depreciation charge for the year are accounted prospectively.

Capitalisation of borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of interest costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on those assets. The capitalisation rate corresponds to the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. The capitalisation of borrowing costs begins when expenditure for the assets is being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

Government grants

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

Transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

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IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:

- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

The Group adopted this interpretation for the allowances received from customers, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

i) Intangible assets

The Group's intangible assets are booked at acquisition cost less accumulated amortisation and impairment losses.

The Group performs impairment tests whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, being any impairment recognised in the income statement. The recoverable amount is the higher of fair value less costs to sell and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Acquisition and development of software

The costs of purchasing software and the costs incurred by the Group to implement it are capitalised and amortised on a straight-line basis over the expected useful life of the asset.

Costs incurred by the Group directly related to the development of software, that are expected to generate economic benefits beyond one year, are recognised as intangible assets. Such costs include employee costs directly associated to the project and are amortised on a straight-line basis over its estimated useful life.

Software maintenance costs are charged to the income statement when incurred.

Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and amortised on a straight-line basis over the concessions period, not exceeding 30 and 40 years, respectively.

Concession rights to use the public hydric domain

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 45 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets assigned to concessions is described in note 2aa), Group concession activities.

Industrial property and other rights

Industrial property and other rights are amortised on a straight-line basis over the estimated useful life of the assets, which does not exceed 6 years.

j) Leases

The Group classifies its lease transactions as finance leases or operating leases based on the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Lease payments under operating lease contracts are recognised as an expense in the period to which they relate.

Finance leases

Finance leases are recognised by the lessee, at the inception of the lease, as assets and liabilities at the fair value of the leased assets which is equivalent to the present value of the future lease payments.

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

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Lessors record assets held under finance leases as leased capital, by the net amount invested in the lease.

Lease payments include the financial income and the amortisation of the outstanding principal.

Financial results recognised reflect a constant periodic rate of return on the outstanding net balance of the lessor.

Determining whether an Arrangement contains a Lease

Following the issuance by International Financial Reporting Interpretations Committee (IFRIC) of IFRIC 4 - Determining whether an arrangement contains a lease, applicable from 1 January 2006, arrangements including transactions that, although do not take the form of a lease, convey the right to use an asset in return for a payment, are recognised as leases, provided that, in substance, they comply with the requirements defined in the interpretation.

k) Investment property

The Group classifies as investment property, property held for capital appreciation and/or for rental purposes.

Investment property is recognised initially at acquisition or production cost, including directly attributable transaction costs, and is subsequently measured at cost less accumulated depreciation and any impairment losses.

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will arise when compared to initial recognition.

l) Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. The cost of inventories includes purchases, conversion and other costs incurred in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs.

The cost of inventories is determined by using the weighted average method.

CO2 licences held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost and being presented in the statement of financial position net of impairment losses which are associated.

Impairment losses are recorded based on the regular assessment of the existence of objective evidence of impairment resulting from doubtful accounts receivable as of the balance sheet date. Impairment losses are recognised in the income statement, being subsequently reversed through the income statement if the estimated losses decrease, in a later period.

n) Employee benefits

Pensions

Some EDP Group companies grant post-retirement benefits to employees under defined benefit and defined contribution plans, namely pension plans that grant complementary retirement benefits for age and early retirement pensions.

Defined benefit plans

In Portugal, the defined benefit plan is assured by (i) a closed pension fund managed by an external entity, covering responsibilities with benefits that are complementary to those provided under the Social Security System (namely retirement and early retirement pensions), and (ii) by a complementary specific provision, recognised in EDP Group company's statement of financial position. Benefits are generally determined and assigned through the combination of one or more factors, such as age, years of service and the relevant base retribution (pensionable salary).

In Brazil, Bandeirante and Escelsa have defined benefit plans managed by a closed complementary welfare entity, external to EDP Group, covering responsibilities associated with retirement and early retirement pensions, according to factors such as age, years of service and the relevant base retribution.

The Group's pension liability for each plan is calculated by independent experts annually, for each plan, at the balance sheet date, using the projected unit credit method. The discount rate used in the calculation is determined based on market interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have similar maturity to the related pension liability.

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Actuarial gains and losses resulting from: (i) differences between financial and actuarial assumptions used and actual amounts; and (ii) changes in the actuarial assumptions are recognised against equity.

The increase in past service costs arising from early retirements (retirements before the normal retirement age) or plan amendments are recognised in the income statement when incurred.

The Group recognises as operational results, in the income statement, current and past service costs. Net interest on the net defined benefit liability (asset) is recognised in financial results.

The assets of the plan comply with the recognition criteria established by IFRIC 14 - IAS 19 and the minimum funding requirements established by law or by contract.

Defined contribution plans

In Portugal, Spain and Brazil, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan. These contributions represent a percentage of the fixed and variable remuneration of the employees included in this plan and are accounted for as cost for the period in which they are due.

Other benefits granted

Medical benefits

Some EDP Group companies provide medical benefits under which employees and covered direct family have favorable conditions in medical assistance and health care services, namely:

- Concerning to EDP Group companies in Portugal, through the provision of medical assistance that is complementary to the one provided under the National Health System, provided using infrastructures owned and managed internally; and,
- Concerning to EDP Group companies in Brazil, through the share of costs in eligible medical and health expenses, in an external agreed network.

The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group's statement of financial position. Measurement and recognition of the medical benefits liabilities are similar to the defined benefit pension plans liabilities, explained above.

Other benefits

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, death benefits, survival benefits, life insurance, antiquity and retirement benefits, power and gas tariff discounts, among others.

Benefits included in each Plan for Portugal and Brazil are detailed in EDP's Collective Labor Agreement, published in the Labor Bulletin of 8 October 2014 and in the website of the Plan management entity Enerprev (www.enerprev.com.br), respectively.

o) Provisions

Provisions are recognised when: (i) the Group 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.

Provisions for dismantling and decommissioning in electric power plants

The Group accounts for provisions for dismantling and decommissioning of assets when there is a legal, contractual or constructive obligation at the end of the assets' useful life. Therefore, such provisions have been booked for the electric power plants to cover the cost of restoring the location and land to their original condition. The provisions are calculated at the present amount of the expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

Decommissioning and dismantling provisions are remeasured on an annual basis based on the best estimate of the settlement amount. The unwinding of the discount at each balance sheet date is charged to the income statement.

p) Recognition of costs and revenues

Costs and revenues are recognised in the period to which they relate 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 Other assets or other liabilities.

Revenue in EDP Group arises essentially from electricity generation and energy (electricity and gas) distribution and supply activities.

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Revenue related to the sale of energy and access tariffs to energy distribution network is measured at fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after elimination of intra-group sales.

Revenue recognition occurs when the significant risks and rewards of ownership are transferred to the buyer, the entity retains neither continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

The moment when an entity has transferred the significant risks and rewards of ownership to the buyer varies depending on the activities carried out by the Group companies.

Regarding the **electricity generation**, this transfer occurs when the energy is generated and injected into the transport/distribution grids. The electricity generated is sold under free market conditions or through the establishment of medium/long term power purchase agreements.

The **energy distribution** is a regulated activity, which is remunerated through tariffs set by each country Regulatory Body (ERSE in Portugal, CNE in Spain and ANEEL in Brazil).

In Portugal and Spain, revenue arises mainly from the sale of access tariffs, as well as from the recovery, from the commercialisation entities, of the costs related to the global management activity of the system. In Brazil, revenue results from the electricity sales to final consumers, in the regulated market, based on the tariffs determined by ANEEL, which are included the use of the distribution and transport system tariff, among other components. In Portugal and Brazil, these activities are subject to public service concession arrangements (see aa)).

The **energy supply** is carried out in regulated and non-regulated markets. In non-regulated market, revenue is recognised based on commercial agreements. In regulated market, revenue is recognised according to the tariffs determined by each country Regulatory Body.

Revenue recognition includes two components: (i) energy sales already invoiced, based on actual consumption readings and/or in estimated consumption based on the historical data of each consumer; (ii) and estimates of energy supplied and not yet invoiced (energy into energy meter). Differences between estimated and actual amounts are recorded in subsequent periods.

Additionally, it should be noted that, in energy distribution and supply activities, there is a tariff adjustment mechanism through which gains or losses of a certain year are recognised in the period to which they relate and recovered in the future years tariffs – Tariff Adjustments (see x)).

The revenue recognition related with **services rendered** is based on the percentage of completion of the transaction at the reporting date. This occurs when the amount of revenue can be reliably measured, when it is probable the existence of economic benefits associated with the transaction to the entity who sells, when the percentage of completion of the transaction at the reporting date can be reliably measured and the costs incurred with the transaction and the costs to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to reliably measure the completion of a transaction involving services rendered, revenue is only recognised to the extent of the expenses recognised as recoverable.

q) Financial results

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

Interest is recognised in the income statement on an accrual basis. Dividend income is recognised on the date the right to receive is established.

Financial results also include impairment losses on available-for-sale investments.

r) Income tax

Income tax recognised in the income statement includes current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Deferred taxes arising from the revaluation of available-for-sale investments and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

Current tax is the tax expected to be paid on the taxable income for the period, using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

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Deferred taxes are calculated in accordance with the balance sheet liability method, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, using the tax rates enacted or substantively enacted at the balance sheet date for each jurisdiction and that are expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not be reversed in the future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

The Group offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:

- (i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

s) Earnings per share

Basic earnings per share are calculated by dividing the consolidated and the company net profit attributable to the equity holders of EDP, S.A. by the weighted average number of ordinary shares outstanding during the period, excluding the average number of shares held by the Group and by EDP, S.A., respectively.

For the diluted earnings per share calculation, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. The dilution effect corresponds to a decrease in earnings per share resulting from the assumption that the convertible instruments are converted or the options granted are exercised.

t) Share based payments

The stock options remuneration program enables the Group's employees to acquire EDP, S.A. shares. The exercise price of the options is calculated based on the listed price of the shares at the grant date.

The fair value of the options granted, determined at the grant date, is recognised in the income statement against equity during the vesting period, based on their market value calculated at the grant date.

If the option is exercised, the Group acquires shares in the market to grant them to employees.

u) Non-current assets held for sale and discontinued operations

Non-current assets or groups of non-current assets held for sale (groups of assets and related liabilities that include at least one non-current asset) are classified as held for sale when their carrying amounts will be recovered mainly through sale, the assets or groups of assets are available for immediate sale and the sale is highly probable.

The Group also classifies as non-current assets held for sale, non-current assets or groups of assets acquired exclusively for its subsequent resale, that are available for immediate sale and the sale is highly probable.

The measurement of all non-current assets and all assets and liabilities included in a disposal group, is adjusted in accordance with the applicable IFRS standards, immediately before their classification as held for sale. Subsequently, these assets or disposal groups are measured at the lowest between their carrying amount and fair value less costs to sell.

v) Cash and cash equivalents

Cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in 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, and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A.

w) Operating segments

The Group presents the operating segments based on internal management information.

In accordance with IFRS 8, an operating segment is a Group component:

- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and
- (iii) for which discrete financial information is available.

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x) Tariff adjustments

In regulated activities, the regulator establishes, through the tariff adjustment mechanism, the criteria to recognise gains or losses of one period in future periods. The tariff adjustments accounted for in the EDP Group financial statements represent the difference between the amounts invoiced by Portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector to recover the tariff adjustments under a regime identical to the one used for the tariff deficits. Consequently, EDP Group booked under the income statement caption Revenues from energy sales and services and other - Electricity and network access, the effects resulting from the recognition of tariff adjustments, against Debtors and other assets from commercial activities. According to the referred Decree-Law, the tariff adjustments determined annually, will be recovered by the regulated operators even in case of insolvency or cease of operations. ERSE is the entity responsible to establish the method to ensure that the entity entitled to these rights continues to recover the tariff adjustments until its complete payment. The Decree-Law also allows the transfer of the right to receive the tariff adjustment to third parties, in whole or in part, through future electricity tariffs.

Decree-Law 87/2011 of 18 July establishes the unconditional right of regulated operators in the natural gas sector to recover tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations, and allows the transfer to third parties of the right to receive tariff adjustments. The EDP Group recorded in the income statement, under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

y) CO2 licences and greenhouse gas emissions

The Group holds CO2 licences in order to deal with gas emissions resulting from its operational activity and licences for trading. The CO2 and gas emissions licences held for its own use are booked as intangible assets and are valued at the quoted price in the market on the date of the transaction.

The licences held by the Group for trading purposes are booked under Inventories at acquisition cost, and are subsequently adjusted to the lower of the acquisition cost or the net realisable value. Gains and losses resulting from these adjustments are recognised in the income statement of the period.

z) Statement of Cash Flow

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

The Group classifies cash flows related to interest and dividends paid as financing activities and interest and dividends received as investing activities.

aa) Group concession activities

The International Financial Reporting Committee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date.

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. IFRIC 12, was applied prospectively since it was impracticable to apply it retrospectively.

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services and also controls any significant residual interest in the infrastructure.

According to IFRIC 12, the infrastructures allocated to concessions are not recognised by the operator as tangible fixed assets or as financial leases, as the operator does not control the assets. These infrastructures are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract:

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless the level of use of the infrastructure within the concession and results in a financial asset recognition, booked at amortised cost.

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Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructure (demand risk) and results in an intangible asset recognition.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of concession contracts of the EDP Group to which IFRIC 12 is applicable, construction activities are outsourced to external specialised entities, and therefore the EDP Group has no margin associated with the construction of assets assigned to concessions. Therefore, the revenue and the expenditure from the acquisition of these assets are equivalent (see note 6).

Intangible assets within concessions are amortised over their respective useful lives during the concession period.

The Group carries out impairment tests to the intangible assets within concessions whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment recognised in the income statement.

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis, and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

The concession contracts that exist currently in EDP Group are based in the mixed model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil.

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 regarding certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. The actual effects may differ from these estimates and judgements, namely in relation to the effect of actual costs and income.

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 its application affects the Group's reported results and disclosures. A broader description of the accounting policies employed by the Group is disclosed in note 2 to these consolidated financial statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the reported results could differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements present fairly the Group operations in all material respects.

Impairment

Impairment of available-for-sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value.

Determination of a significant or prolonged decline requires judgement. In making this judgement, the Group assesses, among other factors, the normal share price volatility, assuming as significant a decline of more than 20% in listed shares. In addition, valuations are generally obtained through market prices or determined by external entities, or through valuation models that require assumptions or judgment in making the fair value estimates.

Alternative methodologies and the use of different assumptions and estimates could result in different impairment losses recognised with a consequent impact in results.

Impairment of long term assets and Goodwill

Impairment tests are performed whenever there is a trigger that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of the assets.

On an annual basis, the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The net interest in associates is reviewed when circumstances indicate the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available, changes in the assumptions could result in changes on the determination of the amount of impairment and, consequently, in results.

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Impairment of receivables

Impairment losses related to doubtful debts are estimated by EDP based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of doubtful debts, namely changes in the economic environment, economic sector trends, client's credit risk and increases in the rate of defaults. Changes in the estimates and judgement could change the impairment test results, thereby affecting results.

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 determined by external entities, 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.

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

Contractual Stability Compensation - CMEC

Following a Portuguese Government decision to extinguish the Power Purchase Agreement (PPA), EDP and REN agreed to the early termination of the PPAs, with effect from 1 July 2007.

As a result of the PPAs termination and in accordance with the applicable legislation, a contractual stability compensation (CMEC) was granted to EDP Group. The mechanism for granting this compensation includes three types of compensation: initial compensation, compensation resulting from the revisable mechanism and final compensation.

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousands of Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitisation of this amount is possible. Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each period considering the actual conditions and is recognised as a loss or gain in the period to which it relates. Final compensation will be calculated in accordance with the terms defined by the legislation relating to the termination of the PPAs, after the end of the revisable mechanism period (10 years). Interest resulting from the discount rate used is booked in the period to which it relates, based on the respective implicit rate, against income for each period.

Contractual Stability Compensation - Revisable mechanism

The revisable mechanism consists in correcting on an annual basis, during a 10-year period after the termination of the PPAs, the positive and negative variations between the estimates made for the initial stability compensation calculation and the actual amounts occurred in the market for each period. This mechanism gives rise to compensation resulting from the correction of the estimate referred to as CMEC revisable mechanism. In each period, EDP Group calculates the CMEC considering market prices and the actual quantities sold, using the assumptions defined in the "Valor água" model defined in the Decree-Law 240/2004 and the guidelines of the revisability calculation according to the Order 4694/2014. Consequently, the use of different methodologies and assumptions from the used model, could give rise to different financial results from those considered.

Review of the useful life of the assets

The Group reviews annually the reasonableness of the assets' useful lives that are used to determine the depreciation rates of assets assigned to the activity, and prospectively changes the depreciation charge of the year based on such review.

In the second quarter of 2011, EDPR Group changed the useful life of its wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was based on a technical study performed by an independent entity which considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study covered 95% of wind installed capacity of EDPR Group, in its different geographies (Europe and North America), based on assumptions and estimates that required judgement.

The regulatory authority of Brazil, ANEEL, issued Normative Resolution 474 on 7 February 2012, which revised the economic useful life of assets assigned to distribution concessions, and established new annual depreciation rates with retroactive effect from 1 January 2012. The implementation of this change in annual depreciation rates led to an increase in the average useful life of Bandeirante's and Escelsa's assets from 22 to 24 years and 20 to 22 years, respectively.

In the third quarter of 2013, the Group reviewed and extended the useful life of the combined cycle plants from 25 to 35 years based on a technical study conducted by an independent entity that considered the technical availability for an additional period of 10 years. This study covered the combined cycle plants in Portugal (Lares and Ribatejo) and Spain (Castejon 1 and 3, Grupo 4 and Soto 5).

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Useful lives of generation assets - Hydro independent generator in Brazil

The hydro generation assets in Brazil for Independent generators are amortised during their estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements. This includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by ANEEL, the respective contractual residual indemnification values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnification values at the end of the concessions may be influenced by changes in the regulatory legal framework in Brazil.

Tariff adjustments

Portugal

Tariff adjustments in Portugal represent the difference between costs and income of the National Electricity and Gas System, estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the System established at the end of each period. The tariff adjustments assets or liabilities are recovered or returned through electricity tariffs to customers in subsequent periods.

Decree-Law 237-B/2006 of 19 December, and Decree-Law 165/2008 of 21 August, recognised an unconditional right of the operators of the electricity sector to recover the tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments. Therefore, under this legislation, regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs. In accordance with the accounting policy in force, the EDP Group books under the caption Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

Decree-Law 87/2011 of 18 July also establishes the unconditional right of regulated operators in the natural gas sector to recover tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations, and allows the transfer to third parties of the right to receive tariff adjustments. EDP Group books under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

Spain

Royal Decree Law 6/2009, published on 7 May 2009, established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electricity sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013 access tariffs would be sufficient to cover the cost of regulated activities, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, Royal Decree Law 6/2009 also provided for the passage of some costs included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO₂ costs in market prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs associated with the management and treatment of radioactive waste from nuclear power plants and fuels consumed. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

In 2010, Royal Decree Law 14/2010 addressed the correction of the tariff deficit of the electricity sector. Under this decree, the temporal mismatch of the settlements for 2010 tariff deficits came to be considered as a revenue deficit of the electricity system and a set of measures was established so that the various industry players contribute to the reduction of the tariff deficit. These measures included the establishment of generation rates, financing plans energy efficiency savings by the generation companies and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012, two decrees were adopted to reduce the tariff deficit in order to reach the limit set by Royal Decree Law 14/2010: (i) Royal Decree Law 1/2012, which temporarily suspended the inclusion of new facilities in the "pre-asignación" registrations maintained by the Minister of Industry, Energy and Tourism before the power plant is entitled to make use of the Spanish special regime; and (ii) Royal Decree Law 13/2012, which provided for reductions in the remuneration for distribution activity and an extraordinary decrease on other regulated activities.

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In 2014, Royal Decree Law 1054/2014, establishes the procedures for the transfer of the right to receive the deficit of 2013 from the Spanish system, as well as, the methodology to define the interest rate applicable to this deficit, which main guidelines are:

(i) definition of a 15 years time frame during which the deficit amount will cumulate interest. This time frame consists in two periods: the first, which began in 1 January 2014 ending on the date of the additional liquidation of the provisional liquidation 14 of the year 2013; and the final period, from which the additional liquidation of the provisional liquidation 14 of the year 2013, is made, until 31 December 2028; and

(ii) the rights to receive (base amount plus interests) are expressly recognised, with their respective taxes and will be considered as system costs. These rights can be total or partially assigned, transferred, transmitted, discounted pledged to third parties, if properly communicated to CNMC ("Comisión Nacional de los Mercados y la Competencia").

Brazil

On 25 November 2014, ANEEL made addendums to the concession contracts with Brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities that existed since 2010, when the IFRS were adopted in Brazil. As a consequence, the CPC issued on 28 November 2014, the OCPC 08 (Recognition of Certain Assets and Liabilities in Accounting and Financial Reports of Electric Distribution) which determines how to treat these regulatory assets/liabilities in the financial statements.

Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement, where it was established that, in the case of concession termination, the outstanding balances of any failure of payment or reimbursement by the tariff (assets and liabilities), will be considered on the indemnity calculation, based on the regulator pre-established regulations. As a consequence, in 2014, Bandeirante and Escelsa booked in its financial statements a net profit of 112,433 thousands of Euros and 79,587 thousands of Euros, respectively.

EDP Group considers, based on the issued legislation (Portugal, Spain and Brazil), that the requirements for the recognition of tariff deficits as receivables and payables against the income statement have been satisfied.

Revenue recognition

Energy sales revenue is recognised when the monthly energy invoices are issued, based on actual meter readings or estimated consumption based on the historical data of each consumer. Revenue relating to energy to be invoiced, regarding consumption up to the balance sheet date but not measured, is booked based on estimates that take into consideration factors such as consumption in prior periods and analysis relating to the energy balance of the operations.

The use of different estimates and assumptions could affect the Group's revenue and, consequently, its reported results.

Income taxes

The Group is subject to income taxes in several jurisdictions. Certain interpretations and estimates are required in determining the global amount of income tax.

There are several transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates could result in a different level of income taxes, current and deferred, recognised in the period.

In Portugal, the tax authorities are entitled to review EDP, S.A. and its subsidiaries' determination of their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period is twelve years for annual periods starting from 2014, five years for 2013 and 2012, four years for 2011 and 2010 and six years for previous annual periods. In Spain the period is four years and in Brazil it is five years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity, the period is three years from the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the EDP Group and its subsidiaries do not anticipate any significant changes to the income tax booked in the financial statements.

Pensions and other employee benefits

Determining pension and other employee benefits liabilities requires the use of assumptions and estimates, including actuarial projections, estimated rates of return on investments, discount rates and pension and salary growth and other factors that can impact the cost and liability of pension plans, medical plans and other benefits. Changes in the assumptions could materially affect the amounts determined.

Provisions for dismantling and decommissioning of power generation units

There are legal, contractual or constructive obligations to dismantle and decommission of property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generation units are located. The calculation of the provisions is based on estimates of the present value of the expected future liabilities.

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The use of different assumptions in the estimates and judgement from those referred could lead to different financial results than those considered.

Measurement criteria of the concession financial receivables under IFRIC 12

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12.783/13, which determines the amount of the indenisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indenisation amount (financial asset IFRIC 12) of Bandeirante and Escelsa, booked under IFRIC 12 terms, against Other income. This amount corresponds to the difference between the new replacement value versus the historical cost.

Entities included in the consolidation perimeter

In order to determine which entities must be included in the consolidation perimeter, EDP Group evaluates whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee ("de facto" control).

This evaluation requires judgement, assumptions and estimates in order to conclude whether the Group is in fact exposed to the variability of returns and has the ability to affect those returns through its control over the investee.

Other assumptions and estimates could lead to a different consolidation perimeter of the Group, with direct impact on the consolidated financial statements.

Business combination

Under IFRS 3 (Business Combination) in a business combination, the acquirer shall recognise and measure in the consolidated financial statements the assets acquired and liabilities assumed at fair value at the acquisition date. The difference between the purchase price and the fair value of the assets and liabilities acquired leads to the recognition of goodwill or a gain from a purchase at a low price (bargain purchase).

The fair value determination of the assets acquired and liabilities assumed is carried out internally or by independent external evaluators, using the discounted cash flows method, using the replacement cost or other fair value determination techniques, which rely on the use of assumptions and estimates including macroeconomic indicators such as inflation rates, interest rates, exchange rates, discount rates, sale and purchase prices of energy, cost of raw materials, production estimates and business projections. Consequently, the determination of the fair value and goodwill or gain from a purchase at a low price is subject to numerous estimates and judgments and therefore changes in assumptions could result in different impacts on results.

Fair value measurement of contingent consideration

The contingent consideration, from a business combination or a sale of a financial investment is measured at fair value at the acquisition date as part of the business combination or at the date of the sale in the event of a sale of a financial investment. The contingent consideration is subsequently remeasured at fair value at balance sheet date. Fair value is based on discounted cash flows. The main assumptions consider the probability of achieving each objective and the discount factor, corresponding to the best estimates of management at each balance sheet date. Changes in assumptions could have significant impact on the values of contingent assets and liabilities recognised in the financial statements.

4. FINANCIAL RISK MANAGEMENT POLICIES

Financial risk management

The EDP Group's business is exposed to a variety of financial risks, including the effect of changes in market prices, foreign exchange and interest rates. The Group's exposure to financial risks arises essentially from its debt portfolio, resulting in interest and exchange rate exposures. The status and evolution of the financial markets are analysed on an on-going basis in accordance with the 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.

The management of financial risks of EDP, S.A. and other EDP Group entities is undertaken centrally by the Financial Department of EDP, S.A., in accordance with policies approved by the Executive Board of Directors. The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure. The Executive Board of Directors is responsible for the definition of general risk management principles and the establishment of exposure limits.

As for the subsidiaries in Brazil, the Local Risk Management Department is responsible for the management of financial risks arising from fluctuation in interest and exchange rates. This management is performed according to the principles/policies set by the EDP Group for this geographical area.

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Exchange-rate risk management

EDP, S.A.'s Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency financial debt, entered into with the aim of funding the EDP Group's investments in the currency of its respective cash flows. Seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the EDP Group companies and, consequently, on the consolidated results the Group resorts to exchange rate derivative financial instruments and/or other hedging structures.

The policy implemented by the EDP Group consists of undertaking derivative financial instruments to hedge exchange rate risk with 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.

EDP Group is exposed to exchange rate risk in US Dollars (USD), Brazilian Reais (BRL), Romanian Leu (RON), Polish Zloty (PLN) and Canadian Dollars (CAD). Currently, the exposure to USD/EUR, PLN/EUR, RON/EUR and CAD/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland, Romania and Canada, respectively. The majority of these investments were financed with debt contracted in the respective local currency which allows to mitigate the exchange rate risk related to these assets.

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries of EDP Energias do Brasil, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group also contracted financial derivatives to cover exchange rate exposure of these assets.

The exchange rate and interest rate risk on the GBP, CHF and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments has been hedged as from their issuing date.

Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2015 and 2014, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousands of Euros	Dec 2015			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD	54,120	-66,146	-32,238	39,402
	54,120	-66,146	-32,238	39,402

Thousands of Euros	Dec 2014			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD	-10,617	12,976	-14,882	18,189
	-10,617	12,976	-14,882	18,189

This analysis assumes that all other variables, namely interest rates, remain unchanged.

Interest rate risk management

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

In the floating rate financing context, the EDP Group enters into interest rate derivative financial instruments to hedge the 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 engaged at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to level them to current and expected market conditions.

All the operations are undertaken on liabilities in the EDP Group'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 fair value of the interest rate risk or future cash flows.

The EDP Group has a portfolio of interest rate derivatives with maturities up to 13 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the hedging effect of the derivatives 55% of the Group's liabilities are at fixed rate.

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Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the debt portfolio engaged by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 31 December 2015 and 2014 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousands of Euros	Dec 2015			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-16,421	16,421	-	-
Unhedged debt	-19,232	19,232	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	19,356	-20,275
Trading derivatives (accounting perspective)	319	-4,548	-	-
	<u>-35,334</u>	<u>31,105</u>	<u>19,356</u>	<u>-20,275</u>

Thousands of Euros	Dec 2014			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-18,421	18,422	-	-
Unhedged debt	-28,509	28,509	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	16,583	-17,328
Trading derivatives (accounting perspective)	83	-70	-	-
	<u>-46,847</u>	<u>46,861</u>	<u>16,583</u>	<u>-17,328</u>

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

Counterparty credit risk management

EDP Group's policy in terms of counterparty risk on financial transactions is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial instruments are credit institutions with high credit rating so the risk of counterparty default is not considered to be significant. Therefore, guarantees and other collaterals are not typically required for these transactions.

EDP Group has documented its financial operations in accordance with international standards. Derivative financial instruments are mainly contracted under ISDA Master Agreements.

The amount receivable from customers is mainly generated by operations in Portugal, Spain and Brazil, with a diversified customer base, both geographically and in terms of segments (business clients, private and public sector) and size (Supply companies, Business to Business and Business to Consumer). EDP is present in 14 countries and has more than 9.7 million customers in the electricity sector and 1.4 million customers in the gas sector, and usually the contractual relationship with the counterparty tends to be long-lasting.

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of trade receivables and other debtors, net of the impairment losses recognised. As at 31 December 2015, the maximum exposure to customer credit risk by counterparty type is detailed as follows:

Thousands of Euros	Dec 2015
Corporate sector and individuals:	
Supply companies	262,247
B2B	337,163
B2C	382,298
	<u>981,708</u>
Public sector:	
Debt with payment agreement	105,209
Debt without payment agreement	71,426
	<u>176,635</u>
Accruals	<u>760,235</u>
Other	<u>78,026</u>
	<u>1,996,604</u>

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The amounts receivable from supply companies are concentrated mainly in Portugal, Brazil and EDP Renováveis Group, as follows:

- In Portugal, these counterparties present a significantly reduced days sales outstanding, about 20 days, and these entities are subject to the sector regulation that establishes collaterals to reduce credit risk. The collateral provided is updated based on the average of the last quarter monthly sales, which reinforces a low risk profile;

- In Brazil, it refers mainly to: (i) the amounts from sale of electricity to resellers dealers and trading companies, (ii) accounts receivable relating to energy traded in the Electric Energy Trading Chamber - CCEE; and (iii) charges for the electricity network access;

- In EDPR EU, main customers are operators and distributors in the energy market of their respective countries. Credit risk is not significant due to the limited days sales outstanding and to the quality of its debtors. Counterparty risk comes from the countries that have renewable energy incentives, and is usually seen as a regulatory risk; and

- In EDPR NA, main customers are regulated utilities and regional market agents in the USA. As it occurs in Europe, credit risk is not significant due to the limited days sales outstanding and to the quality of the debtors. However, the exposure to customers in long term contracts also arises from the mark-to-market of these contracts. This exposure is managed by a detailed assessment of the counterparty before signing any long term agreement and by a requirement of collaterals depending on the exposure and on the rating.

Regarding receivables from companies and individual customers, resulting from the current activity of EDP Group, the credit risk is essentially the result of customers defaults, whose exposure is limited to the supply made until the possible date of supply disruption. A very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

Amounts receivable from public sector customers include amounts receivable from renegotiated debt with payment agreements, which, as the counterparty is a public entity and has already recognised the debt through payment protocols, present a lower risk. These amounts also include debt without payment agreements arising from the normal power supply activity similar to that described for the corporate and individual sector.

Accruals relate to recognised revenue based on estimates of energy supplied and not yet invoiced at the balance sheet date (energy into energy meter). Electricity sales billing is done on a monthly or bimonthly basis except for the "conta certa" system on which the billing is annual.

Regarding to past-due and not impaired Trade receivables, as at 31 December 2015, is analysed as follow:

Thousands of Euros	Dec 2015
Past due but not impaired trade receivables:	
Less than 3 months	158,745
More than 3 months	18,582
	<u>177,327</u>
Impaired trade receivables	338,179
Not past due and not impaired trade receivables	1,819,277
	<u>2,334,783</u>

Past due but not impaired trade receivables includes debt with payment agreement.

The age of trade receivables that are past due but not impaired may vary significantly depending on the type of the costumer (corporate sector and individuals or public sector). EDP Group recognised impairment based on economic analysis case by case, according with the characteristics of the costumers.

The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exist that have not been recognised as such and provided for.

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions as well as term deposits, allowing immediate access to funds. These credit lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see notes 29 and 35).

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Energy market risk management

In its operations in the non-regulated Iberian electricity market, EDP Group purchases fuel to generate electric energy and sells the electric energy generated by its plants in the organised market (OMIE and OMIP) as well as to third parties. The Group is exposed to energy market risks namely in its operations in the non-regulated market. Some electricity generating plants despite operating in the market, are subject to the CMEC legislation, and the changes in the operating margins are determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

As a result of its energy management operations, EDP Group has a portfolio of operations related to electric energy, carbon emissions (CO₂) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the managed positions and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, fuel and coal) and forwards to fix prices.

The activity of energy management is subject to a series of variables which are identified and classified based on their common uncertainty characteristics (or risk). Such risks include market price evolution risk (electricity and fuel) and hydroelectric production volume risk (price and volume risk), as well as credit risk of the counterparties.

Monitoring the price, volume and credit risks includes their quantification in terms of positions at risk which can be adjusted through market operations. This quantification is made by using specific models that value positions so as to determine the maximum loss that can be incurred, with a given probability and a determined time frame.

Risks are managed in accordance with the strategies defined by the Executive Board of Directors, which are subject to a periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the established management objectives.

Risks are monitored by means of a series of actions involving daily monitoring of the different risk indicators, of the operations grouped in the systems and the prudence limits defined by management area and risk component, as well as regular backtesting and supplementary validation of the models and assumptions used. This monitoring not only ensures the effectiveness of the strategies implemented, but also provides elements to enable initiatives to be taken to correct them, if necessary.

The principal price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the variation of the different risk factors (price of electricity and hydrological) on the following year's margin, P@R corresponding to the difference between an expected margin and a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 1 year. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are considered. The P@R distribution by risk factor is as follows:

Thousands of Euros	P@R Distribution by risk factor	
	Dec 2015	Dec 2014
Risk factor		
Negotiation	2,000	1,000
Fuel	20,000	25,000
CO ₂	10,000	10,000
Electricity	47,000	20,000
Hydrological	123,000	59,000
Diversification effect	-119,000	-54,000
	83,000	61,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (e.g. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of netting agreements. The EDP Group's exposure to credit risk rating is as follows:

	Dec 2015	Dec 2014
Credit risk rating (S&P)		
AAA to AA-	15.32%	2.58%
A+ to A-	60.38%	63.18%
BBB+ to BBB-	14.04%	15.14%
BB+ to B-	0.24%	0.28%
No rating assigned	10.02%	18.82%
	100.00%	100.00%

Brazil - Interest rate and exchange rate risk management

The main tool used to monitor and control market risk in the Brazilian subsidiaries is Value at Risk (VaR).

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VaR is the maximum expected loss on the operations portfolio over a specific period of time, resulting from an adverse movement in the market that has a specific confidence interval. The VaR model used is based on a confidence interval of 95% and assumes a 10 day time frame for settlement of positions, based essentially on historical data. Considering market data for the last 2 years and observation of the relationship between the different prices and markets, the model generates a series of scenarios for changes in market prices.

The VaR methodology used in Brazil considers a series of stress tests with the objective of monitoring the financial impact of the different market scenarios.

The summary of VaR on the operations of the Brazilian subsidiaries is as follows:

Thousands of Euros	VaR	
	Dec 2015	Dec 2014
Exchange rate risk	202	610
Interest rate risk	4,870	5,739
Diversification effect	-240	-825
	4,832	5,524

Capital management

EDP is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial management process of the entity.

Additionally, management describes this aspect of its strategic objectives in the chapters "Strategic Agenda" and "Value Creation to Shareholders" of the Annual Report.

The Group's goal in managing equity is to safeguard the Group's capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity cost.

In conformity with other groups operating in this sector, the Group controls its financing structure based on several control mechanisms and ratios.

5. CONSOLIDATION PERIMETER

During 2015, the following changes occurred in the EDP Group consolidation perimeter:

Companies acquired:

- EDP Distribuição de Energia, S.A. acquired 26% of the share capital of Ambertree - Tecnologias para Redes de Energia Elétrica, Lda.;
- EDP Renovables España, S.L. acquired 40% of the share capital of Desarrollos Catalanes Del Viento, S.L. with the subsequent gain of 100% of share interest in: Aprofitament D'Energies Renovables de L'Ebre, S.A., Aprofitament D'Energies Renovables de la Terra Alta, S.A., Parc Eòlic de Coll de Moro, S.L., Parc Eòlic de Torre Madrina, S.L. and Parc Eòlic de Vilalba dels Arcs, S.L.;
- EDP Renovables España, S.L. acquired 2% of the share capital of Acampo Arias, S.L., 24% of the share capital of Compañía Eólica Campo de Borja, S.A., 5% of the share of D.E. Rabosera, S.A., 20% of the share capital of Molino de Caragüeyes, S.L., 5% of the share capital of Parque Eólico La Sotonera, S.L., 16% of the share capital of Eólica Alfoz, S.L., 40% of the share capital of Investigación y Desarrollo de Energías Renovables, S.L., 32% of the share capital of Parque Eólico Altos del Voltoya, S.A and 40% of the share capital of Parques de Generación Eólica, S.L.;
- EDP Cogeneracion S.L. acquired 10% of the share capital of Cerámica Técnica de Illescas Cogeneración, S.A.;
- EDP Energias do Brasil acquired 50% of the share capital of Porto do Pecém Geração de Energia S.A. (Porto do Pecém) owned by Eneva, holding now the control of the company and fully consolidating 100% of its share capital. To the extent that EDP Energias do Brasil already had a share in Porto do Pecém, this transaction constitutes an acquisition in stages (step acquisition), leading to a gain value in the amount of 294,938 thousands of Euros at the level of EDP Group (884,697 thousands of Reais at the level of EDP Energias do Brasil) booked under Other income (see notes 7 and 53). To mention that, under the applicable tax law, EDP Brasil recognised a tax effect associated with this gain of 36,293 thousands of Euros (120,109 thousands of Reais);
- EDP Renováveis Brasil, S.A. acquired 100% of the share capital of Central Eólica Aventura II, S.A.;
- EDP Renewables Europe, S.L. acquired 100% of the share capital of EDPR Yield Spain Services, S.L.U.;
- In September 2015, the ENEOP consortium members reached an agreement on the consortium's assets split which had been created for a wind power tender launched by the Portuguese Government in 2005-2006. Under this agreement, EDP Group gained the exclusive control of the following wind farm portfolio: Eólica do Alto da Lagoa, S.A., Eólica da Serra das Beiras, S.A., Eólica do Cachopo, S.A., Eólica do Castelo, S.A., Eólica da Coutada, S.A., Eólica do Espigão, S.A., Eólica da Lajeira, S.A., Eólica Alto do Mourisco, S.A., Eólica dos Altos de Salgueiros-Guilhado, S.A., Eólica Alto da Teixosa, S.A., Eólica da Terra do Mato, S.A. and Eólica do Velão, S.A. This transaction was treated as a business combination achieved in stages and generated a gain on the revaluation of the previously held interest in the amount of 124,750 thousands of Euros, which was recognized under Other income (see notes 7 and 53);
- EDP GRID Gestão de Redes Inteligentes de Distribuição S.A. acquired 100% of the share capital of APS Soluções em Energia S.A.;
- EDP Renewables, SGPS, S.A. acquired 100% of the share capital of Stirlingpower, Unipessoal Lda.;
- EDP Renewables Polska S.P. ZO.O. acquired 100% of the share capital of Brent Investments, S.A.

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Disposal of non-controlling interests:

- EDP Renovables España, S.L. sold 6% of its interests in Iberia Aprovechamientos Eólicos, S.A.U. by 18 thousands of Euros;
- In the second quarter of 2015, EDP Renewables North America, L.L.C. concluded the sale to Fiera Axiom L.L.C., by 292,558 thousands of Euros that equals 324,716 thousands of US Dollars (corresponding to a sale price of 348,000 thousands of US Dollar deducted of 6,009 thousands of US Dollar of transaction costs and 17,275 thousands of US Dollar of capital distributions):
 - (i) 49% of its interests in the following companies:
 - Blue Canyon Windpower V, L.L.C.;
 - Paulding Wind Farm II, L.L.C.;
 - Headwaters Wind Farm, L.L.C.;
 - Rising Tree Wind Farm, L.L.C.;
 - Rising Tree Wind Farm II, L.L.C.;
 - 2009 Vento V, L.L.C.;
 - 2011 Vento IX, L.L.C.;
 - 2014 Vento XI, L.L.C.;
 - 2014 Vento XII, L.L.C.;
 - Horizon Wind Ventures III, L.L.C.;
 - Horizon Wind Ventures IX, L.L.C.;
 - EDPR Wind Ventures XI, L.L.C.;
 - EDPR Wind Ventures XII, L.L.C.
 - (ii) 25% of its interests in the following companies:
 - Cloud County Wind Farm, L.L.C.;
 - Pioneer Prairie Wind Farm I, L.L.C.;
 - Arlington Wind Power Project, L.L.C.;
 - 2008 Vento III, L.L.C.;
 - Horizon Wind Ventures IC, L.L.C.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the negative difference between the book value and the fair value of the non-controlling interests sold, totalling 14,805 thousands of Euros, was booked against reserves under the corresponding accounting policy;

- In the second quarter of 2015, EDP Renewables North America LLC. sold to DIF Infra 3 US, L.L.C. 49% of its interests, by 25,281 thousands of Euros that equals to 28,061 thousands of US Dollar (corresponding to a sale price of 30,000 thousands of US Dollar deducted of 1,939 thousands of US Dollars of transaction costs), in the following companies:
 - EDPR Solar Ventures I, L.L.C.;
 - 2014 Sol I, L.L.C.;
 - Lone Valley Solar Park I, L.L.C.;
 - Lone Valley Solar Park II, L.L.C.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the negative difference between the book value and the fair value of the non-controlling interests sold, totalling 330 thousands of Euros, was booked against reserves under the corresponding accounting policy;

- In the second quarter of 2015, EDP Renováveis Brasil, S.A. sold to Cwei Brasil Participações Lda (CWEI Brasil) 49% of its interests in a set of wind farm assets, by 66,962 thousands of Euros that equals to 247,664 thousands of Brazilian Real (corresponding to a sale price of 249,613 thousands of Brazilian Real deducted of 1,949 thousands of Brazilian Real of transaction fees), in the following companies:
 - Central Eólica Aventura, S.A.;
 - Central Nacional de Energia Eólica, S.A.;
 - Elebras Projetos Ltda;
 - Central Eólica Feijao I, S.A.;
 - Central Eólica Feijao II, S.A.;
 - Central Eólica Feijao III, S.A.;
 - Central Eólica Feijao IV, S.A.;
 - Central Eólica Jau, S.A.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 10,337 thousands of Euros, was booked against reserves under the corresponding accounting policy.

Companies sold and liquidated:

- EDP Energias do Brasil, S.A. liquidated Terra Verde Bioenergia Participações, S.A.;
- Naturgas Energía Distribución, S.A.U. sold Gás Energía Distribución Murcia, S.A. by 122,758 thousands of Euros (corresponding to a sale price of 125,683 deducted of 2,925 thousands of Euros of transaction fees) (see notes 7 and 42);
- EDP Renovables España, S.L. liquidated Tratamientos Medioambientales del Norte, S.A. and Industrias Medioambientales Río Carrión, S.A.;
- EDP - Energias de Portugal, S.A. liquidated EDP Serviner - Serviços de Energia, S.A. and EDP - Projectos SGPS, S.A.;
- Enagás - SGPS, S.A. sold Setgás - Sociedade de Distribuição de Gás Natural, S.A. and Setgás Comercialização, S.A. by 36,218 thousands of Euros, subject to price adjustment, with a loss of 5,256 thousands of Euros at EDP Group level;
- Hidroeléctrica del Cantábrico, S.A. liquidated Inverasturias I Fondo Capital Riesgo.

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Companies merged:

- Home Energy II, S.A. was merged into EDP Comercial - Comercialização de Energia, S.A.;
- The following companies were merged into EDP Cogeneración, S.L.:
 - Cerámica Técnica de Illescas Cogeneración, S.A.;
 - Energía e Industria de Toledo, S.A.;
 - Iniciativas Tecnológicas de Valorización Energética de Residuos, S.A.;
 - Sinova Medioambiental, S.A.;
 - Tratamientos Ambientales Sierra de la Tercia, S.A.

Companies incorporated:

- EDPR Servicios de México, S. de R.L. de C.V.;
- EDP Small Hydro, S.A.;
- Vientos de Coahuila, S.A. de C.V.;
- 2015 Vento XIV, L.L.C. *;
- 2015 Vento XIII, L.L.C.;
- EDPR Wind Ventures XIV, L.L.C.;
- EDPR Wind Ventures XIII, L.L.C.;
- Nation Rise Wind Farm GP Inc.;
- Nation Rise Wind Farm LP;
- South Branch Wind Farm II GP Inc. *;
- South Branch Wind Farm II GP LP *;
- EDP Renewables Sharp Hills Project LP *;
- EDPR Yield France Services, S.A.S.;
- EDPR Yield Portugal Services, Unip. Lda.;
- Sino-Portuguese Centre for New Technologies (Shangai) CO., Ltd;
- TACA Wind, S.r.l.;
- Hydro Global Investment Ltd;
- EDPR PT - Parques Eólicos, S.A.;
- EDPR Vento I Holding, L.L.C. *;
- EDPR WF, L.L.C. *;
- EDP Pequenas Centrais Hidroeléctricas, S.A.

* EDP Group holds, through EDP Renováveis and its subsidiaries EDPR NA and EDPR Canada, a set of subsidiaries in the United States and Canada legally established without share capital and that, as at 31 December 2015, do not have any assets, liabilities, or any operating activity.

Other changes:

- During 2015, WindPlus, S.A. reduced its share capital and the shareholder Principle Power Inc. decreased its stake. Afterwards there was a capital increase, with the entry of new shareholders, which EDP Renewables SGPS, S.A. subscribed 19.4%.

6. REVENUES FROM ENERGY SALES AND SERVICES AND OTHER

Revenues from energy sales and services and other are analysed by sector is as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Electricity and network access	13,731,633	14,172,119	2,457,118	2,131,863
Gas and network access	1,302,037	1,604,825	210,346	208,612
Sales of CO2 licences	7,887	14	103,902	38,257
Revenue from assets assigned to concessions	372,953	413,233	-	-
Other	102,289	103,692	145,289	139,369
	15,516,799	16,293,883	2,916,655	2,518,101

Revenues from energy sales and services and other by geographical market, for the Group, are analysed as follows:

Thousands of Euros	Dec 2015				
	Iberia	Brazil	U.S.A.	Other	Group
Electricity and network access	10,290,147	2,654,400	503,088	283,998	13,731,633
Gas and network access	1,302,037	-	-	-	1,302,037
Sales of CO2 licences	7,887	-	-	-	7,887
Revenue from assets assigned to concessions	286,520	86,433	-	-	372,953
Other	88,138	13,786	199	166	102,289
	11,974,729	2,754,619	503,287	284,164	15,516,799

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Thousands of Euros	Dec 2014				Group
	Iberia	Brazil	U.S.A.	Other	
Electricity and network access	10,782,278	2,761,255	384,532	244,054	14,172,119
Gas and network access	1,604,825	-	-	-	1,604,825
Sales of CO2 licences	14	-	-	-	14
Revenue from assets assigned to concessions	315,411	97,822	-	-	413,233
Other	87,450	15,795	-2	449	103,692
	12,789,978	2,874,872	384,530	244,503	16,293,883

In 2015, the caption Electricity and network access in Iberia, on a consolidated basis, includes a net revenue of 1,377,259 thousands of Euros (income in 31 December 2014: 1,917,332 thousands of Euros) regarding the tariff adjustments of the period in Portugal (see notes 26 and 39), as described under accounting policy - 2 x). In 2015, this caption also includes, a net profit of 136,145 thousands of Euros related to recognition of tariff adjustments for the period in Brazil, booked as Debtors and other assets from commercial activities and Trade and other payables from commercial activities (31 December 2014: 192,020 thousands of Euros).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 205,627 thousands of Euros (31 December 2014: 159,234 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

The Revenues from energy sales and services and other, in Iberia, includes 7,778,088 thousands of Euros in Portugal and 4,196,641 thousands of Euros in Spain (31 December 2014: 8,358,318 thousands of Euros in Portugal and 4,431,660 thousands of Euros in Spain).

The breakdown of Revenues from energy sales and services and other by segment is presented in the segmental reporting (see Annex II).

Cost of energy sales and other are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Cost of electricity	7,634,223	8,480,403	2,416,596	2,069,661
Cost of gas	933,216	1,158,253	-	-
Expenditure with assets assigned to concessions	372,953	413,233	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	567,021	399,568	-	-
Gas	286,966	279,267	210,346	208,612
Cost of consumables used	14,724	13,535	-	-
CO2 licences	140,603	87,625	106,634	38,578
Own work capitalised	-77,474	-84,907	-	-
Other	189,861	179,777	16	9
	1,121,701	874,865	316,996	247,199
	10,062,093	10,926,754	2,733,592	2,316,860

On a company basis, Cost of electricity includes costs of 1,145,082 thousands of Euros (31 December 2014: 1,039,747 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts, being analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Revenue from assets assigned to concessions	372,953	413,233
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-276,188	-318,582
Personnel costs capitalised (see note 9)	-88,530	-83,547
Capitalised borrowing costs (see note 13)	-8,235	-11,104
	-372,953	-413,233
	-	-

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7. OTHER INCOME

Other income, for the Group, is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Income arising from institutional partnerships - EDPR NA	197,442	123,582
Estimation of the revised selling price of EDPR PT	-	17,491
Gains related with business combinations	419,688	-
Gains on disposals - gas and electricity business assets	88,916	130,833
Remeasurement of IFRIC 12 indenisation amount in Brazil concessions (see note 26)	41,226	-
Other	101,511	130,372
	848,783	402,278

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX, X, XI, XII and XIII, Blue Canyon I and Sol I projects, in wind farms and solar plants in USA (see note 38).

The caption Gains related with business combinations results from the acquisition of the Porto do Pecém by EDP Energias do Brasil and the asset split in the ENEOP consortium (see note 53).

On 9 December 2014, EDP Brasil entered into an agreement for the acquisition of the 50% Porto do Pecém share capital, owned by Eneva, S.A., starting to hold full control of this company. This transaction was subject to approval and authorisation of the competition authority, of ANEEL, of the funding banks of Porto do Pecém and Eneva (BNDES and Banco Interamericano de Desenvolvimento – BID) and other creditors of Eneva. Additionally, the transaction conclusion was dependent on other measures of corporate and contractual nature, in particular, the approval of the Eneva's recovery plan. This transaction was concluded in May 2015 and occurred in two stages, the first through the debt capitalisation of Porto do Pecém with Eneva, resulting in a reduction of EDP's original shareholding of 50% to 41.27% and the second with the acquisition, by 300,000 thousands of Reais, of 58.73% of Porto do Pecém by EDP. The gross gain, in the amount of 294,938 thousands of Euros, recognised in Gains related with business combinations, includes the following effects: i) dilution effect in the capital increase by Eneva; ii) gain on the revaluation of the previously held interest; and iii) bargain purchase.

In September 2015, the ENEOP consortium members reached an agreement on the consortium's assets split which had been created for a wind power tender launched by the Portuguese Government in 2005-2006. Under this agreement, EDP Group gained the exclusive control of the following wind farm portfolio: Eólica do Alto da Lagoa, S.A., Eólica da Serra das Beiras, S.A., Eólica do Cachopo, S.A., Eólica do Castelo, S.A., Eólica da Coutada, S.A., Eólica do Espigão, S.A., Eólica da Lajeira, S.A., Eólica Alto do Mourisco, S.A., Eólica dos Altos de Salgueiros-Guilhado, S.A., Eólica Alto da Teixosa, S.A., Eólica da Terra do Mato, S.A. and Eólica do Velão, S.A. This transaction was treated as a business combination achieved in stages and generated a gain on the revaluation of the previously held interest and of the acquired assets fair value in the total amount of 124,750 thousands of Euros.

Gains on disposals - gas and electricity business assets is related with the gain on the sale of the assets allocated to gas transmission business in Murcia as well as in other Spanish regions (mainly in Extremadura and Gerona) to Redexis Gas, S.A. The sale of this assets generated a gain in the amount of 79,091 thousands of Euros in the first sale phase and a gain of 9,825 thousands of Euros in the transaction conclusion in the total amount of 88,916 thousands of Euros (see notes 5 and 42). As at 31 December 2014, this caption included the gain on the sale of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects in the amount of 130,676 thousands of Euros which included the fair value revaluation effect of the retained interest (50%) in the amount of 65,691 thousands of Euros.

In 2007 and under the acquisition of EDPR NA, the power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of US Dollars and recorded as a non-current liability (see note 39). This liability is depreciated over the period of the agreements against Other income - Other. As at 31 December 2015, the amortisation for the period amounts to 9,961 thousands of Euros (31 December 2014: 8,938 thousands of Euros).

Other include the effect of the application of IFRIC 18 related to customers contributions in the electricity and gas distribution activities in Spain in the amount of 12,001 thousands of Euros (31 December 2014: 12,457 thousands of Euros), as referred in accounting policy 2h).

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8. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Consumables and communications	53,534	50,586	8,589	6,753
Rents and leases	115,825	105,936	45,137	40,635
Maintenance and repairs	329,512	315,533	19,664	23,120
Specialised works:				
- Commercial activity	171,528	178,373	8,410	7,091
- IT services, legal and advisory fees	72,681	81,322	23,552	20,990
- Other services	54,997	52,755	18,751	20,158
Provided personnel	-	-	29,068	49,523
Other supplies and services	122,531	112,454	19,313	17,461
	920,608	896,959	172,484	185,731

9. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Personnel costs				
Board of Directors remuneration	14,995	15,323	5,798	5,676
Employees' remuneration	488,579	484,927	20,752	3,467
Social charges on remuneration	119,422	121,251	5,200	1,453
Performance, assiduity and seniority bonus	76,099	77,774	11,745	6,816
Other costs	28,042	30,301	168	1,090
Own work capitalised:				
- Assigned to concessions (see note 6)	-88,530	-83,547	-	-
- Other	-62,942	-64,517	-	-
	575,665	581,512	43,663	18,502
Employee benefits				
Pension plans costs	26,121	25,469	1,050	440
Medical plans costs and other benefits	10,916	8,408	650	160
Past service cost (Curtailment/Plan amendments)	-	-80,586	-	-
Other	40,277	20,635	1,774	81
	77,314	-26,074	3,474	681
	652,979	555,438	47,137	19,183

Pension plans costs include 10,895 thousands of Euros (31 December 2014: 9,544 thousands of Euros) related to defined benefit plans (see note 36) and 15,226 thousands of Euros (31 December 2014: 15,925 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits of 10,916 thousands of Euros (31 December 2014: 8,408 thousands of Euros) is related to the charge of the period (see note 36).

At 31 December 2014, Past service cost (Curtailment/Plan amendments) is related essentially with: i) plan amendments resulting from the new Collective Labour Agreement (see note 36) which resulted in a decrease of liabilities in the amount of 129,020 thousands of Euros; and ii) increase in liabilities under the permanent employees reduction program that covered Portugal employees (160 employees of EDP Produção and EDP Distribuição) and Spain employees (41 employees of HC Group) in the amount of 48,434 thousands of Euros (see note 36).

During 2015, EDP Group distributed treasury stocks to employees (422,779 shares) totalling 1,501 thousands of Euros.

The breakdown by management positions and category of professional staff is as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Executive Board of Directors	8	7	8	7
Senior management	700	706	96	25
Managers	782	714	40	13
Specialists	3,896	3,711	262	47
Support, Operational and Administrative Technicians	6,698	6,660	89	-
	12,084	11,798	495	92

The variation occurred in the EDP, S.A. employee numbers is related with the reallocation of employees to companies that actually provide services (see note 36).

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10. OTHER EXPENSES

Other expenses, are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Concession rents paid to local authorities and others	273,546	274,160	-	-
Direct and indirect taxes	304,547	259,791	1,849	1,016
Irrecoverable debts	27,370	11,854	-	-
Donations	40,086	26,558	16,400	11,145
Impairment losses:				
- Trade receivables	29,610	19,034	-	-
- Debtors	-2,007	5,717	-39	28
Write-off of tangible assets - EDP Renováveis Group	68,134	2,070	-	-
Other	64,658	75,433	2,565	2,662
	805,944	674,617	20,775	14,851

The caption Concession rents paid to local authorities and others includes essentially the rents paid to the local authorities under the terms of the low tension electricity distribution concession contracts and rents paid to city councils where the power plants are located.

The caption Direct and indirect taxes includes a tax of 7% over electricity generation in Spain from 1 January 2013, following the publication of Law 15/2012 on 27 December.

The impairment losses on Trade receivables and Debtors are analysed in notes 25 and 26, respectively.

The caption Write-off of tangible assets - EDP Renováveis Group includes the write-off of assets under construction (see note 16), which mainly refers to: (i) 41,423 thousands of Euros related to the abandonment of ongoing projects in EDPR NA subgroup, which were considered to be economically unviable under current market conditions, due to the recent publication of new legislation – the final version of Clean Power Plan and Renewable Portfolio Standards; (ii) 20,638 thousands of Euros related to the abandonment of ongoing projects in EDPR EU subgroup, following the reduced probability of their future development; and (iii) 5,395 thousands of Euros, due to damage in the measurement tower in the offshore wind park Moray Offshore Renewables Limited (held by EDPR UK Limited).

11. PROVISIONS

Provisions are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Charge for the period	50,097	70,445	2,225	1,870
Write-back for the period	-34,041	-18,350	-12,107	-888
	16,056	52,095	-9,882	982

Provisions for the period, at 31 December 2015, include a net increase in provisions for: labour, legal and other contingencies in Brazil in the amount of 9.4 millions of Euros (31 December 2014: 10 millions of Euros); a net increase in provisions for contractual, legal and other liabilities and charges in Portugal of 3.7 millions of Euros (31 December 2014: 17 millions of Euros) and in Spain of 3 millions of Euros (31 December 2014: 25 millions of Euros), which are classified as probable contingencies (see note 37).

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12. AMORTISATION AND IMPAIRMENT

Amortisation and impairment are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Property, plant and equipment				
Buildings and other constructions	11,152	10,678	135	239
Plant and machinery	977,335	884,551	44	22
Other	65,505	63,227	13,072	10,026
Impairment loss	24,043	34,390	-	-
	1,078,035	992,846	13,251	10,287
Intangible assets				
Concession rights and impairment	81,888	83,402	-	-
Intangible assets assigned to concessions - IFRIC 12	302,554	318,945	-	-
Other intangibles	3,283	3,409	2	2
Impairment loss	14,780	25,360	-	-
	402,505	431,116	2	2
Investment property				
	754	446	2,067	2,539
	1,481,294	1,424,408	15,320	12,828
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-28,896	-27,448	-890	-
Impairment of Goodwill				
	12,125	278	-	-
	1,464,523	1,397,238	14,430	12,828

In 2015, property, plant and equipment amortisations reflects the useful life extension of some coal plants in Spain, leading to an amortisation reduction of 16 millions of Euros.

During 2015, and taking into consideration the increasing uncertainty on the Romanian market, EDPR Romania has downgraded their future estimates namely the price of green certificates. Following this analysis it was recognized an impairment loss on property, plant and equipment of 26,491 thousands of Euros (see note 16). Additionally, EDPR Romania booked, in 2014, an impairment of 15,571 thousands of Euros in Property, plant and equipment and 11,434 thousands of Euros in intangible assets, as a result of the impairment tests performed for wind farms and green certificates.

Taking into consideration the fair value of investment in Escelsa - Espírito Santo Centrais Eléctricas, S.A. as a result of the impairment test carried out as at 30 September 2015, an impairment loss was booked in the concession rights and goodwill of 14,780 thousands of Euros and 11,955 thousands of Euros, respectively, essentially related with the Brazilian Real devaluation during 2015 (see notes 17 and 18).

In 2014, EDP Produção booked an impairment of 26,736 thousands of Euros (12,810 thousands of Euros in Property, plant and equipment and 13,926 thousands of Euros in Intangible assets), related with Alvito hydroelectric plant, given that due to market conditions there was some short term uncertainty about the economic viability of this project.

The partially-funded property, plant and equipment is depreciated on the same basis and at the same rates as the Group's remaining assets, being the corresponding cost compensated through the amortisation of the amounts received (booked under Trade and other payables from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

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13. FINANCIAL INCOME AND EXPENSES

Financial income and expenses, for the Group, are analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Financial income		
Interest income from bank deposits and other applications	37,816	50,111
Interest income from loans to joint ventures and associates	21,284	29,230
Interest from derivative financial instruments	158,200	158,110
Derivative financial instruments	376,543	272,739
Other interest income	47,557	48,410
Foreign exchange gains	77,244	31,133
CMEC	45,777	47,775
Gains on the sale of financial investments	1,249	118,352
Other financial income	170,551	204,985
	936,221	960,845
Financial expenses		
Interest expense on financial debt	958,579	968,433
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-8,235	-11,104
- Other	-75,356	-157,748
Interest from derivative financial instruments	130,456	123,089
Derivative financial instruments	294,586	288,011
Other interest expense	23,507	27,066
Impairment of available-for-sale financial assets	21,996	2,339
Foreign exchange losses	194,441	68,208
CMEC	15,595	18,017
Unwinding of liabilities	120,595	94,885
Net interest on the net pensions plan liability (see note 36)	16,746	24,415
Net interest on the medical liabilities and other benefits (see note 36)	27,188	39,087
Other financial expenses	48,638	48,044
	1,768,736	1,532,742
Financial income/(expenses)	-832,515	-571,897

The caption Financial income - CMEC totalling 45,777 thousands of Euros includes 30,453 thousands of Euros related to interest on the initial CMEC (31 December 2014: 32,125 thousands of Euros) included in the annuity for 2015 and 15,218 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (31 December 2014: 15,290 thousands of Euros).

In 2014, the caption Gains on the sale of financial investments includes the gain in the sale of 50% of EDP Ásia - Investimento e Consultoria, Lda share capital (holder of 21.19% of the share capital of the Companhia de Electricidade de Macau (CEM)) by EDP S.A. to ACE Asia (company held by CWEI Hong Kong Company Limited, a subsidiary of China Three Gorges). The shareholding was sold by 94,222 thousands of Euros and generated a consolidated gain of 117,978 thousands of Euros which includes the fair value revaluation effect for the retained interest (50%) in the amount of 55,728 thousands of Euros.

The caption Other financial income includes essentially 73,445 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (31 December 2014: 86,351 thousands of Euros), 641 thousands of Euros related with interest income on tariff deficit in Spain (31 December 2014: 3,721 thousands of Euros), 15,648 thousands of Euros related with interest income on tariff deficit in Brazil and 55,600 thousands of Euros related to gains, on sale of part of the electricity tariff deficit related to the over cost with the acquisition of electricity from Special Regime Generators in Portugal of 2014 and 2015 (31 December 2014: 77,718 thousands of Euros related to the 2013 and 2014 Special Regime Generators over cost) (see note 26).

Capitalised borrowing costs includes the interest capitalised in assets under construction according to the accounting policy described in paragraph 2 h). In what concerns to the rate applicable to borrowing costs related to tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalization (see note 16 and 17), it varies depending on the country and currency, since EDP Group incorporates in the scope of consolidation (see Annex I) a significant number of subsidiaries over several geographies with different currencies. Therefore, for the most representative geographies, the weighted average funding rates, in use in 2015, ranged from 3.3% to 6.6% in Portugal, from 4.6% to 4.9% in Spain, from 0.57% to 8.25% in the United States of America and 11.9% in Brazil, depending on related assets under construction and related financing.

The caption Impairment of available-for-sale financial assets includes 21,987 thousands of Euros related to the increase of impairment of the investment held in Banco Comercial Português, S.A. as a result of the devaluation of the market value of this shares (see note 21).

Financial expenses - CMEC, in the amount of 15,595 thousands of Euros (31 December 2014: 18,017 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

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The Unwinding of discounted value liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 7,145 thousands of Euros (31 December 2014: 8,233 thousands of Euros), (ii) the implied financial return in institutional partnership in USA which amounted to 78,953 thousands of Euros (31 December 2014: 56,551 thousands of Euros), and (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva/Pedrogão, Investco and Enerpeixe of 10,253 thousands of Euros (31 December 2014: 10,383 thousands of Euros), 2,718 thousands of Euros (31 December 2014: 1,706 thousands of Euros) and 10,606 thousands of Euros (31 December 2014: 6,074 thousands of Euros), respectively.

Financial income and expenses, for the Company, are analysed as follows:

Thousands of Euros	Company	
	Dec 2015	Dec 2014
Financial income		
Interest income from loans to subsidiaries and related parties	421,051	514,521
Interest from derivative financial instruments	170,506	113,808
Derivative financial instruments	646,049	629,328
Income from equity investments	762,260	375,825
Gains on the sale of financial investments	42,387	376,572
Other financial income	19,559	16,412
	2,061,812	2,026,466
Financial expenses		
Interest expense on financial debt	438,163	472,351
Interest from derivative financial instruments	150,572	106,568
Derivative financial instruments	591,187	584,489
Foreign exchange losses	27,063	25,904
Other financial expenses	12,769	40,766
	1,219,754	1,230,078
Financial income/(expenses)	842,058	796,388

In 2014, the caption Gains on the sale of financial investments, for the Company, includes 94,220 thousands of Euros related with the gain in the sale of 50% of the EDP Ásia - Investimento e Consultoria, Lda share capital by EDP S.A. to ACE Asia.

In the context of the corporate restructuring of the gas activity in Iberia, carried out during the second quarter of 2014, in 22 December 2014, EDP, S.A. sold to EDP Gas Iberia, S.L. 100% of the share capital of EDP Gás - SGPS, S.A. for the amount of 462,591 thousands of Euros, of which 285,422 thousands of Euros correspond to the sale value of equity shares and 177,169 thousands of Euros correspond to supplementary capital and loans. As at 31 December 2014, this transaction was recognised in accordance with the fair value model, under the company accounting policy, and a gain in the amount of 282,352 thousands of Euros was booked on a company basis. The final amount of the transaction was subject to price adjustments under the purchase agreement, whereby in 2015 was recognized an additional gain of 38,968 thousands of Euros on a company basis in the caption Gains on the sale of financial investments. This price adjustment includes the fair value of a contingent price in the amount of 28,429 thousands of Euros related to a litigation that is ongoing. These intra-group transactions were made with reference to market values and with the individual gains to be eliminated on a consolidation process of EDP Group.

In 2014, the caption Other financial expenses includes 23,574 thousands of Euros, related to the increase of impairment of financial investments in the subsidiaries EDP Internacional and Balwerk, net of the impairment reduction on EDP Imobiliária, due to the valuation of financial assets held by it.

14. INCOME TAX

The guiding principles regarding EDP Group's tax mission and policy are disclosed in EDP's site, in <http://www.edp.pt/en/aedp/sobreaedp/principiosepoliticas/Pages/MissaoPoliticaFiscal.aspx>

Main features of the tax systems of the countries in which EDP Group operates

The statutory corporate income tax rates applicable in the main countries in which EDP Group operates are as follows:

	Dec 2015	Dec 2014
Europe:		
Portugal	21% - 29.5%	23% - 31.5%
Spain	25% - 28%	28% - 30%
Netherlands	25%	25%
America:		
Brazil	34%	34%
United States of America	38.2%	38.2%

The EDP Group companies are taxed, whenever possible, on a Group consolidated basis as allowed by the tax legislation of the respective countries.

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As per the currently applicable legislation, in general terms, tax periods may be subject to review and reassessment by the various tax administrations during a limited number of years. Statutes of limitation differ from country to country, as follows: Portugal 4 years or, if tax losses or credits have been used, the number of years that such tax losses or credits may be carry forward; Spain: 4 years; USA and the Netherlands: 3 years; Brazil: 5 years.

Tax losses generated in each year are also subject to tax administrations review and reassessment. Tax losses may be used to offset yearly taxable income assessed in the subsequent periods, as follows: In Portugal, 6 years (for the tax losses until 2009), 4 years (for the tax losses of 2010 and 2011), 5 years (for the tax losses of 2012 and 2013), and 12 years (for the tax losses of 2014 and 2015), 9 years in the Netherlands, 20 years in the USA and without an expiry date in Brazil and Spain. Moreover, in the Netherlands the tax losses of a year may be used to recover current tax of the previous year and in the USA to the 2 previous years. However, the deduction of tax losses in Portugal, Spain and Brazil may be limited to a percentage of the taxable income of each period.

EDP Group companies may, in accordance with the law, benefit from certain tax benefits or incentives in specific conditions, namely the Production Tax Credits in the USA, which are the dominant form of wind remuneration in that country, and represent an extra source of revenue per unit of electricity (\$23/MWh in 2015 and 2014), over the first 10 years of the asset's life.

EDP Group's transfer pricing policy follows the rules, guidelines and international best practices applicable in the geographies where the Group operates, in strict compliance with the spirit and letter of the Law.

Changes in the law with relevance to the EDP Group in 2015

In Portugal, the Law 82-B/2014, published on 31 December (State Budget Law for 2015) established a reduction of the standard Corporate Income Tax (CIT) rate from 23% to 21%, effective from 1 January 2015, to which is added the municipal and state surcharge. The state surcharge would be calculated as follows (i) at a rate of 3% over taxable income exceeding 1.5 until 7.5 millions of Euros, (ii) at a rate of 5% over taxable income exceeding 7.5 until 35 millions of Euros, and (iii) 7% over taxable income exceeding 35 millions of Euros.

In Spain, the Law 27/2014 was published in the Official State Gazette on 28 November 2014, that reduced the CIT rate from 30% to 25% in 2016 (with an interim 28% rate applicable in 2015), introduced limits on the deduction of tax losses carried forward up to a maximum of 60% of taxable income in 2016, and 70% from 2017 onwards and eliminated the time limit in which tax losses can be carried forward. In addition, this Law established that the impairment losses on property, plant and equipment and intangible assets including goodwill, as well as capital losses generated in intra-group transactions becomes non-deductible and replaced the tax deduction of goodwill, limited to 5%. In Navarra, the CIT also was reduced from 28% to 25%, as per Law Foral 29/2014 of 24 December, with effect from 1 January 2015 onwards.

Corporate income tax provision

Income tax expense is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Current tax	-280,024	-114,539	-5,200	-10,604
Deferred tax	2,255	-196,413	15,812	17,509
	-277,769	-310,952	10,612	6,905

Reconciliation between the nominal and the effective income tax rate

The effective income tax rate for the EDP Group and EDP, S.A. is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Profit before tax	1,586,965	1,636,257	791,834	778,875
Income tax	-277,769	-310,952	10,612	6,905
Effective income tax rate	17.5%	19.0%	-1.3%	-0.9%

The difference between the nominal and the effective tax rate, results from the application of the law provisions in the determination of the tax base, as demonstrated below.

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The reconciliation between the nominal and the effective income tax rate for the Group, as at December 2015, is analysed as follows:

Thousands of Euros	Dec 2015		
	Rate %	Tax basis	Tax
Nominal rate and income tax (*)	22.5%	1,586,965	357,067
Different tax rates (includes state surcharge)	8.4%	593,409	133,517
Tax losses and tax credits	-2.6%	-186,418	-41,944
Dividends	-0.9%	-61,004	-13,726
Tax benefits	-1.3%	-93,484	-21,034
Differences between tax and accounting gains and losses	-7.7%	-543,071	-122,191
Other adjustments and changes in estimates	-0.9%	-61,867	-13,920
Effective tax rate and total income tax	17.5%	1,234,530	277,769

(*) Statutory Corporate Income Tax rate applicable in Portugal (21%) and municipal surcharge (1.5%)

The difference between the nominal rate and the effective tax rate is mainly due to the non-taxation of capital gain generated on the sale of gas distribution assets in Spain, non-taxation of the gain generated with the revaluation of the previously held investment in ENEOP consortium and with the non-taxation of the partial gain with the control acquisition of Porto do Pecém under the applicable tax law.

The reconciliation between the nominal and the effective income tax rate for the Group, as at December 2014, is analysed as follows:

Thousands of Euros	Dec 2014		
	Rate %	Tax basis	Tax
Nominal rate and income tax (*)	24.5%	1,636,257	400,883
Different tax rates (includes state surcharge)	6.5%	434,273	106,397
Tax losses and tax credits	-0.7%	-47,816	-11,715
Dividends	-1.0%	-65,837	-16,130
Tax benefits	-3.6%	-242,216	-59,343
Differences between tax and accounting gains and losses	-1.1%	-75,890	-18,593
Financial investments in joint ventures, associates and subsidiaries	-0.6%	-41,731	-10,224
Change of CIT rate (Portugal and Spain)	-4.2%	-277,722	-68,042
Other adjustments and changes in estimates	-0.8%	-50,127	-12,281
Effective tax rate and total income tax	19.0%	1,269,191	310,952

(*) Statutory Corporate Income Tax rate applicable in Portugal (23%) and municipal surcharge (1.5%)

The reconciliation between the nominal and the effective income tax rate for the Company, as at December 2015, is analysed as follows:

Thousands of Euros	Dec 2015		
	Rate %	Tax basis	Tax
Nominal rate and income tax (*)	29.5%	791,834	233,591
Tax losses and tax credits	-3.6%	-96,434	-28,448
Dividends	-28.3%	-759,064	-223,924
Difference between tax and accounting gains/losses	-1.6%	-42,302	-12,479
Other adjustments and changes in estimates	2.7%	69,993	20,648
Effective tax rate and total income tax	-1.3%	-35,973	-10,612

(*) Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

The caption Difference between tax and accounting gains/losses is mainly due to the non-taxation, under current tax law, of the gain related to a price adjustment to the sale transaction of EDP Gás - SGPS, S.A., in the amount of 38,968 thousands of Euros (see note 13).

The reconciliation between the nominal and the effective income tax rate for the Company, as at September 2014, is analysed as follows:

Thousands of Euros	Dec 2014		
	Rate %	Tax basis	Tax
Nominal rate and income tax (*)	31.5%	778,875	245,346
Tax losses and tax credits	-4.3%	-105,860	-33,346
Dividends	-15.1%	-372,629	-117,378
Difference between tax and accounting gains/losses	-14.1%	-348,308	-109,717
Other adjustments and changes in estimates	1.1%	26,000	8,190
Effective tax rate and total income tax	-0.9%	-21,922	-6,905

(*) Statutory Corporate Income Tax rate applicable in Portugal (23%), municipal surcharge (1.5%) and the state surcharge (7%)

On 31 December 2014, the caption Differences between tax and accounting gains/losses includes the gains arising from the sale of 50% of the share capital of EDP Asia and 100% of EDP Gas SGPS, in the amount of 376,572 thousands of Euros, which under the current tax legislation are not included in the taxable income of EDP S.A.

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15. EXTRAORDINARY CONTRIBUTION TO THE ENERGY SECTOR (CESE)

The Law no. 83-C/2013, of 31 December (State Budget for 2014), established the Extraordinary Contribution to the Energy Sector (CESE). The application of this Contribution has been extended for the years 2015 and 2016, by Law no. 82-B/2014, of 31 December (State Budget for 2015) and Law no. 159-C/2015, of 30 December. Note that the Stability Programme 2015-2019, published in April 2015 by the Portuguese Government had already provided the duration of the CESE until 2018.

This Contribution aims to finance mechanisms that promote the systemic sustainability of the energy sector, through the establishment of a fund that aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector. The contribution is due by EDP companies that operate in the generation and distribution of electricity and in the distribution of natural gas.

CESE is calculated based on the assets value with reference to the first day of financial year 2015 (1 January 2015) which respect, cumulatively, to Tangible assets; Intangible assets, with the exception of elements of industrial property; Financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets (i.e the amount recognised by ERSE for the calculation of allowed revenues as at 1 January 2015) if it is higher than the value of the previous referred assets. Given its legal framework, CESE is not considered a deductible expense in determining the taxable income.

Therefore, the Group booked under the caption Extraordinary contribution to the energy sector (CESE) in the Consolidated Income Statement, the amount of 62,054 thousands of Euros (31 December 2014: 61,495 thousands of Euros) concerning to CESE for the year ended 31 December 2015.

This contribution is also applicable to EDP Gestão da Produção de Energia, S.A. power plants that are subject to the legal regime that establishes the compensation mechanism to maintain the contractual balance, and so this contribution amount was recognised according to the Decree-Law n.º 240/2004 of 27 December.

16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Cost				
Land and natural resources	99,487	129,589	23,877	24,130
Buildings and other constructions	489,377	450,017	114,411	16,536
Plant and machinery:				
- Hydroelectric generation	8,746,274	8,572,837	5,912	254
- Thermoelectric generation	8,569,641	7,620,657	-	-
- Renewable generation	15,171,961	12,704,857	-	-
- Electricity distribution	1,544,519	1,485,617	-	-
- Gas distribution	990,047	971,985	-	-
- Other plant and machinery	72,598	110,190	196	916
Other	980,409	871,444	170,395	125,772
Assets under construction	3,212,012	3,436,839	15,068	81,910
	39,876,325	36,354,032	329,859	249,518
Accumulated amortisation and impairment losses				
Amortisation charge	-1,053,992	-958,456	-13,251	-10,287
Accumulated amortisation in previous periods	-15,922,931	-14,770,676	-105,772	-96,957
Impairment losses	-24,043	-34,390	-	-
Impairment losses in previous periods	-101,643	-67,410	-4,782	-4,782
	-17,102,609	-15,830,932	-123,805	-112,026
Carrying amount	22,773,716	20,523,100	206,054	137,492

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2015 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Cost							
Land and natural resources	129,589	447	-14,855	229	-12,128	-3,795	99,487
Buildings and other constructions	450,017	34,209	-49,918	61,976	-76,480	69,573	489,377
Plant and machinery	31,466,143	606,304	-53,169	1,188,347	100,797	1,786,618	35,095,040
Other	871,444	38,939	-16,255	81,542	3,182	1,557	980,409
Assets under construction	3,436,839	1,241,463	-73,567	-1,442,023	22,287	27,013	3,212,012
	36,354,032	1,921,362	-207,764	-109,929	37,658	1,880,966	39,876,325

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Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari- sations	Balance at 31 December
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	145,987	11,152	-7,285	-5,476	-16,606	5,361	133,133
Plant and machinery	14,977,971	1,001,391	-49,254	-17,517	54,813	240,854	16,208,258
Other	702,942	65,492	-15,104	-129	2,797	1,188	757,186
	<u>15,830,932</u>	<u>1,078,035</u>	<u>-71,643</u>	<u>-23,122</u>	<u>41,004</u>	<u>247,403</u>	<u>17,102,609</u>

Assets under construction are analysed as follows:

Thousands of Euros	Dec 2015	Dec 2014
Solar photovoltaic plants in Europe	-	223,161
Wind farms in USA	698,693	559,853
Wind Farms in Europe	335,292	314,615
Hydric Portugal	1,755,399	1,910,126
Other assets under construction	422,628	429,084
	<u>3,212,012</u>	<u>3,436,839</u>

The capitalised costs for Property, plant and equipment for the period, except Land and natural resources, are as follows:

Thousands of Euros	Dec 2015	Dec 2014
Subcontracts and other materials	1,333,629	1,254,870
Purchase price allocation (see note 53)	401,155	-
Lease contract of Porto headquarters	31,867	-
Dismantling and decommissioning costs (see note 37)	15,966	67,627
Personnel costs (see note 9)	62,942	64,517
Borrowing costs (see note 13)	75,356	157,748
	<u>1,920,915</u>	<u>1,544,762</u>

As at 31 December 2015, the expected entry into operation, the accumulated capitalised costs and the commitments for the principal hydroelectric investments, are as follows:

Thousands of Euros	Expected entry into operation	Capitalised costs	Commitments
Baixo Sabor	1st Quarter 2016	659,318	12,975
Foz Tua	1st Semester 2017	368,534	67,181
Venda Nova III	1st Semester 2016	394,085	17,463
Salamonde II	January 2016	236,266	2,230
		<u>1,658,203</u>	<u>99,849</u>

The entry into operation of hydroelectric investments depends, in some cases, of external factors to EDP Group, namely the water levels in reservoirs for tests to be performed. At the date of preparation of the financial statements, Salamonde II had already entry into operation.

Additions include the investment in wind farms by the subgroups EDPR NA, EDPR EU, EDPR BR and EDPR Poland. In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power plants and power enhancement projects (Baixo Sabor, Foz Tua, Venda Nova III and Salamonde II).

Charge/Impairment losses includes 26,491 thousands of Euros related with impairments in wind farms in the subgroup EDPR Romania (see note 12).

Disposals/Write-offs includes 67,456 thousands of Euros disaggregated in: (i) 41,423 thousands of Euros related to the abandonment of ongoing projects in EDPR NA; (ii) 20,638 thousands of Euros related to the abandonment of ongoing projects in EDPR EU; and (iii) 5,395 thousands of Euros, due to damage in the met mast of the offshore wind park held by Moray (see note 10).

Transfers includes generation assets which were classified as assets held for sale of Brazil in the amount of 23,656 thousands of Euros (88,159 thousands of Reais) and of Poland in the amount of 63,151 thousands of Euros (264,253 thousands of Zlotys) (see note 42). In relation to Transfers from assets under construction into operation, the amount refers mainly to solar and wind farms of EDP Renováveis that become operational in Romania, United States of America, Poland, France, Spain and Italy and to the entry into operation of the Baixo Sabor downstream hydroelectric plant and the Ribeiradio-Ermida hydroelectric plant.

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Perimeter Variations/Regularisations includes: (i) the impact of the acquisition of 50% of the share capital of Porto do Pecém (see note 53), in the net amount of 1,042,797 thousands of Euros (3,358,535 thousands of Reais); (ii) the impact of the consolidation of new wind farms in EDP Group as a result of the ENEOP consortium's deal (see note 5), in the net amount of 594,492 thousands of Euros. Additionally, additions include the effect of the revaluation of these assets of Porto do Pecém amounting to 151,484 thousands of Euros (560,275 thousands of Reais) and ENEOP of 249,671 thousands of Euros (see note 53).

The movement in Exchange differences in the period results mainly from the net effect of the depreciation of Brazilian Real (BRL) and the appreciation of US Dollar (USD), against the Euro during 2015.

As at 31 December 2015, the Group has an agreement in place, which constitutes a financial lease as defined by IFRIC 4, which net value of the assets allocated amounts to 19,562 thousands of Euros (31 December 2014: 20,961 thousands of Euros).

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2014 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Cost							
Land and natural resources	149,857	881	-1,672	-1,828	1,797	-19,446	129,589
Buildings and other constructions	471,276	520	-7,968	-17,854	3,865	178	450,017
Plant and machinery	30,116,979	80,454	-97,827	556,834	740,328	69,375	31,466,143
Other	808,591	23,301	-13,911	50,407	4,725	-1,669	871,444
Assets under construction	2,789,402	1,440,487	-5,210	-852,647	59,509	5,298	3,436,839
	34,336,105	1,545,643	-126,588	-265,088	810,224	53,736	36,354,032

Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	153,937	10,678	-6,367	-13,699	1,333	105	145,987
Plant and machinery	14,073,226	918,933	-92,390	-100,812	160,482	18,532	14,977,971
Other	650,811	63,235	-12,616	-731	3,443	-1,200	702,942
	14,882,006	992,846	-111,373	-115,242	165,258	17,437	15,830,932

Additions include the investment in wind farms by the subgroups EDPR EU and EDPR NA. Additionally, the EDPR EU subgroup carried out investments related with the construction of the solar photovoltaic plants in Romania. In Portugal, the additions relate to hydroelectric investments in the construction of several new power plants and power enhancement projects (Baixo Sabor, Foz Tua, Ribeiradio-Ermida, Venda Nova III and Salamonde II).

Charge / Impairment losses includes 12,810 thousands of Euros on Alvito hydroelectric and 15,571 thousands of Euros as a result of impairments on assets of wind farms in Romania (see note 12).

Transfers from assets under construction into operation, refer mainly to wind and solar farms of EDP Renováveis that become operational in Poland, Italy, France, United States of America and Canada. Additionally, this caption includes the transfer to Investment property in the net amount of 8,188 thousands of Euros (see note 22) and the Naturgas's gas distribution assets transfer to held for sale in the net amount of 141,659 thousands of Euros (see note 42).

The movement in Exchange differences in the year results mainly from the appreciation of Brazilian Real (BRL) and US Dollar (USD) against the Euro during 2014.

As at 31 December 2015, Property, plant and equipment financed through lease contracts for the Group, amount to 15,319 thousands of Euros (14,249 thousands of Euros at 31 December 2014), with accumulated depreciation of 7,083 thousands of Euros (6,499 thousands of Euros at 31 December 2014) and the respective future lease payments amount to 7,734 thousands of Euros (7,316 thousands of Euros at 31 December 2014). Property, plant and equipment financed by leasing contracts is detailed as follows:

Thousands of Euros	Dec 2015			Dec 2014		
	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	3,340	213	3,553	2,937	270	3,207
Between one and three years	3,777	136	3,913	3,533	198	3,731
Between three and five years	263	5	268	368	10	378
	7,380	354	7,734	6,838	478	7,316

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During 2015, the costs incurred with these assets amounted to 705 thousands of Euros (31 December 2014: 643 thousands of Euros) and are booked in the income statement under Supplies and services.

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2015 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 31 December
Cost						
Land and natural resources	24,130	-	-288	-	35	23,877
Buildings and other constructions	16,536	31,867	-247	66,255	-	114,411
Other	126,942	21,955	-1,473	29,079	-	176,503
Assets under construction	81,910	28,492	-	-95,334	-	15,068
	<u>249,518</u>	<u>82,314</u>	<u>-2,008</u>	<u>-</u>	<u>35</u>	<u>329,859</u>

Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 31 December
Accumulated amortisation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	15,052	135	-247	-	-	14,940
Other	92,942	13,116	-1,225	-	-	104,833
	<u>112,026</u>	<u>13,251</u>	<u>-1,472</u>	<u>-</u>	<u>-</u>	<u>123,805</u>

Additions of buildings and other constructions regards to the Porto building headquarters, subject to a lease contract for a period of 25 years with the EDP Pension Fund (see note 40).

Additionally, additions include the investment in the new Lisbon building headquarters in the amount of 21,159 thousands of Euros (31 December 2014: 35,232 thousands of Euros). In 2015, Transfers of assets under construction to Buildings and other constructions relates with the new EDP Group headquarter in Lisbon.

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2014 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 31 December
Cost						
Land and natural resources	60,148	-	-19,660	-16,358	-	24,130
Buildings and other constructions	85,393	-	-1,671	-67,249	63	16,536
Other	117,692	7,089	-707	1,854	1,014	126,942
Assets under construction	45,402	42,261	-345	-5,408	-	81,910
	<u>308,635</u>	<u>49,350</u>	<u>-22,383</u>	<u>-87,161</u>	<u>1,077</u>	<u>249,518</u>

Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 31 December
Accumulated amortisation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	22,445	239	-1,124	-6,574	66	15,052
Other	83,555	10,048	-550	-1,074	963	92,942
	<u>110,032</u>	<u>10,287</u>	<u>-1,674</u>	<u>-7,648</u>	<u>1,029</u>	<u>112,026</u>

Transfers refers to Investment Property.

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As at 31 December 2015 and for the Company, the Property, plant and equipment financed by leasing contracts amount to 4,065 thousands of Euros (3,785 thousands of Euros at 31 December 2014), with accumulated depreciation of 1,841 thousands of Euros (1,978 thousands of Euros at 31 December 2014) and the respective future lease payments amount to 2,086 thousands of Euros (1,605 thousands of Euros at 31 December 2014). Property, plant and equipment financed by leasing contracts is detailed as follows:

Thousands of Euros	Dec 2015			Dec 2014		
	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	921	52	973	718	61	779
Between one and three years	999	32	1,031	735	39	774
Between three and five years	81	1	82	51	1	52
	2,001	85	2,086	1,504	101	1,605

During 2015, the costs incurred related to these assets amount to 162 thousands of Euros (185 thousands of Euros as at 31 December 2014) and are booked under Supplies and services in the income statement.

17. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Cost		
Concession rights	14,808,407	15,168,856
CO2 licences	142,509	162,389
Other intangibles	243,879	197,272
Intangible assets in progress	560,553	518,679
	15,755,348	16,047,196
Accumulated amortisation and impairment losses		
Amortisation of concession rights	-384,442	-402,347
Amortisation of other intangibles	-3,283	-3,409
Accumulated amortisation in previous periods	-9,803,051	-9,803,054
Impairment losses	-14,780	-25,360
Impairment losses in previous periods	-25,158	-
	-10,230,714	-10,234,170
Carrying amount	5,524,634	5,813,026

The concession rights over the electricity distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the natural gas distribution network (Portgás), being amortised on a straight-line basis over the concession period, until 2047, as well as the concession of the public hydric domain for hydroelectric generation (EDP Produção and Hidroeléctrica do Guadiana), which useful life currently does not exceed 75 years.

The concession rights over electricity production in Brazil, namely for Lajeado Energia and Investco, are amortised on a straight-line basis over the concession period, until 2032.

The movements in Intangible assets during 2015, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Cost							
Concession rights:							
- Distribution and generation Brazil	1,085,306	28,891	-	-866	-98,968	-971	1,013,392
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,419,622	366	-	-	-	-	1,419,988
CO2 licences	162,389	128,620	-135,475	-13,025	-	-	142,509
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,525,574	373	-40,307	229,790	-479,297	540	12,236,673
- Intangible assets in progress	107,335	372,580	-1,193	-337,487	-6,618	26	134,643
Other intangibles	197,272	21,618	114	300	7,218	17,357	243,879
Other intangible in progress	411,344	10,653	-1,438	-1,724	-4,536	11,611	425,910
	16,047,196	563,101	-178,299	-123,012	-582,201	28,563	15,755,348

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Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 December
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	547,862	51,147	-	-260	-32,921	-78	565,750
- Gas Portugal	34,589	3,144	-	-	-	-	37,733
- Hydric Portugal	302,825	42,377	-	-	-	-	345,202
Assigned to concessions (IFRIC 12)	9,288,159	302,554	-36,579	-	-339,655	532	9,215,011
Other intangibles	60,735	3,283	-16	-126	-303	3,445	67,018
	10,234,170	402,505	-36,595	-386	-372,879	3,899	10,230,714

The contracts assigned to concessions (IFRIC 12) that currently exist in EDP Group fall within the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil, as referred in the note 2 aa).

Additions of CO2 Licences include 125,889 thousands of Euros of licences purchased in the market for own consumption and 2,731 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The disposals/write-off of CO2 licences correspond to the licences consumed during 2014 and delivered to regulatory authorities. The amount booked in Transfers is relate to the CO2 licenses transferred to Inventories (trading portfolio), in the amount of 13,025 thousands of Euros, as a result of allocation of licenses initially held for consume, in order to cover the need for CO2 licenses arising from consumptions (own use).

Charge/Impairment losses includes an impairment loss of 14,780 thousands of Euros in concession rights of Escelsa - Espírito Santo Centrais Electricas, S.A., mainly related with the devaluation of the Brazilian Real during 2015 (see note 12).

The caption Other intangible in progress, includes the concession rights of hydric projects in Portugal namely Fridão and Foz Tua, in the amount of 287,343 thousands of Euros (31 December 2014: 287,343 thousands of Euros) and 87,974 thousands of Euros (31 December 2014: 86,025 thousands of Euros), respectively.

In relation to Transfers from assets under construction into operation, the amount includes the transfers of intangible assets in progress assigned to concessions of 107,697 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 26). Additionally, includes the transfer of the generation assets which were classified as assets held for sale in Brazil in the amount of 1,904 thousands of Euros (6,366 thousands of Reais) (see note 42).

The caption Other intangibles include 100,987 thousands of Euros (31 December 2014: 91,359 thousands of Euros) related to wind generation licenses of EDPR NA Group and 55,990 thousands of Euros related with deferred green certificates in Romania (31 December 2014: 37,426 thousands of Euros).

Perimeter Variations/Regularisations of Other intangibles includes: (i) the impact of the acquisition of 50% of the share capital of Porto do Pecém (see note 5), in the net amount of 817 thousands of Euros (2,632 thousands of Reais); and (ii) the effect of ENEOP consortium's asset division decided by the consortium members which results in an impact of 22,436 thousands of Euros with the introduction of new wind farms in EDP Group (see note 53). Additionally, additions includes the fair value recognition of the authorization agreement for energy production of Porto do Pecém thermoelectric power station in the amount of 29,182 thousands of Euros (107,933 thousands of Reais) under the purchase price allocation process at fair value of identifiable assets and liabilities, to be amortized until 2043 (see note 53).

The capitalised costs of the period related to construction of intangible assets are included in own work capitalized in notes 6, 9 and 13.

The movements in Intangible assets during the period ended 31 December 2014, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 December
Cost							
Concession rights:							
- Distribution and generation Brazil	1,079,171	1,958	-	-	4,177	-	1,085,306
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,418,998	624	-	-	-	-	1,419,622
CO2 licences	235,435	47,319	-120,365	-	-	-	162,389
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,370,174	340	-190,865	363,856	23,320	-41,251	12,525,574
- Intangible assets in progress	175,055	412,893	-7,719	-485,363	2,574	9,895	107,335
Other intangibles	158,218	29,627	-65	-1,177	10,535	134	197,272
Other intangible in progress	405,138	11,664	-251	-365	173	-5,015	411,344
	15,980,543	504,425	-319,265	-123,049	40,779	-36,237	16,047,196

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Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 December
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	509,178	37,891	-	-	793	-	547,862
- Gas Portugal	31,444	3,145	-	-	-	-	34,589
- Hydric Portugal	260,459	42,366	-	-	-	-	302,825
Assigned to concessions (IFRIC 12)	9,129,664	318,945	-174,563	-	17,088	-2,975	9,288,159
Other intangibles	31,996	28,769	-50	-112	1,083	-951	60,735
	9,962,741	431,116	-174,613	-112	18,964	-3,926	10,234,170

Additions of CO2 Licences include 14,703 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 32,616 thousands of Euros of licences purchased at market for own consumption. The disposals / write-off of CO2 licences include licences consumed during 2013 and delivered to regulatory authorities in the amount of 119,509 thousands of Euros.

The additions of Other intangibles includes the recognition of rights related to deferred green certificates in Romania in the amount of 24,885 thousands of Euros.

Charge / Impairment losses includes 13,926 thousands of Euros related to impairments on Alvito hydroelectric plant and 11,434 thousands of Euros related to green certificates in Romania (see note 12).

Transfers include the net transfers of intangible assets in progress assigned to concessions of 121,507 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 26), the remaining amounts relate to Naturgas gas distribution assets transfer to held for sale (see note 42).

18. GOODWILL

Goodwill for the Group, resulting from the difference between the acquisition value and the corresponding share of the fair value of the assets acquired, at the acquisition date, is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
HC Energia Group	1,940,712	1,940,712
EDP Renováveis Group	1,361,305	1,287,004
EDP Brasil Group	46,053	53,052
Other	40,518	40,518
	3,388,588	3,321,286

The movements in Goodwill during the period ended 31 December 2015, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 31 December
HC Energia Group	1,940,712	-	-	-	-	1,940,712
EDP Renováveis Group	1,287,004	3,346	-2,000	-170	73,125	1,361,305
EDP Brasil Group	53,052	10,495	-723	-11,955	-4,816	46,053
Other	40,518	-	-	-	-	40,518
	3,321,286	13,841	-2,723	-12,125	68,309	3,388,588

The movements in Goodwill during the period ended 31 December 2014, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 31 December
HC Energia Group	1,946,935	1,090	-7,313	-	-	1,940,712
EDP Renováveis Group	1,212,787	823	-2,587	-278	76,259	1,287,004
EDP Brasil Group	52,904	-	-	-	148	53,052
Other	40,518	-	-	-	-	40,518
	3,253,144	1,913	-9,900	-278	76,407	3,321,286

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HC Energia Group

The goodwill held in HC Energia Group is analysed as follows:

Thousands of Euros	HC Energia Group	
	Dec 2015	Dec 2014
Liberalised activities	592,487	592,487
Regulated networks	1,348,225	1,348,225
	1,940,712	1,940,712

EDP Renováveis Group

The goodwill held in EDP Renováveis Group is analysed as follows:

Thousands of Euros	EDP Renováveis Group	
	Dec 2015	Dec 2014
Goodwill in EDPR Europe Group	635,576	634,399
Goodwill in EDPR North America Group	724,813	651,264
Other	916	1,341
	1,361,305	1,287,004

EDPR Europe Group

During 2015, EDPR Europe Group presents a decrease in goodwill movement in the amount of 2,000 thousands of Euros and an increase in the amount of 2,499 thousands of Euros both related with the contingent price revision under the purchase agreements of three projects in EDPR Spain and several projects in EDPR Poland, respectively. These contracts were signed before 1 January 2010, date of the adoption of the revised IFRS 3 as mentioned in the accounting policy 2 b).

During 2015, EDPR Europe Group acquired 100% of Stirlingpower, Unipessoal Lda (see note 5) by 798 thousands of Euros, which generated a goodwill of 797 thousands of Euros.

The decrease in goodwill movement in EDPR Europe Group in 2014 is related with the cancellation of the success fee associated to a project in EDPR France.

During 2014, EDPR Europe acquired 100% of Wincap, S.R.L. and Radziejów Wind Farm Sp. ZO.O. by 2,085 thousands of Euros, which generated a goodwill of 651 thousands of Euros.

EDPR North America Group

The goodwill movement in EDPR North America relates with the appreciation of the US Dollar against the Euro.

EDP Brasil Group

On 31 December 2015 the goodwill related to the company Pantanal Energética Ltda was reclassified to non-current assets held for sale in the amount of 723 thousands of Euros (see note 42). Additionally, EDP GRID Gestão de Redes Inteligentes de Distribuição S.A. acquired 100% of APS Soluções em Energia S.A. (see note 5) by 11,995 thousands of Euros, from which 3,784 thousands of Euros were received on 7 December 2015 and the remaining 8,211 thousands of Euros will be received in the next five years, if all clauses established under the sell and purchase agreement are met. This acquisition generated a goodwill of 10,495 thousands of Euros.

In the context of impairment tests, an impairment of goodwill of Escelsa - Espírito Santo Centrais Electricas S.A., essentially relates to the depreciation of the Brazilian Real during the year of 2015 (see the Goodwill impairment test analysis – EDP Group and note 12).

Goodwill impairment test analysis – EDP Group

The recoverable amount of the goodwill in subsidiaries is assessed annually, as at 30 September, independently of the existence of any indicators of impairment. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

The EDP Group is composed by a significant number of subsidiaries in several locations, as mentioned in its consolidation perimeter. Therefore, the impairment tests at subgroup level are carried out for each cash generating unit (CGU) identified in each country where the EDP Group develops its activities, namely:

- HC Energia - Distribution, Generation & Supply of electricity;
- HC Energia (including NG Energia Group) - Distribution & Supply of gas;
- EDPR Europe – Renewable generation;
- EDPR North America and EDPR Brasil - Renewable generation;
- EDP Brasil - Generation, Distribution and Supply of electricity.

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At EDP Group level, these cash generating units are subsequently aggregated by business units, ensuring however that goodwill impairment analysis does not exceed a business segment.

For the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments by each cash generating unit, being presented by aggregation in each business units after the impairment tests carried out at each subgroup/cash generating unit.

Goodwill impairment test analysis – HC Energia Group (including NG Energia)

The discount rates after taxes used by the Group in the impairment test analysis range between 4.5% and 5.5% (2014: between 4.7% and 5.8% respectively).

Regarding to generation business, the evaluation of the assets (power plants) considers a portfolio logic based in the future cash flow projection of the remaining useful life. In the electricity and gas transmission business the cash flow projection period considers the perpetuity of the business as assets are operating under a license with no foreseen end date.

The main assumptions on which impairment tests are based are as follows:

- In the generation business, the estimated energy produced by the power plants: consider the best estimate of future market demand and total installed capacity;
- Prices of electricity, gas and coal were defined considering the market expectations regarding future price curves and considering the regulation in force. For gas and coal prices were also used the contracted prices for future long term purchases, namely the acquisition contracts for gas;
- Investment costs: the best available estimates of the future investments were used in order to guarantee a regular use of existing assets, as well as the estimates that resulted from legislative changes;
- Operating costs: operating costs were projected consistent with the company's historical experience and internal models;
- In the regulated business, namely distribution of electricity and gas, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates. In generation, the elimination of generation taxes has been considered from 2021 onwards and capacity payments have been considered from 2023 onwards;
- The projections for the generation and electricity distribution businesses are based on the long-term estimates of the various assumptions used in the analysis. Regarding the supply of electricity and gas businesses, long-term projections were extrapolated using growth rates that evolve at inflation rate;
- Discount rate: the discount rates used reflect EDP Group's best estimate regarding the specific risks associated to each CGU.

The Group has performed a series of sensitivity analyses to the results of impairment tests in some key variables, such as (i) cost of fuel and respectively pool price, (ii) alternative case with a less favorable regulatory context and (iii) discount rates. The sensitivity analysis results show that (i) a decrease of 5% in the cost of fuel accompanied by the expected impact in the pool prices and operation hours of the generation assets or (ii) alternative case with a less favorable regulatory context or (iii) an increase of 100 bps on the discount rate do not result in any impairment indicators.

Goodwill impairment test analysis – EDP Renováveis

The future cash flows projection used is the useful life of the assets (25 years) which is consistent with the current depreciation method. This projection also incorporate the long-term energy sale contracts in place and long-term estimates of energy prices, for the asset with market exposure.

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The main assumptions used for the impairment tests are as follows:

- Power produced: net capacity factors used for each CGU utilize the wind studies carried out, which takes into account the long-term predictability of wind output and that wind generation is supported in nearly all countries by regulatory mechanisms that allow for production and priority dispatching whenever weather conditions permit;
- Electricity remuneration: regulated or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output during all or part of their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data references;
- New capacity: tests were based on the best information available on the wind farms expected to be built in coming years, adjusted by probability of success and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections. The tests considered the contracted and expected prices to buy turbines from various suppliers;
- Operating costs: established contracts for land leases and maintenance agreements were used. Other operating costs were projected consistent with the company's experience and internal models;
- Terminal value: considered as a 15% of the initial investment in each wind farm, considering inflation; and
- Discount rate: the discount rates post-tax used reflect EDP Group's best estimate of the risks specific to each CGU and range as follows:

	2015	2014
Europe	3.8% - 6.0%	4.0% - 6.4%
United States of America	4.5% - 6.6%	5.1% - 7.1%
Brazil	9.6% - 11.7%	8.6% - 10.3%

Impairment tests were performed taking into account the regulation changes in each country, as disclosed in note 1.

A series of sensitivity analysis were performed on the results of impairment tests namely in some of the key variables, such as:

- 5% reduction of Merchant Prices used in the case base. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country, except for Romania amounting to 9,392 thousands of Euros, corresponding to the total amount of goodwill in the geography;
- 100 basis points increase of the discount rate used in case base. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country, except for Romania amounting to 9,392 thousands of Euros.

Goodwill impairment test analysis – EDP Brasil Group

For EDP Brasil, the cash flows were determined based on the production and consumption volume and estimated tariffs and installed capacity and tariff evolution prospects in the different markets/power purchase agreements. The period considered for the cash flows corresponds to the useful life of the plant & machinery and other relevant equipments or until the end of the concession contracts, if lower than the useful life.

The discount rates used reflect the specific risks for each activities: 8.8% in generation, 9.8% to 10.3% in distribution and 10.3% in supply (2014: 7.8%, 8.9% and 9.3% respectively).

The terminal value of the generation business corresponds to the present value of the assets at the end of the concession period (Regulatory Asset Base). In the supply business, it is considered the perpetuity of the business.

An impairment of goodwill of Escelsa - Espírito Santo Centrais Elétricas, S.A. was booked in the amount of 11,955 thousands of Euros (corresponding to the total amount of goodwill). Given this goodwill was booked in the currency Euro, this impairment resulted mainly due to Brazilian Real depreciation during 2015.

A sensitivity analysis increasing 100 basis points in the discount rate used has not determined the existence of impairment indicators for goodwill and concession rights in any other subsidiary of EDP Brasil, except for Escelsa, in which it leads to an additional impairment loss of concession rights in the amount of 24 millions of Euros.

For generation companies, the following sensitivity analysis have been performed: (i) a GSF increase of 100 basis points; (ii) a PLD change of 10 Brazilian Reals; and (iii) an increase of 100 basis points in inflation rate. These sensitivity analysis have not determined any existence of impairment in goodwill or concession rights.

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For distribution companies, the following sensitivity analysis have also been performed: (i) an increase of 50 basis points in the efficiency factor demanded by the Regulator (X Factor); and (ii) an increase of 5% in the operating costs component ("glosa") of the remuneratory base for all forecast periods. These sensitivity analysis have not determined any existence of impairment in goodwill.

19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

Thousands of Euros	Company	
	Dec 2015	Dec 2014
Acquisition cost	11,982,481	11,047,079
Effect of equity method (transition to IFRS)	-785,593	-785,593
Equity investments in subsidiaries	11,196,888	10,261,486
Impairment losses on equity investments in subsidiaries	-231,308	-224,517
	10,965,580	10,036,969

On the date of transition to IFRS, EDP, S.A. ceased to apply the equity method of accounting to its investments in its unconsolidated financial statements, having considered this method in the determination of the deemed cost at transition date.

Investments in subsidiaries are analysed as follows:

Thousands of Euros	Company	
	Dec 2015	Dec 2014
	Net amount	Net amount
Investments in subsidiaries:		
EDP Renováveis, S.A.	3,854,811	2,939,889
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
Hidroeléctrica del Cantábrico, S.A.	2,105,002	2,093,601
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Servicios Financieros España, S.A.	482,695	482,695
EDP Comercial, S.A.	299,073	299,073
EDP International Investments and Services, S.L.	281,854	281,854
Other	99,946	97,658
	10,965,580	10,036,969

The variation in the caption Investments in subsidiaries on a company basis results essentially from: (i) the acquisition of the remaining 15% of EDP Renováveis S.A. from Hidroeléctrica del Cantábrico S.A.U. in the amount of 914,922 thousands of Euros; and (ii) the acquisition of the treasury stock (0.26%) of Hidroeléctrica del Cantábrico S.A., becoming a single-member company and thus changing its name to Hidroeléctrica del Cantábrico S.A.U. in the amount of 11,401 thousands of Euros.

20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Investments in joint ventures	615,223	748,750	6,597	6,595
Investments in associates	48,788	124,224	-	-
	664,011	872,974	6,597	6,595

As at 31 December 2015, for the Group, this caption includes goodwill in investments in joint ventures of 42,730 thousands of Euros (31 December 2014: 42,730 thousands of Euros) and goodwill in investments in associates of 9,248 thousands of Euros (31 December 2014: 36,900 thousands of Euros).

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The movement in Investments in joint ventures and associates, for the Group, is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Balance as at 1 January	872,974	645,421
Acquisitions/Entries	3,002	117,585
Fair value adjustments	-	118,877
Increases/Decreases of share capital	74,912	65,220
Disposals	-256,812	-80,899
Share of profit of joint ventures and associates	-23,899	15,094
Dividends	-21,645	-33,783
Exchange differences	11,932	27,458
Hedging reserve in joint ventures and associates	3,863	-2,184
Others	-316	185
Balance as at 31 December	664,011	872,974

The movement in Investments in joint ventures is mainly explained by the change in the consolidation method of Porto do Pecém (negative impact in the amount of 163,400 thousands of Euros), which began to be fully consolidated after the acquisition of the remaining share capital, and by the capital increases in Empresa de Energia Cachoeira Caldeirão, S.A. and Empresa de Energia São Manoel S.A. in the total amount of 64,665 thousands of Euros.

The movement in Investments in associates is mainly explained by the transfer of the investment in Inch Cape Offshore Limited to assets held for sale in the amount of 14,433 thousands of Euros (see note 42), by the end of equity method of the ENEOP consortium in the amount of 44,107 thousands of Euros (see note 5 and 53) and by the sale of Setgás - Sociedade de Distribuição de Gás Natural, S.A. e da Setgás Comercialização, S.A. in the amount of 37,655 thousands of Euros (see note 5).

As at 31 December 2014, the Fair value adjustments line refers to the revaluation of share of capital held in Companhia Energética do Jari, in EDP ASIA - Investimento e Consultadoria, Lda and in Empresa de Energia Cachoeira Caldeirão S.A., companies sold with loss of control. These sales with loss of control led to entries of these companies as joint ventures, which essentially justifies the value in the Acquisitions/Entries line.

The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2015:

Thousands of Euros	Jari Group	Energia Cachoeira Caldeirão	Energia São Manoel	Flat Rock Windpower II	Flat Rock Windpower
Companies' financial information of joint ventures					
Non-Current Assets	410,550	306,821	356,437	121,644	301,415
Current Assets	35,735	9,286	11,217	393	4,631
Cash and cash equivalents	17,311	9,258	11,100	104	2,557
Total Equity	112,768	141,536	71,738	120,202	301,530
Long term Financial debt	223,213	117,093	-	-	-
Non-Current Liabilities	279,460	119,353	18,506	1,420	3,737
Short term Financial debt	42,353	1,253	258,986	-	-
Current Liabilities	54,057	55,218	277,410	415	779
Revenues	57,712	-	-	5,437	25,791
Fixed and intangible assets amortisations	-14,136	-	-	-7,339	-21,479
Other financial expenses	-32,876	-2,564	-8,719	-64	-213
Income tax expense	914	1,656	689	-	-
Net profit for the period	-8,892	-3,214	-1,338	-6,116	-8,834
Amounts proportionally attributed to EDP Group					
Net assets	101,600	71,163	23,913	60,101	150,765
Goodwill	-	-	-	-	-
Dividends paid	-	-	-	747	5,293

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Thousands of Euros	Flat Rock Windpower II	Flat Rock Windpower	Bioelétrica Group	CIDE HC Energia	EDP Asia Group	Others
Companies' financial information of joint ventures						
Non-Current Assets	115,477	289,039	133,424	1,776	80,883	77,170
Current Assets	869	4,392	9,397	47,046	-	23,889
Cash and cash equivalents	534	2,525	3,506	10	-	14,816
Total Equity	115,012	290,048	17,533	1,550	80,883	25,149
Long term Financial debt	-	-	72,018	-	-	47,098
Non-Current Liabilities	1,215	3,156	80,778	1,174	-	55,637
Short term Financial debt	-	-	9,798	732	-	6,815
Current Liabilities	119	227	44,510	46,098	-	20,273
Revenues	8,392	31,488	49,355	232,498	-	25,136
Fixed and intangible assets amortisations	-6,165	-18,206	-9,457	-24	-	-6,931
Other financial expenses	-57	-147	-1,940	-540	-5	-1,856
Income tax expense	-	-	-1,759	-1,770	-	572
Net profit for the period	-1,345	2,403	3,941	3,760	13,321	-1,511
Amounts proportionally attributed to EDP Group						
Net assets	57,506	145,024	8,766	775	96,170	29,264
Goodwill	-	-	-	-	-	3,172
Dividends paid	2,813	11,689	-	-	-	737

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2015:

Thousands of Euros	D.E. de Canárias	Les Eoliennes en Mer Noirmoutier	Parque Eólico Belmonte	Parque Eólico Madero	Principle Power Inc.	Outras
Companies' financial information of associates						
Non-Current Assets	2,860	16,614	21,936	53,199	19,993	86,789
Current Assets	1,571	6,334	1,187	6,874	4,140	53,515
Total Equity	3,855	16,125	4,494	23,531	20,015	58,994
Non-Current Liabilities	314	-	4,544	1,883	3,416	47,932
Current Liabilities	262	6,823	14,086	34,659	702	33,377
Revenues	2,638	-	3,933	10,146	6,941	63,046
Net profit for the period	824	-636	275	1,623	-2,849	-10,637
Amounts proportionally attributed to EDP Group						
Net assets	8,204	6,934	3,069	9,883	6,223	14,475
Goodwill	6,479	-	1,725	-	1,018	26
Dividends paid	191	-	-	-	-	2,263

Others include companies with financial statements as of 31 December 2015, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2015, because the accounts of 31 December 2015 were not timely approved.

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2014:

Thousands of Euros	SETGAS	ENEOP Eólicas de Portugal	Seenergy Renewables Inch-Cape	Others
Companies' financial information of associates				
Non-Current Assets	168,922	1,296,820	46,688	206,369
Current Assets	15,554	365,479	2,662	74,363
Total Equity	72,117	98,056	-3,228	110,347
Non-Current Liabilities	75,143	1,399,319	46,169	69,666
Current Liabilities	37,216	164,923	6,408	100,604
Revenues	27,501	212,687	-	100,169
Net profit for the period	5,475	36,167	-1,201	-12,493
Amounts proportionally attributed to EDP Group				
Net assets	35,135	35,261	14,190	39,638
Goodwill	11,986	-	15,772	9,142
Dividends paid	1,157	-	-	14,887

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Others include companies with financial statements as of 31 December 2014, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2014, because the accounts of 31 December 2014 were not timely approved.

As at 31 December 2015, the significant companies' financial information of joint ventures and associates presents the following fair value reconciliation of net assets proportionally attributed to EDP Group:

Thousands of Euros	Equity	% EM	Fair Value Adjustments	Goodwill	Others	Net Assets
Companhia Energética do JARI	112,768	50.00%	45,216	-	-	101,600
Empresa de Energia Cachoeira Caldeirão S.A.	141,536	50.00%	395	-	-	71,163
Empresa de Energia São Manoel S.A.	71,738	33.33%	-	-	-	23,913
Flat Rock Windpower II LLC	120,202	50.00%	-	-	-	60,101
Flat Rock Windpower LLC	301,530	50.00%	-	-	-	150,765
Compañía Eólica Aragonesa, S.A.	105,421	50.00%	9,135	-	-	61,846
EDP Produção Bioelétrica, S.A.	22,353	50.00%	-	-	-	11,177
CIDE HC Energia, S.A.	3,412	50.00%	-	-	-81	1,625
EDP ASIA - Investimento e Consultadoria, Lda	95,219	50.00%	56,544	-	-	104,154
Desarrollos Eolicos de Canarias, S.A.	3,855	44.75%	-	6,479	-	8,204
Les Eoliennes en Mer Iles d'Yeu Noirmoutier, SAS	16,125	43.00%	-	-	-	6,934
Parque Eólico de Belmonte, S.A.	4,494	29.90%	-	1,725	-	3,069
Parque Eólico Sierra del Madero S.A.	23,531	42.00%	-	-	-	9,883
Principle Power, Inc.	20,015	26.00%	-	1,018	-	6,223

As at 31 December 2014, the significant companies' financial information of joint ventures and associates presents the following fair value reconciliation of net assets proportionally attributed to EDP Group:

Thousands of Euros	Equity	% EM	Fair Value Adjustments	Goodwill	Others	Net Assets
Porto do Pecém Geração de Energia, S.A.	291,427	50.00%	-	-	-	145,714
Companhia Energética do Jari	161,179	50.00%	62,620	-	-85,142	58,068
ECE Participações, S.A.	170,284	50.00%	-	-	-	85,142
Energia Cachoeira Caldeirão, S.A.	110,271	50.00%	528	-	-	55,664
Energia São Manoel, S.A.	-850	33.40%	-	-	284	-
Compañía Eólica Aragonesa, S.A.	108,144	50.00%	12,585	-	-	66,657
Flat Rock Windpower II, L.L.C.	115,012	50.00%	-	-	-	57,506
Flat Rock Windpower, L.L.C.	290,048	50.00%	-	-	-	145,024
EDP Produção Bioelétrica, S.A.	17,533	50.00%	-	-	-	8,766
CIDE HC Energia, S.A.	1,550	50.00%	-	-	-	775
EDP ASIA - Investimento e Consultadoria, Lda	80,883	50.00%	55,728	-	-	96,170
SETGAS - Soc. de Prod. e Dist. de Gás, S.A.	72,117	33.05%	11,300	-	-	35,135
ENEOP - Eólicas de Portugal, S.A.	98,056	35.96%	-	-	-	35,261
Inch Cape Offshore Limited	-3,228	49.00%	-	15,772	-	14,190

Operating and real guarantees granted by joint ventures, included in the Group consolidated accounts under the equity method, are disclosed as follows:

Thousands of Euros	Dec 2015	Dec 2014
Operating guarantees		
Companhia Energética do Jari	-	6,097
Energia Cachoeira Caldeirão S.A.	3,474	6,644
Energia São Manoel S.A.	6,206	11,889
Others	920	1,747
	10,600	26,377
Real guarantees	-	24

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The commitments relating to short and medium-long term financial debt, future lease payments under operating leases and other purchase obligations of joint ventures included in the Group consolidated accounts under the equity method, as at 31 December 2015 and 2014, are disclosed by maturity as follows:

Thousands of Euros	Dec 2015				
	Capital outstanding by maturity				
	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 (inc. falling due interest)	495,070	148,773	92,666	55,619	198,012
Finance lease commitments	1,331	257	387	247	440
Operating lease commitments	20,663	2,289	2,819	2,814	12,741
Purchase obligations	638,286	172,347	253,216	24,400	188,323
	1,155,350	323,666	349,088	83,080	399,516

Thousands of Euros	Dec 2014				
	Capital outstanding by maturity				
	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 (inc. falling due interest)	1,005,043	136,881	207,486	227,468	433,208
Finance lease commitments	1,563	280	471	275	537
Operating lease commitments	25,000	1,754	3,380	2,995	16,871
Purchase obligations	1,172,001	402,184	416,248	173,348	180,221
	2,203,607	541,099	627,585	404,086	630,837

The summarised financial information for subsidiaries with material non-controlling interests, namely EDP Brasil and EDP Renováveis, as at 31 December 2015, are disclosed in the note 54 and Annexes I and II.

21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Banco Comercial Português, S.A.	53,276	71,434	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	51,920	44,949	51,920	44,949
Tejo Energia, S.A.	-	19,700	-	-
Zephyr Fund (Energia RE portfolio)	61,277	59,584	-	-
Others	33,733	28,790	1,759	1,977
	200,206	224,457	53,679	46,926

During the nine month period ended 30 September 2015, the market value of the financial investment held in BCP has decreased 24,247 thousands of Euros, which was recorded under fair value reserves (see note 32). As at 30 September 2015, following the decrease in BCP market value, an impairment loss in the amount of 21,987 thousands of Euros was booked under Other financial expenses (see note 13). In the last quarter of 2015 the BCP market value of the financial investment increased by 6,089 thousands of Euros, which was recorded under fair value reserves (see note 32).

During 2015, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 6,971 thousands of Euros being the increase booked against fair value reserves (see note 32).

On 6 November 2015, EDP Gestão da Produção de Energia, S.A. reached an agreement with Trust Energy, B.V. to sell its 11,11% financial investment held in Tejo Energia, S.A., which shall be concluded during the first semester of 2016. As at 31 December 2015, the financial investment of Tejo Energia, S.A. reevaluation to the transaction value led to a decrease in the amount of 2,486 thousands of Euros, which was booked against fair value reserves (see note 32). The fair value of the financial investment, in the amount of 17,214 thousands of Euros, was then reclassified into assets held for sale (see note 42).

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During 2015, Energia RE increased this participation by 1,000 thousands of Euros, therefore the investment increased by 693 thousands of Euros being the increase booked against fair value reserves (see note 32).

Under IFRS 13 (note 46), available for sale investments are classified into three levels of fair value: level 1 includes essentially financial investment held in Banco Comercial Português, S.A. and REN - Redes Energéticas Nacionais, SGPS, S.A. since they are indexed to market price; level 2 includes the fund of stocks and bonds held by Energia RE and level 3 covers all other available for sale investments.

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In 2015, the movements in Available-for-sale investments are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value	Other variations	Balance at 31 December
Banco Comercial Português	71,434	-	-	-21,987	3,829	-	53,276
REN - Redes Energéticas	44,949	-	-	-	6,971	-	51,920
Tejo Energia	19,700	-	-	-	-2,486	-17,214	-
Zephyr Fund (Energia RE portfolio)	59,584	1,000	-	-	693	-	61,277
Others	28,790	1,231	-905	-9	4,661	-35	33,733
	224,457	2,231	-905	-21,996	13,668	-17,249	200,206

In 2014, the movements in Available-for-sale investments are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value	Other variations	Balance at 31 December
Banco Comercial Português	65,790	44,973	-	-	-39,329	-	71,434
REN - Redes Energéticas	41,828	-	-	-	3,121	-	44,949
Tejo Energia	21,500	-	-	-	-1,800	-	19,700
Zephyr Fund (Energia RE portfolio)	53,751	3,000	-	-	2,833	-	59,584
Others	29,614	1,451	-168	-2,339	283	-51	28,790
	212,483	49,424	-168	-2,339	-34,892	-51	224,457

Available-for-sale investments are booked at fair value being the changes since the date of acquisition, net of impairment losses, recorded against fair value reserves (see note 32). The fair value reserve attributable to the Group is analysed as follows:

Thousands of Euros	Dec 2015	Dec 2014
Banco Comercial Português, S.A.	6,089	2,260
REN - Redes Energéticas Nacionais, SGPS, S.A.	26,100	19,129
Tejo Energia, S.A.	10,859	13,345
Zephyr Fund (Energia RE portfolio)	6,907	6,214
Others	11,610	6,029
	61,565	46,977

In addition in 2015, the variation in fair value of the available-for-sale investments includes the positive amount of 122 thousands of Euros attributable to non-controlling interests. The fair value reserve of the EDP Group also includes the positive variation of 1,042 thousands of Euros related to an increase of the share capital of Parque Eólico Altos del Voltoya, S.A.

22. INVESTMENT PROPERTY

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Cost	58,821	57,718	40,127	120,246
Accumulated depreciation	-22,356	-20,319	-7,605	-15,853
Carrying amount	36,465	37,399	32,522	104,393

As at 2014, on a company basis, Porto headquarters was classified as investment property. The infrastructure's cost amounted to 85,487 thousands of Euros and the accumulated depreciation was 11,159 thousands of Euros. During 2015, the lease rents received by EDP S.A. regarding this building were 6.128 thousands of Euros. The useful life of the building is 50 years. In December 2015, EDP S.A. sold fractions of this building to the EDP Pension Fund (independent third party) in the amount of 55,277 thousands of Euros and EDP Distribuição in the amount of 16,385 thousands of Euros generating a financial gain of 1,836 thousands of Euros booked against Gains on the sale of financial investments. Subsequent to the sale, EDP signed a contract lease on the fractions obtained by EDP Pension Fund for a period of 25 years (see note 40).

On a Group basis, the investment properties are mainly land and buildings held to obtain rents or for capital appreciation and are not material.

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23. DEFERRED TAX ASSETS AND LIABILITIES

The EDP Group records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

Thousands of Euros	Net Deferred tax assets		Net Deferred tax liabilities	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Europe				
Tax losses and tax credits	217,068	188,342	-	-
Provisions for social benefits, bad debts and other risks	543,823	451,351	15,488	909
Financial instruments	76,825	42,496	49,367	15,574
Tangible and intangible fixed assets	169,418	184,895	258,833	261,836
Reinvested gains	-	-	7,622	6,737
Financial and available-for-sale investments	75,153	73,797	1,076	16,327
Tariff adjustments and tariff deficit	46,808	59,612	526,784	596,039
Allocation of fair value to assets and liabilities acquired	24,653	25,538	595,536	548,179
Accounting revaluations	166,806	183,310	93,214	99,457
Deferred income relating to CMEC	-	-	153,770	123,662
Other temporary differences	19,228	21,290	97,828	57,198
Assets/liabilities compensation of deferred taxes	-1,170,316	-1,062,248	-1,170,316	-1,062,248
	169,466	168,383	629,202	663,670
Brazil				
Tax losses and tax credits	106,765	31,246	-	-
Provisions for social benefits, bad debts and other risks	88,858	81,610	-	-
Tariff adjustments and tariff deficit	49,286	-	104,013	58,070
Allocation of fair value to assets and liabilities acquired	-	-	131,321	52,201
Use of public property	24,071	29,551	9,450	13,236
Fair value of financial assets	-	-	15,079	4,091
Other temporary differences	38,654	6,291	37,648	54,175
Assets/liabilities compensation of deferred taxes	-204,860	-98,890	-204,860	-98,890
	102,774	49,808	92,651	82,883
United States of America and Canada				
Tax losses and tax credits	932,689	822,370	-	-
Property, plant and equipment	4,846	3,304	426,059	377,734
Allocation of fair value to assets and liabilities acquired	-	-	154,204	122,009
Gains from institutional partnerships in USA wind farms	-	-	430,304	389,475
Other temporary differences	3,668	7,399	3,508	1,490
Assets/liabilities compensation of deferred taxes	-940,945	-832,517	-940,945	-832,517
	258	556	73,130	58,191
	272,498	218,747	794,983	804,744

As referred under accounting policies - note 2 r), the compensation between deferred tax assets and liabilities is performed at each subsidiary, and therefore the consolidated financial statements reflect in its assets the total of the deferred tax of subsidiaries that have deferred tax assets and in its liabilities the total of the deferred tax of subsidiaries that have deferred tax liabilities.

On a company basis, EDP, S.A. records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

Thousands of Euros	Net Deferred tax assets		Net Deferred tax liabilities	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Tax losses and tax credits	74,147	50,491	-	-
Provisions for social benefits, bad debts and other risks	9,803	4,056	-	-
Financial instruments	2,443	4,877	-	-
Financial and available-for-sale investments	4,937	7,667	-	-
Property, plant and equipment	5,461	6,125	-	-
Accounting revaluations	-	-	13,261	13,274
Other temporary differences	3,074	3,068	51,464	35,576
Assets/liabilities compensation of deferred taxes	-64,725	-48,850	-64,725	-48,850
	35,140	27,434	-	-

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The deferred tax movement, for the Group and for the Company, in 2015 and 2014 is analysed as follows:

Thousands of Euros	Deferred taxes		Deferred taxes	
	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Balance at 1 January	-585,997	-438,502	27,434	25,097
Charges to the profit and loss account	2,255	-196,413	15,812	17,509
Charges against reserves	22,803	23,389	-4,641	4,772
Exchange differences and other variations	38,454	25,529	-3,465	-19,944
Balance at 31 December	-522,485	-585,997	35,140	27,434

On an individual basis, the caption Other variations differences includes the tax losses charge-off from the subsidiaries of the EDP Sucursal Group for fiscal consolidation.

Taxes recorded against reserves are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
	Deferred tax			
Financial instruments and fair value	7,389	-3,416	-2,635	4,762
Actuarial gains and losses	18,499	17,985	49	304
Changes in fair value of financial assets held for sale	-3,085	8,820	-2,055	-294
	22,803	23,389	-4,641	4,772

The Group tax losses carried forward are as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
	Expiry date:	
2015	-	22,996
2016	322	1,435
2017	10,672	40,535
2018	17,977	29,138
2019	17,337	20,538
2020	13,953	4,236
2021 a 2035	2,429,499	2,134,568
Without expiry date	924,763	857,865
	3,414,523	3,111,311

Of the total of EDP Group's tax losses available to carry forward as at 31 December 2015, the amount of 298,437 thousands of Euros does not have deferred tax asset, in accordance with the applicable accounting standards since, at the present date, there is still not sufficient visibility about the future period in which such tax losses will be used.

24. INVENTORIES

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
	Merchandise	21,993
Finished, intermediate products and sub-products	21,857	15,457
Raw and subsidiary materials and consumables (coal and other fuels)	77,530	100,228
Nuclear fuel	18,758	18,324
Others	64,068	96,494
	204,206	266,456

At 31 December 2014, the caption Others include CO2 licences held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 y), in the amount of 23,360 thousands of Euros. At 31 December 2015, EDP Group does not have CO2 licences held for trading.

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25. TRADE RECEIVABLES

Trade receivables, for the Group, are analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Trade receivables - Non-Current		
Corporate sector and individuals:		
- Iberia	4,407	4,879
- Brazil	12,089	85,047
Public Sector:		
- Iberia	109,226	115,177
- Brazil	6,349	6,124
	132,071	211,227
Impairment losses	-30,984	-36,636
	101,087	174,591
Trade receivables - Current		
Corporate sector and individuals:		
- Iberia	1,464,827	1,578,637
- Brazil	505,125	436,787
- U.S.A.	65,353	43,428
- Other	66,911	47,147
Public Sector:		
- Iberia	61,587	96,936
- Brazil	38,909	31,544
	2,202,712	2,234,479
Impairment losses	-307,195	-289,376
	1,895,517	1,945,103
	1,996,604	2,119,694

Trade receivables, for the Company, are analysed as follows:

Thousands of Euros	Company	
	Dec 2015	Dec 2014
Trade receivables - Current		
Corporate sector and individuals:		
- Iberia	177,046	188,604
	177,046	188,604
Impairment losses	-9,957	-9,957
	167,089	178,647

The movement in Impairment losses, in 2015, for the Group is analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the period	Reversal of Impairment losses	Charge-off	Exchange differences	Perimeter Variations / Regulari- sations	Balance at 31 December
Corporate sector and individuals							
Iberia	234,286	55,824	-21,400	-4,327	-	101	264,484
Brazil	48,382	59,737	-55,020	-	-12,916	3	40,186
Public sector							
Iberia	42,181	72	-9,674	-	-	-	32,579
Brazil	1,163	644	-573	-	-304	-	930
	326,012	116,277	-86,667	-4,327	-13,220	104	338,179

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The movement in Impairment losses, in 2014, for the Group is analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the period	Reversal of Impairment losses	Charge-off	Exchange differences	Perimeter Variations / Regularisations	Balance at 31 December
Corporate sector and individuals							
Iberia	233,978	88,515	-64,468	-23,700	-	-39	234,286
Brazil	47,327	3,596	-3,065	-	524	-	48,382
Public sector							
Iberia	73,281	49	-6,122	-25,032	-	5	42,181
Brazil	643	529	-	-	-9	-	1,163
	355,229	92,689	-73,655	-48,732	515	-34	326,012

In 2014, the movement in Impairment losses in EDP S.A. is related with charge for the period, booked against income statement.

26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities - Non-Current, are analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Amounts receivable from tariff adjustments - Electricity - Portugal	1,440,282	1,341,117
Amounts receivable from tariff adjustments - Electricity - Brazil	22,783	67,738
Amounts receivable from tariff expenses - Gas - Spain	69,000	-
Amounts receivable relating to CMEC	653,359	661,457
Amounts receivable from concessions - IFRIC 12	949,914	888,941
Sundry debtors and other operations	79,108	96,131
	3,214,446	3,055,384
Impairment losses on debtors	-3,215	-3,245
	3,211,231	3,052,139

Debtors and other assets from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Amounts receivable from tariff expenses - Electricity - Spain	1,000	2,270	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	791,662	1,063,661	-	-
Amounts receivable from tariff adjustments - Electricity - Brazil	154,095	119,036	-	-
Receivables relating to other goods and services	94,537	64,439	47,445	13,125
Amounts receivable relating to CMEC	174,470	99,757	-	-
Accrued income relating to energy sales activity	120,656	133,165	239,052	223,871
Sundry debtors and other operations	258,093	276,083	142,063	64,605
	1,594,513	1,758,411	428,560	301,601
Impairment losses on debtors	-21,130	-24,282	-939	-978
	1,573,383	1,734,129	427,621	300,623

The caption Amounts receivable relating to CMEC amounts to 827,829 thousands of Euros, and includes 653,359 thousands of Euros as non-current and 174,470 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 569,286 thousands of Euros as non-current and 42,806 thousands of Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the annuities for the years 2007 to 2015. The remaining 84,073 thousands of Euros as non-current and 131,664 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2014 and 2015.

As referred in the note 2 aa), the concession contracts currently in force in EDP Group are based in the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil. Therefore, the caption Amounts receivable from concessions - IFRIC 12 in the amount of 949,914 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model. The variation in the period includes: (i) the effect of the depreciation of Brazilian Real against Euro in the amount of 85,012 thousands of Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 107,697 thousands of Euros (see note 17); and (iii) unwinding of the financial assets in Brazil in the amount of 41,226 thousands of Euros (see note 7).

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The variation in Receivables relating to other goods and services is mainly due to the recognition by Hidrocontábrico, of the best estimated amount to be recovered following a court law decision. The Ministerial Order ITC 3315/2007 (MO) determined a reduction of the retribution for the electricity generation activity in 2006, in the amount equivalent to the CO2 emission allowances allocated free of charge by the Spanish State. Hidrocontábrico, as the remaining companies of the sector, contested the figures settled by CNMC (former CNE) in particular with respect to the applicability of this MO to bilateral agreements. In the course of the third quarter, and following a favorable decision of the Supreme Court in Spain, Hidrocontábrico recorded a gain of 40.6 millions of Euros, corresponding to the chargeback of the amounts paid to CNMC regarding this process.

The movement for the period in Amounts receivable from tariff adjustments - Electricity - Portugal (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2014	1,056,572	1,237,623
Receipts through the electric energy tariff	-895,939	-
Partial sale of 2013 and 2014 over costs for the special regime generators	-1,032,857	-
Tariff adjustment of 2013	36,849	-
Tariff adjustment for the period	983,856	1,161,612
Transfer to/from tariff adjustment payable	-463	-
Interest income	85,933	418
Securitisation adjustment of 2012 CMEC	-228,826	-
Transfer from Non-Current to Current	1,058,536	-1,058,536
Balance as at 31 December 2014	1,063,661	1,341,117
Receipts through the electric energy tariff	-1,033,759	-
Partial sale of 2014 over costs for the special regime generators	-744,234	-
Partial sale of 2015 over costs for the special regime generators	-100,000	-
Tariff adjustment of 2014	55,131	-
Tariff adjustment for the period	429,536	1,142,653
Transfer to/from tariff adjustment payable	4,394	-
Interest income	73,298	147
Transfer from Non-Current to Current	1,043,635	-1,043,635
Balance as at 31 December 2015	791,662	1,440,282

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments booked in Bandeirante and Escelsa with the accumulated amount as at 31 December 2015 of 115,657 thousands of Euros (31 December 2014: 109,143 thousands of Euros) and 61,221 thousands of Euros (31 December 2014: 77,631 thousands of Euros), respectively. The period variation respects to tariff adjustment for the period of 143,408 thousands of Euros (see note 6), unwinding of 15,112 thousands of Euros, receipts through the electric energy tariff with a negative impact of 114,962 thousands of Euros and exchange differences due to depreciation of Brazilian Real with a negative impact of 53,454 thousands of Euros.

During the fourth quarter of 2015, EDP Serviço Universal, S.A. (EDP SU), the last resort supplier for the Portuguese electricity system, agreed to sell a portion of the 2015 tariff deficit, which resulted from the deferral, for the period of 5 years, of the recovery of the 2015 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014), in the amount of 100,000 thousands of Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 103,609 thousands of Euros and generated a net gain of expenses with the transaction of 2,960 thousands of Euros (see note 13).

During the second and fourth quarter of 2015, EDP Serviço Universal, S.A. (EDP SU), the last resort supplier for the Portuguese electricity system, agreed to sell, in two independent operations, a portion of the 2014 tariff deficit, which resulted from the deferral, for the period of 5 years, of the recovery of the 2014 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2012 and 2013), in the amount of 278,816 thousands of Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 300,000 thousands of Euros and generated a net gain of expenses with the transaction of 20,903 thousands of Euros (see note 13).

During the first quarter of 2015, EDP Serviço Universal, S.A. (EDP SU), the last resort supplier for the Portuguese electricity system, sold without recourse to Tagus – Sociedade de Titularização de Créditos, S.A., a portion of the 2014 tariff deficit in the amount of 465,418 thousands of Euros, and respective interest. The 2014 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2014 over costs (including the adjustments for 2012 and 2013) related to the acquisition of electricity from special regime generators. The sale price amounted to 499,461 thousands of Euros and generated a gain net of transaction costs of 31,737 thousands of Euros (see notes 13 and 52).

On 22 December 2014, EDP Distribuição de Energia, S.A., the concessionaire and operator entity of the National Distribution Grid of electric energy, sold without recourse the right to recover the correction portion of the compensation mechanism to maintain the contractual balance (CMEC) referring to 2012, in the amount of 228,826 thousands of Euros. The total sale price amounted to 239,832 thousands of Euros and generated gains net of transaction costs of 10,711 thousands of Euros. This transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. was a securitisation transaction through the issuance of senior notes (see note 52).

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In 2014, EDP SU, sold, in three independent operations, the rights to receive part of the electricity adjustment related to the 2013 and 2014 overcost with the acquisition of electricity activity from special regime generators, in the amount of 1,032,857 thousands of Euros (832,857 thousands of Euros in 2013 and 200,000 thousands of Euros in 2014). In these assets' sales operations, EDP SU sold without recourse the rights to receive the referred amounts and interests. The total sale price amounted to 1,113,313 thousands of Euros and generated gains net of transaction costs of 67,007 thousands of Euros. From the three transactions, two of them were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 363,313 thousands of Euros and the other was a securitisation transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 750,000 thousands of Euros (see note 52).

The following table provides details for the caption Amounts receivable from tariff adjustments - Electricity - Portugal, by nature and year of establishment, as well as presents the amounts of tariff deficit that have been securitised during 2015:

Thousands of Euros	Deficit	Tariff	Securiti- sation	Total
Year:				
2012	6,254	-	-	6,254
2013	218,913	-	-	218,913
2014	1,134,843	172,652	-744,234	563,261
2015	1,482,331	61,185	-100,000	1,443,516
	<u>2,842,341</u>	<u>233,837</u>	<u>-844,234</u>	<u>2,231,944</u>

The movements in Impairment losses on debtors - Non-Current are analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Balance at beginning of the period	3,245	3,310
Charge of the period	47	1
Perimeter variations/Other regularisations	-77	-66
Balance at end of the period	<u>3,215</u>	<u>3,245</u>

The movements in Impairment losses on debtors - Current are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Balance at beginning of the period	24,282	18,652	978	950
Charge of the period	1,239	7,259	-	28
Reversal of impairment losses/Charge-off	-3,293	-1,543	-39	-
Perimeter variations/Other regularisations	-1,098	-86	-	-
Balance at end of the period	<u>21,130</u>	<u>24,282</u>	<u>939</u>	<u>978</u>

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	7,065,870	6,310,508
Loans to related parties	8,413	434,062	90	90
Guarantees rendered to third parties	40,862	61,884	-	5
Derivative financial instruments	261,894	236,174	733,209	340,270
Excess/deficit of the Pension Fund financing (see note 36)	58,724	-	159	-
Sundry debtors and other operations	74,364	48,757	-	-
	<u>444,257</u>	<u>780,877</u>	<u>7,799,328</u>	<u>6,650,873</u>
Debtors and other assets - Current				
Loans to subsidiaries	-	-	836,870	1,271,831
Loans to related parties	65,479	95,910	14,794	14,802
Receivables from the State and concessors	36,165	39,878	-	-
Derivative financial instruments	271,436	137,572	461,786	291,940
Subsidiary Companies	-	-	801,842	343,178
Guarantees rendered to third parties	6,871	6,779	-	-
Sundry debtors and other operations	63,167	38,709	11,704	3,898
	<u>443,118</u>	<u>318,848</u>	<u>2,126,996</u>	<u>1,925,649</u>
	<u>887,375</u>	<u>1,099,725</u>	<u>9,926,324</u>	<u>8,576,522</u>

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Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,295,300 thousands of Euros (31 December 2014: 4,332,139 thousands of Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A., 2,297,781 thousands of Euros (31 December 2014: 2,847,897 thousands of Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 45). Additionally, this caption include 893,616 thousands of Euros (31 December 2014: 65 thousands of Euros) of loans granted to EDP Servicios Financieros España, S.A. through EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España (see notes 45 and 50).

The variation in Loans to related parties - Non-Current and Current is mainly due to the conclusion of the acquisition of the remaining share capital of Porto do Pecém de Energia S.A. and the control acquisition of the ENEOP wind farms portfolio, which began to be fully consolidated. Additionally, loans granted by EDPR UK Limited to Inch Cape Offshore Limited in the amount of 25,731 thousands of Euros, were reclassified to Assets held for sale (see note 42).

Sundry debtors and other operations - Non-Current includes 33,717 thousands of Euros of financial assets advance payments regarding to Banzi Project by EDP Renewables Italia S.R.L.

Subsidiary Companies - Current, for the company, mainly includes receivables from the EDP Group's financial system in the amount of 772,630 thousands of Euros (31 December 2014: 297,303 thousands of Euros).

28. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Income tax	118,240	196,397	34,366	117,215
Value added tax (VAT)	179,805	154,378	51,189	20,951
Turnover tax (Brazil)	4,773	4,814	-	-
Other taxes	12,049	16,064	4,048	3,255
	314,867	371,653	89,603	141,421

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Cash	59	32	8	-
Bank deposits				
Current deposits	395,639	518,928	15,937	13,716
Term deposits	811,691	1,958,068	397,325	1,106,015
Specific demand deposits in relation to institutional partnerships	38,048	78,855	-	-
Other deposits	12	12	-	-
	1,245,390	2,555,863	413,262	1,119,731
Operations pending cash settlement				
Current deposits	-	15,000	110,000	225,000
Other short term investments	-	43,100	-	-
	1,245,449	2,613,995	523,270	1,344,731

Specific demand deposits in relation to institutional partnerships corresponds to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 38), under the accounting policy 2 v).

As at 31 December 2015, on a company basis, the caption Operations pending cash settlement relates with commercial paper issued by EDP, S.A., in the terms of Group accounting policy is booked as financial debt at the trade date of each emission. This caption of 110,000 thousands of Euros refers to commercial paper issued on 31 December 2015, acquired by EDP Finance B.V., and which settlement date occurred on 5 January 2016.

As at 31 December 2014, the caption Other short term investments includes very short term investments promptly convertible into cash.

30. SHARE CAPITAL AND SHARE PREMIUM

EDP, S.A. is a company that was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007, the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process.

On 11 May 2012, regarding EDP's eight reprivatisation phase, the Portuguese State sold to China Three Gorges (Europe), S.A. (former - CWEI (Europe), S.A.), the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

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On 21 February 2013, Parpública – Participações Públicas (SGPS) S.A. (Parpública) notified EDP that on 19 February 2013 sold 151,517,000 shares, which correspond to 4.14% of EDP share capital.

As a result of this two last transactions, Parpública no longer has a qualified shareholding position in EDP share capital.

The share capital amounts of 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each.

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2015 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Guoxin International	110,435,491	3.02%	3.02%
Capital Group Companies, Inc.	620,583,780	16.97%	16.97%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
BlackRock, Inc.	182,733,180	5.00%	5.00%
Senfora, BV	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	89,139,594	2.44%	2.44%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
EDP (Treasury stock)	21,424,972	0.58%	
Remaining shareholders	1,270,231,935	34.74%	
	3,656,537,715	100.00%	

Share capital and Share premium are analysed as follows:

Thousands of Euros	Group and Company	
	Share capital	Share premium
Balance as at 1 January	3,656,538	503,923
Movements during the period	-	-
Balance as at 31 December	3,656,538	503,923

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Net profit attributable to the equity holders of EDP (in Euros)	912,702,744	1,040,448,196	802,446,376	785,779,977
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	912,702,744	1,040,448,196		
Weighted average number of ordinary shares outstanding	3,634,400,494	3,632,169,707	3,635,913,494	3,633,682,707
Weighted average number of diluted ordinary shares outstanding	3,634,400,494	3,632,219,937	3,635,913,494	3,633,732,937
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.25	0.29		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.25	0.29		
Basic earnings per share from continuing operations (in Euros)	0.25	0.29		
Diluted earnings per share from continuing operations (in Euros)	0.25	0.29		

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period.

The average number of shares was determined as follows:

	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-22,137,221	-24,368,008	-20,624,221	-22,855,008
Average number of shares during the period	3,634,400,494	3,632,169,707	3,635,913,494	3,633,682,707
Effect of stock options	-	50,230	-	50,230
Diluted average number of shares during the period	3,634,400,494	3,632,219,937	3,635,913,494	3,633,732,937

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31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Book value of EDP, S.A. treasury stock (thousands of Euros)	62,691	69,931	56,596	63,836
Number of shares	21,424,972	23,488,399	19,911,972	21,975,399
Market value per share (in Euros)	3.321	3.218	3.321	3.218
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	71,152	75,586	66,128	70,717

Operations performed from 1 January to 31 December 2015:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	2,416,650	-
Average purchase price (in Euros)	3.249	-
Total purchase value (thousands of Euros)	7,852	-
Volume sold (number of shares)	-4,480,077	-
Average selling price (in Euros)	3.480	-
Total sale value (thousands of Euros)	15,591	-
Final position (number of shares)	19,911,972	1,513,000
Highest market price (in Euros)	3.731	-
Lowest market price (in Euros)	2.975	-
Average market price (in Euros)	3.370	-

The treasury stock held by EDP, S.A. is within the limits established by the Company's articles of association and by the "Código das Sociedades Comerciais" (Companies Commercial Code). The treasury stock is stated at acquisition cost.

32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Legal reserve	698,902	659,613	698,902	659,613
Fair value reserve (cash flow hedge)	-73,866	-62,953	-8,216	-17,157
Tax effect of fair value reserve (cash flow hedge)	17,562	15,172	2,384	5,019
Fair value reserve (available for sale investments)	61,565	46,977	21,762	14,783
Tax effect of fair value reserve (available for sale investments)	-2,186	899	2,283	4,338
Exchange differences arising on consolidation	-392,097	-133,300	-	-
Treasury stock reserve (EDP, S.A.)	56,596	63,836	56,596	63,836
Other reserves and retained earnings	3,292,826	2,960,243	1,619,613	1,538,131
	3,659,302	3,550,487	2,393,324	2,268,563

Legal reserve

In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies Commercial Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging financial derivative instruments.

During 2015, with the acquisition of full control of Porto do Pecém and the 12 companies from ENEOP, the amounts previously recognised under fair value reserve (cash flow hedge), regarding the shareholding previously held, were recognised in results, as referred in note 53.

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Fair value reserve (available-for-sale investments)

This reserve includes the accumulated net change in the fair value of available-for-sale investments as at the balance sheet date, net of impairment losses. The changes in this consolidated caption for the period are as follows:

Thousands of Euros	Group	
	Increases	Decreases
Balance as at 1 January 2014	536,272	-455,653
Changes in fair value	9,254	-43,775
Transfer of impairment to profit or loss	-	1,253
Transfer to the income statement relating to assets sold	-374	-
Balance as at 31 December 2014	545,152	-498,175
Changes in fair value	18,663	-26,908
Changes in perimeter	1,042	-
Transfer of impairment to profit or loss	-	21,996
Transfer to the income statement relating to assets sold	-205	-
Balance as at 31 December 2015	564,652	-503,087

Changes in fair value reserve attributable to the EDP Group during the period ended 31 December 2015 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	6,089	-24,247
Zephyr Fund (Energia RE portfolio)	694	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	6,971	-
Tejo Energia, S.A.	-	-2,486
Others	4,909	-175
	18,663	-26,908

Exchange differences on consolidation

Exchange differences on consolidation includes the amounts resulting from changes in the value of shareholder's equity of subsidiary, joint ventures and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

Currency		Exchange rates at Dec 2015		Exchange rates at Dec 2014	
		Closing rates	Average exchange rate	Closing rates	Average exchange rate
US Dollar	USD	1.089	1.110	1.214	1.329
Brazilian Real	BRL	4.312	3.699	3.221	3.122
Macao Pataca	MOP	8.691	8.862	9.700	10.615
Canadian Dollar	CAD	1.512	1.419	1.406	1.466
Zloty	PLN	4.264	4.184	4.273	4.184
Romanian Leu	RON	4.524	4.446	4.483	4.444
Pound Sterling	GBP	0.734	0.726	0.779	0.806
Rand	ZAR	16.953	14.172	14.035	14.404
Mexican Peso	MXN	18.915	17.617	-	-
Chinese yuan	CNY	7.061	7.039	-	-

During 2015, with full control of Porto do Pecém, the amount previously recognised under exchange differences, regarding the shareholding previously held, were recognised in results, as referred in note 53.

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.º of "Código das Sociedades Comerciais", EDP, S.A., has created an unavailable reserve with an amount equal to the book value amount of treasury stock held.

Dividends

On 21 April 2015, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2014 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. and Energia RE in the amount of 3,871 thousands of Euros and 280 thousands of Euros, respectively). This distribution occurred on 14 May 2015.

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33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Non-controlling interests in income statement	334,439	223,362
Non-controlling interests in equity and reserves	3,117,279	3,064,317
	3,451,718	3,287,679

Non-controlling interests, by subgroup, are made up as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
EDP Renováveis Group	2,203,157	1,811,426
EDP Brasil Group	1,107,100	1,345,246
Other	141,461	131,007
	3,451,718	3,287,679

During 2015, EDP Group generated profits of 334,439 thousands of Euros attributable to non-controlling interests (31 December 2014: 223,362 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 114,417 thousands of Euros; (ii) a negative impact of 51,025 thousands of Euros related to dividends attributable to non-controlling interests; (iii) a positive impact of 26,046 thousands of Euros resulting from exchange differences; (iv) a negative impact resulting from share capital increases/decreases of 45,162 thousands of Euros; (v) acquisition without change of control of EDPR Spain subsidiaries attributable to non-controlling interests with a negative impact of 59,131 thousands of Euros (see note 5); (vi) sale without loss of control of EDPR NA subsidiaries attributable to non-controlling interests with a positive effect of 345,053 thousands of Euros (see note 5); and (vii) sale without loss of control of EDPR Brasil subsidiaries attributable to non-controlling interests with a positive effect of 50,943 thousands of Euros (see note 5).

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 206,539 thousands of Euros of profits attributable to non-controlling interests; (ii) a decrease of 329,016 thousands of Euros resulting from exchange differences; (iii) a negative impact of 92,143 thousands of Euros related to dividends attributable to non-controlling interests; (iv) a negative impact of 10,254 thousands of Euros from actuarial losses net of taxes recognised; and (v) a negative impact of 12,732 thousands of Euros arising from the control gaining of Porto do Pecém, in accordance with the accounting treatment of a step acquisition, the amounts previously recognised in reserves related to exchange differences and fair value reserve were recognised in EDP Group results (see note 53).

34. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

Thousands of Euros	Group and Company	
	Dec 2015	Dec 2014
Balance at the beginning of the period	1,010	35,641
Amounts received/(paid) during the period	10,142	-35,641
Financial charges	265	1,010
Balance at the end of the period	11,417	1,010

The hydrological account was established by Decree-law 338/91 and consists of a legal mechanism for compensating the variable costs of generating electricity. The hydrological account was set up in 1994 when the actual EDP Group was owned by the State, through a charge against the income statement. In 2000, through a spin-off of EDP, REN was set up, and new regulations were issued (through Decree-law 98/2000) which reinforced and maintained the requirement to keep the hydrological account in EDP's statement of financial position.

As explained above, REN was part of the EDP Group until 2000. Thus, the entries in the hydrological correction account were made within the EDP Group. Since the split of REN in June 2000, EDP, S.A. (the Group parent company) has paid to or received cash from REN, which is booked against the hydrological correction account in the statement of financial position and the related financial charges are booked in the income statement. REN uses the amounts received or paid to compensate the operators in the liberalised market, in accordance with the objectives of the hydrological correction account as explained above.

In October 2010 it was issued the Decree-Law 110/2010, which determines the extinction of the hydrological account mechanism on 31 December 2016. The differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal. This decree regulates that the account of hydrological correction should be maintained in the statement of financial position of EDP - Energias de Portugal, S.A. and the correspondent annual movements explained in the notes to the financial statements.

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According to the publication of 2015 Tariffs by ERSE ("Income and adjustments allowed for 2015 of regulated electricity companies"), the amount received through global system use tariff in 2015 is 10,142 thousands of Euros. As at 31 December 2015, this caption corresponds to the amount above referred, plus the financial charges related to 2015 and 2014 (which amounts 1,275 thousands of Euros). As at 31 December 2014, the amount were exclusively related to financial charges.

35. FINANCIAL DEBT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	413,002	976,269	422,115	985,944
- EDP Finance B.V.	2,336,111	2,643,765	-	-
- EDP Brasil Group	766,476	108,641	-	-
- EDP Renováveis Group	935,218	742,723	-	-
- EDP Produção	82,906	89,342	-	-
- Others	21,329	25,506	-	-
	4,555,042	4,586,246	422,115	985,944
Non-convertible bond loans:				
- EDP, S.A.	300,000	450,000	8,150,000	5,800,000
- EDP Finance B.V.	9,202,141	10,320,906	-	-
- EDP Brasil Group	432,452	449,394	-	-
	9,934,593	11,220,300	8,150,000	5,800,000
Hybrid bond:				
- EDP, S.A.	739,147	-	739,147	-
	739,147	-	739,147	-
Commercial paper:				
- EDP, S.A.	229,632	402,728	229,632	402,728
	229,632	402,728	229,632	402,728
Other loans:				
- Investco preference shares	11,986	15,657	-	-
- EDP Brasil Group	7,462	13,997	-	-
- EDP Renováveis Group	1,138	9,861	-	-
- Others	83	454	-	-
	20,669	39,969	-	-
	15,479,083	16,249,243	9,540,894	7,188,672
Accrued interest	3,033	-	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	171,760	151,584	-	-
Total Debt and borrowings	15,653,876	16,400,827	9,540,894	7,188,672
Collateral Deposits - Non-current (*)				
Collateral deposit - EIB	-	-311,990	-	-311,990
Other collateral deposits	-66,855	-76,818	-	-
Total Collateral Deposits	-66,855	-388,808	-	-311,990
	15,587,021	16,012,019	9,540,894	6,876,682

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Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	69,770	74,100	69,770	74,100
- EDP Finance B.V.	199,789	796,733	-	-
- EDP Brasil Group	83,241	173,697	-	-
- EDP Renováveis Group	134,728	144,023	-	-
- Others	9,955	13,775	-	-
	<u>497,483</u>	<u>1,202,328</u>	<u>69,770</u>	<u>74,100</u>
Non-convertible bond loans:				
- EDP, S.A.	-	247,019	-	247,019
- EDP Finance B.V.	2,248,970	1,581,236	-	-
- EDP Brasil Group	108,036	218,943	-	-
- EDP Renováveis Group	-	29,497	-	-
	<u>2,357,006</u>	<u>2,076,695</u>	-	<u>247,019</u>
Commercial paper:				
- EDP, S.A.	418,352	183,000	1,633,352	3,225,000
- HC Energia Group	-	47,372	-	-
	<u>418,352</u>	<u>230,372</u>	<u>1,633,352</u>	<u>3,225,000</u>
Other loans	14,669	10,733	-	-
	<u>3,287,510</u>	<u>3,520,128</u>	<u>1,703,122</u>	<u>3,546,119</u>
Accrued interest	329,154	371,468	100,360	81,319
Other liabilities:				
- Fair value of the issued debt hedged risk	-	5,760	-	1,207
Total Debt and borrowings	<u>3,616,664</u>	<u>3,897,356</u>	<u>1,803,482</u>	<u>3,628,645</u>
Collateral Deposits - Current (*)				
Collateral deposit - EIB	-	-22,507	-	-22,507
Other collateral deposits	-13,060	-17,855	-	-
Total Collateral Deposits	<u>-13,060</u>	<u>-40,362</u>	<u>-</u>	<u>-22,507</u>
	<u>3,603,604</u>	<u>3,856,994</u>	<u>1,803,482</u>	<u>3,606,138</u>

(*) Collateral Deposits informative note

Following EDP's downgrade in 2012 and in the course of negotiations with EIB, on 31 October 2012 EDP constituted an escrow deposit which amount at 31 December 2014 was 334,497 thousands of Euros (311,990 thousands of Euros non-current and 22,507 thousands of Euros current), associated with several loans contracted in previous years with this entity. In October 2015, after further negotiations, EIB allowed the full release of this escrow deposit. In addition, the Group has 79,915 thousands of Euros (66,855 thousands of Euros non-current and 13,060 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

Commercial Paper non-current refers to a Commercial Paper program with a firm underwriting commitment for a period of over one year, in the amount of 250,000 thousands of US Dollars.

Main events of the period:

i) Impact of changes in the scope of consolidation

Following the acquisition of the remaining investment in Porto do Pecém, which began to be fully consolidated, Financial debt as at 31 December 2015 includes an amount of 513,696 thousands of Euros (463,744 thousands of Euros non-current and 49,952 thousands of Euros current) and Collateral deposits include an amount of 4,726 thousands of Euros.

Following the asset slip process of ENEOP consortium in Portugal, the Group took control of an agreed wind farm portfolio. These wind farms have been consolidated by the full method, which resulted in an increase in Financial debt as at 31 December 2015 in the amount of 240,708 thousands of Euros (221,805 thousands of Euros non-current and 18,903 thousands of Euros current). Additionally, Collateral deposits include 8,690 thousands of Euros.

ii) Financing and refinancing transactions

In February 2015, EDP Finance B.V. signed a five-year credit facility of 2,000,000 thousands of Euros with a syndicate of 16 international banks that was used to early repay a term loan signed in January 2013 of 1,600,000 thousands of Euros and which would mature in January 2017 (50%) and January 2018 (50%). The new facility includes a 500,000 thousands of Euros Revolving Credit Facility Tranche (fully available at 31 December 2015).

In April 2015, EDP issued a Eurobond of 750,000 thousands of Euros maturing in April 2025.

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In September 2015, EDP issued a non-callable up to 5.5 years subordinated bond in the amount of 750,000 thousands of Euros, with final maturity date in September 2075.

The nominal value of outstanding Bond loans placed with external counterparties, as at 31 December 2015, is analysed as follows:

Issuer	Issue date	Interest rate	Type of hedge	Conditions/ Redemption	Nominal Value in Million Currency	Thousands of Euros	
						Group	Company
Issued by EDP S.A.							
EDP, S.A. (ii)	May/08	Variable rate (iii)	n.a.	May/18	300 EUR	300,000	300,000
						300,000	300,000
Hybrid by EDP S.A.							
EDP, S.A. (iv)	Sep/15	Fixed rate EUR 5.375% (v)	n.a.	Sep/75	750 EUR	750,000	750,000
						750,000	750,000
Issued under the Euro Medium Term Notes program							
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	200 GBP	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iii)	n.a.	Dec/22	94 EUR	93,357	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300 EUR	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500 EUR	500,000	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00%	Net Investment	Feb/18	1,000 USD	918,527	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	325 GBP	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iii)	n.a.	Nov/23	160 EUR	160,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iii)	n.a.	Jun/19	10,000 JPY	96,050	-
EDP Finance B.V.	Jun/09	Fixed rate EUR 4.75%	n.a.	Sep/16	1,000 EUR	1,000,000	-
EDP Finance B.V.	Sep/09	Fixed rate USD 4.90%	Net Investment	Oct/19	1,000 USD	918,527	-
EDP Finance B.V.	Feb/11	Fixed Rate EUR 5.875%	n.a.	Feb/16	750 EUR	750,000	-
EDP Finance B.V.	Sep/12	Fixed Rate EUR 5.75%	n.a.	Sep/17	750 EUR	750,000	-
			Fair Value/				
EDP Finance B.V. (i)	Nov/12	Fixed Rate CHF 4.00%	Cash Flow	Nov/18	125 CHF	103,922	-
EDP Finance B.V. (i)	Sep/13	Fixed Rate EUR 4.875%	Fair Value	Sep/20	750 EUR	750,000	-
EDP Finance B.V. (i)	Nov/13	Fixed Rate EUR 4.125%	Fair Value	Jan/21	600 EUR	600,000	-
EDP Finance B.V.	Jan/14	Fixed Rate USD 5.25%	Net Investment	Jan/21	750 USD	688,895	-
EDP Finance B.V. (i)	Apr/14	Fixed Rate EUR 2.625%	Fair Value	Apr/19	650 EUR	650,000	-
EDP Finance B.V.	Jun/14	Variable rate (iii)	Net Investment	Jun/19	100 USD	91,853	-
EDP Finance B.V. (i)	Sep/14	Fixed Rate EUR 2.625%	Fair Value	Jan/22	1,000 EUR	1,000,000	-
EDP Finance B.V. (i)	Nov/14	Fixed Rate EUR 4.125%	Net Investment	Jan/20	750 USD	688,895	-
EDP Finance B.V. (i)	Apr/15	Fixed Rate EUR 2.00%	Fair Value	Apr/25	750 EUR	750,000	-
						11,540,340	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market							
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jul/16	156 BRL	36,181	-
Energest	Apr/12	CDI + 0.98%	n.a.	Apr/17	120 BRL	27,831	-
Energias do Brasil	Apr/13	CDI + 0.55%	n.a.	Apr/16	250 BRL	57,982	-
Lajeado Energia	Nov/13	CDI + 1.20%	n.a.	Nov/19	450 BRL	104,367	-
Bandeirante	Apr/14	CDI + 1.39%	n.a.	Apr/19	300 BRL	69,578	-
Escelsa	Aug/14	CDI + 1.50%	n.a.	Aug/20	177 BRL	41,005	-
Energias do Brasil	Oct/15	IPCA + 8.3201%	n.a.	Sep/21	183 BRL	42,488	-
Energias do Brasil	Oct/15	CDI + 1.74%	n.a.	Sep/18	664 BRL	154,058	-
Energias do Brasil	Oct/15	IPCA + 8.2608%	n.a.	Sep/24	49 BRL	11,353	-
						544,843	-
						13,135,183	1,050,000

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.

(ii) Fixed in each year, varies over the useful life of the loan.

(iii) These issues correspond to private placements.

(iv) There is a call option exercisable at par by EDP at March 2021, March 2026 and subsequently on each date of interest payment.

(v) Fixed rate in the first 5.5 years, subsequently updated every 5 years.

EDP Group has various credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 357,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, which as at 31 December 2015 are totally available. Also EDP Group has Commercial Paper programs of 100,000 thousands of Euros with guaranteed placement, being fully available as at 31 December 2015. EDP Group has a medium term Revolving Credit Facility (RCF) of 3,150,000 thousands of Euros, with a firm underwriting commitment and maturing in 2019 and a RCF of 500,000 thousands of Euros, with a firm underwriting commitment and maturing in 2020, which as at 31 December 2015 are totally available.

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As at 31 December 2015, future debt and borrowings payments and interest by type of loan and currency are analysed as follows:

Thousands of Euros	2016	2017	2018	2019	2020	Following years	Total
Bank loans:							
Euro	392,938	333,317	316,389	122,639	1,614,446	584,466	3,364,195
Brazilian Real	77,537	117,088	156,781	108,396	72,016	279,978	811,796
US Dollar	3,303	-	-	481,046	-	-	484,349
Others	43,911	39,451	37,634	38,392	37,264	218,950	415,602
	517,689	489,856	510,804	750,473	1,723,726	1,083,394	5,075,942
Bond loans:							
Euro	2,462,908	1,031,632	417,185	652,675	1,078,639	2,828,942	8,471,981
Brazilian Real	124,920	153,562	147,847	79,275	30,563	21,206	557,373
US Dollar	64,057	-	917,129	1,082,114	684,508	980,898	3,728,706
	2,651,885	1,185,194	1,482,161	1,814,064	1,793,710	3,831,046	12,758,060
Hybrid Bond:							
Euro	11,785	-	-	-	-	739,147	750,932
	11,785	-	-	-	-	739,147	750,932
Commercial paper:							
Euro	420,636	-	-	-	-	-	420,636
US Dollar	-	-	-	229,632	-	-	229,632
	420,636	-	-	229,632	-	-	650,268
Other loans:							
Euro	9,191	1,221	-	-	-	-	10,412
Brazilian Real	5,478	2,710	1,985	1,644	727	12,382	24,926
	14,669	3,931	1,985	1,644	727	12,382	35,338
	3,616,664	1,678,981	1,994,950	2,795,813	3,518,163	5,665,969	19,270,540

As at 31 December 2014, future debt and borrowings payments and interest by type of loan and currency are analysed as follows:

Thousands of Euros	2015	2016	2017	2018	2019	Following years	Total
Bank loans:							
Euro	791,607	796,490	1,135,159	1,112,061	122,267	572,161	4,529,745
Brazilian Real	155,090	26,728	26,494	26,134	5,297	6,458	246,201
US Dollar	250,986	-	-	-	432,419	-	683,405
Others	71,937	41,158	32,716	29,775	30,681	190,248	396,515
	1,269,620	864,376	1,194,369	1,167,970	590,664	768,867	5,855,866
Bond loans:							
Euro	1,974,049	2,250,000	1,037,778	554,072	657,755	3,071,596	9,545,250
Brazilian Real	279,652	144,689	102,459	94,807	87,170	20,270	729,047
US Dollar	131,067	-	-	823,655	992,150	1,535,483	3,482,355
	2,384,768	2,394,689	1,140,237	1,472,534	1,737,075	4,627,349	13,756,652
Commercial paper:							
Euro	232,234	196,814	-	-	-	-	429,048
US Dollar	-	-	-	-	205,914	-	205,914
	232,234	196,814	-	-	205,914	-	634,962
Other loans:							
Euro	2,995	9,135	956	-	-	224	13,310
Brazilian Real	7,739	4,446	3,629	2,658	1,781	17,140	37,393
	10,734	13,581	4,585	2,658	1,781	17,364	50,703
	3,897,356	3,469,460	2,339,191	2,643,162	2,535,434	5,413,580	20,298,183

Some of the loans contracted by the EDP Group, mainly debt issued under the EMTN programme include some clauses that are usual for this type of operations, namely, "change-of-control", "negative pledge" "pari-passu" and "cross-default", each referring to a restricted set of circumstances.

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2015 and 2014 these loans amounted to 1,609,375 thousands of Euros (including 516,569 thousands of Euros of nominal debt of Porto do Pecém and 240,702 thousands of Euros of nominal debt of wind farms of ENEOP consortium) and 993,409 thousands of Euros, respectively (see note 44).

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The fair value of EDP Group's debt is analysed as follows:

Thousands of Euros	Dec 2015		Dec 2014	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	15,653,876	16,291,289	16,400,827	17,585,217
Debt and borrowings - Current	3,616,664	3,397,597	3,897,356	3,606,383
	19,270,540	19,688,886	20,298,183	21,191,600

In accordance with accounting policies - note 2 d) and f), the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IAS 39, are accounted at fair value. The financial liabilities are booked at amortised cost.

For fair value of debt purposes, the Hybrid bond was valued considering the maturity of the first call date (March 2021).

36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Provisions for social liabilities and benefits	883,447	930,291	13,303	1,346
Provisions for medical liabilities and other benefits	940,046	949,982	9,871	-
	1,823,493	1,880,273	23,174	1,346

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Non-Current	1,647,730	1,682,988	22,828	1,346
Current	175,763	197,285	346	-
	1,823,493	1,880,273	23,174	1,346

As at 31 December 2015, Provisions for social liabilities and benefits include 882,269 thousands of Euros related to retirement pension defined benefit plans (31 December 2014: 927,141 thousands of Euros) and 1,178 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2014: 3,150 thousands of Euros).

The movement in Provisions for social liabilities and benefits is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Balance at the beginning of the period	930,291	960,356
Charge for the period	27,641	33,959
Past service cost (Curtailment/Plan amendments)	-	11,180
Actuarial (gains)/losses	35,569	80,376
Charge-off	-166,908	-153,203
Surplus / (Deficit) pension funding (see note 27)	58,724	-
Transfers, reclassifications and exchange differences	-1,870	-2,377
Balance at the end of the period	883,447	930,291

The breakdown of actuarial gains and losses is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Actuarial gains and losses arising from:		
- changes in demographic assumptions	1,072	727
- changes in financial assumptions	21,924	116,252
- experience adjustments	19,173	663
Actuarial gains and losses arising from return on plan assets	-6,560	-39,871
Actuarial gains and losses of asset ceiling	-40	2,605
	35,569	80,376

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The movement in Provisions for medical liabilities and other benefits is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Balance at the beginning of the period	949,982	974,179
Charge for the period	38,104	47,495
Past service cost (Curtailment/Plan amendments)	-	-91,766
Actuarial (gains)/losses	26,190	61,898
Charge-off	-44,967	-44,861
Transfers, reclassifications and exchange differences	-29,263	3,037
Balance at the end of the period	940,046	949,982

The breakdown of actuarial gains and losses is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Actuarial gains and losses arising from:		
- changes in financial assumptions	2,444	111,778
- experience adjustments	23,746	-49,880
	26,190	61,898

In accordance with accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefits plans. The impact on reserves at 31 December 2004 amounted to 1,162,000 thousands of Euros. In the following years the actuarial gains and losses of these plans were booked directly in reserves. As at 31 December 2015 were recognised losses of 61,759 thousands of Euros (31 December 2014: 142,274 thousands of Euros).

On 16 July of 2014, EDP Group formalised and concluded the signature of the new agreement that had been intensely negotiated since September 2012 with the several unions representing its employees, namely the new Collective Labour Agreement (ACT 2014), that covers the 23 companies over which it exercises control, based in Portugal. This agreement covers approximately 6,700 employees of EDP Group in Portugal.

On 30 June 2014, the relevant aspects of the New ACT 2014 were already concluded and agreed, including among others, the following main changes in comparison with the previous collective agreement in force, with impact in the future liabilities:

- i) Co-payment in the acquisition moment of 22,5% for the drugs not supported by the SNS (National Healthcare Service) and 24% in the specialist medical consultations;
- ii) 24% of the costs not included in the first bullet through a monthly payment ("mútua"); and
- iii) Possibility of access to early retirement if the employee has 61 years old and 37 years of service (was 60/36 years).

The changes in the post-employment benefits described above are in accordance with IAS 19, a plan amendment which determines a decrease in 2014 in the present value of future liabilities. These changes were measured and recognised in the income statement in the amount of 129,020 thousands of Euros (see note 9).

In the course of 2015, all EDP Group companies are covered by the referred ACT, therefore the employees were reallocated to companies that provide effective service. As at 31 December 2015, this reallocation led to a transfer of the employee benefits liability between Group companies, against receivable and payable amounts. In EDP, S.A., these liabilities amount to 20,978 thousands of Euros whose receipt is in Other receipts/(payments) relating to operating activities in Statement of Cash Flows.

During 2014, under the employees' reduction program, EDP Group entered into early retirement and anticipation of early retirement agreements with Portuguese employees (160 employees of EDP Produção and EDP Distribuição) and Spanish employees (41 employees of HC Group) that will cease their services during the years 2014 and 2015. This increase in liabilities with employee benefits was measured and recognised in the income statement in the amount of 48,434 thousands of Euros (see note 9).

The weighted average duration of the defined benefit liabilities in Portugal is 10 years.

Employee benefit plans

Some EDP Group companies grant post-retirement benefits to employees, under defined benefit and defined contribution plans, namely pension plans that pay retirement complements of age, disability and surviving pensions, as well as early retirement pensions. In some cases healthcare is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

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The following is a summary of the nature of the plans and the companies covered, as well as financial and economic data of the plans:

I. Defined benefit pension plans

The EDP Group companies in Portugal resulting from the EDP spin-off in 1994 have a social benefits plan funded by a closed Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by an external entity as well as the management of its assets is subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complementary benefits for age. The responsibilities for early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the revision of the collective labour agreement ("Convenio Colectivo") signed in December 2007, HC Energia Group companies implemented an early retirement program.

Bandeirante in Brazil has two defined benefit plans managed by a closed complementary welfare entity, sponsored by companies of EDP Brasil, in order to manage a set of benefit plans for employees and ex-employees of Bandeirante:

- DB Plan in force up to 31 March 1998, a Benefit Plan that grants Balanced Proportional Supplementary Benefits (BSPS) in the form of an annuity payable to participants enrolled until 31 March 1998, of an amount defined in proportion to accumulated past service up to that date, based on compliance with the regulatory granting requirements. The company is fully liable to fund this plan;

- DB plan in force after 31 March 1998, grants an annuity in proportion to the accumulated past services after 31 March 1998, on the basis of 70% of the average actual monthly wage for the last 36 months in service. In the event of death or disability caused by a labour accident, the benefits incorporate all the past service (including that accumulated up to 31 March 1998), and not only past service accumulated after 31 March 1998. The Company and the participants are equally responsible for funding the Plan.

Escelsa, Bandeirante and Energest have Defined Benefit Plans that grant complementary pensions for retirement and early retirement.

In the pension plans in Portugal, and according with the Pension Funds regulation, the surplus amount of the assets fund, under certain conditions, can be reimbursed to the company.

In the pension plans in Brazil, the surplus amount of the assets fund generally can not be reimbursed to the company, since there are very strict rules on the amount that can be recovered, therefore the asset amount to be recognised is greatly reduced.

The number of participants covered by the pension plans and similar obligations was as follows:

	2015			2014		
	Portugal	Spain	Brazil	Portugal	Spain	Brazil
Number of participants:						
Retirees and pensioners	17,791	1,331	1,840	17,982	1,387	1,812
Active workers	4,939	1,415	1,178	5,178	1,395	1,256
	22,730	2,746	3,018	23,160	2,782	3,068

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans and similar obligations:

Assumptions	Dec 2015				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Discount rate	1.90%	2.00%	12.75%	12.75%	12.75%
Salary increase rate	2.30%	3.00%	7.82%	7.82%	7.82%
Pension increase rate	1.50%	not applicable	5.50%	5.50%	5.50%
Social Security salary appreciation	2016 - 0% // After 2016 - 1,4%	not applicable	5.50%	5.50%	5.50%
Inflation rate	1.50%	1.75%	5.50%	5.50%	5.50%
Mortality table	Born < 1950 - - TV99/01 (+1) // Born >= 1950 -- TV99/01	PERM/F- 2000P	AT-2000	AT-2000	AT-2000
Disability table	50%EKV 80	not applicable	Light Forte	Muller	Muller
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

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	Dec 2014				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Discount rate	1.90%	2.00%	12.25%	12.25%	12.25%
Salary increase rate	2.30%	3.00%	6.34%	6.34%	6.34%
Pension increase rate	1.50%	not applicable	5.50%	5.50%	5.50%
Social Security salary appreciation	2015 - 0% // After 2015 - 1,4%	not applicable	5.50%	5.50%	5.50%
Inflation rate	1.50%	1.75%	5.50%	5.50%	5.50%
Mortality table	Born < 1950 - - TV99/01 (+1) // Born >= 1950 -- TV99/01	PERM/F- 2000P	AT-2000	AT-2000	AT-2000
Disability table	50%EKV 80	not applicable	Light Forte	Muller	Muller
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2015.

The liability for retirement pensions and related coverage for the Group is analysed as follows:

Thousands of Euros	Dec 2015			
	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the period	1,693,576	94,172	191,663	1,979,411
Fair value of plan assets at the end of the period	-964,620	-	-218,359	-1,182,979
Surplus / (Deficit) pension funding	58,724	-	-	58,724
Asset ceiling	-	-	27,113	27,113
Provision at the end of the period	787,680	94,172	417	882,269

Thousands of Euros	Dec 2014			
	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the period	1,805,677	104,810	251,557	2,162,044
Fair value of plan assets at the end of the period	-992,501	-	-278,746	-1,271,247
Asset ceiling	-	-	36,344	36,344
Provision at the end of the period	813,176	104,810	9,155	927,141

The caption Asset ceiling refers to the unrecognised assets in the respective accounting periods. The reconciliation between the opening balance and the closing balance is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Asset ceiling at the beginning of the period	36,344	33,490
Effect of changes in restricted net assets of benefits to the asset ceiling	-3,917	-1,582
Interest received or paid	3,877	4,187
Exchange differences	-9,191	249
Asset ceiling at the end of the period	27,113	36,344

The evolution of the present value of the plan liability and fair value of the plan assets of the related funds is analysed as follows:

Thousands of Euros	2015	2014	2013	2012	2011
Provision for Pension Plans					
Liability at the end of the period	1,979,411	2,162,044	2,171,716	2,181,366	2,206,529
Fair value of plan assets at the end of the period	-1,182,979	-1,271,247	-1,250,007	-1,281,773	-1,252,622
Surplus / (Deficit) pension funding	58,724	-	-	-	-
Asset ceiling	27,113	36,344	33,490	32,601	40,754
Provision at the end of the period	882,269	927,141	955,199	932,194	994,661

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The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Pension Funds are analysed as follows:

Thousands of Euros	2015	2014	2013	2012	2011
Experience adjustments for the Plan liabilities	-16,902	11,260	-25,100	-25,009	-53,764
Experience adjustments for the Plan assets	16,025	34,347	64,074	32,511	-70,732

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are analysed as follows:

Thousands of Euros	2015	2014	2013	2012	2011
Experience adjustments for the Plan liabilities	-2,271	-11,923	308	3,469	-12,478
Experience adjustments for the Plan assets	-9,465	5,524	-36,750	21,032	35,706

The past service liability of the pension plans for the Group is as follows:

Thousands of Euros	Dec 2015			
	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the period	1,805,677	104,810	251,557	2,162,044
Current service cost	9,702	1,586	-393	10,895
Net interest on the pensions plan liability	32,590	1,682	25,996	60,268
Benefits paid	-199,697	-14,905	-17,622	-232,224
Actuarial losses and gains	46,000	1,072	-4,903	42,169
Currency fluctuation	-	-	-64,274	-64,274
Other	-696	-73	1,302	533
Liability at the end of the period	1,693,576	94,172	191,663	1,979,411

Thousands of Euros	Dec 2014			
	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the period	1,858,039	89,902	223,775	2,171,716
Current service cost	11,193	-1,660	11	9,544
Net interest on the pensions plan liability	48,311	2,511	27,678	78,500
Benefits paid	-196,240	-10,022	-19,826	-226,088
Past service cost (Curtailment/Plan amendments)	3,050	8,130	-	11,180
Actuarial losses and gains	82,158	16,005	19,479	117,642
Currency fluctuation	-	-	1,299	1,299
Other	-834	-56	-859	-1,749
Liability at the end of the period	1,805,677	104,810	251,557	2,162,044

The components of the consolidated net cost of this pension plans recognised during the period are as follows:

Thousands of Euros	Dec 2015			
	Portugal	Spain	Brazil	Group
Current service cost	9,702	1,586	-393	10,895
Operational component (see note 9)	9,702	1,586	-393	10,895
Net interest on the net pensions plan liability	14,354	1,682	710	16,746
Financial component (see note 13)	14,354	1,682	710	16,746
	24,056	3,268	317	27,641

Thousands of Euros	Dec 2014			
	Portugal	Spain	Brazil	Group
Current service cost	11,193	-1,660	11	9,544
Past service cost (Curtailment/Plan amendments)	3,050	8,130	-	11,180
Operational component (see note 9)	14,243	6,470	11	20,724
Net interest on the net pensions plan liability	21,805	2,511	99	24,415
Financial component (see note 13)	21,805	2,511	99	24,415
	36,048	8,981	110	45,139

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The evolution of the consolidated assets of the Pension Funds is analysed as follows:

Thousands of Euros	Dec 2015			
	Portugal	Spain	Brazil	Group
Pension funds				
Assets value at the beginning of the period	992,501	-	278,746	1,271,247
Group contribution	-	-	12,108	12,108
Plan participants contributions	-	-	847	847
Benefits paid	-61,991	-	-17,405	-79,396
Interest on the pensions plan assets	18,236	-	25,286	43,522
Actuarial gains/(losses)	16,025	-	-9,465	6,560
Currency fluctuation	-	-	-72,212	-72,212
Other variations	-151	-	454	303
Assets value at the end of the period	964,620	-	218,359	1,182,979

The actuarial gains/losses in Brazil include the negative amount of 40 thousands of Euros (149 thousands of Reais) related to actuarial gains and losses of the asset ceiling not recognised in reserves (2014: positive in 2,605 thousands of Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 27,113 thousands of Euros (116,905 thousands of Reais). As at 31 December 2014 the value of the asset ceiling was 36,344 thousands of Euros (117,054 thousands of Reais).

Thousands of Euros	Dec 2014			
	Portugal	Spain	Brazil	Group
Pension funds				
Assets value at the beginning of the period	993,423	-	256,584	1,250,007
Group contribution	-	-	6,579	6,579
Plan participants contributions	-	-	702	702
Benefits paid	-61,775	-	-19,695	-81,470
Interest on the pensions plan assets	26,506	-	27,579	54,085
Actuarial gains/(losses)	34,347	-	5,524	39,871
Currency fluctuation	-	-	2,329	2,329
Other variations	-	-	-856	-856
Assets value at the end of the period	992,501	-	278,746	1,271,247

The assets of the pension fund in Portugal are analysed as follows:

Thousands of Euros	Fund assets by nature					
	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2015	17,766	440,453	323,501	96,120	86,780	964,620
31 December 2014	11,264	471,078	376,393	56,452	77,314	992,501

%	Fund assets by nature					
	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2015	1.84%	45.66%	33.54%	9.96%	9.00%	100.00%
31 December 2014	1.13%	47.46%	37.92%	5.69%	7.80%	100.00%

The portfolio shares and bonds have a quoted market price in an active market.

Properties included in the fund, that are being used by the Group amount to 68,473 thousands of Euros as at 31 December 2015 (31 December 2014: 26,901 thousands of Euros). Bonds include 9,159 thousands of Euros (31 December 2014: 10,887 thousands of Euros) relating to bonds issued by EDP Finance B.V.

Shares include securities issued by Group companies that are analysed as follows:

Thousands of Euros	2015	2014
Shares:		
EDP Renováveis	10,744	8,053
	10,744	8,053

Pension fund assets in Brazil are analysed as follows:

Thousands of Euros	Fund assets by nature					
	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2015	-	185,953	28,861	866	2,679	218,359
31 December 2014	-	232,483	41,398	916	3,950	278,746

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%	Fund assets by nature					Total
	Liquidity	Bonds	Shares	Property	Other	
31 December 2015	-	85.16%	13.22%	0.40%	1.22%	100.00%
31 December 2014	-	83.40%	14.85%	0.33%	1.42%	100.00%

Assumptions regarding the discount rate

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available on the date for the high quality corporate bonds. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods that the benefits are expected to be paid.

The real return rate on assets of the pension fund in 2015 was positive in 3.51% (2014: positive in 6.39%).

As at 31 December 2015 the amount of future benefits expected to be paid, related to the activity in Portugal, Spain and Brazil, is analysed as follows:

Expected future benefits to be paid			
Portugal	Pensions	Medical plan and other benefits	Total
2016	195,509	32,296	227,805
2017	180,970	32,808	213,778
2018	168,144	33,444	201,588
2019	153,616	33,787	187,403
2020	141,080	34,501	175,581
2021	128,429	34,422	162,851
2022	112,329	34,852	147,181
2023	98,209	35,181	133,390
2024	85,256	35,359	120,615
2025	73,637	35,587	109,224

In 2015 and 2014, no contributions were made to the pension funds.

In 2015, the pensions paid by the funds in Portugal totalled 61,991 thousands of Euros (31 December 2014: 61,775 thousands of Euros).

Expected future benefits to be paid	
Spain	Other Benefits
2016	8,423
2017	5,511
2018	5,786
2019	5,939
2020	4,947
2021	4,715
2022	4,689
2023	4,657
2024	4,630
2025	4,606

In 2015, the pensions paid by the Funds in Spain totalled 14,905 thousands of Euros (31 December 2014: 10,022 thousands of Euros).

The amount of 94,172 thousands of Euros related to HC Energia Group, included in provisions for social welfare and benefits, includes 84,001 thousands of Euros (31 December 2014: 89,584 thousands of Euros) related with provisions for the revision of the collective labour agreement. The provision includes 10,171 thousands of Euros (31 December 2014: 15,226 thousands of Euros) related with responsibilities with pre-retirement before 31 December 2007.

Expected future benefits to be paid				
Brazil	Pensions	Medical Plans	Other Benefits	Total
2016	13,351	6,240	228	19,819
2017	14,383	6,886	33	21,302
2018	15,334	7,613	76	23,023
2019	16,415	8,358	39	24,812
2020	17,466	9,184	55	26,705
2021 to 2025	104,875	60,807	93	165,775

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The contributions made to the Pension funds in 2015 amounted to 12,108 thousands of Euros (31 December 2014: 6,579 thousands of Euros) and were fully paid in cash.

The pensions paid by the Funds in 2015 in Brazil totalled 17,405 thousands of Euros (31 December 2014: 19,695 thousands of Euros).

The sensitivity analysis for the Pension Plan in Portugal is analysed as follows:

Thousands of Euros	Liabilities at the end of the period	
	Increase	Decrease
Discount rate (0.5% movement)	-61,203	66,197
Pension increase (0.5% movement)	381,306	-171,581
Social Security Pension increase (0.5% movement)	-127,077	244,471
Mortality (increase of 1 year in expected lifetime of plan participants)		48,173

The sensitivity analysis for the Pension Plan in Brazil is analysed as follows:

Thousands of Euros	Liabilities at the end of the period	
	Increase	Decrease
Discount rate (0.5% movement)	-8,987	9,837
Mortality (increase of 1 year in expected lifetime of plan participants)		2,128

II. Defined contribution pension plan

EDPR Europe and HC Energia in Spain, Bandeirante in Brazil and several subsidiaries in Portugal, have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

In Brazil, Escelsa, Energest and Investco in Brazil also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, death benefits, survival benefits, life insurance, antiquity and retirement benefits, power and gas tariff discounts, among others.

The actuarial assumptions used to calculate the liability for Medical Care Plans are as follows:

Assumptions	Dec 2015		Dec 2014	
	Portugal	Brazil	Portugal	Brazil
Discount rate	1.90%	12.75%	1.90%	12.25%
Annual increase rate of medical service costs	3.50%	11,50% (b)	3.50%	11,51% (c)
Estimated administrative expenses per beneficiary per year (Euros)	238€ / year	not applicable	223.8€/year	not applicable
Mortality table	Born<1950 -- TV99/01 (+1) // Born>=1950 -- TV99/01	RP-2000 Geracional	Born<1950 -- TV99/01(+1) // Born>=1950 -- TV99/01	RP-2000 Geracional
Disability table	50%EKV 80	Wyatt 85 Class 1	50%EKV 80	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	(a)	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).

(b) 11.50% in the first year, decreasing to 7% in 10 years.

(c) 11.51% in the first year, decreasing to 6.55% in 10 years.

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The number of participants covered by the Medical and other benefits plans is as follows:

Number of participants	Dec 2015		Dec 2014	
	Portugal	Brazil	Portugal	Brazil
Retirees and pensioners	17,782	2,459	17,973	2,397
Current employees	6,638	1,091	5,178	1,081
	24,420	3,550	23,151	3,478

The evolution of the present value of the liability for Medical and other benefits for the Group is as follows:

Thousands of Euros	2015	2014	2013	2012	2011
Provision for medical care					
Liability at the end of the period	940,046	949,982	974,179	994,026	819,215
Provision at the end of the period	940,046	949,982	974,179	994,026	819,215

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Portugal Medical Care Liabilities are analysed as follows:

Thousands of Euros	2015	2014	2013	2012	2011
Experience adjustments for the Medical Plan liabilities	1,087	5,828	48,685	36,991	35,051
	1,087	5,828	48,685	36,991	35,051

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Brazil Medical Care Liabilities are analysed as follows:

Thousands of Euros	2015	2014	2013	2012	2011
Experience adjustments for the Medical Plan liabilities	-24,833	44,054	-42,551	-39,238	-2,469
	-24,833	44,054	-42,551	-39,238	-2,469

The change of the consolidated past service liability for medical and other benefits for the Group is as follows:

Thousands of Euros	Dec 2015			Dec 2014		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Evolution of the liability						
Liability at the beginning of the period	841,407	108,575	949,982	834,708	139,471	974,179
Current service cost	10,391	525	10,916	7,564	844	8,408
Net interest on the net medical liabilities and other benefits	15,833	11,355	27,188	22,264	16,823	39,087
Benefits paid	-37,174	-7,793	-44,967	-37,327	-7,534	-44,861
Past service cost (Curtailment/Plan amendments)		-	-	-91,766	-	-91,766
Actuarial gains and losses	-1,088	27,278	26,190	102,201	-40,303	61,898
Currency fluctuation	-	-31,935	-31,935	-	-726	-726
Other and "mútua"	2,672	-	2,672	3,763	-	3,763
Liability at end of the period	832,041	108,005	940,046	841,407	108,575	949,982
Provision at end of the period	832,041	108,005	940,046	841,407	108,575	949,982

The Medical Plan liability is recognised in the Group's accounts through provisions that fully cover the liability.

The components of the consolidated net cost of this medical and other benefits plans recognised during the period are as follows:

Thousands of Euros	Dec 2015			Dec 2014		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	10,391	525	10,916	7,564	844	8,408
Past service cost (Curtailment/Plan amendments)	-	-	-	-91,766	-	-91,766
Operational component (see note 9)	10,391	525	10,916	-84,202	844	-83,358
Net interest on the net medical liabilities and other benefits	15,833	11,355	27,188	22,264	16,823	39,087
Financial component (see note 13)	15,833	11,355	27,188	22,264	16,823	39,087
Net cost for the period	26,224	11,880	38,104	-61,938	17,667	-44,271

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The sensitivity analysis for the Medical Care Plan in Portugal is analysed as follows:

Thousands of Euros	Liabilities at the end of the period	
	Increase	Decrease
Discount rate (0.5% movement)	-59,298	66,709
Health care cost trend (0.5% movement)	20,574	-18,649
Mortality (increase of 1 year in expected lifetime of plan participants)	19,055	

The sensitivity analysis for the Medical Care Plan in Brazil is analysed as follows:

Thousands of Euros	Liabilities at the end of the period	
	Increase	Decrease
Discount rate (0.5% movement)	-5,709	6,272
Mortality (increase of 1 year in expected lifetime of plan participants)	3,184	

37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Provision for legal and labour matters and other contingencies	75,991	69,817	-	-
Provision for customer guarantees under current operations	3,295	3,837	-	-
Provision for dismantling and decommissioning	276,072	240,630	-	-
Provision for other liabilities and charges	150,714	171,255	13,469	22,811
	506,072	485,539	13,469	22,811

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Non-Current	481,439	463,975	12,207	22,540
Current	24,633	21,564	1,262	271
	506,072	485,539	13,469	22,811

The changes in the Provisions for legal and labour matters and other contingencies are analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Balance at the beginning of the period	69,817	62,415
Charge for the period	25,872	23,012
Reversals	-10,100	-11,819
Charge-off for the period	-10,976	-11,598
Other and exchange differences	1,378	7,807
Balance at the end of the period	75,991	69,817

EDP and its subsidiaries' boards, based on the information provided by legal advisors and on the analysis of pending law suits, booked provisions to cover the losses estimated as probable, related with litigations in progress.

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Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, relates essentially to:

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa in the amount of 9,363 thousands of Euros (31 December 2014: 10,905 thousands of Euros). These requests result from the application of Administrative Orders DNAEE no. 38 of 27 February 1986 and no. 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;
- ii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousands of Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 31 December 2015, the estimated liability amounts to 5,608 thousands of Euros, corresponding to the initial amount updated to current prices. This process is in a foreclosure stage and an appeal was filed by EDP Produção;
- iii) During April 2015, ERSE has notified EDP Comercial on its decision regarding the opening of an administrative infraction proceedings, within the framework of the Energy Sector Sanctions Regime (RSSE) requesting various information. In July 2015, ERSE sent a statement of objections to EDP Comercial whose response with defense arguments was prepared and submitted within the deadlines set by law. On 10 December 2015, ERSE issued a decision condemning EDP Comercial to a fine of 7,500 thousands of Euros. It was decided to appeal the decision within the legal deadline set for this purpose, has been booked a provision in the amount concerned; and
- iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

In accordance with IFRS 3, in the course of an acquisition, the acquiring company must recognise, at the acquisition date, a contingent liability for the present obligations resulting from past events which fair value can be reliably measured. In the acquisition of control of Porto do Pecém, the Board identified a contingency under these circumstances which estimated responsibility amounts to 5,043 thousands of Euros (21,745 thousands of Reais) as at 31 December 2015 (see note 53).

The movement in Provision for customer guarantees under current operations is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Balance at the beginning of the period	3,837	12,679
Reversals	-	-66
Charge-off for the period	-2,214	-3,380
Other and exchange differences	1,672	-5,396
Balance at the end of the period	3,295	3,837

Provisions for customer guarantees under current operations include essentially provisions for commercial losses.

The movement in Provision for dismantling and decommissioning is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Balance at the beginning of the period	240,630	164,141
Changes in the perimeter	8,946	-
Unwinding	7,145	8,233
Charge for the period	290	-
Increase of the responsibility	15,973	67,939
Decrease of the responsibility	-7	-312
Reversals	-1,746	-1,018
Other and exchange differences	4,841	1,647
Balance at the end of the period	276,072	240,630

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As at 31 December 2015, Provision for dismantling and decommissioning includes the following situations:

- i) The Group holds a provision of 35,471 thousands of Euros (31 December 2014: 34,682 thousands of Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. The assumptions used in the calculation of the provision include an inflation rate of 1.80% and a discount rate of 2.25%. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;
- ii) Provisions for dismantling of wind farms of 117,228 thousands of Euros (31 December 2014: 96,676 thousands of Euros) to cover the costs of returning the sites to their original state, of which 60,114 thousands of Euros refer to the wind farms of the EDPR NA Group, 56,351 thousands of Euros to the wind farms of the EDPR EU Group, 484 thousands of Euros to the wind farms of the EDPR Brasil Group and 279 thousands of Euros to the wind farms of the EDPR Canada Group. The assumptions used when computing these provisions consider: (i) an average per MW cost of decommissioning of 14,000 Euros in Europe and 22,045 Euros in the U.S.A. (31 December 2014: 19,768 Euros); (ii) a salvage value of 41,000 Euros in Europe and 32,148 Euros in the U.S.A. (31 December 2014: 28,828 Euros); (iii) a discount rate between 1.90% and 2.50% in Europe and between 3.85% and 5% in the U.S.A.; (iv) an inflation rate of 1.75% and 1.85% in Europe and 2.5% in the U.S.A., and (v) an original capitalization period of 25 years; and
- iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the Group accounts for provisions to cover the costs with the decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 31 December 2015, the provision amounts 79,455 thousands of Euros (31 December 2014: 68,015 thousands of Euros) and 42,100 thousands of Euros (31 December 2014: 41,258 thousands of Euros) for the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the future liability and are accounted against an increase in property, plant and equipment and are depreciated on a straight line basis over the average useful life of the assets. The calculation of these provisions was based on an inflation rate between 1.75% and 1.85% and discount rates between 0.11% and 2.5%.

The movement in Provision for other liabilities and charges for is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Balance at the beginning of the period	171,255	142,435	22,811	22,150
Charge for the period	23,935	47,433	2,207	1,870
Reversals	-22,195	-5,448	-12,088	-888
Charge-off for the period	-8,234	-19,551	-414	-1,339
Other and exchange differences	-14,047	6,386	953	1,018
Balance at the end of the period	150,714	171,255	13,469	22,811

As part of the institutional collaboration between EDM - Eletricidade de Moçambique E.P and EDP, was agreed in 2012 the rehabilitation and the conversion of 2 gas turbines of 16 MW decommissioned from Tunes Thermolectric plant to be installed in Chokwé - Mozambique in open cycle mode. In 2014, EDM requested the transfer of the project to the Nacala area, passing the turbines working on diesel. It is estimated that from this conversion may result a negative impact of 8,006 thousands of Euros (31 December 2014: 4,561 thousands of Euros).

In the course of its normal activity, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of administrative, civil, tax, labour and other natures. These legal, arbitration or other actions, involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In EDP Group's opinion and its legal advisors the risk of a loss in these actions is not probable and the outcome will not affect on a material way its consolidated financial position.

The processes whose losses were considered as possible, do not require the recognition of provisions and are periodically reassessed. The detail of possible contingencies is analysed as follows:

Thousands of Euros	Dec 2015			Total
	Subsidiaries based in Portugal	Subsidiaries based in Spain	Subsidiaries based in Brazil	
Administrative and Civil	53,881	3,954	191,700	249,535
Fiscal	93,020	1,413	249,838	344,271
Others	15,905	314	22,464	38,683
	162,806	5,681	464,002	632,489

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Thousands of Euros	Dec 2014			Total
	Subsidiaries based in Portugal	Subsidiaries based in Spain	Subsidiaries based in Brazil	
Administrative and Civil	8,670	9,566	138,418	156,654
Fiscal	104,302	4,408	260,348	369,058
Others	7,588	105	27,387	35,080
	120,560	14,079	426,153	560,792

The possible contingencies more relevant in Portugal, are as follows:

i) EDP Produção has several judicial claims arising from an alleged incorrect application of social security contribution rates below the maximum for employees covered by pre-retirement agreements, in the amount of 4,194 thousands of Euros (31 December 2014: 4,192 thousands of Euros);

ii) EDP Produção, EDP Distribuição and EDP Serviço Universal have several lawsuits of civil nature associated with claims for property and non-property damage in the amount of 11,586 thousands of Euros (31 December 2014: 3,000 thousands of Euros);

iii) Within EDP Distribuição there is a contingency regarding the liability for the costs of the works for the installation and supply of electricity distribution grids, including public illumination, with respect to the urbanistic reconversion and intervention area in Parque Expo 98. In this context, Parque Expo 98 argues that, between 1996 and 2014, it has supported the costs, in the amount of 26,519 thousands of Euros, being such responsibility of EDP Distribuição. In November 2015, Parque Expo 98 addressed EDP Distribuição a separate judicial notice, in order to interrupt the limitation period (which would occur 20 years from the date of the referred agreement);

iv) There is a civil judicial proceeding in Empresa Hidroelétrica do Guadiana resulting from inconsistencies of interpretation of the exploration agreement of hydroelectric plant of Alqueva and Pedrógão, entered into with EDIA. In particular, regarding the determining of the investment made with the construction of power increase of Alqueva for the effects of adjustment of the annual financial compensation foreseen in the agreement. As at 31 December 2015, the contingency amounts approximately to 7,000 thousands of Euros;

v) There is a tax judicial process, in EDP S.A., resulting from an external inspection work done by the Tax Authority for 2003, which proposed a number of corrections to taxable income of companies included in the EDP S.A. tax group. EDP S.A. does not agree with most of the proposed corrections and, as a parent company of the companies' Group taxed under the Special Taxation of Corporate Groups Scheme (RETGS), presented a legal appeal contesting several corrections, being the most relevant concerning with the incorrect attribution of profits of a subsidiary to EDP International SGPS. As at 31 December 2015, the tax contingency associated with this adjustment, classified as possible, amounts to 45,154 thousands of Euros (31 December 2014: 43,289 thousands of Euros);

vi) EDP S.A., EDP Distribuição and EDP Produção have a tax judicial process resulting from an external inspection work done by the Tax Authority for 2001, which proposed a number of corrections to the taxable income of these companies. EDP S.A. does not agree with most of the proposed corrections and, as a parent company of the companies' Group taxed under the RETGS, presented a legal appeal contesting several corrections, being the most relevant correction associated with the classification of the costs incurred with medical care as socially useful procedures. As at 31 December 2015, the tax contingency associated with this adjustment, classified as possible, amounts to 10,440 thousands of Euros; and

vii) During April 2015, ERSE has notified EDP Distribuição about the resolution regarding the opening of the administrative infraction proceedings, within the framework of the Energy Sector Sanctions Regime (RSSE) requesting several information (without further developments until the present moment). As at 31 December 2015, legal advisers and the Board recognise that this contingency seems to be possible, notwithstanding, in view of the investigation phase of the proceedings and the lack of case law in this matter, at this date the respective risk value is uncertain.

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The possible contingencies more relevant in Brazil, are as follows:

- i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 30,020 thousands of Euros (31 December 2014: 33,495 thousands of Euros), on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tariff charged between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that the customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints. In June 2015, the decision was favorable to Bandeirante. As White Martins, SA is still entitled to appeal against this decision, this contingency has been maintained as possible;
- ii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 26,093 thousands of Euros (31 December 2014: 28,944 thousands of Euros);
- iii) Escelsa is involved in several legal action of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 11,331 thousands of Euros (31 December 2014: 14,545 thousands of Euros);
- iv) There is a public civil action filed against Bandeirante and Escelsa by ADIC – Associação de Defesa dos Interesses Colectivos, claiming a compensation arising from a tariff readjustment on part A from 43 concessionaires. The estimated value attributable to Bandeirante and Escelsa amounts to 28,981 thousands of Euros (31 December 2014: 31,060 thousands of Euros);
- v) Bandeirante is a party to a lawsuit related to the COFINS (Contribution for social security financing) from 1993 to 1995 in joinder with AES Eletropaulo, where is discussed the application of the tax amnesty introduced by the Provisional Measures paragraphs 1858-6 and 1858-8, granted to taxpayers who did not collect COFINS, considering it improper. In the trial of 2nd Instance, was partially confirmed the right to amnesty, and applied the Decree-Law 1,025/69, which established the payment of procedural costs in favor of the National Treasury. From that decision, was presented an appeal which holds trial. The adjusted amount as at 31 December 2015 is 16,355 thousands of Euros (31 December 2014: 21,269 thousands of Euros). The reduction of the contingency is due to the revision of the current interest values;
- vi) Bandeirante and Escelsa have administrative and judicial tax actions regarding compensations which were not approved by the Brazilian Tax Authorities, which: (i) are supported by judicially recognised credits (IRPJ - Corporate tax income and CSLL - Social Contribution on net profits) and (ii) resulted of tax contributions in 2001 of IRPJ, CSLL, PIS (Social integration programme) and COFINS considered excessive as a consequence of the application of "Parecer COSIT 26/2002" (Extraordinary Tariff Adjustment - RTE) published by the Brazilian fiscal authorities. According with this opinion, the updating of rates derived from the RTE should be recognised since 2002. As at 31 December 2015, the estimated value amounts to 69,717 thousands of Euros (31 December 2014: 90,070 thousands of Euros);
- vii) Lajeado has a judicial tax action initiated by the Brazilian Tax Authorities in 2014 aimed at collecting tax contributions (IRPJ and CSLL) resulting from the disallowance of expenses regarding goodwill arising from a business combination (acquisition). As at 31 December 2015, this contingency amounts to 19,064 thousands of Euros (31 December 2014: 24,345 thousands of Euros); and
- viii) During 2015, Porto do Pecém was subject to a tax execution procedure in the amount of 16,237 thousands of Euros, related to an alleged non-taxation under Corporate Income Tax (CIT) and Social Contribution on Net Profits (CSLL) of prior years' financial income and exchange rate gains.

Finally, it should identify relevant litigation and contingencies that although the EDP Group classify their risk as remote, namely:

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2015, the amount of this tax contingency totals 255 millions of Euros (31 December 2014: 245 millions of Euros).

Considering the analysis made, the technical advice received and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 number 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (actual article 81).

Bearing the above in mind, and given that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional assessments. As a result of the administrative appeal dismissal, EDP presented a judicial claim, on 6 June 2012, which is still being analysed.

Additionally, Bandeirante through the Union of Power Industry of the State of São Paulo - SindiEnergia, filed two claims against the Department of Finance of the State of São Paulo, seeking the suspension of the effects of Decrees 55,421/2010 and 55,867/2010. Both claims are concerned with VAT incidence on energy technical losses (theft, deviation or fraud) and obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts, however, given that the higher courts jurisprudence supports the thesis discussed in this process, the EDP Group classifies as remote the risk of losing this action. The estimated value at 31 December 2015 amounts to 72,300 thousands of Euros (31 December 2014: 69,479 thousands of Euros).

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38. INSTITUTIONAL PARTNERSHIPS IN USA

The caption Institutional partnership in USA is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Deferred income related to benefits provided	791,444	735,260
Liabilities arising from institutional partnerships in USA	1,164,773	1,066,703
	1,956,217	1,801,963

EDPR North America books the receipts of institutional investors associated with wind and solar projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 25 years of the related projects (see note 7). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 13).

During 2015 EDPR Group, through its subsidiary EDPR NA, has secured 233 millions of US Dollar (approximately 210 millions of Euros) of institutional equity financing from MUFG Union Bank N.A. and another institutional investor in exchange for an interest in the Vento XIII portfolio. Additionally, the Group received proceeds amounting 43 millions of US Dollars (approximately 39 millions of Euros) corresponding to the last tranche of institutional equity financing from MUFG Union Bank N.A secured in 2014 in exchange for an interest in the Vento XII portfolio.

Finally, EDPR Group has secured 238 millions of US Dollars (approximately 215 millions of Euros) of institutional equity financing from an affiliate of Google Inc. in exchange for an interest in the Vento XIV portfolio, which proceeds have been received in 2016.

39. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities - Non-Current, are analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Government grants for investment in fixed assets	612,438	610,561
Amounts payable for tariff adjustments - Electricity - Portugal	18,269	15,409
Amounts payable for tariff adjustments - Electricity - Brazil	6,447	-
Energy sales contracts - EDPR NA	24,223	30,827
Deferred income - CMEC	260,233	306,153
Amounts payable for concessions	208,823	226,832
Other creditors and sundry operations	106,841	79,694
	1,237,274	1,269,476

Trade and other payables from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Suppliers	979,482	1,123,667	263,102	343,696
Accrued costs related with supplies	451,891	405,260	252,424	241,880
Property, plant and equipment suppliers and accruals	768,159	689,946	2,489	5,630
Holiday pay, bonus and other charges with employees	165,133	154,522	27,198	15,897
CO2 emission licences	124,354	100,688	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	196,662	214,227	-	-
Deferred income - CMEC	45,921	45,669	-	-
Other creditors and sundry operations	648,756	448,276	5,403	31,717
	3,380,358	3,182,255	550,616	638,820

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The movement for the period in Amounts payable for tariff adjustments - Electricity - Portugal (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2014	285,274	-
Payment through the electricity tariff	-285,518	-
Tariff adjustment of 2013	106	-
Tariff adjustment of the period	212,727	15,409
Interest expense	2,101	-
Transfer to/from tariff adjustment receivable	-463	-
Balance as at 31 December 2014	214,227	15,409
Payment through the electricity tariff	-216,971	-
Tariff adjustment of 2014	1,023	-
Tariff adjustment of the period	176,662	18,268
Interest expense	1,919	-
Transfer to/from tariff adjustment receivable	4,394	-
Transfer from Non-Current to Current	15,408	-15,408
Balance as at 31 December 2015	196,662	18,269

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments booked in Bandeirante in the accumulated amount of 6,447 thousands of Euros. The variation occurred includes the tariff deficit for the period in the amount of 7,263 thousands of Euros, unwinding in the amount of 252 thousands of Euros and the exchange differences due to depreciation of Brazilian Real with a positive impact of 1,068 thousands of Euros (see note 6).

Government grants for investment in fixed assets correspond to the subsidies for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 12). This caption includes grants received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government (ver nota 1).

At the moment of the EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousands of US Dollars, being booked as a non-current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts in Other operating income (see note 7).

Deferred income - CMEC Current and Non-current in the amount of 306,154 thousands of Euros (31 December 2014: 351,822 thousands of Euros) refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2015 and including unwinding (see note 13).

Amounts payable for concessions Non-current amounts includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 144,490 thousands of Euros (31 December 2014: 146,618 thousands of Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 63,513 thousands of Euros (31 December 2014: 78,305 thousands of Euros).

The caption CO2 emission licenses includes the CO2 consumptions made during 2015 in Portugal and Spain, in the amount of 68,487 thousands of Euros and 55,867 thousands of Euros, respectively. These licenses will be returned, in 2015, to regulatory authorities for each country.

As at 31 December 2015 and 2014, Other creditors and sundry operations - Current includes 14,317 thousands of Euros related to tariff adjustment payable.

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40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	208,082	266,026	-	-
Put options over non-controlling interest liabilities	27	89	-	-
Derivative financial instruments	267,354	197,223	209,096	148,630
Group companies	-	-	2,497,923	1,529,974
Amounts payable for acquisitions and success fees	15,978	10,707	-	-
Lease contract with EDP Pension Fund	29,383	-	29,383	-
Other creditors and sundry operations	27,312	43,441	3,313	6,626
	<u>548,136</u>	<u>517,486</u>	<u>2,739,715</u>	<u>1,685,230</u>
Other liabilities and other payables - Current				
Loans from non-controlling interests	87,057	77,691	-	-
Dividends attributed to related companies	63,422	68,393	-	-
Derivative financial instruments	122,131	64,616	260,859	102,710
Group companies	-	-	102,603	777,132
Put options over non-controlling interest liabilities	3,690	3,658	-	-
Amounts payable for acquisitions and success fees	3,557	14,150	-	-
Lease contract with EDP Pension Fund	2,484	-	2,484	-
Other creditors and sundry operations	29,233	7,287	30,906	33,069
	<u>311,574</u>	<u>235,795</u>	<u>396,852</u>	<u>912,911</u>
	<u>859,710</u>	<u>753,281</u>	<u>3,136,567</u>	<u>2,598,141</u>

The caption Loans from non-controlling interests includes the EDPR Portugal loan formerly due to EDPR-EU in the second quarter of 2013 in the amount of 110,529 thousands of Euros that, following the sale process of 49% of its shareholding in EDPR Portugal to CTG, shareholder of EDP Group, were acquired by CTG. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and its interest is paid half-yearly. At 31 December 2015 this loan amounts to 81,315 thousands of Euros (31 December 2014: 90,610 thousands of Euros), from which 9,825 thousands of Euros are classified as current and 71,490 thousands of Euros as non-current (see note 45). This caption also includes loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousands of Euros, from which 9,328 thousands of Euros are classified as non-current and 48,892 thousands of Euros as current.

Additionally, the caption Loans from non-controlling interests Non-Current includes 76,328 thousands of Euros (31 December 2014: 93,553 thousands of Euros) of loans payable to Vortex, following the sale of 49% of several interests of EDPR France and the fixed rates used for these loans vary between 3.1% and 7.18%.

The Amounts payable for acquisitions and success fees Current and Non-Current comprises the amounts related to the contingent prices of several European (mainly in Poland, Romania and Italy) and Brazilian projects. Additionally, as at September 2015, this caption includes the estimated impact of ENEOP transactions of 49,932 thousands of Euros paid in the fourth quarter of 2015 (see note 53).

The caption Group companies Non-Current on a company basis, of 2,497,923 thousands of Euros (31 December 2014: 1,529,974 thousands of Euros), corresponds to the financing obtained through EDP Finance BV and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group (see notes 45 and 50).

The caption Group companies Current on a company basis includes 36,705 thousands of Euros (31 December 2014: 777,132 thousands of Euros) related to the debt financing obtained by EDP S.A. Sucursal en España through EDP Finance BV and EDP Servicios Financieros España, S.A. (see note 50). Additionally, this caption includes the amounts to be paid under the EDP Group's financial system (see note 45).

The caption Lease Contract with EDP Pension Fund Current and Non-current corresponds to the lease contract regarding the fractions of Porto headquarters acquired by EDP Pension Fund. Given the substance of this lease contract, the underlying assets corresponding to the building component were booked as an asset of EDP, S.A. in Property, Plant and Equipment - Buildings and other constructions at the present value of the minimum lease payments of 31,867 thousands of Euros. The lease contract is for a period of 25 years, with a monthly income of 270 thousands of Euros and an implicit rate of 6.42%.

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41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Income tax	140,723	40,725	50,753	2,386
Withholding tax	55,860	54,721	1,098	364
Value added tax (VAT)	96,103	105,939	1,558	2,158
Turnover tax (Brazil)	51,185	49,741	-	-
Social tax (Brazil)	40,900	25,104	-	-
Other taxes	132,609	139,591	809	295
	517,380	415,821	54,218	5,203

As at 31 December 2015, for the Group, the caption Other taxes includes essentially taxes regarding HC Energia Group (include NG Energia) of 99,080 thousands of Euros (31 December 2014: 100,834 thousands of Euros) and EDP Brasil Group of 4,094 thousands of Euros (31 December 2014: 5,511 thousands of Euros).

42. ASSETS AND LIABILITIES HELD FOR SALE

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in the EDP Group's consolidated financial statements, are presented under accounting policies - note 2 u).

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Assets held for sale		
Assets of the business of gas transmission - Naturgas	-	164,402
Assets of the business of electricity generation - Pantanal	27,624	-
Assets of the business of electricity generation - Tejo Energia	17,214	-
Assets of the business of wind energy generation - Inch-Cape	40,164	-
Assets of the business of wind energy generation - J&Z	69,527	-
	154,529	164,402
Liabilities held for sale		
Liabilities of the business of gas transmission - Naturgas	-	-11,328
Liabilities of the business of electricity generation - Pantanal	-2,622	-
Liabilities of the business of electricity generation - J&Z	-55,406	-
	-58,028	-11,328
	96,501	153,074

On 15 July 2015, EDP - Energias do Brasil S.A. (EDP Brasil), 51% controlled by EDP, signed a sale and purchase agreement with Cachoeira Escura Energética S.A. for the sale of 100% of Pantanal Energética Ltda (Pantanal). The conclusion of the transaction occurred in January 2016 after the necessary regulatory approvals (see note 48).

As at 31 December 2015 the assets and liabilities related to this transaction were presented as non-current assets and liabilities held for sale, being the major reclassification related to property, plant and equipment and intangible assets in the amount of 21,923 thousands of Euros (94,525 thousands of Reais). These reclassifications were made only for financial statements presentation purposes, without changing the measurement criteria of these assets and liabilities, as it is expected that the fair value less costs to sell will be higher than the book value of these assets and liabilities in accordance with IFRS 5.

On 20 July 2015, EDPR UK Limited signed a sale and purchase agreement with Repsol Nuevas Energías S.A. for the sale of 49% of Inch Cape Offshore Limited. The conclusion of the transaction is subject of the approval of the "The Crown Estate" and other regulatory approvals (see note 48).

As at 31 December 2015, the financial interest included in the financial statements accounted by the equity method (14,433 thousands of Euros) and the loans granted (25,731 thousands of Euros) to Inch Cape Offshore Limited were presented as non-current assets held for sale. These reclassifications were made only for financial statements presentation purposes, without changing the measurement criteria of these assets, as it is expected that the fair value less costs to sell will be higher than the book value of these assets in accordance with IFRS 5.

In October 2015, EDPR Group committed to a plan to do a cross sale of two wind farms in Poland. EDPR Group would be acquiring remaining 35% in the Company Molen Wind II, S.P. ZO.O and would sell 60% of Company J&Z Wind Farms SP. ZO.O. Efforts to sell the disposal group have started and the sale is expected to occur during 2016.

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As at 31 December 2015 the assets and liabilities related to this transaction were presented as non-current assets and liabilities held for sale, being the major reclassifications related to: (i) property, plant and equipment in the amount of 61,975 thousands of Euros (264,253 thousands of Zlotys); (ii) loans granted in the amount of 3,738 thousands of Euros (15,939 thousands of Zlotys); (iii) bank loans amounting to 34,388 thousands of Euros (146,627 thousands of Zlotys); and (iv) grants in the amount of 18,554 thousands of Euros (79,113 thousands of Zlotys). These reclassifications were made only for financial statements presentation purposes, without changing the measurement criteria of these assets and liabilities, as it is expected that the fair value less costs to sell will be higher than the book value of these assets and liabilities in accordance with IFRS 5.

On 6 November 2015, EDP Gestão da Produção de Energia, S.A. reached an agreement with Trust Energy, B.V. for the sale of its 11.11% share capital in Tejo Energia, S.A. On 8 January 2016, it has completed the sale of 6.2% to Trust Energy, B.V. The conclusion of the sale of the remaining share capital is subject to preemptive rights of other shareholders, and it should be completed during the first semester of 2016.

As at 31 December 2015, the financial interest included in the financial statements accounted as an available for sale investment (17,214 thousands of Euros) was presented as non-current asset held for sale. This reclassification was made only for financial statements presentation purposes, without changing the measurement criteria of the asset, which was revalued considering the transaction price.

On 16 December 2014, Naturgas Energía Grupo, S.A. has reached an agreement with Redexis Gas, S.A., a Spanish gas transmission and distribution company held by Goldman Sachs Infrastructure Partners, for the sale of gas distribution assets owned by EDP Group in Murcia and in other regions in Spain. The transaction perimeter comprises essentially gas distribution assets held by Gas Energía Distribución Murcia as well as in other Spanish regions (mainly in Extremadura and Gerona), which are not contiguous to Naturgas' existing operations, mostly located in the Basque Country, Cantabria and Asturias regions.

The sale of the assets held by Gás Energía Distribución Murcia, S.A. has occurred on the 30 January of 2015 with a sale price of 125,683 thousands of Euros, deducted of 2,925 thousands of Euros of transaction fees (see note 5), generating a gain of 79,091 thousands of Euros (see note 7). In this operation, Redexis also acquired to HC Energy the intercompany debt of 63,722 thousands of Euros. At the transaction date, Gás Energía Distribución Murcia, S.A. held 1,846 thousands of Euros in Cash and cash equivalents. In June 2015 the remaining distribution assets were sold for 51,131 thousands of Euros, generating a gain of 9,825 thousands of Euros (see note 7).

43. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with IAS 39, the Group classifies derivative financial instruments as fair value hedge of a recognised asset or liability (Fair value hedge), as cash flow hedge of recognised liabilities and highly probable future transactions (Cash flow hedge) and as net investment hedge in foreign operations (Net investment hedge).

In 2015, the fair value and the maturity of the derivative financial instruments are analysed as follows:

Thousands of Euros	Fair value		Notional			Total
	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	
Net Investment hedge						
Cross-currency interest rate swaps	14,998	-71,614	93,615	69,985	300,000	463,600
Currency forwards	554	-	15,812	-	-	15,812
	<u>15,552</u>	<u>-71,614</u>	<u>109,427</u>	<u>69,985</u>	<u>300,000</u>	<u>479,412</u>
Fair value hedge						
Interest rate swaps	96,410	-9,006	-	850,000	1,600,000	2,450,000
Cross-currency interest rate swaps	171,935	-28,493	-	423,922	410,314	834,236
	<u>268,345</u>	<u>-37,499</u>	<u>-</u>	<u>1,273,922</u>	<u>2,010,314</u>	<u>3,284,236</u>
Cash flow hedge						
Commodities swaps	48,858	-40,806	433,475	283,595	-	717,070
Interest rate swaps	-	-86,464	111,011	509,370	588,407	1,208,788
Currency forwards	8,547	-227	231,889	144,596	-	376,485
	<u>57,405</u>	<u>-127,497</u>	<u>776,375</u>	<u>937,561</u>	<u>588,407</u>	<u>2,302,343</u>
Trading						
Commodities swaps	92,276	-64,503	973,002	39,771	-	1,012,773
Interest rate swaps	19,552	-38,070	35,370	669,519	310,655	1,015,544
Cross-currency interest rate swaps	2,015	-23,710	-	192,172	-	192,172
Currency forwards	76,726	-23,501	705,080	35,225	-	740,305
Commodities forwards	1,459	-	80,553	17,205	-	97,758
Options purchased and sold	-	-3,091	-	-	-	-
	<u>192,028</u>	<u>-152,875</u>	<u>1,794,005</u>	<u>953,892</u>	<u>310,655</u>	<u>3,058,552</u>
	<u>533,330</u>	<u>-389,485</u>	<u>2,679,807</u>	<u>3,235,360</u>	<u>3,209,376</u>	<u>9,124,543</u>

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

Thousands of Euros	Fair value		Notional			Total
	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	
Net Investment hedge						
Cross-currency interest rate swaps	14,699	-27,664	119,968	29,059	300,000	449,027
	14,699	-27,664	119,968	29,059	300,000	449,027
Fair value hedge						
Interest rate swaps	111,241	-	1,000,000	350,000	1,500,000	2,850,000
Cross-currency interest rate swaps	139,568	-35,640	-	423,922	410,314	834,236
	250,809	-35,640	1,000,000	773,922	1,910,314	3,684,236
Cash flow hedge						
Commodities swaps	55,409	-27,486	468,461	96,104	-	564,565
Interest rate swaps	8	-81,507	83,567	167,005	337,892	588,464
Currency forwards	6,188	-19	198,853	3,445	-	202,298
	61,605	-109,012	750,881	266,554	337,892	1,355,327
Trading						
Commodities swaps	18,084	-61,166	2,374,786	487,007	-	2,861,793
Interest rate swaps	21,380	-285	470	1,411	600,000	601,881
Cross-currency interest rate swaps	2,451	-26,909	-	138,606	-	138,606
Currency forwards	7,419	-569	221,016	30,069	-	251,085
Commodities forwards	-2,701	-	6,417	7,821	-	14,238
Options purchased and sold	-	-594	-	-	-	-
	46,633	-89,523	2,602,689	664,914	600,000	3,867,603
	373,746	-261,839	4,473,538	1,734,449	3,148,206	9,356,193

The fair value of the derivative financial instruments is booked in Other debtors and other assets (see note 27) and Other liabilities and other payables (see note 40), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, as such, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of Level 2 (see note 46) and no changes of level were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 4), however such instruments are not eligible for hedge accounting under IFRS.

The changes in the fair value, including accrued interest, of hedging instruments and risks being hedged are as follows:

Thousands of Euros	Hedging instrument	Hedged risk	2015		2014	
			Changes in fair value Instrument	Risk	Changes in fair value Instrument	Risk
Net investment	Cross-curr. int. rate swaps	Subsidiaries in PLN, BRL and USD	-43,651	36,754	-25,823	35,679
Net investment	Currency forwards	Subsidiaries in CAD	554	-807	-2,360	2,158
Fair value	Interest rate swap	Interest rate	-23,837	22,494	52,926	-53,660
Fair value	Cross-curr. int. rate swaps	Exchange and interest rate	39,514	-51,371	101,591	-107,530
Cash flow	Interest rate swap	Interest rate	-4,965	-	-32,182	-
Cash flow	Currency forwards	Exchange rate	2,151	-	11,692	-
Cash flow	Commodities swaps	Commodity prices	-19,871	-	23,896	-
			-50,105	7,070	129,740	-123,353

During 2015 and 2014 the following market inputs were considered for the fair value calculation:

Instrument	Market input
Cross-curr. int. rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M, Daily CDI and Wibor 3M; and exchange rates: EUR/CHF, EUR/GBP, EUR/BRL, EUR/PLN, USD/BRL and EUR/USD.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Wibor 6M, US Libor 6M and CAD Libor 3M.
Currency forwards	Fair value indexed to the following exchange rates: EUR/USD, EUR/RON, EUR/PLN, EUR/GBP, EUR/BRL, USD/JPY and EUR/CAD.
Commodities swaps	Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas, Electricity, Fuel, Henry Hub, TTF, Coal, Freights, CER and CO2.

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The changes in the fair value reserve related to cash flow hedges in 2015 and 2014 were as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Balance at the beginning of the period	-62,953	-74,003
Fair value changes	-15,020	8,462
Transfers to results from hedging of financial liabilities and commodity prices	-16,571	1,263
Comprehensive Income changes in associates	27,836	-2,360
Changes resulting from acquisitions/sales without control changes	-7,158	3,685
Balance at the end of the period	-73,866	-62,953

The gains and losses on the financial instruments portfolio, excluding accrued interest, booked in the income statement in 2015 and 2014 are as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Derivatives held for trading	91,583	-22,608	54,862	44,839
Net investment hedge - ineffectiveness	-7,150	15,533	-	-
Fair value hedges:				
-Derivatives	15,677	154,517	248,495	259,430
-Hedged liabilities	-28,877	-161,190	-248,495	-259,430
Cash flow hedges:				
-Transfer to results from hedging of financial liabilities	11,000	-1,524	-	-
-Transfer to results from hedging of commodity prices	5,571	261	-	-
-Ineffectiveness	-276	-	-	-
	87,528	-15,011	54,862	44,839

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2015 are as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	4,490,169	EUR	[4.45% - -0.65%]	[4.88% - -0.65%]
Interest rate swaps	112,722	USD	[5.82% - 5.79%]	[4.11% - 3.61%]
Interest rate swaps	50,067	PLN	[5.41% - 2.48%]	[1.88% - 1.77%]
Interest rate swaps	21,374	CAD	2.59%	0.84%
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,314	EUR/GBP	[3.95% - 1.55%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	76,296	USD/JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	222,142	EUR/PLN	[2.11% - 1.32%]	[-0.07% - -0.13%]
CIRS (currency interest rate swaps)	39,939	EUR/BRL	[13.16% - 11.45%]	[-0.04% - -0.13%]
CIRS (currency interest rate swaps)	17,395	BRL/USD	15.34%	2.45%
CIRS (currency interest rate swaps)	103,922	EUR/CHF	[4.18% - 4.02%]	4.01%
CIRS (currency interest rate swaps)	300,000	USD/EUR	[5.36% - 5.33%]	4.13%

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

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	3,915,927	EUR	[4.45% - -0.44%]	[4.88% - -0.44%]
Interest rate swaps	99,077	PLN	[5.41% - 3.30%]	[2.06% - 2.05%]
Interest rate swaps	25,341	CAD	2.59%	1.30%
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)	173,374	EUR/PLN	[2.07% - 1.08%]	[0.09% - 0.08%]
CIRS (currency interest rate swaps)	45,403	EUR/BRL	[9.37% - 9.02%]	0.08%
CIRS (currency interest rate swaps)	103,922	EUR/CHF	[4.37% - 4.21%]	4.01%
CIRS (currency interest rate swaps)	300,000	USD/EUR	[5.36% - 5.33%]	4.13%

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44. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 31 December 2015 and 2014, are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Financial guarantees				
EDP, S.A.	35,970	162,144	35,970	162,144
HC Energia Group	4,005	4,005	-	-
EDP Brasil Group	1,209,612	1,096,945	-	-
EDP Renováveis Group	12,061	3,706	-	-
	1,261,648	1,266,800	35,970	162,144
Operating guarantees				
EDP, S.A.	507,591	492,379	507,591	492,379
HC Energia Group	262,579	267,796	-	-
EDP Brasil Group	408,345	317,774	-	-
EDP Renováveis Group	2,276,476	1,453,944	-	-
Other	7,183	7,491	-	-
	3,462,174	2,539,384	507,591	492,379
Total	4,723,822	3,806,184	543,561	654,523
Real guarantees	28,521	53,878	-	-

The financial guarantees contracted as at 31 December 2015 and 2014, 947,145 thousands of Euros and 437,679 thousands of Euros, respectively, are related with loans obtained by Group companies and already included in the consolidated debt. As at 31 December 2015, the difference between the amount of these guarantees and the relating loans already included in the consolidated debt respects mainly to the guarantees provided by companies in the EDP Group related to financings contracted by Cachoeira Caldeirão and Jari which are included in the consolidated financial statements under the equity method under IFRS 11. As at 31 December 2014, the shareholding in Porto do Pecém was included by the equity method.

The financial guarantees contracted by EDP S.A. as at 31 December 2014 included an amount of 114,792 thousands of Euros related with contracted bank loans, which were reimbursed during 2015.

The operating guarantees contracted as at 31 December 2015 and 2014 include, 552,146 thousands of Euros and 142,867 thousands of Euros, respectively, which refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position.

EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 31 December 2015 and 2014, 299,982 thousands of Euros and 316,722 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Additionally to the information disclosed above:

- i) The Group also has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2015 and 2014 these loans amounted to 1,609,375 thousands of Euros (including 516,569 thousands of Euros of nominal debt of Porto do Pecém, for which exists financial guarantees already identified in the table above, and 240,702 thousands of Euros of nominal debt of wind farms of ENEOP consortium) and 993,409 thousands of Euros, respectively (see note 35).
- ii) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, wilful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 31 December 2015 and 2014, EDPR's obligations under the tax equity agreements, in the amount of 1,165,270 thousands of Euros and 948,216 thousands of Euros, respectively, are reflected under the Institutional Partnerships in USA;
- iii) As at 31 December 2014, EDP has constituted an escrow deposit in the amount of 334,497 thousands of Euros (311,990 thousands of Euros non-current and 22,507 thousands of Euros current), as presented in note 35, associated with several loans contracted with the EIB. In October 2015, after further negotiations, BEI allowed the full release of this escrow deposit. As at 31 December 2015, the Group has 79,915 thousands of Euros (66,855 thousands of Euros non-current and 13,060 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

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The commitments relating to future lease payments under operating leases, purchase obligations and other long term commitments are disclosed, by maturity, as follows:

Thousands of Euros	Dec 2015				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	1,128,896	52,282	97,521	90,268	888,825
Purchase obligations	20,445,948	4,231,498	4,540,816	3,282,775	8,390,859
	<u>21,574,844</u>	<u>4,283,780</u>	<u>4,638,337</u>	<u>3,373,043</u>	<u>9,279,684</u>

Thousands of Euros	Dec 2014				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	779,398	32,876	62,604	63,812	620,106
Purchase obligations	21,784,070	4,387,274	5,189,739	3,256,461	8,950,596
Other long term commitments	1,291	939	352	-	-
	<u>22,564,759</u>	<u>4,421,089</u>	<u>5,252,695</u>	<u>3,320,273</u>	<u>9,570,702</u>

The Group's contractual commitments shown above relate essentially to agreements and commitments required for current business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy to its customers in the Europe, United States of America and Brazil and to comply with medium and long term investment objectives of the Group.

Purchase obligations include 11,893,858 thousands of Euros essentially related with very long-term contracts for energy acquisition in the Brazilian market (by regulatory imposition) which are updated with the respective projected rates and discounted at present value by a rate of 8.90% that represents the weighted average cost of capital (WACC) of the EDP Brasil Group, as follows:

Thousands of Euros	Dec 2015	Dec 2014
Purchase obligation - Present value	11,893,858	12,335,667
Purchase obligation - Notional value	16,690,140	23,512,536

The decrease of purchase obligations results mainly from the depreciation of Brazilian Real (BRL) against the Euro during 2015.

Purchase obligations include essentially obligations of long term contracts relating to the supply of products and services in the normal course of the Group's operations. Prices defined under forward contracts are used in estimating the amount of contractual commitments. The nature of this type of commitments is related with:

Thousands of Euros	Dec 2015	Dec 2014
Fuel acquisitions	5,224,697	6,455,474
Electricity acquisition	11,235,011	11,841,454
O&M contracts	1,274,937	764,144
Fixed assets, equipment and miscellaneous materials acquisition	1,705,345	1,723,301
Work contracts	547,057	685,383
Other supplies and services	458,901	314,314
	<u>20,445,948</u>	<u>21,784,070</u>

As at 31 December 2015, the commitments for fuels and electricity acquisition are disclosed, by maturity, as follows:

Thousands of Euros	Fuel acquisitions	Electricity acquisition
Less than 1 year	1,043,572	1,087,575
From 1 to 3 years	1,393,116	1,965,927
From 3 to 5 years	1,306,895	1,714,876
More than 5 years	1,481,114	6,466,633
	<u>5,224,697</u>	<u>11,235,011</u>

The purchase obligations of fixed assets, equipment and miscellaneous materials acquisition corresponds essentially to Property, plant and equipment.

The commitments relating to future lease payments under finance leases and to short and medium-long term financial debt are disclosed in the notes 16 and 35, respectively. The commitments relating to pension and medical plans and other benefits are disclosed in the note 36. The commitments of the joint ventures are disclosed in the note 20.

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As at 31 December 2015, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remaining shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising this option is 7,500 thousands of Euros. The option can be exercised: (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus or (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of: (i) two years following the beginning of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeiradio-Ermida hydroelectric plants. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros. In January 2016, this option was exercised;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of construction works of the first wind farm; and
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 35% of the share capital of Molen Wind II, S.P. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised up to 2 years after the maturity of the financial debt for the wind farm construction.

Some of the disposal of non-controlling interests transactions retaining control carried out in 2015 and in previous years, namely the disposal of 49% of EDPR Portugal and disposal of 49% of certain subsidiaries of EDPR Brasil, incorporate contingent assets and liabilities according to the terms of the corresponding agreements.

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45. RELATED PARTIES

Shares held by company officers

The number of shares of EDP S.A. held or attributable to company officers as at 31 December 2015 and 2014 are as follows:

	2015	2014
	Nr. of shares	Nr. of shares
General and Supervisory Board		
China Three Gorges Corporation (represented by Dingming Zhang ¹)	-	780,633,782
China Three Gorges Corporation (represented by Eduardo de Almeida Catroga ²)	780,633,782	-
China Three Gorges (Europe), S.A. (represented by Shengliang Wu ¹)	-	780,633,782
China Three Gorges (Europe), S.A. (represented by Dingming Zhang ²)	780,633,782	-
Fernando Maria Masaveu Herrero	264,709,056	264,709,056
José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira ³)	-	73,285,710
Luís Filipe da Conceição Pereira ³	-	4,233
Senfora B.V. (ex- Senfora S.A.R.L., represented by Mohamed Al Fahim)	148,431,999	148,431,999
Sonatrach (represented by Harkat Abderezak ¹)	-	87,007,433
Sonatrach (represented by Ferhat Ounoughi ²)	87,007,433	-
Alberto João Coraceiro de Castro ³	-	6,917
Rui Eduardo Ferreira Rodrigues Pena ³	-	4,541
Vasco Joaquim Rocha Vieira	3,203	3,203
Banco Comercial Português, S.A. ⁴ (represented by Nuno Manuel da Silva Amado)	89,139,594	-
João Carvalho das Neves ⁴	7,429	-
Executive Board of Directors		
António Manuel Barreto Pita de Abreu ³	-	34,549
António Luís Guerra Nunes Mexia	41,000	41,000
António Fernando Melo Martins da Costa	34,299	34,299
João Manuel Manso Neto	1,268	1,268
João Manuel Veríssimo Marques da Cruz	3,878	3,878
Nuno Maria Pestana de Almeida Alves	125,000	125,000
Miguel Nuno Simões Nunes Ferreira Setas ⁴	7,382	-
Miguel Stilwell de Andrade	126,576	126,576
Rui Manuel Rodrigues Lopes Teixeira ⁴	5,843	-

¹ Representative until 21 April 2015 therefore no information was reported related to 2015.

² Representative after 21 April 2015 therefore no information was reported related to 2014.

³ Ceased functions on 21 April 2015 therefore no information was reported related to 2015.

⁴ Started functions on 21 April 2015 therefore no information was reported related to 2014.

The EDP, S.A bonds and the number of shares of other EDP group companies held or attributable to company officers are disclosed in part I - Ownership structure of chapter 4 - Corporate governance.

Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remunerations Committee appointed by the Shareholders' General Meeting, except for the remuneration of the members of the Executive Board of Directors (EBD), which is set by a Remunerations Committee appointed by the General and Supervisory Board (GSB).

Short-term employee benefits

Durante 2015, the annual fixed and variable remuneration cost accounted for the members of the EBD and the fixed remuneration of the GSB, was as follows:

Thousands of Euros	EBD	GSB
President	1,627	491
Members	5,969	1,184
	7,596	1,675

The remuneration costs accounted with the EBD includes the amount of 2,874 thousands of Euros related to the annual variable remuneration. This amount was calculated considering the best estimation of the variable remuneration for the year of 2015, in accordance with Remunerations Committee policy of the GSB, deducted from the correction of the accrual from the previous year compared with the amount paid.

Additionally, the Remunerations Committee policy of the GSB foresees, in certain circumstances, a variable multi-annual remuneration to the EBD members, corresponding to the mandate (2012-2014) and to the current mandate (2015-2017). On this basis, an estimated amount of 11,050 thousands of Euros was accrued (31 December 2014: 10,814 thousands of Euros). In 2015, has paid 2,677 thousands of Euros regarding to the year 2012.

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During 2015, the remuneration costs of the members of the Remunerations Committee of the General Assembly amounted to 35,000 Euros.

Post-employment benefits

EDP has no specific retirement benefits system in place for its directors. The remuneration fixed by the Remuneration Committee of the General and Supervisory Board provides for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, who contribute 10% (ten percent) of their net fixed annual remuneration. It was granted by decision of the General Meeting of 21 April 2015 as part of the remuneration policy statement. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the Company Code.

Audit and non audit fees

In 2015, KPMG fees relating to external audit and statutory audit of all subsidiaries of EDP Group, except Group EDP Brasil, amounted to 5,801,813 Euros. Additionally, the total fees charged by KPMG for other assurance services, tax advisory services and other non audit services amounted to 1,157,362 Euros, 1,349,510 Euros and 434,995 Euros, respectively.

In 2015, KPMG Portugal fees relating to external audit and statutory audit of all subsidiaries of EDP Group in Portugal, amounted to 1,859,405 Euros. This amount includes 180,000 Euros for the fees of the Statutory auditor of EDP Energias de Portugal, S.A. Additionally, the total fees charged by KPMG Portugal for other assurance services, tax advisory services and other non audit services amounted to 573,940 Euros, 844,859 Euros and 140,260 Euros, respectively.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the course of its activity and regardless their relevance, EDP concludes business and operations under normal market conditions for similar transactions with different entities, namely financial institutions, including holders of qualified shareholdings in EDP's share capital and those related parties.

On 11 May 2012, after the strategic partnership agreement concluded with China Three Gorges Corporation (CTG) came into effect in December 2011, this company (and three other group companies) became part of EDP's General and Supervisory Board.

Under the strategic partnership with China Three Gorges Corporation, on 28 June 2013 EDP Renováveis, S.A. sold for a total final price of 368 millions of Euros to a CTG Group company (CITIC CWEI Renewables S.C.A.) a 49% shareholding in EDP Renováveis Portugal and 25% of the shareholder loans capital and supplementary capital contributions under the applicable rules for additional contributions granted to this company.

Also under this partnership, on 6 December 2013, EDP Brasil signed a memorandum of understanding with CWE Investment Corporation (CWEI), currently designated as China Three Gorges Corporation, a wholly owned subsidiary of CTG, setting out the main guidelines for a future partnership in joint investments between EDP Brasil and CWEI and that governs parties' participation in joint projects in Brazil. These investments by CWEI Brasil will be considered for purposes of fulfilment of the strategic partnership agreement in relation to the total investment of 2 billions of Euros to be made by CTG up to 2015 (including co-funding of operating investments) in ready-to-build and operational renewable energy generation projects.

Balances and transactions with companies of China Three Gorges Group

In June 2013, in accordance with the EDP/CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of 49% equity shareholding in EDP Renováveis Portugal, S.A. As a result, the Group recognised non-controlling interests of 111,231 thousands of Euros and an impact in reserves attributable to Group of 112,566 thousands of Euros. Following the conclusion of the sale, CTG holds a loan over EDPR Group in the amount of 111 millions of Euros. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 31 December 2015, this loan amounts to 81,315 thousands of Euros (see note 40).

On 27 June 2014, EDP Energias do Brasil concluded the sale to China Three Gorges of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects, with the consequent loss of control. The total amount of the transaction, paid by CWEI, subsidiary controlled by CTG, to EDP Brasil was 420,646 thousands of Reais, generating a gain in the amount of 130,676 thousands of Euros (407,926 thousands of Reais), recognised in the income statement (see note 7).

On 11 November 2014, EDP - Energias do Brasil concluded the sale to China Three Gorges, through CWEI (Brasil) Participações Ltda. (CWEI), of 50% of its 66.67% stake in the company holding the rights to develop the São Manoel hydro power plant project, with the consequent loss of control. CWEI becomes São Manoel's shareholder together with EDP Brasil and Companhia Furnas Centrais Elétricas S.A. (Furnas), with resulting ownerships of 33.334%, 33.333% and 33.333%, respectively, of São Manoel's social capital. Empresa de Energia São Manoel S.A. holds the construction and exploration concession of São Manoel hydro power plant, with installed capacity of 700MW, which is to be built on the frontier between Mato Grosso and Pará States, in Teles Pires River.

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On 30 December 2014, EDP concluded the sale to China Three Gorges of 50% of the stake held in EDP Ásia - Investimento e Consultoria, Limitada (EDP Ásia), with the consequent loss of control. The total amount of the transaction, paid by ACE Asia (company held by CWEI Hong Kong Company Limited, currently designated China Three Gorges Hong Kong, a subsidiary of China Three Gorges) to EDP Group was 94,222 thousands of Euros, generating a gain in the amount of 117,978 thousands of Euros, recognised in the consolidated income statement (see note 13).

On 19 May 2015, EDP Renováveis, S.A. has completed the sale to CTG, of a 49% equity shareholding in selected wind farms in Brazil. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 50,943 thousands of Euros and an impact in reserves attributable to the Group of 10,337 thousands of Euros (see note 5).

Balances with EDP Pension Fund

In December 2015, EDP, S.A. signed a lease contract related with the fractions of the Porto headquarters (sold to the EDP Pension Fund in late December) for a period of 25 years with an implicit rate of 6.42%.

The present value of the contract amounts to 31,867 thousands of Euros, which given the nature of it, was booked as Property, Plant and Equipment against Other creditors and other liabilities (see notes 16 and 40).

Balances and transactions with subsidiaries, joint ventures and associates

In the normal course of its business, EDP Group companies established commercial transactions and operations with other Group companies, whose terms reflect normal market conditions.

The credits and debits over subsidiaries, joint ventures and associates, at Company level, are analysed as follows:

Credits held

Thousands of Euros	December 2015			Total
	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	
Balwerk	854	206,193	917	207,964
EDP Comercial	43,934	75,457	207,930	327,321
EDP Distribuição	244,016	2,297,781	125,055	2,666,852
EDP Finance BV	-	-	132,760	132,760
EDP Produção	470,701	4,295,300	120,781	4,886,782
EDP Imobiliária e Participações	-	105,535	376	105,911
EDP Renováveis	-	-	597,504	597,504
EDP Servicios Financieros (España)	-	893,616	7	893,623
Others	13,125	43,652	323,464	380,241
	<u>772,630</u>	<u>7,917,534</u>	<u>1,508,794</u>	<u>10,198,958</u>

Thousands of Euros	December 2014			Total
	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	
Balwerk	-	210,000	24	210,024
EDP Comercial	24,777	45,471	194,828	265,076
EDP Distribuição	4,711	2,847,897	29,352	2,881,960
EDP Finance BV	-	-	59,975	59,975
EDP Produção	334,618	4,332,139	206,128	4,872,885
EDP Imobiliária e Participações	383	120,741	82	121,206
EDP Renováveis	-	-	350,446	350,446
Others	14,796	45,181	174,593	234,570
	<u>379,285</u>	<u>7,601,429</u>	<u>1,015,428</u>	<u>8,996,142</u>

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Debits held

Thousands of Euros	December 2015			Total
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	
EDP Finance BV	-	11,618,920	111,774	11,730,694
EDP Produção	-	-	330,002	330,002
EDP Soluções Comerciais	31,508	-	1,233	32,741
Hidroeléctrica del Cantábrico	-	7	34,270	34,277
Pebble Hydro	-	64,014	1,575	65,589
Naturgas Comercializadora	-	-	114,844	114,844
Others	34,383	-	88,180	122,563
	65,891	11,682,941	681,878	12,430,710

The amount of 11,618,920 thousands of Euros includes 5 intragroup bonds issuance by EDP Finance BV to EDP SA as at 31 December 2015, in the total amount of 7,933,212 thousands of Euros, of variable rate at medium-long term (5, 7 and 10 years).

Thousands of Euros	December 2014			Total
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	
EDP Finance BV	-	10,668,797	91,815	10,760,612
EDP Produção	-	-	420,542	420,542
EDP Serviço Universal	-	-	99,641	99,641
Pebble Hydro	-	78,038	927	78,965
Naturgas Comercializadora	-	-	37,093	37,093
Others	81,982	24,704	153,652	260,338
	81,982	10,771,539	803,670	11,657,191

Expenses and income related to subsidiaries, joint ventures and associates, at Company level, are analysed as follows:

Expenses

Thousands of Euros	December 2015			Total
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	
EDP Finance BV	-	-368,476	-87,076	-455,552
EDP Produção	-	-	-1,203,573	-1,203,573
Naturgas Comercializadora	-	-	-94,939	-94,939
Others	-994	-439	-177,190	-178,623
	-994	-368,915	-1,562,778	-1,932,687

Thousands of Euros	December 2014			Total
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	
EDP Finance BV	-	-386,909	-114,000	-500,909
EDP Produção	-303	-	-1,138,019	-1,138,322
Naturgas Comercializadora	-	-	-76,004	-76,004
Others	-148	-2,009	-155,982	-158,139
	-451	-388,918	-1,484,005	-1,873,374

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Income

Thousands of Euros	December 2015			
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total
EDP Comercial	271	1,536	1,003,638	1,005,445
EDP Distribuição	2,214	172,829	156,099	331,142
EDP Gás.Com	62	-	139,987	140,049
EDP Produção	2,718	226,602	465,197	694,517
Hidroeléctrica del Cantábrico	-	-	414,361	414,361
Others	552	14,267	456,524	471,343
	5,817	415,234	2,635,806	3,056,857

Thousands of Euros	December 2014			
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total
EDP Comercial	813	812	898,275	899,900
EDP Distribuição	9,757	169,354	46,262	225,373
EDP Gás.Com	196	-	149,812	150,008
EDP Produção	3,589	302,763	450,168	756,520
Others	3,509	23,728	400,020	427,257
	17,864	496,657	1,944,537	2,459,058

Assets, liabilities and transactions with related companies, for the Group, are analysed as follows:

Assets and Liabilities

Thousands of Euros	December 2015		
	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioeléctrica	15,357	4,910	10,447
Cide HC Energia	9,185	2,290	6,895
HC Tudela Cogeneración	3,645	2,221	1,424
Others	31,195	3,451	27,744
	59,382	12,872	46,510
Associates			
MABE Construção e Administração de Projectos, Ltda.	3,582	2,231	1,351
Inch Cape Offshore Limited	25,731	-	25,731
Parque Eólico Sierra del Madero	12,787	-	12,787
Others	6,911	525	6,386
	49,011	2,756	46,255
	108,393	15,628	92,765

Thousands of Euros	December 2014		
	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioeléctrica	15,204	5,055	10,149
Cide HC Energia	4,254	1,310	2,944
Porto do Pecém	141,545	2,260	139,285
Others	8,577	7,549	1,028
	169,580	16,174	153,406
Associates			
ENEOP - Eólicas de Portugal	393,463	-	393,463
Inch Cape Offshore Limited	21,541	-	21,541
Setgás	9,032	-	9,032
Parque Eólico Sierra del Madero	14,198	-	14,198
Others	14,675	531	14,144
	452,909	531	452,378
	622,489	16,705	605,784

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Transactions

Thousands of Euros	December 2015			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioelétrica	1,847	239	-49,248	-
Cide HC Energía	94,954	29	-742	-
HC Tudela Cogeneración	73	118	-4,541	-5
Porto do Pecém	18,393	2,243	-	-
Others	5,339	599	-1,365	-
	120,606	3,228	-55,896	-5
Associates				
ENEOP - Eólicas de Portugal	1,196	16,353	-	-
Korsokuntza, AIE	4,564	-	-	-
Setgás	-	468	-4,533	-
Others	2,883	1,235	-1,194	-2
	8,643	18,056	-5,727	-2
	129,249	21,284	-61,623	-7

Thousands of Euros	December 2014			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioelétrica	1,883	293	-49,465	-
Cide HC Energía	85,930	23	-81	-
Porto do Pecém	82,686	6,092	-14,977	-
Others	2,727	45	-24,865	-1
	173,226	6,453	-89,388	-1
Associates				
ENEOP - Eólicas de Portugal	-	20,852	-	-
Inch Cape Offshore Limited	-	-	-	-
Setgás	283	504	-269	-
Parque Eólico Sierra del Madero	12	519	-	-
Others	7,834	902	-843	-3
	8,129	22,777	-1,112	-3
	181,355	29,230	-90,500	-4

46. 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.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg).

As at 31 December 2015 and 2014, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount:

	31 December 2015		31 December 2014	
	Currency		Currency	
	EUR	USD	EUR	USD
3 months	-0.13%	0.61%	0.08%	0.26%
6 months	-0.04%	0.85%	0.17%	0.36%
1 year	0.06%	1.18%	0.33%	0.63%
2 years	-0.03%	1.18%	0.18%	0.90%
3 years	0.06%	1.42%	0.22%	1.30%
4 years	0.19%	1.59%	0.28%	1.58%
5 years	0.33%	1.74%	0.36%	1.78%
6 years	0.48%	1.85%	0.44%	1.93%
7 years	0.62%	1.95%	0.53%	2.05%
8 years	0.76%	2.04%	0.62%	2.14%
9 years	0.89%	2.12%	0.72%	2.21%
10 years	1.00%	2.19%	0.81%	2.28%

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The fair value of financial assets and liabilities as at 31 December 2015 and 2014, is analysed as follows:

Thousands of Euros	Group Dec 2015			Group Dec 2014		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	200,206	200,206	-	224,457	224,457	-
Trade receivables	1,996,604	1,996,604	-	2,119,694	2,119,694	-
Debtors/other assets from commercial activities	4,784,614	4,784,614	-	4,786,268	4,786,268	-
Other debtors and other assets	354,045	354,045	-	725,979	725,979	-
Derivative financial instruments	533,330	533,330	-	373,746	373,746	-
Financial assets at fair value through profit or loss	9,288	9,288	-	10,665	10,665	-
Collateral deposits/financial debt	79,915	79,915	-	429,170	429,170	-
Cash and cash equivalents	1,245,449	1,245,449	-	2,613,995	2,613,995	-
	9,203,451	9,203,451	-	11,283,974	11,283,974	-
Financial liabilities						
Financial debt	19,270,540	19,688,886	418,346	20,298,183	21,191,600	893,417
Suppliers and accruals	1,747,641	1,747,641	-	1,813,613	1,813,613	-
Institutional partnerships in USA	1,956,217	1,956,217	-	1,801,963	1,801,963	-
Trade/other payables from commercial activities	2,257,553	2,257,553	-	2,027,557	2,027,557	-
Other liabilities and other payables	470,225	470,225	-	491,442	491,442	-
Derivative financial instruments	389,485	389,485	-	261,839	261,839	-
	26,091,661	26,510,007	418,346	26,694,597	27,588,014	893,417

Considering the EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature and level 2, the effect of changes in the fair value has not been considered. Fair value of EDP Group's loans was determined considering current market interest rates.

The market value of loans is calculated based on the discounted cash flows at market interest rates at the balance sheet date, increased by the best estimate, at the same date, of market conditions applicable to Group's debt, based on its average term.

According to IFRS 13 requirements, EDP Group 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 active 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; and
- Level 3 – Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

Thousands of Euros	31 December 2015			31 December 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	105,196	61,277	33,733	116,383	59,584	48,490
Derivative financial instruments	-	533,330	-	-	373,746	-
Financial assets at fair value through profit or loss	-	-	9,288	-	-	10,665
	105,196	594,607	43,021	116,383	433,330	59,155
Financial liabilities						
Derivative financial instruments	-	389,485	-	-	261,839	-
	-	389,485	-	-	261,839	-

As at 31 December 2015 and 2014, the movement in financial assets and liabilities included in Level 3 is analysed as follows:

Thousands of Euros	Available for sale investments		Financial assets at fair value through profit or loss	
	Dec 2015	Dec 2014	Dec 2015	Dec 2014
Balance at beginning of period	48,490	47,729	10,665	4,217
Change in fair value	2,175	-206	-	-
Acquisitions	1,231	1,451	2,898	9,068
Disposals	-905	-168	-	-
Impairment	-9	-118	-	-
Other changes	-17,249	-198	-4,275	-2,620
Balance at the end of the period	33,733	48,490	9,288	10,665

The assumptions used in the determination of Available for sale investments fair value are described in note 21, as stated in IFRS 13.

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47. CO2 LICENCES

The movements in the portfolio of CO2 licences held for trading and classified as inventories are analysed as follows:

CO2 (Ton)	Group	
	Dec 2015	Dec 2014
CO2 licences held for trading on 1 January	3,518,479	4,939,052
Licences acquired in the market	10,534,000	6,976,000
Emission licences transferred from intangibles to the trading portfolio	4,103,253	-
Emission licences transferred from trading portfolio to intangibles	-1,925,000	-
Licences sold	-16,230,732	-8,396,573
CO2 licences held for trading on 31 December	-	3,518,479
CO2 licences for trading on 31 December (in thousands of Euros)	-	23,360

Purchases and sales of licences are booked based on the listed price on the transaction date. Emission licences transferred to the trading portfolios are classified as Inventories (see note 24), in accordance with Accounting policy - note 2 y).

Fair value corresponds to the spot price (closing price) at the end of December in each period.

48. RELEVANT OR SUBSEQUENT EVENTS

EDPR informs about wind offshore projects in the UK

On 21 July 2015, EDP Renováveis S.A. (EDPR) announced that has reached agreements with Repsol Nuevas Energías S.A. (Repsol) by which, under the terms of the contracts, EDPR agreed to buy from Repsol 33% equity interest in Moray offshore project, and to sell to Repsol 49% equity interest in Inch Cape offshore project.

With the conclusion of these transactions EDPR will fully own the Moray offshore project, while Repsol will fully own the Inch Cape offshore project. Both projects are located in the UK and the completion of these transactions are subject to approval by The Crown Estate and other customary regulatory approvals.

EDP Renováveis signs agreement to acquire licenses for 216 MW of wind energy in Portugal

On 7 October 2015, EDP Renováveis S.A. (EDPR), 77.5% controlled by EDP, informed that it has reached an agreement with Ventinveste S.A. (Ventinveste), a consortium led by Galp Energia, SGPS, S.A. and Martifer, SGPS, S.A., for the acquisition of a group of special purpose vehicles (SPVs) that hold licenses and interconnection rights corresponding to a total of 216.4 MW of wind energy capacity in Portugal, for a reference price of approximately 17 millions of Euros.

This wind energy capacity was awarded with a long-term feed-in tariff in 2007, under the Phase B of a tender launched by the Portuguese Government. Following the agreement reached between the Portuguese Government and several operators in the wind energy sector in September 2012, the 216.4 MW will be remunerated according to a feed in-tariff for a 20-year period (or a maximum of 44 GWh/MW).

With this transaction EDPR intends to maximize the value created from projects since the early stages of development by applying its distinctive technical and wind assessment know-how. The commissioning and beginning of operations of EDPR's new wind farms is expected to occur until 2018.

EDP acquires 25.3% stake in Portgás

On 6 November 2015, EDP, through its subsidiary EDP Gás – SGPS, S.A., has agreed with GDF International and S.E.S. – Suez Energy Services, both subsidiaries of Engie (Engie Subsidiaries) the acquisition of a 25.3% stake in Portgás – Sociedade de Produção e Distribuição de Gás, S.A. (Portgás) valued at 42 millions of Euros, as well as the reimbursement to Engie Subsidiaries of shareholder loans in the amount of 13 millions of Euros at December 2015.

Portgás has the concession for the development of the natural gas distribution network in 29 Municipalities in Portugal, namely for the Districts of Porto, Braga and Viana do Castelo. In 2014, it distributed 6,853 GWh of natural gas to 314 thousand points of supply.

This transaction will increase EDP Gas – SGPS, S.A.'s stake in Portgás from 72% to 97.3%.

The execution of the transaction is subject to the customary regulatory approvals.

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EDPR announces the sale of minority stakes in Poland and Italy

On 28 December 2015, EDP Renováveis S.A. (EDPR), through its subsidiary EDP Renewables Europe, S.L., entered into an agreement with ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both of which 100% owned by ACE Investment Fund LP – an entity participated of China Three Gorges Hong Kong Ltd, a fully-owned subsidiary of China Three Gorges (CTG) – to sell 49% of equity shareholding and shareholder loans in a portfolio of wind assets with 598 MW of capacity in Poland and Italy, for a total consideration of 392 millions of Euros.

The transaction scope covers 392 MW in operation in Poland and 100 MW in Italy, with an average age of 4 years, as well as 107 MW under construction in Poland and in Italy.

The transaction is subject to the customary regulatory and other approvals and is expected to be completed within the first half of 2016.

The agreement is made in the context of the 2.000 millions of Euros strategic partnership established in December of 2011 between EDPR's principal shareholder, EDP – Energias de Portugal, S.A., and CTG.

EDPR executes a new asset rotation transaction in the US

During the last quarter of 2015, EDP Renováveis S.A., reached an agreement with a consortium of investors led by Axium Infrastructure (Axium), to sell a minority cash equity interest representing 340 MW in a US wind portfolio with a total production capacity of 1,002 MW. This is the third asset rotation transaction announced by EDPR with Axium, further strengthening the existing partnership.

The portfolio is comprised of 6 operating wind farms. All of the wind farms have long-term offtake agreements in place.

Based on the i) the transaction price and ii) the outstanding and expected tax equity liabilities of the projects, the total enterprise value on the 340 MW portfolio amounts to 590 millions of US Dollars translating to 1.7 millions of US Dollars/MW.

Fiera Axium funded 307.5 millions of US Dollars in January 2016 after all assets involved had achieved commercial operations.

EDP Renováveis awarded with 93 MW in the Spanish renewable energy auction

On 14 January 2016, EDP Renováveis, S.A. was awarded with rights for the pre-registry of 93 MW of wind energy capacity in Spain.

Following the outcome of the auction, the awarded capacity will be remunerated according with the Spanish wholesale market and could be installed until 2020. EDPR has already identified, within its pipeline, specific competitive projects with high load factors that could be allocated to this awarded capacity.

EDP acquires gas distribution assets from Repsol in the north of Spain

On 25 January 2016, EDP, through its subsidiary for the gas business in Spain, Naturgas Energía Grupo, S.A. (Naturgas) has reached an agreement with Repsol, S.A. (Repsol), for the acquisition of gas distribution assets in the north of Spain.

The assets acquired comprise approximately 82,000 supply points of liquefied propane gas (LPG), in Naturgas incumbent areas (Basque Country, Cantabria and Asturias regions).

The agreed transaction price represents an enterprise value of 116 millions of Euros, with an expected incremental annual EBITDA of 13 millions of Euros.

The completion of the transaction, subject to due diligence and other conditions including authorizations by the competition authority and relevant regulatory authorities, is expected to occur in the second half of 2016.

The transaction will allow EDP to increase its gas distribution network in Spain by 9%, to approximately to 1 million of gas supply points, strengthening its strategic position as a leading player for gas distribution and supply in the Iberian market.

EDP sells tariff deficit in Portugal

On 29 January 2016, EDP Serviço Universal, S.A., the last resort supplier of the Portuguese electricity system, 100% owned by EDP Group, agreed the sale of 94 millions of Euros of the 2014 tariff deficit related with overcost special regime generation.

This tariff deficit resulted from the 5-year deferral of the recovery of the 2014 overcost with the acquisition of energy from special regime generation (including adjustments for 2012 and 2013).

Conclusion of sale by EDP Brasil of two mini-hydro plants

On 29 January 2016, following the information released to the market on 15 July 2015, EDP – Energias do Brasil S.A., 51% controlled by EDP, has completed the sale to Cachoeira Escura Energética S.A. of 100% of Pantanal Energética Ltda for 390 millions of Reais, of which 355 millions of Reais paid on that date, while the remaining 35 millions of Reais shall be paid until July 2017, upon the fulfilment of pending contractual obligations.

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Moody's affirms EDP at "Baa3" and outlook at stable

On 15 February 2016, Moody's Investors Service (Moody's) affirmed its "Baa3"/"Prime-3" senior unsecured ratings of EDP, its finance subsidiary EDP Finance B.V. and its Spanish subsidiary, Hidroelectrica del Cantabrico. The outlook on all ratings is stable.

49. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

Standards, amendments and interpretations issued effective for the Group

The new interpretation that has been issued and is already effective and applied by EDP Group on its financial statements is the following:

- IFRIC 21 - Levies

The International Accounting Standards Board (IASB) issued, in May 2013, IFRIC 21 - Levies, with effective date of mandatory application for periods beginning on or after 17 June 2014, being allowed its early adoption.

This interpretation clarifies that:

- a levy is an outflow of resources embodying economic benefits that is imposed by governments on entities, in accordance with legislation; and,
- the recognition of the liability corresponds to the payment of a levy that results from the activity that triggers the payment of the levy, as identified by the legislation (obligating event).

The adoption of this interpretation does not impact the amounts presented on the annual consolidated financial statements, but only the amounts that were presented on the condensed consolidated financial statements of 2015 (interim basis).

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements with no significant impact are the following:

- Annual Improvement Project (2011-2013).

Standards, amendments and interpretations issued but not yet effective for the Group

The standards, amendments and interpretations issued but not yet effective for the Group, which impact is being evaluated, are the following:

- 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, changed in July 2014, has not yet been adopted by the European Union.

This standard is included in the IASB's comprehensive project to replace IAS 39 and relates to issues of classification and measurement of financial instruments. 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 can only 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;
- equity instruments issued by third parties are recognised at fair value with subsequent changes recognised in the profit and loss. However, an entity can irrevocably select equity instruments at initial recognition for which fair value changes and the realised gains or losses are recognised in fair value reserves. Gains and losses recognised in fair value reserves can not 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 period;
- the exemption that allows unquoted equity investments and related derivatives to be measured at cost, under IAS 39, is not allowed under IFRS 9; and
- changes in fair value attributable to own credit risk of financial liabilities classified as fair value through profit or loss, shall be recognised in Other comprehensive income. The remaining fair value changes related to these financial liabilities shall be recognised through profit or loss. The amounts recognised in Other comprehensive income shall not be reclassified/transferred to profit and loss.

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- IFRS 11 (Amended) - Accounting for Acquisitions of Interests in Joint Operations

The International Accounting Standards Board (IASB) issued, in May 2014, IFRS 11 (Amended) - Accounting for acquisitions of Interests in Joint Operations, with effective date of mandatory application for periods beginning on or after 1 January 2016, being allowed its early adoption.

This amendment introduces guidance on accounting that should be made in the acquisition of participation in joint operations that qualifies as a business, by applying the principles of IFRS 3 - Business Combinations.

- IFRS 15 - Revenue from the Contracts with Customers

The International Accounting Standards Board (IASB) issued, in May 2014, IFRS 15 - Revenue from the Contracts with Customers, 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 adopted by the European Union.

This new standard presents the principles that shall be applied by an entity in order to provide more useful information to users of financial statements about the nature, amount, term and uncertainty of revenue and cash flows arising from a contract with a client.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as provided in the 5 steps methodology.

The 5 steps methodology consists in the following steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognise revenue when (or as) the entity satisfies a performance obligation.

- IFRS 16 - Leases

The International Accounting Standards Board (IASB) issued, in January 2016, IFRS 16 - Leases, with effective date of mandatory application for periods beginning on or after 1 January 2019, with earlier adoption permitted for entities that have also adopted IFRS 15 - Revenue from Contracts with Customers. This standard has not yet been adopted by the European Union.

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance. The objective is to ensure that lessees and lessors provide relevant information to the users of financial statements, namely about the effect that leases have on the financial position, financial performance and cash flows of the entity.

The main issues considered are as follows:

- inclusion of some considerations in order to distinguish leases from service contracts, based on the existence of control of the underlying asset at the time that it is available for use by the lessee; and

- introduction of a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation costs and interest costs separately.

- IAS 1 (Amended) - Disclosure Initiative

The International Accounting Standards Board (IASB) issued, in December 2014, amendments to 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.

The following narrow scope amendments have been made to IAS1:

- Materiality and aggregation: clarifies that an entity should not hide useful information by aggregating or disaggregating information; and that materiality considerations apply to the primary statements, notes and any specific disclosure requirements in IFRSs, i.e. disclosures specifically required by 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 specified 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 should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and

- 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.

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- IAS 7 (Amended) - Disclosure Initiative

The International Accounting Standards Board (IASB) issued, in January 2016, amendments to IAS 7 - Statement of Cash Flows, with effective date of mandatory application for periods beginning on or after 1 January 2017, being allowed its early adoption. This standard has not yet been adopted by the European Union.

These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as:

- Changes from financing cash flows;
- Changes arising from obtaining or losing control of subsidiaries or other businesses;
- The effect of changes in foreign exchange rates; or
- Changes in fair values.

These disclosures may be presented by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

- IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contributions

The International Accounting Standards Board (IASB), issued in November 2013, IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contributions, with effective date of mandatory application for periods beginning on or after 1 February 2015, being allowed its early adoption.

This amendment allows for:

- contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service; and
- other contributions made by employees or third parties to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis.

- IAS 27 (Amended) - Equity Method in Separate Financial Statements

The International Accounting Standards Board (IASB) issued, in August 2014, IAS 27 (Amended) - Equity Method in Separate Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2016, being allowed its early adoption.

The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The standards, amendments and interpretations issued but not yet effective for the Group with no significant impact are the following:

- IFRS 10 (Amended), IFRS 12 (Amended) and IAS 28 (Amended) - Investment Entities: Applying the Consolidation Exception;
- IFRS 14 - Regulatory Deferral Accounts;
- IAS 12 (Amended) - Recognition of Deferred Tax Assets for Unrealised Losses;
- IAS 16 (Amended) and IAS 38 (Amended) - Clarification of Acceptable Methods of Depreciation and Amortisation;
- Annual Improvement Project (2010-2012); and
- Annual Improvement Project (2012-2014).

50. EDP BRANCH IN SPAIN

The aim of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, the majority interests in EDP Renováveis, S.A., EDP Servicios Financieros (España), S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

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The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and direct representation on iberian ambit EDP Management Committee.

The Executive Committee is composed essentially of five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP in Spain, namely the Department of M&A ("Direção de Análise de Negócios"), Department of Legal Affairs ("Direção de Assessoria Jurídica"), Department of Internal Audit ("Direção de Auditoria"), Department of Administration and Finance ("Direção de Administração e Finanças"), Department of Human Resources ("Direção de Recursos Humanos"), Department of Commercial Shared Services ("Direção de Serviços Partilhados Comerciais"), Department of EDP Spain Foundation ("Direção da Fundação EDP Espanha") and IT Department ("Direção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 163 human resources as at 31 December 2015, including 85 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

The condensed statement of financial position of the Branch is analysed as follows:

Thousands of Euros	EDP Branch	
	Dec 2015	Dec 2014
Investments in subsidiaries:		
- EDP Renováveis, S.A. (see note 19)	3,854,811	2,939,889
- Hidroeléctrica del Cantábrico, S.A. (HC Energia)	2,105,002	2,093,601
- EDP Servicios Financieros (España), S.A.	482,695	482,695
- EDP International Investments and Services, S.L.	281,854	281,854
Deferred tax assets	45,305	21,599
Other debtors and others assets (see note 27)	1,337,506	130,772
Total Non-Current Assets	8,107,173	5,950,410
Trade receivables	5,898	7,892
Debtors and other assets	185,802	268,288
Tax receivable	27,300	85,350
Cash and cash equivalents	1,494	1,391
Total Current Assets	220,494	362,921
Total Assets	8,327,667	6,313,331
Equity	5,734,304	3,948,525
Employee benefits	1,558	1,346
Trade and other payables (see note 40)	2,497,923	1,529,974
Provisions	5,820	4,791
Total Non-Current Liabilities	2,505,301	1,536,111
Trade and other payables	86,110	826,283
Tax payable	1,952	2,412
Total Current Liabilities	88,062	828,695
Total Liabilities	2,593,363	2,364,806
Total Equity and Liabilities	8,327,667	6,313,331

51. ENVIRONMENTAL MATTERS

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are booked as expenses for the period, except if they qualify to be recognised as an asset according with IAS 16.

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Investments of an environmental nature booked as Property, plant and equipment assets during 2015 and 2014, in the Group, are

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Air and climate protection	31,479	4,096
Water management	345	276
Waste management	477	206
Soil, subterranean and surface water protection	1,523	4,717
Noise and vibration reduction	408	346
Biodiversity protection	6,469	9,271
Landscape protection	5,441	7,344
Energetic efficiency	1,694	1,667
Research and development in the environmental area	14	61
Other environmental management and protection activities	6,051	11,041
	53,901	39,025

Investments recognised in Air and climate protection as Property, plant and equipment in 2015 include: (i) costs incurred by HC Energia in the construction of a denitrification system in Aboño and Soto plants to start operations in 2016 and 2017 in the amount of 29,287 thousands of Euros; and (ii) costs incurred by EDP Produção of 2,155 thousands of Euros (31 December 2014: 1,344 thousands of Euros) in the revitalization of the gas desulphurisation and denitrification equipments in Sines thermoelectric plant.

During the period, the Group recognised expenses that are analysed as follows:

Thousands of Euros	Group	
	Dec 2015	Dec 2014
Air and climate protection	9,872	6,852
Water management	10,546	8,500
Waste management	12,162	11,602
Soil, subterranean and surface water protection	3,126	3,296
Noise and vibration reduction	79	80
Biodiversity protection	3,794	2,895
Landscape protection	8	10
Energetic efficiency	951	1,500
Radiations management	9	53
Research and development in the environmental area	949	888
Other environmental management and protection activities	9,223	8,969
	50,719	44,645

Under current and future socioeconomic trends and practices followed by the EDP Group regarding to sustainability and environment, the group accounts for provisions to cover the costs of dismantling, decommissioning, restoring and decontaminating land where electric power plants are located, of 79,455 thousands of Euros and 42,100 thousands of Euros for thermoelectric power plants located in Portugal and Spain, respectively. Regarding the liability to dismantle and restore the land where wind farms are located to its original condition, as at 31 December 2015, the provisions amount to 117,228 thousands of Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 35,471 thousands of Euros (see notes 2 o) and 37).

During 2015, the EDP Group incurred in fines and other penalties for breaching environmental regulations and indemnities to third parties related to damages caused in the past with pollution of 35 thousands of Euros (31 December 2014: 78 thousands of Euros).

Environmental income recognised in 2015 relates to the sale of by-products of 2,047 thousands of Euros (31 December 2014: 1,761 thousands of Euros) and the sale of environmental waste of 2,012 thousands of Euros (31 December 2014: 1,676 thousands of Euros).

52. TRANSFERS OF FINANCIAL ASSETS - TARIFF ADJUSTMENTS

As mentioned in note 3, in Portugal, Decree - Law 237-B/2006 of 19 December 2006 and Decree - Law 165/2008 of 21 August, refer to the transfer to third parties of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, through which the EDP Group has made, since 2008, a number of transfer operations of financial assets.

For the following operations, assets were transferred to securitisation companies, that financed their purchases through debt securities registered in the Securities Commission (CMVM):

- In March 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus - Sociedade de Titularização de créditos, S.A. (Tagus), the right to receive the non-regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousands of Euros. With the sale of those rights, EDP Group received 1,204,422 thousands of Euros, generating a loss of 22,969 thousands of Euros (including financial expenses incurred);
- In December 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive the non-regular tariff adjustments (tariff deficit) related to the estimated special regime overcost related to 2009 of 447,469 thousands of Euros. The transaction totalised 434,720 thousands of Euros, net of expenses, and generated a loss of 12,749 thousands of Euros;

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- In May 2013, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousands of Euros. The transaction was performed by the amount of 450,000 thousands of Euros, generating a gain of 22,510 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Service of Class R Notes issued by Tagus at par value in the amount of 400 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousands of Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 1,556 thousands of Euros, as at 31 December 2015;
- In April 2014, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2013 overcost of the acquisition of electricity activity from special regime production, in the amount of 694,857 thousands of Euros. The transaction was performed by the amount of 750,000 thousands of Euros, generating a gain of 50,141 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 473 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 5,588 thousands of Euros, both maturing in 2018. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 3,275 thousands of Euros, as at 31 December 2015;
- In December 2014, EDP Distribuição de Energia, S.A., sold without recourse to Tagus, the right to recover part of the 2012 CMEC compensation adjustment in the amount of 228,826 thousands of Euros. The transaction was performed by the amount of 239,832 thousands of Euros generating a gain of 10,711 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Distribuição of Expense Reserve Notes issued by Tagus at par value in the amount of 317 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,690 thousands of Euros, both maturing in 2019. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account and are booked under financial assets at fair value through profit or loss, by the net amount of 1,962 thousands of Euros, as at 31 December 2015; and
- In March 2015, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2014 overcost of the acquisition of electricity activity from special regime production, in the amount of 465,418 thousands of Euros. The transaction was performed by the amount of 499,461 thousands of Euros, generating a gain of 31,737 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 410 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,488 thousands of Euros, both maturing in 2019. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 2,495 thousands of Euros, as at 31 December 2015.

Under IAS 39, the assets (tariff adjustments) transferred in these operations were derecognised from the Statement of Financial Position of EDP Group.

53. BUSINESS COMBINATIONS

Porto do Pecém acquisition

On 9 December 2014, EDP Energias do Brasil signed a contract for the acquisition of 50% of Porto do Pecém share capital owned by Eneva, for an amount of 300 millions of Reais.

According to the terms of the contract, this acquisition comprised 2 stages:

- a share capital increase from Eneva in Porto do Pecém through the conversion of Eneva's shareholders loans and amounts payable for coal and energy acquisitions, in the amount of 399 millions of Reais, this way diluting EDP's 50% stake to 41.27% and holding Eneva a stake of 58.73%; and
- acquisition, for an amount of 300 millions of Reais, of Eneva's 58.73% stake in Porto do Pecém.

This operation was subject to the approval and authorisation of the competition authority, of ANEEL, of the funding banks (BNDES and BID) of Porto do Pecém and Eneva, as well as other creditors of Eneva. The closing of the operation occurred on the 15 May 2015, so from this date on EDP Brasil has become the owner of 100% of Porto do Pecém share capital and voting rights. Consequently, under IFRS, from this date on, EDP Group has begun to consolidate Porto do Pecém financial statements in its consolidated financial statements.

Since the date of acquisition of full control over this subsidiary, Porto do Pecém has contributed for the consolidated financial statements with Revenues from energy sales in the amount of 204,859 thousands of Euros and with a Net profit for the period (attributable to Equity holders of EDP) in the amount of 20,961 thousands of Euros. If this acquisition had occurred in the beginning of the period, Porto do Pecém would have contributed for the consolidated financial statements with Revenues from energy sales in the amount of 327,798 thousands of Euros and with a net profit for the period of 2015 (attributable to Equity holders of EDP) in the amount of 1,300 thousands of Euros. Until the date of acquisition of the remaining 50% share, the shareholding previously held was being consolidated under the equity method, therefore Porto do Pecém losses were incorporated under this method until this date.

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At the acquisition date, EDP Group has determined the fair value of the assets acquired and liabilities assumed, based on a valuation performed by an independent third party. This valuation, which was based on the discounted cashflow method, came to a fair value of Porto do Pecém in the amount of 1,610 millions of Reais. Fair value of identifiable assets and liabilities at the acquisition date, 15 May 2015, is presented as follows:

Thousands of Reais	Book value at acquisition date	Fair value adjustment	Fair value at acquisition date
Assets			
Property, plant and equipment	3,358,535	560,275	3,918,810
Intangible assets	2,632	107,933	110,565
Deferred tax assets	550,953	-223,812	327,141
Inventories	111,041	-44,192	66,849
Other debtors and other assets	455,553	56,000	511,553
Cash and cash equivalents	6,274	-	6,274
Total Assets	4,484,988	456,204	4,941,192
Liabilities			
Financial Debt	2,209,329	-	2,209,329
Provisions	5,107	21,745	26,852
Other liabilities and other payables	1,094,762	-	1,094,762
Total liabilities	3,309,198	21,745	3,330,943
Net Assets	1,175,790	434,459	1,610,249
Previously held investment	485,210	179,287	664,496
Acquisition of Eneva's stake	690,580	255,172	945,753
Net assets acquired	1,175,790	434,459	1,610,249
Acquisition cost of the remaining investment			-300,000
Gain with a bargain purchase			645,753
Gain with the remeasurement to fair value of the previously held investment			147,910
Dilution gain			91,034
Acquisition gain at EDP Brasil level			884,697
Acquisition gain at EDP Brasil level - thousands of Euros			267,325
Exchange impact on the historical conversion of equity of Porto do Pecém at EDP Group level - thousands of Euros			27,613
Acquisition gain at EDP Group level - thousands of Euros (see note 7)			294,938
Acquisition cashflow:			
Cash and cash equivalents of Porto do Pecém			6,274
Net assets acquired			-300,000
Net cash outflow			-293,726

Porto do Pecém valuation has determined a fair value for Property, plant and equipment in the amount 3,918,810 thousands of Reais, based on the replacement cost, generating a fair value adjustment of 560,275 thousands of Reais. In the process of identifying intangible assets, an amount of 106,855 thousands of Reais was recognised as the concession contract which authorises the generation of energy in Porto do Pecém's facility (concession right). In inventories, an impairment loss in the amount of 44,192 thousands of Reais was recognised regarding a broken generator for which the company expects to receive an insurance indemnity. This indemnity fair value has also been identified under Other debtors and other assets, in the amount of 56,000 thousands of Reais.

According to IFRS 3, a contingent liability in the estimated amount of 21,745 thousands of Reais was recognised under Provisions resulting from a litigation set up by a service supplier claiming contractual default in the construction of the facility. This process is in evaluation phase in order to identify service supply breaches and its respective financial impacts, so the fair value is the best estimated potential future outflow. The tax impact of all identified assets and liabilities' fair value adjustments is recorded under Deferred tax assets.

This acquisition resulted in a gain with a bargain purchase in the amount of 195,125 thousands of Euros (645,753 thousands of Reais). This gain with a bargain purchase arises from certain circumstances that created this business opportunity, which can be resumed as follows: i) fragile financial situation of the seller, which was in risk of default of its financial obligations and of other creditors under the impendence of a recovery legal process, which, altogether, have forced the sale; ii) EDP Energias do Brasil had the ability to solve the situation in time and had also preferential conditions to buy the company under these special conditions, as it was the seller's partner in this Porto do Pecém project and it is a solid market player with recognised experience in energy generation, so it would be the natural buyer according to the creditors banks.

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As EDP Energias do Brasil had already a 50% stake in Porto do Pecém, this transaction was treated as a step acquisition under IFRS 3. Consequently, the previously held investment in Porto do Pecém was remeasured to fair value, and the corresponding difference for its book value, in the amount of 147,910 thousands of Reais, was recorded under Other income. Additionally, following a share capital increase only subscribed by Eneva, EDP Energias do Brasil has recorded a gain with the dilution of its share in Porto do Pecém's share capital from 50% to 41.27%, in the amount of 91,034 thousands of Reais. These gains include the derecognition of concession rights in the amount of 3,302 thousands of Reais and the transfer to results of cashflow hedge reserves previously recognised under Other comprehensive income at EDP Energias do Brasil level, in the amount of 34,015 thousands of Reais. In summary, EDP Energias do Brasil has recorded a total gain with the control acquisition of Porto do Pecém in the amount of 884,697 thousands of Reais.

Given the control acquisition, at EDP Group level, previously recognised reserves (cash flow hedge and exchange differences arising on consolidation) related to the previously held investment in Porto do Pecém, in the amount of 27,613 thousands of Euros, were transferred to results.

Consequently, this transaction originated a total gain at EDP Group level of 294,938 thousands of Euros (884,697 thousands of Reais at EDP Energias do Brasil level), which is recorded under Other income (note 7). To be noted that, under the applicable Brazilian tax rules, EDP Energias do Brasil has recognised a tax effect associated with this gain in the amount of 36,293 thousands of Euros (120,109 thousands of Reais).

Acquisition-related costs were recognised under Supplies and services, in the amount of 3,543 thousands of Reais (1,071 thousands of Euros).

Asset Split ENEOP

In 2006, EDP Group (through its subsidiary EDP Renováveis Portugal) entered into a joint business with Generg, Finerge (together with EDP the "Wind Promoters") and Enercon to develop 1,200 MW of renewable energy in Portugal. At that moment it was agreed that once all assets under construction entered into production, the "Consortium" (ENEOP) would be splitted following the respective competition authority's approval it.

The consortium (ENEOP), through two different subsidiaries fully held by ENEOP, carried the following two activities connected with the industrial and wind farm project:

- ENEOP 2: construction, maintenance and exploitation of the wind farms;
- ENEOP 3: construction and exploitation of the industrial part of the project.

It has been agreed that the split will be performed on three steps:

- Merger of ENEOP 2 and ENEOP;
- Demerger of ENEOP, with its dissolution, and incorporation of 4 NewCos (that issue shares to all the shareholders of ENEOP on a proportional basis), to which each one of the respective portfolios of wind farm SPVs and ENEOP 3 are transferred; and
- Cross-sell disposal of the investment in the NewCos between the wind promoters and Enercon, such that each owns 100% of the respective portfolio of wind farm SPVs (in respect to the WPs) and ENEOP 3 (regarding Enercon).

On 19 September, even though the above transactions have not yet been legally performed, all the conditions needed for the asset split to be performed were obtained, namely the decision of non-opposition from the competition authority (AdC), Direção Geral de Energia e Geologia (DGEG) and banks (EIB and other commercial banks). This, together with the shareholders agreement signed between the wind promoters and the change of the corporate bodies of the SPVs, gave EDP the effective control over the agreed portfolio, as the pending issues to be closed for the legal Asset Split to take place are merely administrative procedures, and therefore not relevant in terms of control assesment.

For simplification purposes, and considering this does not have a material effect, the Group used the financial statements as at 31 August 2015, of the twelve companies, to determine pre-acquisition results and, consequently, these companies have been fully consolidated from the 1 September 2015.

Until 31 December 2015 all of the above-mentioned steps have been legally performed, so the Asset Split process is legally finished at this date.

Since the date of acquisition of full control over this portfolio, it has contributed to the consolidated financial statements with Revenues from energy sales in the amount of 33,917 thousands of Euros and with a net profit for the period (attributable to Equity holders of EDP) in the amount of 3,216 thousands of Euros. If this acquisition had occurred in the beginning of the period, it would have contributed to the consolidated financial statements with Revenues from energy sales in the amount of 102,698 thousands of Euros and with a Net profit for the period (attributable to Equity holders of EDP) in the amount of 9,131 thousands of Euros. Until the date of the took of control, the shareholding previously held was being consolidated under the equity method, therefore the result was incorporated under this method until this date in the amount of 5,986 thousands of Euros.

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At the acquisition date, EDP Group has determined the fair value of the assets acquired and liabilities assumed, based on a valuation performed by an independent third party. This valuation, which was based on the discounted cashflow method, came to an equity fair value of the portfolio in which EDP Group takes control in the amount of 230,791 thousands of Euros (preliminary version as at 30 September 2015: 208,474 thousands of Euros). Fair value of identifiable assets and liabilities at the acquisition date is presented as follows:

Thousands of Euros	Book value at acquisition date	Fair value adjustment	Fair value at acquisition date
Assets			
Property, plant and equipment	594,492	249,671	844,163
Intangible assets	22,436	-	22,436
Deferred tax assets	2,621	-	2,621
Inventories	299	-	299
Other debtors and other assets	31,608	-	31,608
Cash and cash equivalents	99,147	-	99,147
Total Assets	750,603	249,671	1,000,274
Liabilities			
Financial Debt	250,805	-	250,805
Provisions	7,361	-	7,361
Other liabilities and other payables	455,798	55,519	511,317
Total liabilities	713,964	55,519	769,483
Net Assets	36,639	194,152	230,791

Gain with the remeasurement to fair value of the previously held investment	124,750
Control acquisition gain at EDP Group level - thousands of Euros (see note 7)	124,750

Acquisition cashflow:

Cash and cash equivalents of incorporated wind farms	99,147
Acquisition payment (*)	-50,497
Net cash outflow	48,650

(*) The cash compensation paid at the legal asset split date amounted to 50.497 thousands of Euros (estimated amount of 49,932 thousands of Euros as at 30 September 2015) (see note 40).

The above-mentioned Eneop's valuation has determined a fair value for Property, plant and equipment in the amount of 844,163 thousands of Euros (preliminary valuation as at 30 September 2015: 818,525 thousands of Euros), based on discounted cash-flows method, generating a fair value adjustment of 249,671 thousands of Euros (preliminary valuation as at 30 September 2015: 224,018 thousands of Euros) and a corresponding deferred tax liability in the amount of 55,519 thousands of Euros (preliminary valuation as at 30 September 2015: 49,840 thousands of Euros) (see note 23).

As EDPR Group had already a 35.96% stake in ENEOP, this transaction was treated as a step acquisition under IFRS 3. Consequently, the previously held investment in ENEOP was remeasured to fair value, and the corresponding difference for its book value, in the amount of 124,750 thousands of Euros (preliminary valuation as at 30 September 2015: 102,479 thousands of Euros) was booked under Other income (see note 7). The total impact of the transaction gain also include the transfer to results of cashflow hedge reserves previously recognised under Other comprehensive income at EDPR level, in the amount of 11,955 thousands of Euros.

Acquisition-related costs were expensed and are recognised under Supplies and services, in the amount of 837 thousands of Euros (estimated amount of 420 thousands of Euros as at 30 September 2015).

54. OPERATING SEGMENTS REPORT

In accordance with IFRS 8, an operating segment is a Group component:

- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- (iii) for which discrete financial information is available.

The Group develops a set of regulated and liberalised activities in the energy sector, with special emphasis in generation, distribution and supply of electricity and gas.

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Finally, taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Brasil).

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The Executive Board of Directors regularly reviews segmental reports, using Operating Profit to assess and release each business operating performance, as well as to allocate resources.

The management of financial activities of all EDP Group entities (except Brazil) is undertaken centrally by the Financial Department at holding level, in accordance with policies approved by the Executive Board of Directors. As a result of this management, all financial operations and financial results are disclosed only at Group level.

The segments defined by the Group are the following:

- Long Term Contracted Generation in Iberia;
- Liberalised Activities in Iberia;
- Regulated Networks in Iberia;
- EDP Renováveis; and
- EDP Brasil.

The Long Term Contracted Generation in Iberia segment corresponds to the activity of electricity generation of plants with CMEC and SRP plants in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (CMEC and SRP generation);
- Fisigen - Empresa de Cogeração, S.A.; and
- Pebble-Hydro – Consultoria, Investimentos e Serviços, Lda.

The Liberalised Activities segment in Iberia corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
- Empresa Hidroeléctrica do Guadiana, S.A.;
- Hidroeléctrica Del Cantábrico, S.A.U.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- EDP Comercial - Comercialização de Energia, S.A.;
- Hidrocantábrico Energia, S.A.U.;
- Naturgás Comercializadora, S.A.;
- EDP Gás.Com - Comércio de Gás Natural, S.A.;
- Greenvouga - Sociedade Gestora do Aproveitamento Hidroeléctrico do Ribeiradio-Ermida, S.A.; and
- EDP Energía Gás S.L.

Additionally, this segment includes the Iberian energy management business unit (UNGE) as well as the elimination of transactions between companies identified above. UNGE is the EDP Group unit responsible for the management of purchases and sales of energy in the Iberian market, and also for the related hedging transactions.

The Regulated Networks segment in Iberia corresponds to the activities of electricity and gas distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

- EDP Distribuição - Energia, S.A.;
- EDP Serviço Universal, S.A.;
- Electra de Llobregat Energía, S.L.;
- Hidrocantábrico Distribucion Eléctrica, S.A.U.;
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.;
- EDP Gás Serviço Universal, S.A.; and
- Naturgás Energia Distribución, S.A.U.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDPR Europe, EDPR North America and EDPR Brasil subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

The EDP Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the holding EDP Energias do Brasil, S.A. and all its subsidiaries, with the exception of EDP Renováveis Brasil which is included in the EDP Renováveis segment. As in the EDP Renováveis segment, this segment includes all the adjustments for the companies composing this segment, including consolidation adjustments.

Segment Definition

The amounts reported in each operating segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position captions of each subsidiary and business unit are determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

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The income statement captions for each operating segment are based in the amounts booked directly in the companies financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

Nevertheless, since EDP - Gestão da Produção de Energia, S.A.'s assets belong to more than one business segment, namely the CMEC and SRP generation plants - allocated to the Long Term Contracted Generation - and the liberalised generation plants - allocated to the Liberalised Activities, it was necessary to allocate all its gains, costs, assets and liabilities to those power plants.

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. For the remaining information, since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services and Personnel Costs captions, and since the applicability of the previous criterion it's not possible, the shared costs were allocated in the proportion of costs directly allocated to each plant in the total costs and the remaining assets and liabilities were allocated following the proportion of each plant net assets in the total assets.

In each business segment, Assets include the Property, Plant and Equipment, Intangible Assets, Goodwill, Trade Receivables and Inventories captions. The captions Debtors and other assets are allocated to each segment according to its nature. The remaining assets are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

In each business segment, Liabilities include the Provisions and Employee benefits captions. The captions Trade and other payables are allocated to each segment according to its nature. The remaining liabilities are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

Under IFRS 8, the EDP Group discloses as Operating investment, additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO2 licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period. Goodwill is disclosed in the note 18.

The EDP Group by operating segment report is presented in Annex II.

Geographic information

The Group manages its activity based on business segments mentioned above, however has business in several geographical locations, being its main office located in Portugal.

Revenues from energy sales and services and other by geographic market, for EDP Group, are presented in note 6. Additionally, the geographical information bellow, details the Non-current assets excluding Financial instruments, Deferred tax assets and Employee benefits. In the disclosure of this information, the Revenues from energy sales and services and other, as well as the Non-current assets, are based on companies' geographical location where the Assets are booked.

Non-current assets by geographical market for the Group EDP, are as follows:

Thousands of Euros	Dec 2015				
	Iberia	Brazil	U.S.A.	Other	Group
Property, plant and equipment	12,175,725	1,938,542	6,430,335	2,229,114	22,773,716
Intangible assets	4,498,527	892,393	87,771	45,943	5,524,634
Goodwill	2,487,974	46,971	724,813	128,830	3,388,588
	19,162,226	2,877,906	7,242,919	2,403,887	31,686,938

Thousands of Euros	Dec 2014				
	Iberia	Brazil	U.S.A.	Other	Group
Property, plant and equipment	11,435,497	1,378,488	5,476,028	2,233,087	20,523,100
Intangible assets	4,562,052	1,142,448	81,198	27,328	5,813,026
Goodwill	2,489,177	54,223	651,264	126,622	3,321,286
	18,486,726	2,575,159	6,208,490	2,387,037	29,657,412

55. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

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ANNEX I. COMPANIES IN THE CONSOLIDATION PERIMETER

The subsidiary companies where the Group exercises control as at 31 December 2015 are as follows:

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-15 Euro'000	Liabilities 31-Dec-15 Euro'000	Equity 31-Dec-15 Euro'000	Total Income 31-Dec-15 Euro'000	Net Profit/(Loss) 31-Dec-15 Euro'000	% Group	% Company
Group's parent holding company and Related Activities:									
Portugal:									
EDP - Energias de Portugal, S.A. (EDP Group Parent Company)	Lisbon	3,656,537,715 EUR	22,437,509	15,137,874	7,299,635	4,990,124	802,446	100.00%	-
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5,000 EUR	222,190	207,992	14,199	11,269	292	100.00%	100.00%
CEO - Comp Energia Oceânica, S.A.	Póvoa do Varzim	65,435 EUR	3,927	2,271	1,655	1,423	-2	52.07%	-
EDP Estudos e Consultoria, S.A.	Lisbon	50,000 EUR	14,552	10,050	4,502	34,069	1,267	100.00%	100.00%
EDP Gás - SGPS, S.A.	Lisbon	73,200,000 EUR	280,014	141,278	138,736	12,038	1,784	100.00%	100.00%
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000 EUR	140,273	110,205	30,068	5,436	-17,181	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000 EUR	28,089	26,708	1,382	5,870	-557	100.00%	100.00%
EDP Internacional, S.A.	Lisbon	50,000 EUR	30,436	31,237	-802	13,223	-2,318	100.00%	100.00%
EDP Ventures, SGPS, S.A.	Lisbon	50,000 EUR	22,828	15,172	7,656	710	-73	100.00%	-
ENAGÁS - SGPS, S.A.	Lisbon	299,400 EUR	32,016	18	31,998	31,433	29,988	60.00%	-
Labelec - Estudos, Desenvolvimento e Atividades Laboratoriais, S.A.	Sacavem	2,200,000 EUR	19,256	14,223	5,033	14,626	938	100.00%	100.00%
Sávida - Medicina Apoiada, S.A.	Lisbon	450,000 EUR	25,223	17,248	7,975	31,952	3,857	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000 EUR	370	155	215	181	-4	100.00%	-
Other Countries:									
EDP - Ásia Soluções Energéticas Limitada	Macao	1,500,000 MOP	2,140	8	2,132	781	73	100.00%	-
EDP Finance, B.V.	Amsterdam	2,000,000 EUR	14,970,148	14,871,931	98,217	853,379	-45,891	100.00%	100.00%
EDP International Investments and Services, S.L.	Oviedo	4,702 EUR	475,722	136,672	339,049	24,840	17,804	100.00%	36.07%
EDP Servicios Financieros Española, S.A.	Oviedo	10,300,058 EUR	2,233,675	1,721,509	512,166	210,489	14,101	100.00%	100.00%
Energia RE - Sociedade Cativeira de Resseguro	Luxembourg	3,000,000 EUR	100,400	55,874	44,526	13,820	3,088	100.00%	100.00%
Electricity and Gas Activity - Portugal:									
Electricity Generation:									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505 EUR	8,308,719	6,256,448	2,052,271	1,625,477	203,553	100.00%	100.00%
EDP Small Hydro, S.A.	Lisbon	6,950,786 EUR	87,408	5,991	81,417	2,520	548	100.00%	-
Empresa Hidroeléctrica do Guadiana, S.A.	Lisbon	48,750,000 EUR	487,828	453,517	34,312	69,941	-16,495	100.00%	-
Energin Azóia, S.A.	Lisbon	50,000 EUR	1,285	10,931	-9,646	62	-98	65.00%	-
FISIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000 EUR	26,693	30,938	-4,245	24,952	510	51.00%	-
Greenvougá - Soc. Gest. do Aproveit. Hidroel. de Ribeirão-Ermida, S.A.	Lisbon	1,000,000 EUR	258,629	185,175	73,454	6,335	-3,631	97.33%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000 EUR	10,137	9,663	474	3,052	-243	100.00%	100.00%
Pebble Hydro - Consultoria, Invest. e Serv., Lda	Lisbon	5,100 EUR	123,656	118,904	4,751	17,816	5,434	100.00%	-
Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A.	Carregado	250,000 EUR	8,432	7,655	777	6,987	-343	100.00%	-
Electricity Distribution:									
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000 EUR	5,166,099	4,402,158	763,941	2,998,772	249,559	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.	Lisbon	50,000 EUR	1,044	981	64	42	-394	100.00%	-
Electricity Supply:									
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,824,695 EUR	605,010	559,990	45,020	2,977,207	2,464	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000 EUR	2,413,874	2,262,880	150,994	2,699,739	36,597	100.00%	-
Gas Distribution:									
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996 EUR	29,799	18,820	10,979	27,674	-1,733	71.97%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150 EUR	430,975	235,666	195,308	102,384	17,935	71.97%	-
Gas Supply:									
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A.	Oporto	549,998 EUR	7,722	1,147	6,575	3,525	793	71.97%	-
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000 EUR	55,651	57,772	-2,121	213,042	2,426	100.00%	100.00%
Shared Services:									
EDP Soluções Comerciais, S.A.	Lisbon	50,000 EUR	104,470	100,450	4,020	154,103	2,490	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000 EUR	80,916	70,947	9,968	56,901	3,598	100.00%	100.00%
Other Activities:									
CNET - Centre for New Energy Technologies, S.A.	Sacavem	300,000 EUR	348	66	283	109	-13	60.00%	-
EDP Mediadora, S.A.	Lisbon	50,000 EUR	3,277	2,935	342	1,100	446	100.00%	-
SGORME - SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	500,000 EUR	164	802	-638	-	-144	91.00%	-
Electricity and Gas Activity - Spain:									
Electricity Generation:									
Central Termica Ciclo Combinado Grupo 4, S.L.	Oviedo	2,117,000 EUR	160,849	287,263	-126,414	27,155	-20,364	75.00%	-
Cogeneración Montjuic, S.L.U.	Bilbao	1,250,000 EUR	2,694	2	2,692	4	-	100.00%	-
EDP Cogeneración, S.L.	Oviedo	60,300 EUR	27,362	26,757	605	26,794	-1,314	100.00%	-
EDP Gas Iberia, S.L.	Bilbao	130,260,000 EUR	1,980,229	1,244,619	735,610	64,049	40,765	100.00%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,790 EUR	3,804,382	1,395,842	2,408,540	2,369,462	472,768	100.00%	100.00%
Iberenergia, S.A.	Oviedo	60,200 EUR	221,352	190,719	30,633	62,664	-3,033	100.00%	-
Electricity Distribution:									
Electra de Llobregat Energia, S.L.	Barcelona	300,000 EUR	5,285	5,546	-261	225	-121	75.00%	-
Electricity Supply:									
EDP Comercializadora de Ultimo Recurso, S.A.	Oviedo	120,000 EUR	35,536	23,765	11,771	120,302	563	97.50%	-
EDP Empresa de Servicios Energeticos, S.L.	Oviedo	90,000 EUR	4,465	4,229	236	6,147	-400	97.50%	-
EDP Energia Ibérica, S.A.	Madrid	60,200 EUR	16	12,609	-12,592	767	767	100.00%	-
Hidrocentabrico Distribucion Eléctrica, S.A.U.	Oviedo	44,002,000 EUR	899,329	553,655	345,675	212,832	49,158	100.00%	-
Hidrocentabrico Energia, S.A.U.	Oviedo	1,000,000 EUR	313,840	299,361	14,479	1,556,935	3,563	100.00%	-
Gas Distribution:									
Naturgas Energia Grupo, S.A. (NG Energia Subgroup Parent Company)	Bilbao	296,385,957 EUR	2,105,220	945,372	1,159,848	282,682	71,265	95.00%	-
HC Energia Gas, S.L.	Oviedo	214,293,400 EUR	1,149,808	24,032	1,125,776	297,836	9,647	100.00%	-

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Electricity and Gas Activity - Spain:									
Gas Distribution:									
Naturgas Energía Distribución, S.A.U.	Bilbao	100,000,000 EUR	2,152,180	390,730	1,761,450	334,886	213,434	95.00%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200 EUR	7,677	8,104	-428	9,382	-675	95.00%	-
Gas Supply:									
Naturgas Energía Comercializadora, S.A.	Bilbao	1,487,895 EUR	370,398	351,126	19,272	1,119,951	-899	95.00%	-
Shared Services:									
EDP Soluciones Comerciales, S.A.	Oviedo	90,452 EUR	15,007	14,594	413	55,576	319	97.50%	-
Electricity Activity - Brazil:									
Parent company and Related Activities:									
EDP Energias do Brasil, S.A. (EDP Brasil Subgroup Parent Company)	Sao Paulo	3,182,715,954 BRL	1,868,512	505,602	1,362,911	475,462	291,974	51.09%	-
EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A.	Espirito Santo	9,342,530 BRL	18,262	14,273	3,989	4,589	2,409	51.09%	-
Electricity Generation:									
Costa Rica Energética, Ltda	Sao Paulo	14,318,185 BRL	6,901	812	6,088	7,403	4,048	26.06%	-
EDP Pequenas Centrais Hidroelectricas, S.A.	Sao Paulo	- BRL	-	-	-	-	-	51.09%	-
Enercouto, S.A.	Sao Paulo	6,016,118 BRL	22	27	-5	-	-21	51.09%	-
Energest, S.A.	Sao Paulo	284,737,498 BRL	139,087	49,293	89,794	88,206	19,381	51.09%	-
Enerpeixe, S.A.	Sao Paulo	882,627,748 BRL	418,875	93,434	325,441	120,743	39,490	30.65%	-
Investco, S.A.	Tocantins	804,458,842 BRL	301,647	51,378	250,269	60,633	18,034	20.83%	-
Lajeado Energia, S.A.	Sao Paulo	306,867,541 BRL	376,222	162,927	213,295	152,516	23,054	28.54%	-
Pantanal Energética, Ltda	Sao Paulo	45,390,369 BRL	26,153	2,622	23,531	15,521	6,746	51.09%	-
Porto do Pecém Geração de Energia, S.A.	Ceara	2,286,193,208 BRL	1,105,668	792,780	312,888	283,292	38,149	51.09%	-
Resende Engenharia e Assessoria, Ltda	Sao Paulo	21,513,319 BRL	4,920	-	4,920	-	-3	51.09%	-
Santa-Fé Energia, S.A.	Espirito Santo	86,371,000 BRL	40,056	12,364	27,692	8,057	2,122	51.09%	-
Electricity Distribution:									
Bandeirante Energia, S.A.	Sao Paulo	596,669,107 BRL	780,376	510,344	270,032	1,108,316	61,077	51.09%	-
Escelsa - Espírito Santo Centrais Eléctricas, S.A.	Espirito Santo	650,572,403 BRL	738,773	509,241	229,532	844,532	30,238	51.09%	-
Electricity Supply:									
APS Soluções em Energia, S. A.	Porto Alegre	14,342,773 BRL	7,135	5,482	1,653	1,772	118	51.09%	-
EDP - Comercialização e Serviços de Energia, S.A.	Sao Paulo	26,217,026 BRL	117,747	93,732	24,015	559,015	4,683	51.09%	-
Renewable Energy Activity:									
Parent company and Related Activities:									
EDP Renováveis, S.A. (EDP Renováveis Subgroup Parent Company)	Oviedo	4,361,540,810 EUR	6,723,696	1,316,700	5,406,996	582,889	31,597	77.53%	77.53%
EDP Renováveis Servicios Financieros, S.L.	Oviedo	84,691,368 EUR	3,513,307	3,093,509	419,798	307,293	19,327	77.53%	-
Europe Geography / Platform:									
Spain:									
EDP Renewables Europe, S.L. (EDPR EU Subgroup Parent Company)	Oviedo	249,498,800 EUR	3,857,363	1,413,325	2,444,039	223,620	88,606	77.53%	-
Acampo Arias, S.L.	Zaragoza	3,314,300 EUR	18,724	14,518	4,206	3,563	740	77.53%	-
Aplicaciones Industriales de Energías Limpias, S.L.	Zaragoza	131,288 EUR	1,367	-	1,367	-	-	47.68%	-
Aproffitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350 EUR	200	51	148	174	-754	47.01%	-
Bon Vent de Corbera, S.L.	Barcelona	7,255,000 EUR	60,904	40,140	20,763	11,393	1,606	77.53%	-
Bon Vent de L'Ebre, S.L.	Barcelona	12,600,000 EUR	62,243	45,401	16,841	11,952	2,012	77.53%	-
Bon Vent de Vilalba, S.L.	Barcelona	3,600,000 EUR	54,357	49,129	5,227	11,075	1,286	77.53%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945 EUR	1,299	90	1,209	304	46	77.53%	-
Desarrollo Eólico Almachal, S.A.U.	Cadiz	2,061,190 EUR	14,793	8,875	5,918	2,479	228	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cadiz	1,712,369 EUR	7,274	2,939	4,335	1,670	116	77.53%	-
Desarrollo Eólico de Corme, S.A.	La Coruna	3,666,100 EUR	8,900	787	8,113	2,310	230	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000 EUR	53,933	29,881	24,052	10,941	2,882	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cadiz	5,799,650 EUR	10,728	712	10,015	2,820	396	77.53%	-
Desarrollo Eólico Dumbria, S.A.U.	La Coruna	61,000 EUR	62,971	46,558	16,413	12,842	2,855	77.53%	-
Desarrollo Eólico Rabosera, S.A.	Huesca	7,560,950 EUR	27,141	11,641	15,500	5,071	1,339	77.53%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	10,992,600 EUR	91,472	61,116	30,357	1,706	-360	77.53%	-
Desarrollos Eolicos de Galicia, S.A.	La Coruna	6,130,200 EUR	12,143	1,526	10,617	2,633	89	77.53%	-
Desarrollos Eolicos de Teruel, S.L.	Zaragoza	60,100 EUR	439	379	60	22	-	39.54%	-
EDP Renovables España, S.L.	Madrid	36,861,000 EUR	911,103	226,268	684,835	31,883	13,381	77.53%	-
EDP Renovables Cantabria, S.L.	Madrid	300,000 EUR	383	1,498	-1,114	-	-1,360	77.53%	-
EDPR Yield Spain Services, S.L.U.	Madrid	3,000 EUR	6	58	-52	-	-55	77.53%	-
EDPR Yield, S.A.U.	Oviedo	116,641,203 EUR	1,127,859	91	1,127,768	14,186	-35,720	77.53%	-
Energias Eolicas de la Manchuela, S.L.U.	Madrid	1,141,900 EUR	15,327	13,166	2,161	2,364	-98	77.53%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	17,430	6,294	11,136	3,349	413	60.08%	-
Eólica Campollano, S.A.	Madrid	6,559,994 EUR	69,909	47,197	22,712	11,236	537	58.15%	-
Eólica Curiscao Pumar, S.A.	Madrid	60,200 EUR	68,274	65,288	2,986	13,039	2,879	77.53%	-
Eólica de Radona, S.L.	Madrid	22,088,000 EUR	54,267	31,307	22,961	8,483	966	77.53%	-
Eólica del Alfoz, S.L.	Madrid	8,480,000 EUR	143,086	111,966	31,120	26,919	5,638	77.53%	-
Eólica Don Quijote, S.L.	Albacete	3,006 EUR	37,034	35,614	1,420	7,950	1,328	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000 EUR	24,517	23,397	1,120	5,206	938	77.53%	-
Eólica Fontesilva, S.L.	La Coruna	6,860,000 EUR	39,906	27,353	12,552	6,727	1,114	77.53%	-
Eólica Garcimuñoz, S.L.	Madrid	4,060,000 EUR	42,303	28,360	13,943	4,799	-682	77.53%	-
Eólica Guadalteba, S.L.	Seville	1,460,000 EUR	162,430	145,803	16,627	34,506	9,169	77.53%	-
Eólica La Brújula, S.A.	Madrid	3,294,000 EUR	49,792	31,947	17,845	9,031	1,731	65.82%	-
Eólica La Janda, S.L.	Madrid	4,525,000 EUR	178,584	155,323	23,261	35,116	8,053	77.53%	-
Eólica La Navica, S.L.	Madrid	10,000 EUR	28,279	25,458	2,821	6,479	1,464	77.53%	-
Eólica Muxía, S.L.	La Coruna	23,480,000 EUR	24,462	933	23,529	54	39	77.53%	-
Eólica Sierra de Avila, S.L.	Madrid	12,977,466 EUR	102,068	69,098	32,970	14,557	-179	77.53%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728 EUR	21,745	19,141	2,603	4,412	425	72.88%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	29,450,970 EUR	128,563	100,058	28,506	22,962	2,690	77.53%	-
Molino de Caragüeyes, S.L.	Zaragoza	180,300 EUR	297	30	267	103	38	77.53%	-
NEO Energia Aragon, S.L.	Madrid	10,000 EUR	6	-	6	-	-1	77.53%	-
Parc Eólic de Coll de la Garganta, S.L.	Barcelona	6,018,010 EUR	36,169	20,523	15,646	4,030	-1,228	77.53%	-
Parc Eólic de Coll de Moro, S.L.	Barcelona	7,808,920 EUR	91,644	85,621	6,023	10,802	-777	77.53%	-

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Renewable Energy Activity:									
Europe Geography / Platform:									
Spain:									
Parc Eòlic de Torre Madrina, S.L.	Barcelona	7,754,897 EUR	83,958	73,691	10,266	11,589	-254	77.53%	-
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona	3,065,739 EUR	39,047	32,739	6,308	6,146	346	77.53%	-
Parc Eòlic Serra Voltorera, S.L.	Barcelona	3,458,010 EUR	23,771	13,830	9,941	3,581	2	77.53%	-
Parque Eòlico Altos del Voltoya, S.A.	Madrid	6,434,349 EUR	24,294	1,788	22,507	5,130	45	71.71%	-
Parque Eòlico Belchite, S.L.	Zaragoza	3,600,000 EUR	33,490	26,813	6,677	6,636	303	77.53%	-
Parque Eòlico la Sotonera, S.L.	Zaragoza	2,000,000 EUR	13,753	6,187	7,566	2,679	322	54.14%	-
Parque Eòlico Los Cantales, S.L.U.	Zaragoza	1,963,050 EUR	19,352	15,109	4,243	4,783	1,075	77.53%	-
Parque Eòlico Santa Quiteria, S.L.	Huesca	63,006 EUR	18,757	890	17,867	3,746	743	65.09%	-
Parques de Generación Eòlica, S.L.	Burgos	1,924,000 EUR	30,598	28,696	1,901	5,643	824	77.53%	-
Parques Eòlicos del Cantàbrico, S.A.	Oviedo	9,079,680 EUR	42,061	10,995	31,066	6,565	-1,264	77.53%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102 EUR	27,725	25,994	1,730	5,398	745	69.78%	-
South África Wind & Solar Power, S.L.	Oviedo	385,500 EUR	1,047	1	1,046	5	-3,818	77.53%	-
Portugal:									
EDP Renováveis Portugal, S.A.	Oporto	7,500,000 EUR	518,265	430,980	87,284	143,532	50,593	39.54%	-
EDP Renewables, SGPS, S.A.	Oporto	50,000 EUR	540,021	385,600	154,421	147,289	124,008	77.53%	-
EDPR PT - Parques Eòlicos, S.A.	Oporto	9,079,010 EUR	360,156	330,948	29,208	23,485	-2	77.53%	-
EDPR PT - Promoção e Operação, S.A.	Oporto	50,000 EUR	15,960	16,293	-333	9,382	-540	77.53%	-
EDPR Yield Portugal Services, Unip. Lda.	Oporto	5,000 EUR	5	16	-11	-	-16	77.53%	-
Eòlica Alto da Teixosa, S.A.	Cinfães	50,000 EUR	29,497	27,398	2,099	4,791	251	77.53%	-
Eòlica da Alagoa, S.A.	Arcos de Valdevez	50,000 EUR	8,689	4,185	4,504	3,603	1,934	23.72%	-
Eòlica da Coutada, S.A.	Vila Pouca de Aguiar	50,000 EUR	171,628	156,786	14,843	26,673	3,283	77.53%	-
Eòlica da Lajeira, S.A.	Oporto	50,000 EUR	66,594	65,209	1,385	9,193	752	77.53%	-
Eòlica da Serra das Alturas, S.A.	Boticas	50,000 EUR	13,027	7,958	5,068	2,930	1,126	19.81%	-
Eòlica da Serra das Beiras, S.A.	Arganil	50,000 EUR	106,214	98,150	8,065	18,292	2,426	77.53%	-
Eòlica da Terra do Mato, S.A.	Oporto	50,000 EUR	48,720	47,189	1,531	7,606	301	77.53%	-
Eòlica de Montenegro, S.A.	Vila Pouca de Aguiar	50,000 EUR	22,061	12,899	9,162	5,383	2,134	19.81%	-
Eòlica do Alto da Lagoa, S.A.	Oporto	50,000 EUR	24,644	20,656	3,988	5,034	935	77.53%	-
Eòlica do Alto do Mourisco, S.A.	Boticas	50,000 EUR	25,946	23,708	2,239	4,289	508	77.53%	-
Eòlica do Cachopo, S.A.	Oporto	50,000 EUR	65,151	60,744	4,407	10,239	969	77.53%	-
Eòlica do Castelo, S.A.	Oporto	50,000 EUR	38,196	36,802	1,394	4,765	174	77.53%	-
Eòlica do Espigão, S.A.	Miranda do Corvo	50,000 EUR	30,691	23,504	7,187	6,416	1,448	77.53%	-
Eòlica do Velaço, S.A.	Oporto	50,000 EUR	42,603	40,685	1,918	6,056	733	77.53%	-
Eòlica dos Altos dos Salgueiros-Guilhado, S.A.	Vila Pouca de Aguiar	50,000 EUR	12,993	12,141	852	2,140	94	77.53%	-
Gravintangle - Fotovoltaica Unipessoal, Lda	Oporto	5,000 EUR	4,534	2,525	2,008	898	453	77.53%	-
Malhadizes - Energia Eòlica, S.A.	Oporto	50,000 EUR	18,385	15,580	2,805	5,259	1,622	39.54%	-
Stirlingpower Unipessoal, Lda		2,500 EUR	3	2	1	-	-1	77.53%	-
France:									
EDP Renewables France, S.A.S.	Paris	151,703,747 EUR	225,016	101,101	123,915	30,475	2,317	39.54%	-
Bourbriac II, S.A.S.	Paris	1,000 EUR	81	83	-2	-	-3	77.53%	-
Centrale Eolienne Canet-Pont de Salars, S.A.S.	Paris	125,000 EUR	13,198	11,878	1,320	2,560	469	20.15%	-
Centrale Eolienne Gueltas Noyal-Pontivy, S.A.S.	Paris	761,000 EUR	7,223	3,061	4,162	1,734	557	20.16%	-
Centrale Eolienne Neo Truc L'Homme, S.A.S.	Paris	3,830,700 EUR	16,654	13,395	3,258	1,670	-369	39.54%	-
Centrale Eolienne Patay, S.A.S.	Paris	140,000 EUR	15,449	9,670	5,779	3,222	1,107	20.17%	-
Centrale Eolienne Saint Barnabé, S.A.S.	Paris	100,000 EUR	13,041	9,730	3,311	2,720	759	20.17%	-
Centrale Eolienne Segur, S.A.S.	Paris	115,000 EUR	13,334	9,705	3,629	2,883	689	20.16%	-
EDPR France Holding, S.A.S.	Paris	8,500,000 EUR	13,092	15,341	-2,249	6,602	-5,254	77.53%	-
EDPR Yield France Services, S.A.S.	Paris	1 EUR	10	10	-	-	-	77.53%	-
Eolienne de Challengeville, S.A.S.	Paris	37,004 EUR	16	16	-	-	-2	77.53%	-
Eolienne de Saugueuse, S.A.R.L.	Paris	1,000 EUR	10,620	9,634	986	2,082	492	20.17%	-
Eolienne D'Etalondes, S.A.R.L.	Paris	1,000 EUR	14	58	-43	5	-3	77.53%	-
Monts de la Madeleine Energie, S.A.S.	Paris	37,000 EUR	857	829	28	43	-4	77.53%	-
Monts du Forez Energie, S.A.S.	Paris	37,000 EUR	664	641	22	57	-5	77.53%	-
Neo Plouvin, S.A.S.	Paris	5,040,000 EUR	9,592	7,431	2,161	1,823	190	39.54%	-
Parc Eòlien de Boqueho-Pouagat, S.A.S.	Paris	1,000 EUR	314	315	-1	126	-1	77.53%	-
Parc Eòlien de Dammarie, S.A.R.L.	Paris	1,000 EUR	13,314	13,530	-216	-7	-53	77.53%	-
Parc Eòlien de Francourville, S.A.S.	Paris	1,000 EUR	12,632	12,671	-40	36	-40	77.53%	-
Parc Eòlien de La Hetroye, S.A.S.	Paris	37,004 EUR	22	27	-5	-	-3	77.53%	-
Parc Eòlien de Mancheville, S.A.R.L.	Paris	1,000 EUR	55	107	-53	-	-3	77.53%	-
Parc Eòlien de Montagne Fayel, S.A.S.	Paris	37,000 EUR	18,238	17,932	306	745	367	77.53%	-
Parc Eòlien de Preuseville, S.A.R.L.	Paris	1,000 EUR	11,106	10,859	247	1,167	439	77.53%	-
Parc Eòlien de Roman, S.A.R.L.	Paris	1,000 EUR	9,975	9,706	216	2,076	808	39.54%	-
Parc Eòlien de Tarzy, S.A.R.L.	Paris	1,504,692 EUR	13,553	11,460	2,093	1,862	360	39.54%	-
Parc Eòlien de Varimpre, S.A.S.	Paris	37,003 EUR	11,543	12,571	-1,028	2,799	573	20.16%	-
Parc Eòlien des Longs Champs, S.A.R.L.	Paris	1,000 EUR	184	266	-82	34	-4	77.53%	-
Parc Eòlien des Vatines, S.A.S.	Paris	841,014 EUR	11,356	12,757	-1,401	2,640	526	20.17%	-
Parc Eòlien d'Escardes, S.A.S.	Paris	1,000 EUR	17,620	17,666	-47	93	-47	77.53%	-
Parc Eòlien du Clos Bataille, S.A.S.	Paris	410,096 EUR	9,520	10,842	-1,322	1,969	300	20.17%	-
SOCPE de la Mardelle, S.A.R.L.	Paris	3,001,000 EUR	7,407	4,615	2,792	1,297	203	39.54%	-
SOCPE de la Vallée du Moulin, S.A.R.L.	Paris	8,001,000 EUR	15,900	7,853	8,047	2,589	465	39.54%	-
SOCPE de Sauvageons, S.A.R.L.	Paris	1,000 EUR	7,747	7,720	27	1,332	175	58.91%	-
SOCPE des Quinze Mines, S.A.R.L.	Paris	1,000 EUR	15,327	17,818	-2,491	2,640	-369	58.91%	-
SOCPE Le Mee, S.A.R.L.	Paris	1,000 EUR	12,010	11,837	173	1,863	165	58.91%	-
SOCPE Petite Piece, S.A.R.L.	Paris	1,000 EUR	3,608	3,482	126	593	42	58.91%	-
Poland:									
EDP Renewables Polska, Sp. z o.o.	Warsaw	772,993,180 PLN	297,621	137,315	160,306	20,147	-14,372	77.53%	-
Brent Investments, S.A.	Warsaw	100,000 PLN	23	-	23	-	-	77.53%	-
Elektrownia Wiatrowa Kresy I, Sp. z o.o.	Warsaw	70,000 PLN	125,167	108,232	16,935	1,738	-749	77.53%	-
Farma Wiatrowa Starozreby, Sp. z o.o.	Warsaw	465,500 PLN	4,386	214	4,172	64	-15	77.53%	-
J&Z Wind Farms, Sp. z o.o.	Warsaw	14,520,000 PLN	69,579	59,240	10,339	9,003	532	46.52%	-
Korsze Wind Farm, Sp. z o.o.	Warsaw	38,855,000 PLN	89,352	73,217	16,135	18,900	6,883	77.53%	-
Masovia Wind Farm I, Sp. z o.o.	Warsaw	1,257,500 PLN	14,181	530	13,651	155	18	77.53%	-

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Renewable Energy Activity:									
Europe Geography / Platform:									
Poland:									
Molen Wind II, Sp. z o.o.	Warsaw	14,600 PLN	83,178	74,272	8,906	13,247	45	50.45%	-
Morska Farma Wiatrowa Gryf, Sp. z o.o.	Warsaw	220,000 PLN	16	-	16	-	-3	77.53%	-
Morska Farma Wiatrowa Neptun, Sp. z o.o.	Warsaw	220,000 PLN	15	-	15	-	-3	77.53%	-
Morska Farma Wiatrowa Pomorze, Sp. z o.o.	Warsaw	220,000 PLN	16	-	16	-	-3	77.53%	-
Radziejów Wind Farm, Sp. z o.o.	Warsaw	27,605,000 PLN	38,088	32,266	5,822	3,652	-510	77.53%	-
Relax Wind Park I, Sp. z o.o.	Warsaw	46,540,000 PLN	195,359	187,197	8,162	30,619	5,631	77.53%	-
Relax Wind Park II, Sp. z o.o.	Warsaw	3,490,000 PLN	160	-	160	3	-16	77.53%	-
Relax Wind Park III, Sp. z o.o.	Warsaw	59,602,500 PLN	148,845	145,037	3,808	13,930	-3,182	77.53%	-
Relax Wind Park IV, Sp. z o.o.	Warsaw	4,490,000 PLN	111	1	110	32	1	77.53%	-
Rowy - Karpacka Mala Energetyka, Sp. z o.o.	Warsaw	50,000 PLN	93	368	-275	-	-27	77.53%	-
Romania:									
EDP Renewables Romania, S.R.L.	Bucharest	200 RON	60,624	69,542	-8,918	12,144	-5,126	65.90%	-
Cernavoda Power, S.R.L.	Bucharest	335,692,400 RON	193,087	135,316	57,771	19,708	676	65.90%	-
Cujmir Solar, S.R.L.	Bucharest	41,806,000 RON	19,431	6,552	12,878	3,355	1,194	77.53%	-
EDPR RO PV, S.R.L.	Bucharest	225,000,000 RON	51,099	3,889	47,210	339	-539	77.53%	-
EDPR RO Trading, S.R.L.	Bucharest	6,750,000 RON	1,469	2	1,467	64	-20	77.53%	-
Foton Delta, S.R.L.	Bucharest	14,304,000 RON	6,825	2,186	4,640	1,160	257	77.53%	-
Foton Epsilon, S.R.L.	Bucharest	17,304,840 RON	10,985	3,822	7,163	1,942	684	77.53%	-
Pestera Wind Farm, S.A.	Bucharest	269,955,070 RON	112,479	74,500	37,979	13,015	-124	65.90%	-
Potelu Solar, S.R.L.	Bucharest	30,468,040 RON	13,600	4,046	9,554	2,106	812	77.53%	-
S.C. Ialomita Power, S.R.L.	Bucharest	769,179,700 RON	242,008	76,174	165,834	18,836	-1,618	77.53%	-
Sibioara Wind Farm, S.R.L.	Bucharest	81,900,600 RON	50,979	43,314	7,665	4,967	-7,592	65.90%	-
Studina Solar, S.R.L.	Bucharest	32,130,000 RON	15,844	5,569	10,276	2,734	888	77.53%	-
Vanju Mare Solar, S.R.L.	Bucharest	38,660,000 RON	15,744	5,041	10,703	2,573	842	77.53%	-
VS Wind Farm, S.A.	Bucharest	20,103,000 RON	89,730	92,237	-2,507	6,311	-5,107	65.90%	-
Great Britain:									
EDPR UK Limited	Cardiff	5,678,629 GBP	102,525	39,946	62,579	6,024	-2,452	77.53%	-
MacColl Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	51.66%	-
Moray Offshore Renewables Limited	Cardiff	8,819,909 GBP	86,599	80,823	5,776	3,385	-5,401	51.66%	-
Stevenson Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	51.66%	-
Telford Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	51.66%	-
Other Countries:									
EDP Renewables Italia, S.R.L.	Milan	34,439,343 EUR	203,667	171,955	31,711	15,444	-3,697	77.53%	-
Castellaneta Wind, S.R.L.	Milan	16,014 EUR	23	23	-1	-	-4	77.53%	-
EDP Renewables Belgium, S.A.	Brussels	61,500 EUR	733	1,500	-767	340	-105	77.53%	-
EDP Renewables Italia Holding, S.R.L.	Milan	347,000 EUR	15,482	19,137	-3,656	2,907	-4,104	77.53%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000 EUR	92,134	49,446	42,688	16,553	6,182	77.53%	-
Laterza Wind, S.R.L.	Milan	16,665 EUR	23	24	-1	-	-4	77.53%	-
Pietragalla Eolico, S.R.L.	Milan	15,218 EUR	28,519	22,400	6,119	6,386	1,899	77.53%	-
Re Plus, S.R.L.	Milan	100,000 EUR	827	3,933	-3,106	-2,784	-2,970	62.02%	-
TACA Wind, S.r.l.	Milan	1,160,000 EUR	1,260	113	1,147	1,254	-13	77.53%	-
Tarcan, BV	Amsterdam	20,000 EUR	19,822	67	19,755	5,256	5,088	77.53%	-
Villa Castelli Wind, S.R.L.	Milan	100,000 EUR	32,269	19,468	12,801	6,917	2,406	77.53%	-
WinCap, S.R.L.	Milan	2,550,000 EUR	4,689	943	3,747	343	-38	77.53%	-
North America Geography / Platform:									
United States of America:									
EDP Renewables North America, L.L.C. (EUA Subgroup Parent Company)	Texas	4,030,573,714 USD	3,713,919	179,379	3,534,541	64,155	-87,920	77.53%	-
17th Star Wind Farm, L.L.C.	Ohio	- USD	-	-	-	-	-	77.53%	-
2007 Vento I, L.L.C.	Texas	785,535,071 USD	739,308	1,583	737,725	6,776	3,666	77.53%	-
2007 Vento II, L.L.C.	Texas	685,637,905 USD	625,908	392	625,516	-	-170	39.54%	-
2008 Vento III, L.L.C.	Texas	783,824,686 USD	715,192	72	715,120	-	-558	58.15%	-
2009 Vento IV, L.L.C.	Texas	217,014,965 USD	198,547	-	198,547	-	-128	77.53%	-
2009 Vento V, L.L.C.	Texas	101,595,114 USD	92,536	-	92,536	-	-128	39.54%	-
2009 Vento VI, L.L.C.	Texas	164,710,454 USD	150,654	-	150,654	-	-114	77.53%	-
2010 Vento VII, L.L.C.	Texas	177,170,884 USD	162,175	-	162,175	-	-113	77.53%	-
2010 Vento VIII, L.L.C.	Texas	184,846,819 USD	169,060	-	169,060	-	-113	77.53%	-
2011 Vento IX, L.L.C.	Texas	147,262,866 USD	134,784	-	134,784	-	-112	39.54%	-
2011 Vento X, L.L.C.	Texas	136,244,667 USD	124,703	-	124,703	-	-112	77.53%	-
2014 Sol I, L.L.C.	Texas	84,623,593 USD	77,630	-	77,630	-	-74	39.54%	-
2014 Vento XI, L.L.C.	Texas	338,009,183 USD	310,457	-	310,457	-	-14	39.54%	-
2014 Vento XII, L.L.C.	Texas	182,563,794 USD	167,675	1	167,675	-	-15	39.54%	-
2015 Vento XIII, L.L.C.	Texas	228,836,507 USD	209,963	-	209,963	-	-230	77.53%	-
2015 Vento XIV, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Alabama Ledge Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Antelope Ridge Wind Power Project, L.L.C.	Oregon	12,816,859 USD	-	2	-2	-	-11,669	77.53%	-
Arbuckle Mountain Wind Farm, L.L.C.	Oklahoma	70,203,868 USD	173,579	108,787	64,792	1,299	318	77.53%	-
Arkwright Summit Wind Farm, L.L.C.	New York	13,407,317 USD	12,885	580	12,306	-	-9	77.53%	-
Arlington Wind Power Project, L.L.C.	Oregon	124,790,335 USD	133,965	8,057	125,907	13,114	-441	58.15%	-
Aroostook Wind Energy, L.L.C.	Maine	31,533,053 USD	30,142	1,514	28,628	-	-197	77.53%	-
Ashford Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
AZ Solar, L.L.C.	Arizona	- USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Holdings, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Wind, L.L.C.	Texas	283,460,963 USD	260,427	-	260,427	-	-4,503	77.53%	-
Black Prairie Wind Farm II, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm, L.L.C.	Illinois	6,401,358 USD	5,879	2	5,877	-	-	77.53%	-
Blackstone Wind Farm II, L.L.C.	Illinois	264,546,690 USD	325,971	91,416	234,555	26,919	3,555	77.53%	-
Blackstone Wind Farm III, L.L.C.	Illinois	6,232,710 USD	-	26	-26	-	-5,634	77.53%	-
Blackstone Wind Farm IV, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-

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Renewable Energy Activity:									
North America Geography / Platform:									
United States of America:									
Blackstone Wind Farm, L.L.C.	Illinois	122,397,200 USD	151,244	41,845	109,399	12,080	424	77.53%	-
Blue Canyon Wind Power VII, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower II, L.L.C.	Oklahoma	119,389,624 USD	137,785	3,441	134,344	15,314	930	77.53%	-
Blue Canyon Windpower III, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower V, L.L.C.	Oklahoma	98,687,591 USD	139,808	4,489	135,320	16,580	3,849	39.54%	-
Blue Canyon Windpower VI, L.L.C.	Oklahoma	134,582,191 USD	131,397	1,891	129,506	10,683	602	77.53%	-
Broadlands Wind Farm II, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Clinton County Wind Farm, L.L.C.	New York	275,767,109 USD	253,292	-	253,292	-	-	77.53%	-
Cloud County Wind Farm, L.L.C.	Kansas	239,908,887 USD	239,342	4,462	234,880	21,793	2,230	58.15%	-
Cloud West Wind Project, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project, L.L.C.	Colorado	- USD	-	-	-	-	-	77.53%	-
Dairy Hills Wind Farm, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Diamond Power Partners, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
East Klickitat Wind Power Project, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Eastern Nebraska Wind Farm, L.L.C.	Nebraska	- USD	-	-	-	-	-	77.53%	-
EDPR Solar Ventures I, L.L.C.	Texas	53,694,189 USD	81,203	31,853	49,350	683	75	39.54%	-
EDPR Vento I Holding, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
EDPR WF, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
EDPR Wind Ventures X, L.L.C.	Texas	65,914,076 USD	125,144	48,039	77,106	5,317	2,587	77.53%	-
EDPR Wind Ventures XI, L.L.C.	Texas	147,035,177 USD	310,470	173,045	137,425	13,800	2,302	39.54%	-
EDPR Wind Ventures XII, L.L.C.	Texas	74,431,614 USD	167,690	101,511	66,179	4,604	-2,188	39.54%	-
EDPR Wind Ventures XIII, L.L.C.	Texas	- USD	210,229	210,564	-335	4,129	-335	77.53%	-
EDPR Wind Ventures XIV, L.L.C.	Texas	2,029,066 USD	-	-1,864	1,864	-	-	77.53%	-
Five-Spot, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Ford Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Green Country Wind Farm, L.L.C.	Oklahoma	- USD	-	-	-	-	-	77.53%	-
Green Power Offsets, L.L.C.	Texas	12,674 USD	1	1	-	1	-2	77.53%	-
Gulf Coast Windpower Management Company, L.L.C.	Indiana	- USD	-	-	-	-	-	77.53%	-
Headwaters Wind Farm, L.L.C.	Indiana	334,249,685 USD	341,645	25,108	316,537	25,227	8,272	39.54%	-
Hidalgo Wind Farm, L.L.C.	Texas	10,147,118 USD	20,397	11,091	9,306	-	-	77.53%	-
High Prairie Wind Farm II, L.L.C.	Minnesota	104,312,401 USD	118,684	11,718	106,965	14,666	3,467	39.54%	-
High Trail Wind Farm, L.L.C.	Illinois	258,470,142 USD	286,286	6,876	279,410	33,799	9,121	77.53%	-
Horizon Wind Chocolate Bayou I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I, L.L.C.	New Mexico	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Ventures I, L.L.C.	Texas	502,943,949 USD	1,250,264	370,438	879,826	61,450	48,311	77.53%	-
Horizon Wind Ventures IB, L.L.C.	Texas	101,916,924 USD	629,777	369,566	260,210	40,131	27,571	39.54%	-
Horizon Wind Ventures IC, L.L.C.	Texas	376,176,571 USD	719,964	285,442	434,522	48,751	31,657	58.15%	-
Horizon Wind Ventures II, L.L.C.	Texas	139,165,135 USD	199,334	62,023	137,311	3,517	2,787	77.53%	-
Horizon Wind Ventures III, L.L.C.	Texas	42,904,376 USD	93,318	36,509	56,809	5,466	3,554	39.54%	-
Horizon Wind Ventures IX, L.L.C.	Texas	52,411,826 USD	135,265	94,985	40,279	1,814	-849	39.54%	-
Horizon Wind Ventures VI, L.L.C.	Texas	107,790,374 USD	151,750	52,218	99,532	1,472	1,211	77.53%	-
Horizon Wind Ventures VII, L.L.C.	Texas	106,623,879 USD	162,736	62,100	100,636	1,806	835	77.53%	-
Horizon Wind Ventures VIII, L.L.C.	Texas	112,861,489 USD	169,787	64,327	105,460	2,919	1,635	77.53%	-
Horizon Wind, Freepart Windpower I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Jericho Rise Wind Farm, L.L.C.	New York	9,397,246 USD	8,993	404	8,589	-	-1	77.53%	-
Juniper Wind Power Partners, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm II, L.L.C.	Illinois	600,283 USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm, L.L.C.	Illinois	11,884,325 USD	10,904	26	10,878	-	-	77.53%	-
Lone Valley Sollar Park I, L.L.C.	California	29,809,488 USD	28,706	525	28,181	2,209	518	39.54%	-
Lone Valley Sollar Park II, L.L.C.	California	54,430,952 USD	53,195	1,009	52,186	4,544	1,551	39.54%	-
Lost Lakes Wind Farm, L.L.C.	Iowa	163,718,794 USD	144,204	3,920	140,284	14,970	81	77.53%	-
Machias Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Madison Windpower, L.L.C.	New York	13,734,676 USD	5,349	410	4,939	621	-1,012	77.53%	-
Marble River, L.L.C.	New York	275,759,354 USD	377,166	102,615	274,551	29,571	5,115	77.53%	-
Martinsdale Wind Farm, L.L.C.	Colorado	3,475,797 USD	3,193	29	3,164	-	-	77.53%	-
Meadow Lake Wind Farm II, L.L.C.	Indiana	175,333,891 USD	150,622	3,150	147,472	9,967	-1,966	77.53%	-
Meadow Lake Wind Farm IV, L.L.C.	Indiana	114,983,425 USD	137,080	37,684	99,396	9,018	-1,440	77.53%	-
Meadow Lake Wind Farm V, L.L.C.	Indiana	4,112,354 USD	3,840	72	3,768	-	-	77.53%	-
Meadow Lake Wind Farm, L.L.C.	Indiana	245,152,978 USD	295,617	83,080	212,538	23,555	465	77.53%	-
Meadow Lake Windfarm III, L.L.C.	Indiana	130,000,809 USD	162,050	45,295	116,755	11,410	672	77.53%	-

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Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-15 Euro'000	Liabilities 31-Dec-15 Euro'000	Equity 31-Dec-15 Euro'000	Total Income 31-Dec-15 Euro'000	Net Profit (Loss) 31-Dec-15 Euro'000	% Group	% Company
Renewable Energy Activity:									
North America Geography / Platform:									
United States of America:									
Mesquite Wind, L.L.C.	Texas	170,789,881 USD	227,870	14,439	213,432	22,437	3,042	77.53%	-
New Trail Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm, L.L.C.	Maine	- USD	-	-	-	-	-	77.53%	-
Old Trail Wind Farm, L.L.C.	Illinois	281,594,700 USD	293,971	5,205	288,766	35,365	10,253	39.54%	-
OPQ Property, L.L.C.	Illinois	- USD	160	-	160	-	-	77.53%	-
Pacific Southwest Wind Farm, L.L.C.	Arizona	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm II, L.L.C.	Ohio	144,278,827 USD	159,895	3,880	156,014	17,926	4,305	39.54%	-
Paulding Wind Farm III, L.L.C.	Ohio	21,067,400 USD	19,414	354	19,059	-	-70	77.53%	-
Paulding Wind Farm IV, L.L.C.	Ohio	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm, L.L.C.	Ohio	3,510 USD	12	15	-3	-	-	77.53%	-
Peterson Power Partners, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm I, L.L.C.	Iowa	400,993,690 USD	430,742	11,749	418,994	57,915	15,382	58.15%	-
Pioneer Prairie Wind Farm II, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
Post Oak Wind, L.L.C.	Texas	203,396,229 USD	255,230	6,510	248,720	26,550	5,054	39.54%	-
Quilt Block Wind Farm, L.L.C.	Wisconsin	7,189,417 USD	6,671	85	6,586	-	-	77.53%	-
Rail Splitter Wind Farm, L.L.C.	Illinois	214,997,434 USD	168,457	5,634	162,823	8,385	-5,123	77.53%	-
Rio Blanco Wind Farm, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm II, L.L.C.	California	34,647,501 USD	34,731	2,897	31,834	2,199	17	39.54%	-
Rising Tree Wind Farm III, L.L.C.	California	156,422,213 USD	210,248	63,581	146,666	8,082	3,007	77.53%	-
Rising Tree Wind Farm, L.L.C.	California	144,831,098 USD	159,736	23,513	136,223	11,811	3,218	39.54%	-
Rush County Wind Farm, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Saddleback Wind Power Project, L.L.C.	Washington	2,375,454 USD	1,803	16	1,788	-	-1	77.53%	-
Sagebrush Power Partners, L.L.C.	Washington	183,426,766 USD	143,635	3,150	140,484	14,451	1,553	77.53%	-
Sardinia Windpower, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Signal Hill Wind Power Project, L.L.C.	Colorado	4,502 USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Stinson Mills Wind Farm, L.L.C.	Colorado	3,954,966 USD	3,547	5	3,541	-	-	77.53%	-
Stone Wind Power, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Sustaining Power Solutions, L.L.C.	Texas	4,352,043 USD	450	1,000	-550	7,679	-3,396	77.53%	-
Telocaset Wind Power Partners, L.L.C.	Oregon	81,021,271 USD	127,294	10,176	117,118	16,754	3,986	39.54%	-
The Nook Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Tumbleweed Wind Power Project, L.L.C.	Colorado	4,003 USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
Verde Wind Power, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Waverly Wind Farm, L.L.C.	Kansas	85,389,125 USD	271,148	192,434	78,714	329	330	77.53%	-
Western Trail Wind Project I, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Wheatfield Holding, L.L.C.	Oregon	47,859,073 USD	43,932	-	43,932	-	-14	39.54%	-
Wheatfield Wind Power Project, L.L.C.	Oregon	47,828,923 USD	116,104	34,148	81,956	14,453	3,947	39.54%	-
Whiskey Ridge Power Partners, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Whistling Wind WI Energy Center, L.L.C.	Wisconsin	- USD	-	-	-	-	-	77.53%	-
Whitestone Wind Purchasing, L.L.C.	Illinois	2,735,832 USD	1,490	52	1,438	57	41	77.53%	-
Wilson Creek Power Partners, L.L.C.	Nevada	- USD	-	-	-	-	-	77.53%	-
Wind Turbine Prometheus, L.P.	California	5,990 USD	-	-	-	-	-	77.53%	-
WTP Management Company, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Canada:									
EDP Renewables Canada, Ltd. (Canada Subgroup Parent Company)	Ontario	27,550,000 CAD	14,048	300	13,748	1	-998	77.53%	-
EDP Renewables Canada LP Holdings, Ltd.	Ontario	11,609,901 CAD	23,456	1,169	22,287	-	-634	77.53%	-
EDP Renewables Sharp Hills Project GP, Ltd.	Alberta	- CAD	-	-	-	-	-	77.53%	-
EDP Renewables Sharp Hills Project LP	Alberta	- CAD	336	346	-10	-	-10	77.53%	-
Nation Rise Wind Farm GP, Inc.	British Columbia	- CAD	-	-	-	-	-	77.53%	-
Nation Rise Wind Farm LP	Ontario	- CAD	1,846	1,847	-1	-	-1	77.53%	-
SBWFI GP, Inc.	Ontario	1,354 CAD	2	-	2	-	-	39.54%	-
South Branch Wind Farm II GP, Inc.	British Columbia	- CAD	-	-	-	-	-	77.53%	-
South Branch Wind Farm II GP, LP	Ontario	- CAD	699	700	-2	-	-2	77.53%	-
South Dundas Wind Farm LP	Ontario	32,274,855 CAD	55,377	30,015	25,362	8,083	2,583	39.54%	-
Mexico:									
EDPR Servicios de México, S. de R.L. de C.V.	Mexico City	9,015,288 MXN	439	406	33	1	-444	77.53%	-
Vientos de Coahuila, S.A. de C.V.	Mexico City	3,310 USD	555	544	11	9	8	77.53%	-
South America Geography / Platform:									
Brazil:									
EDP Renovaveis Brasil, SA (EDPR BR Subgroup Parent Company)	Sao Paulo	370,274,548 BRL	101,625	13,286	88,339	13,182	6,327	77.53%	-
Central Eólica Aventura I, S.A.	Natal	1,000 BRL	-	44	-43	-	-44	39.53%	-
Central Eólica Aventura II, S.A.	Natal	119,500 BRL	23	-	23	-	-	77.53%	-
Central Eólica Baixa do Feijao I, S.A.	Natal	29,816,713 BRL	26,582	19,801	6,781	1,797	24	39.54%	-
Central Eólica Baixa do Feijao II, S.A.	Natal	38,051,200 BRL	25,613	16,701	8,912	1,505	202	39.54%	-
Central Eólica Baixa do Feijao III, S.A.	Natal	54,516,713 BRL	33,153	20,394	12,759	1,932	241	39.54%	-
Central Eólica Baixa do Feijao IV, S.A.	Natal	38,733,110 BRL	25,438	16,449	8,989	1,368	133	39.54%	-
Central Eólica Jau, S.A.	Natal	31,354,085 BRL	8,066	617	7,449	443	101	39.54%	-
Central Nacional de Energia Eólica, S.A.	Santa Catarina	12,396,000 BRL	6,717	2,994	3,723	2,550	585	39.54%	-
Elebras Projetos, Ltda	Rio Grande do Sul	103,779,268 BRL	69,273	34,906	34,367	21,044	7,815	39.54%	-
South Africa Geography / Platform:									
South Africa:									
Dejann Trading and Investments Proprietary, Ltd	Cape Town	200 ZAR	-	973	-973	-	-176	77.53%	-
EDP Renewables South Africa, Proprietary, Ltd	Cape Town	56,617,650 ZAR	2,781	3	2,778	79	-388	77.53%	-
Jouren Trading and Investments Pty, Ltd	Cape Town	120 ZAR	-	1,261	-1,261	-	-11	77.53%	-

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The companies main financial data of joint ventures as at 31 December 2015 are as follows:

Jointly controlled entities *	Head Office	Share Capital / Currency	Activity	% Group	% Company
Arquiled Group	Lisbon	168,700 EUR	Other activities	46.15%	-
Bioastur, AIE	Sérin	60,101 EUR	Electricity generation	50.00%	-
Bioeléctrica Group	Lisbon	50,000 EUR	Electricity generation	50.00%	40.00%
Ceprastur, A.I.E.	Oviedo	360,607 EUR	Electricity generation	44.01%	-
CHC Comercializador de Referencia, S.L.	Madrid	60,000 EUR	Gas Supply	50.00%	-
CIDE HC Energía, S.A.	Madrid	500,000 EUR	Gas Supply	50.00%	-
Cogeneración Bergara, A.I.E.	Bergara	450,000 EUR	Electricity generation	50.00%	-
Cogeneración y Mantenimiento, A.I.E.	Oviedo	1,208,010 EUR	Electricity generation	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	Renewable energies	38.76%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025 EUR	Gas Distribution	38.69%	-
EDP Asia Group	Macao	200,000 MOP	Other activities	50.00%	49.00%
EMEZ - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	Electricity supply	60.00%	-
Empresa de Energia Cachoeira Caldeirão S.A. - MEP	Amapá	627,600,500 BRL	Electricity generation	25.55%	-
Empresa de Energia São Manoel, S.A.	Rio de Janeiro	317,000,100 BRL	Electricity generation	17.03%	-
Eólica de Coahuila, S. de R.L. de C.V.	Mexico City	114,443 USD	Renewable energies	77.50%	-
Evolución 2000, S.L.	Albacete	117,994 EUR	Renewable energies	38.11%	-
Flat Rock Windpower II, L.L.C.	New York	207,447,187 USD	Renewable energies	38.76%	-
Flat Rock Windpower, L.L.C.	New York	528,626,287 USD	Renewable energies	38.76%	-
HC Tudela Cogeneración, S.L.	Oviedo	306,030 EUR	Electricity generation	50.10%	-
Hydro Global Investment, Ltd	Hong Kong	4,000,000 USD	Other activities	50.00%	-
JARI Group	Sao Paulo	525,623,746 BRL	Electricity generation	25.55%	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica, S.A.	Ceara	1,527,000 BRL	Electricity generation	25.55%	-
Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000 BRL	Electricity generation	25.55%	-
Sino - Portuguese Centre for New Technologies (Shanghai) CO., Ltd	Shanghai	3,000,000 EUR	Other activities	40.00%	-
Tébar Eólica, S.A.	Cuenca	4,720,400 EUR	Renewable energies	38.76%	-

The companies main financial data of joint ventures as at 31 December 2014 are as follows:

Jointly controlled entities *	Head Office	Share capital / Currency	Activity	% Group	% Company
Flat Rock Windpower II, L.L.C.	New York	207,447,187 USD	Renewable energies	38.76%	-
Flat Rock Windpower, L.L.C.	New York	528,626,287 USD	Renewable energies	38.76%	-
Bioastur, AIE	Sérin	60,101 EUR	Electricity generation	50.00%	-
Bioeléctrica Group	Lisbon	50,000 EUR	Electricity generation	50.00%	40.00%
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	Renewable energies	38.76%	-
Cogeneración y Mantenimiento, A.I.E.	Oviedo	1,208,010 EUR	Electricity generation	50.00%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025 EUR	Gas Distribution	38.69%	-
EMEZ - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	Electricity supply	60.00%	-
Evolución 2000, S.L.	Albacete	117,994 EUR	Renewable energies	38.11%	-
Porto do Pecém Geração de Energia S.A.	Ceara	1,886,872,262 BRL	Electricity generation	25.55%	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica, S.A.	Ceara	1,527,000 BRL	Electricity generation	25.55%	-
Porto do Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000 BRL	Electricity generation	25.55%	-
Tébar Eólica, S.A.	Cuenca	4,720,400 EUR	Renewable energies	38.76%	-
Arquiled Group	Lisbon	168,700 EUR	Other activities	46.15%	-
Empresa de Energia Cachoeira Caldeirão S.A.	Amapá	360,600,500 BRL	Electricity generation	25.55%	-
Eólica de Coahuila, S. de R.L. de C.V.	Mexico City	114,443 USD	Renewable energies	77.50%	-
Companhia Energética do JARI	Sao Paulo	525,623,746 BRL	Electricity generation	25.55%	-
ECE Participações, S.A.	Sao Paulo	473,275,545 BRL	Electricity generation	25.55%	-
Empresa de Energia São Manoel, S.A.	Rio de Janeiro	100 BRL	Electricity generation	17.06%	-
Ceprastur, A.I.E.	Oviedo	360,607 EUR	Electricity generation	44.01%	-
CIDE HC Energía, S.A.	Madrid	500,000 EUR	Gas Supply	50.00%	-
Cogeneración Bergara, A.I.E.	Bergara	450,000 EUR	Electricity generation	50.00%	-
HC Tudela Cogeneración	Oviedo	306,030 EUR	Electricity generation	50.10%	-
EDP Asia Group	Macao	200,000 MOP	Other activities	50.00%	49.00%

* The companies financial data of joint ventures are disclosed in note 20

The companies where the Group has significant influence as at 31 December 2015 are as follows:

Associated companies	Head Office	Share capital / Currency	Activity	% Group	% Company
AMBERTREE - Tecnologia para Redes de Energia Elétrica, Lda	Lisbon	5,000 EUR	Electricity supply	26.00%	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	Renewable energies	18.31%	-
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	Renewable energies	23.26%	-
Blue Canyon Wind Power I, L.L.C.	Oklahoma	42,316,480 USD	Renewable energies	25.00%	-
Carricho Cogeração, S.A.	Lisbon	50,000 EUR	Electricity generation	35.00%	-
Couto Magalhães, S.A.	Sao Paulo	2,593,963 BRL	Electricity generation	25.03%	-
Cultivos Energéticos de Castilla, S.A	Burgos	300,000 EUR	Renewable energies	23.26%	-
Desarrollos Eolicos de Canarias, S.A.	Gran Canaria	2,391,900 EUR	Renewable energies	34.69%	-
EDERG - Produção Hidroeléctrica, Lda	Lisbon	400,000 EUR	Electricity generation	25.00%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Alcobaça	150,000 EUR	Other activities	30.00%	-

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Associated companies	Head Office	Share capital / Currency	Activity	% Group	% Company
Eoliennes en Mer Dieppe Le Tréport, S.A.S.	Bois Guillaume	14,471,028 EUR	Renewable energies	33.34%	-
IME - IE Mobile Elétrica, ACE	Lisbon	- EUR	Electricity supply	20.00%	-
Inch Cape Offshore Limited	Edinburgh	1,621,800 GBP	Renewable energies	37.99%	-
Inkolan, A.I.E.	Bilbao	- EUR	Gas Distribution	11.88%	-
Kosorkuntza, A.I.E.	Bilbao	- EUR	Electricity generation	23.75%	-
Les Eoliennes en Mer Iles d'Yeu et Noirmoutier, S.A.S.	Nantes	17,187,000 EUR	Renewable energies	33.34%	-
Mabe Construções e Administração de Projetos, Lda.	Ceara	520,459,000 BRL	Other activities	25.55%	-
Modderfontein Wind Energy Project, Ltd.	Cape Town	1,000 ZAR	Renewable energies	32.95%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	Renewable energies	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	Renewable energies	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000 EUR	Other activities	39.60%	-
Principle Power, Inc	Seattle	18,302 USD	Other activities	26.00%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	Electricity generation	19.38%	-
Tolosa Gasa, S.A.	Tolosa	- EUR	Gas Distribution	38.00%	-
WindPlus, S.A.	Lisbon	1,250,000 EUR	Renewable energies	15.35%	-

The companies where the Group has significant influence as at 31 December 2014 are as follows:

Associated companies	Head Office	Share capital / Currency	Activity	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	Renewable energies	14.71%	-
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	Renewable energies	23.26%	-
Blue Canyon Wind Power I, L.L.C.	Oklahoma	47,835,419 USD	Renewable energies	25.00%	-
Carrico Cogeração, S.A.	Lisbon	50,000 EUR	Electricity generation	35.00%	-
Couto Magalhães, S.A.	Sao Paulo	2,593,963 BRL	Electricity generation	25.03%	-
Cultivos Energéticos de Castilla, S.A	Burgos	300,000 EUR	Renewable energies	23.26%	-
Desarrollos Eolicos de Canarias, S.A.	Gran Canaria	3,191,580 EUR	Renewable energies	34.69%	-
EDERG - Produção Hidroelétrica, Lda	Lisbon	1,000,000 EUR	Electricity generation	25.00%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Alcobaça	150,000 EUR	Other activities	30.00%	-
Grupo ENEOP	Lisbon	25,247,525 EUR	Renewable energies	27.88%	-
Inkolan, A.I.E.	Bilbao	96,162 EUR	Gas Distribution	11.88%	-
Inverasturias - Fondo Capital Riesgo	Madrid	3,005,000 EUR	Other activities	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500 EUR	Electricity generation	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	Renewable energies	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	Renewable energies	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000 EUR	Other activities	39.60%	-
Principle Power, Inc	Seattle	11,557 USD	Other activities	25.75%	-
Inch Cape Offshore Limited	Edinburgh	1 GBP	Renewable energies	37.99%	-
SETGAS-Sociedade de Produção e Distribuição de Gás, SA.	Charneca da Caparic	9,000,000 EUR	Gas Distribution	19.83%	-
Setgás Comercializadora, S.A.	Charneca da Caparic	50,000 EUR	Gas Supply	19.83%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	Electricity generation	19.38%	-
Tolosa Gasa, S.A.	Tolosa	651,100 EUR	Gas Distribution	38.00%	-
IME - IE Mobile Elétrica, ACE	Lisbon	- EUR	Electricity supply	20.00%	-
Mabe Construções e Administração de Projetos, Lda.	Ceara	520,459,000 BRL	Other activities	25.55%	-
Les Eoliennes en Mer de Dieppe - Le Tréport, SAS	Bois Guillaume	4,367,538 EUR	Renewable energies	33.34%	-
Les Eoliennes en Mer de Vendée, SAS	Nantes	4,804,914 EUR	Renewable energies	33.34%	-
Modderfontein Wind Energy Project, Ltd.	Cape Town	1,000 ZAR	Renewable energies	32.95%	-

* The companies financial data of associated companies are disclosed in note 20

* As at 31 December 2014, the information related with WindPlus, S.A. was included in the parent company Principle Power, Inc

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2015, are as follows:

Other companies	Head Office and Country	% Group	% Company
EDA, S.A.	Azores - Portugal	10.00%	-
Parque Eólico Montes de las Navas, S.L.	Madrid - Spain	17.00%	-
Yedesa Cogeneración, S.A.	Almería - Spain	10.00%	-

**EDP Group Operating Segments Report
as at 31 December 2015**

Thousands of Euros	Iberia				Total Segments	
	LT Contracted Generation	Liberalised Activities	Regulated Networks	EDP Renovaveis		EDP Brasil
Receipts from energy sales and services and others	1,136,962	9,025,584	5,405,608	1,371,577	2,733,747	19,673,478
Gross Profit	717,578	879,395	1,674,971	1,349,605	830,520	5,452,069
Other income	7,790	7,266	136,552	359,002	330,033	840,643
Supplies and services	-58,237	-218,997	-344,913	-292,728	-147,815	-1,062,690
Personnel costs and employee benefits	-63,758	-70,295	-156,240	-84,268	-113,370	-487,931
Other costs	-20,642	-233,612	-279,407	-189,316	-42,254	-765,231
Gross Operating Profit	582,731	363,757	1,030,963	1,142,295	857,114	3,976,860
Provisions	290	-11,484	-7,007	172	-9,425	-27,454
Amortisation and impairment	-161,261	-200,202	-331,127	-564,629	-126,970	-1,384,189
Operating Profit	421,760	152,071	692,829	577,838	720,719	2,565,217
Equity method in joint ventures and associates	3,028	1,850	308	-1,517	-30,762	-27,093
Assets	4,027,641	9,828,729	10,118,790	14,723,990	3,688,379	42,387,529
Financial assets - Investments in joint ventures and associates	128,919	2,362,571	1,163,183	333,800	197,427	4,185,900
Liabilities	830,429	1,459,691	2,510,031	1,304,758	641,577	6,746,486
Operating Investment	28,409	388,211	376,465	901,385	113,548	1,808,018

Reconciliation of information between Operating Segments and Financial Statements for December 2015

Thousands of Euros	
Total Receipts from energy sales and services and others of Reported Segments	19,673,478
Receipts from energy sales and services and others from Other Segments	474,772
Adjustments and Inter-segments eliminations*	-4,631,451
Total Receipts from energy sales and services and others of EDP Group	15,516,799
Total Gross Profit of Reported Segments	5,452,069
Gross Profit from Other Segments	452,100
Adjustments and Inter-segments eliminations*	-449,463
Total Gross Profit of EDP Group	5,454,706
Total Gross Operating Profit of Reported Segments	3,976,860
Gross Operating Profit from Other Segments	-43,310
Adjustments and Inter-segments eliminations*	-9,592
Total Gross Operating Profit of EDP Group	3,923,958
Total Operating Profit of Reported Segments	2,565,217
Operating Profit from Other Segments	-61,273
Adjustments and Inter-segments eliminations*	-60,565
Total Operating Profit of EDP Group	2,443,379
Total Assets of Reported Segments	42,387,529
Assets Not Allocated	3,552,120
Financial Assets	1,689,387
Taxes Assets	587,366
Other Assets	1,275,367
Assets from Other Segments	11,605,076
Inter-segments assets eliminations*	-15,007,760
Total Assets of EDP Group	42,536,965
Total Financial assets - Investments in joint ventures and associates of Reported Segments	4,185,900
Inter-segments assets eliminations*	-3,521,889
Total Financial assets - Investments in joint ventures and associates	664,011
Total Liabilities of Reported Segments	6,746,486
Liabilities Not Allocated	23,883,488
Financial Liabilities	19,328,566
Institutional partnership in USA	1,956,217
Taxes Liabilities	1,312,363
Other payables	1,274,924
Hydrological correction account	11,418
Liabilities from Other Segments	996,774
Inter-segments Liabilities eliminations*	-1,211,276
Total Liabilities of EDP Group	30,415,472
Total Operating Investment of Reported Segments	1,808,018
Operating Investment from Other Segments	-20,151
Total Operating Investment of EDP Group	1,787,867

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	840,643	37,199	-29,059	848,783
Supplies and services	-1,062,690	-301,940	444,022	-920,608
Personnel costs and employee benefits	-487,931	-185,239	20,191	-652,979
Other costs	-765,231	-45,432	4,719	-805,944
Provisions	-27,454	10,999	399	-16,056
Amortisation and impairment	-1,384,189	-28,961	-51,373	-1,464,523
Equity method in joint ventures and associates	-27,093	-778	3,972	-23,899

* Mainly related with intragroup balances and transactions eliminations

**EDP Group Operating Segments Report
as at 31 December 2014**

Thousands of Euros	Iberia				Total Segments
	LT Contracted Generation	Liberalised Activities	Regulated Networks	EDP Renováveis	
Receipts from energy sales and services and others	1,153,296	8,618,367	6,408,871	1,170,923	20,202,900
Gross Profit	790,467	867,792	1,741,959	1,153,126	5,366,227
Other income	13,919	17,475	66,032	169,249	407,147
Supplies and services	-68,970	-206,125	-379,340	-256,645	-1,071,243
Personnel costs and employee benefits	-48,709	-61,456	-98,512	-66,093	-398,969
Other costs	-15,669	-201,281	-288,464	-96,441	-651,741
Gross Operating Profit	671,038	416,405	1,041,675	903,196	3,651,421
Provisions	-7,646	-19,034	-2,036	- 21	-38,684
Amortisation and impairment	-166,215	-233,514	-339,629	-480,767	-1,333,239
Operating Profit	497,177	163,857	700,010	422,408	2,279,498
Equity method in joint ventures and associates	2,294	1,880	129	21,756	3,170
Assets	4,163,278	9,872,884	10,327,653	12,954,646	40,836,330
Financial assets - Investments in joint ventures and associates	128,791	2,351,998	1,163,002	369,791	4,359,026
Liabilities	860,932	1,410,455	2,595,834	1,183,479	6,713,620
Operating Investment	35,639	558,503	381,542	710,295	1,804,645

Reconciliation of information between Operating Segments and Financial Statements for December 2014

Thousands of Euros	
Total Revenues from energy sales and services and other of Reported Segments	20,202,900
Segments	493,295
Adjustments and Inter-segments eliminations*	-4,402,312
Total Revenues from energy sales and services and other of EDP Group	16,293,883
Total Gross Profit of Reported Segments	5,366,227
Gross Profit from Other Segments	462,164
Adjustments and Inter-segments eliminations*	-461,262
Total Gross Profit of EDP Group	5,367,129
Total Gross Operating Profit of Reported Segments	3,651,421
Gross Operating Profit from Other Segments	-17,183
Adjustments and Inter-segments eliminations*	8,155
Total Gross Operating Profit of EDP Group	3,642,393
Total Operating Profit of Reported Segments	2,279,498
Operating Profit from Other Segments	-55,492
Adjustments and Inter-segments eliminations*	-30,946
Total Operating Profit of EDP Group	2,193,060
Total Assets of Reported Segments	40,836,330
Assets Not Allocated	5,448,568
Financial Assets	3,442,689
Taxes Assets	590,400
Other Assets	1,415,479
Assets from Other Segments	11,638,918
Inter-segments assets eliminations*	-15,050,799
Total Assets of EDP Group	42,873,017
Total Financial assets - Investments in joint ventures and associates of Reported Segments	4,359,026
Inter-segments assets eliminations*	-3,486,052
Total Financial assets - Investments in joint ventures and associates	872,974
Total Liabilities of Reported Segments	6,713,620
Liabilities Not Allocated	24,436,208
Financial Liabilities	20,309,511
Institutional partnership in USA	1,801,963
Taxes Liabilities	1,220,565
Other payables	1,103,159
Hydrological correction account	1,010
Liabilities from Other Segments	1,093,707
Inter-segments Liabilities eliminations*	-1,339,662
Total Liabilities of EDP Group	30,903,873
Total Operating Investment of Reported Segments	1,804,645
Operating Investment from Other Segments	67,002
Total Operating Investment of EDP Group	1,871,647

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	407,147	37,257	-42,126	402,278
Supplies and services	-1,071,243	-312,254	486,538	-896,959
Personnel costs and employee benefits	-398,969	-176,733	20,264	-555,438
Other costs	-651,741	-27,616	4,740	-674,617
Provisions	-38,684	-13,012	-399	-52,095
Amortisation and impairment	-1,333,239	-25,297	-38,702	-1,397,238
Equity method in joint ventures and associates	3,170	13,269	-1,345	15,094

* Mainly related with intragroup balances and transactions eliminations



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- 405 FINAL REFERENCES
- 406 PROPOSAL FOR THE APPROPRIATION OF PROFITS
- 407 G4 REPORTING PRINCIPLES AND AA1000
- 415 EXTERNAL CHECKS
- 425 CONTACTS



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Lines that open up new horizons

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final references

The Executive Board of Directors expresses its gratitude to all those who have supported and followed, directly or indirectly, the activity of EDP Group over the year of 2015.

First of all, we would like to thank the shareholders for the trust and support given to the Executive Board of Directors and to each of its members in the exercise of its activity.

To all the members of the Corporate Bodies, responsible for the auditing and supervision of the Group, a special thanks is also due, for the support given over the year. A special word to the General and Supervisory Board for the guidance provided to the activity of the Executive Board of Directors.

The successful results of the Group and the intrepid defense of all stakeholders' interests clearly demonstrate that the governance model is fully consolidated.

Additionally, as a result of the support granted to the group's activities during last year, the Board thanks the members of the governmental bodies and the public authorities of countries in which EDP is present, for the continued support provided.

Within the energy sector, it is also important to refer the constant and constructive dialogue between EDP and the different energy sector regulators. Particularly with the Regulatory Body for Energy Services (ERSE) and the Directorate-General for Energy and Geology (DGEG) in Portugal, as well as to other regulators in countries where the activity of the EDP group is most visible, such as CNE in Spain, ANEEL in Brazil and FERC and NERC in the USA.

The Executive Board of Directors also extends its gratitude to all the other entities that interacted with the group during 2015, namely, the financial markets regulators, the sectorial associations and the social and environmental non-government organizations.

It is also imperative to thank our customers and reaffirm our full commitment to seek continuous improvement of our offer, as well as to achieve excellence in the service delivery. We are focused and determined to satisfy our customers' needs.

The Board's gratitude is also extended to suppliers, as well as to the social media that followed the company throughout the year.

Lastly, a special thanks to all EDP employees. Their knowledge, determination, and commitment were crucial for the company to achieve its results.

THE EXECUTIVE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia (Chairman)

João Manuel Veríssimo Marques da Cruz

Nuno Maria Pestana de Almeida Alves

Miguel Stilwell de Andrade

João Manuel Manso Neto

Miguel Nuno Simões Nunes Ferreira Setas

António Fernando Melo Martins da Costa

Rui Manuel Rodrigues Lopes Teixeira

proposal for the appropriation of profits

Under the terms of the Article 30, number 1, of the Company constitution, the Executive Board of Directors proposes to the shareholders that the Net Profit, amounting to € 802,446,375.74 is appropriated as follows

Legal Reserve	€ 40,122,318.79
Dividends *	€ 676,459,477.28
Donations to Fundação EDP	€ 7,200,000.00
Retained Earnings	€ 78,664,579.67

* The proposed dividend per share is € 0.185.

G4 REPORTING PRINCIPLES AND AA1000

This Annual Report and Accounts is in accordance with the reporting principles (content and quality) of the Standard Global Reporting Initiative G4 – comprehensive option.

G4 REPORTING PRINCIPLES

QUALITY PRINCIPLES

BALANCE	COMPARABILITY	TRANSPARENCY
The content reported considered the most positive facts of the year, as well as the less positive, when material.	The information reported covers four years, for EDP's key indicators and Business relevant indicators (page 16), allowing a comparative analyses of the company's performance.	A glossary is available online to help readers understand some technical terms used on the report (www.edp.pt/pt/pages/glossario.aspx). Along with the printed and pdf version of this report, it is also available an on-line version to help readers navigating throughout the content.
ACCURACY	TIMELINES	RELIABILITY
Scope is clearly set, as well as the consolidation criteria. All exceptions are identified and explained. An on-line glossary is available with the definitions and the description of the methods used to quantify indicators.	The report covers one calendar year. It becomes publicly available, in accordance to the Portuguese Legislation, 30 days before the General Assembly.	Internal assurance process is disclosed in page 411. External verification, either financial or non-financial, is an additional guarantee of the reliability of the content.

CONTENT PRINCIPLES

SUSTAINABILITY CONTEXT

EDP complies with eight Principles of Sustainable Development, and periodically assumes strategic and operational commitments aligned with those principles (page 51).

CONSOLIDATION CRITERIA

The non-financial information provided was consolidated in accordance with the accounting standards of the International Accounting Standard Board (note 5 to the financial statements, page 304). Additionally, it is published operational, environmental and social information extended to companies consolidated by the equity method when materially relevant.

MATERIALITY

In the context of sustainability management and reporting of performance, EDP periodically identifies themes and trends in the short, medium and long term that are able to influence the creation of value for the company. Material themes adds both financial and non-financial dimension, including economic, environmental and social information which might influence or be influenced by different EDP's stakeholders.

The materiality analysis aims to evaluate and prioritize the relevance of a subject for EDP and its stakeholders, periodically reviewing their expectations in order to support the decision-making process and organization development strategies.

During 2015 we developed a methodology consolidation process for determining the materiality of EDP Group, aiming to harmonize in the various geographies and business units. With this process were introduced some changes, among which we highlight:

- Reinforcement of the indirect sources role in the evaluation of topics relevant to society;
- Development of the relevance to society of themes organized by stakeholder. This allows to deepen the knowledge of the most important issues for each of these groups;
- Use of the Business Units strategic goals to assess the relevance of the themes for the company.

This methodology was adopted for all the Group's companies with reporting responsibilities and is available in Document Management Approach to Sustainability www.edp.pt/sustainability/Publications/2015.

The themes identified in the Materiality Matrix (page 61) can be organized by Sustainable Development Principle according to the following table:

2015 MATERIAL THEMES ORGANISED BY SUSTAINABLE DEVELOPMENT PRINCIPLE

ECONOMIC AND SOCIAL VALUE		INTEGRITY AND SOUND GOVERNANCE	
Financial sustainability	Encompasses debt management and company long term strategy	Corporate Ethics	Agrega código de conduta, riscos de corrupção e fraude, bem como diversidade e igualdade de oportunidades
Sustainable Supply Chain	Aggregates sustainability criteria to the supply chain, including health and safety practices, stability and social welfare	Corporate Governance	Aggregates management and control mechanisms, remuneration of corporate bodies
New Business Opportunities	Emerging business opportunities, such as energy and new production investment services		
Risk management	Aggregates environmental and social risk management in corporate risk management	TRANSPARENCY AND DIALOGUE	
Market liberalisation	Theme associated with new regulatory frameworks and corporate positioning changes	Transparency	Aggregates communication transparency, responsible marketing, reputation, brand and trust
ECOEFIÊNCIA E PROTEÇÃO AMBIENTAL		HUMAN CAPITAL AND DIVERSITY	
Climate change	Split from the themes of promoting renewable energy and energy efficiency. This includes climate change adaptation and mitigation measures	Health and Safety	Encompasses accidents and incidents, and safety of installations
Energy Efficiency	Split from the themes of promoting renewable energy and climate change. Includes efficiency of supply and demand	Working conditions	Aggregates job stability, conciliation measures, working conditions, benefits and workload per person. It also includes attractiveness and talent retention
Promoting Renewables	Split from the themes of energy efficiency and climate change.	ACCESS TO ENERGY	
Environmental and Biodiversity Management	Aggregates biodiversity, atmospheric emissions, natural resources, noise and waste	Social Tariff	Includes access to energy for vulnerable customers and access to social tariff
		Customer Management	Includes ethical quality of the relationship, tariffs and energy prices, quality and reliability of supply, as well as customer satisfaction
INNOVATION		SOCIAL DEVELOPMENT AND CITIZENSHIP	
R&D+I	Includes cooperation and research financing agreements, new energy production technologies, sustainable mobility and intelligent grids	Local Communities	This includes involvement with local communities and managing impacts on indigenous communities
		Citizenship	Focused in business social sponsorship

VERIFYING COMPLIANCE WITH AA1000AS 2008

EDP takes a systematic approach within the framework defined by the AA1000 APS (2008) standard to identify critical stakeholders, integrate their expectations into corporate strategy and provide feedback on their contributions.

EDP was subject to compliance verification in 2015, as in previous years, with the AA1000 AS (2008) standard, type 2, by the auditor KPMG. It audited, in particular, the principle of inclusion, materiality and responsiveness.

INCLUSION OF STAKEHOLDERS

The principle of inclusion assumes that the most relevant stakeholders are consulted, their expectations and concerns are known and incorporated into the decision-making process.

On a regular basis, initiatives for stakeholder engagement are set. The company also provides specific communication channels for some stakeholder groups.

During 2015 the following initiatives were promoted:

- ■ Strengthening the Stakeholders Relationship Policy in EDP in Spain, EDP Brazil and EDP Renováveis, with the beginning of consultation processes in EDP Spain and EDP Renováveis;
- ■ Publication of a methodology guide for stakeholders management, released in all business units, and establishing the methodological steps and tools to systematize the relationship with stakeholders, whatever the geographical scope.
- ■ Formalization of stakeholder management function in the EDP Group business units.
- ■ Online publication of the EDP Group's Internal Stakeholders Report, which includes the mapping of relevant topics and channels of dialogue with each segment of stakeholders, the Group answers to their expectations, as well as results of the consultation process held in Portugal at the end 2014.
- ■ Maintenance of the transversal training in Project Communication (ComPro) to the employees with functions that require an external relationship.

RESPONSIVENESS AND COMPLETENESS

EDP set goals, targets and outlines for material issues, replying strategically to the main stakeholders' expectations. In page 412 the relationship between material issues presented in the materiality matrix and the Principles of Sustainable Development of EDP is highlighted. In page 61 it is also disclosed EDP's future Goals and Targets organized according to the same Principles. So, when comparing the table in page 61 with EDP's Goals and Targets, it becomes evident the existing relation between EDP commitments and the Materiality Matrix.

INTERNAL AND EXTERNAL ASSURANCE

Management Planning and Control Office globally coordinates this Annual Report. Several corporate offices collaborate collecting and consolidating information from EDP's Companies. The content is then read and approved by the Board of Directors and finally by the General and Supervisory Board.

The sustainability content is externally assured by KPMG & Associados - Sociedade de Revisores de Contas, S.A. The level of external verification is "Reasonable" for a set of 32 key indicators and is "Limited" for the rest of the sustainability data (page ##). For additional information about the external auditor selection criteria, please check page ##.

GRI INDEX AND GLOBAL COMPACT

This Report has been prepared in accordance with the guidelines of the Global Reporting Initiative, G4. The following table summarises the indicators according to the protocol of the Electricity Sector, stating deadlines for the implementation of those specific indicators for which full compliance has not yet been possible to achieve. Simultaneously, the following table identifies the available information that responds to the 10 principles of the Global Compact, demonstrating EDP's commitment to this initiative.

GRI TABLE - COMPREHENSIVE OPTION

GENERAL STANDARD DISCLOSURES	PAGE NUMBERS	REPORT	OMISSIONS/ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
STRATEGY AND ANALYSIS					
G4-1	9			L	
G4-2	52			L	
ORGANIZATIONAL PROFILE					
G4-3	13			L	
G4-4	13			L	
G4-5	13			L	
G4-6	12-13			L	
G4-7	13			L	
G4-8	13			L	
G4-9	14-15			L	
G4-10*	13; 127		The number of individual EDP contractors is not material ¹	L	
G4-11*	128		The number of individual EDP contractors is not material ¹	L	
G4-12	114-115			L	
G4-13	49			L	
G4-14	Code of Ethics		www.edp.pt> corporate governance> ethics> code of ethics	L	
G4-15	www.edp.pt		www.edp.pt> approach to sustainability> principles	L	
G4-16	www.edp.pt		www.edp.pt> approach to sustainability> principles	L	
EU1*	74			R	
EU2*	74			R	
EU3*	109			R	
EU4*	78			R	
EU5*	379			R	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	306			L	
G4-18	61-62; Annexes Sustainability Report			L	
G4-19	61-62			L	
G4-20	61-62; 112-114			L	
G4-21	61-62; 112-114			L	
G4-22			The possible information adjustments are always properly marked.	L	
G4-23	51-62; Annexes Sustainability Report		The possible information adjustments are always properly marked.	L	
STAKEHOLDER ENGAGEMENT					
G4-24	98-99		www.edp.pt> sustainability> stakeholders	L	
G4-25	www.edp.pt		www.edp.pt> sustainability> stakeholders> dialog	L	
G4-26	www.edp.pt		www.edp.pt> sustainability> stakeholders> dialog	L	
G4-27	www.edp.pt		www.edp.pt> sustainability> stakeholders> dialog	L	
REPORT PROFILE					
G4-28	Annexes Sustainability Report			L	
G4-29	Annexes Sustainability Report			L	
G4-30	Annexes Sustainability Report			L	
G4-31	Last page - Contacts			L	
G4-32	Annexes Sustainability Report			L	
G4-33	Annexes Sustainability Report			L	
GOVERNANCE					
G4-34	153-157; 161			L	
G4-35	161-162			L	
G4-36	158; 186-187			L	
G4-37	98-99; 170 Annexes Sustainability Report			L	
G4-38	147-150; 161			L	
G4-39	146-147			L	
G4-40	241-248			L	
G4-41	150-151; 160; 218		www.edp.pt> corporate governance> independence and incompatibilities statement	L	
G4-42	153-157; 159			L	
G4-43	101-102; 126			L	
G4-44	211-212			L	
G4-45	161-162			L	
G4-46	161-162			L	
G4-47	162-163			L	
G4-48	Annexes Sustainability Report			L	
G4-49	161-167			L	
G4-50	83			L	
G4-51	210-211			L	
G4-52	210-211			L	
G4-53	210-211			L	
G4-54	125		EDP determined this indicator based on average compensation and not with the median	L	
G4-55	125		EDP determined this indicator based on average compensation and not with the median	L	
ETHICS AND INTEGRITY					
G4-56	Code of Ethics		www.edp.pt> corporate governance> ethics> code of ethics	L	
G4-57	85; Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-58	85; Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
ECONOMIC					
ECONOMIC PERFORMANCE					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EC1	16; 129			R	
G4-EC2	90-93; 379			L	
G4-EC3	309; 349			L	
G4-EC4	129			R	

GENERAL STANDARD DISCLOSURES	PAGE NUMBERS	REPORT	OMISSIONS/ ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
MARKET PRESENCE					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-EC5	103			R	
G4-EC6	125			L	
INDIRECT ECONOMIC IMPACTS					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-EC7	116-120			L	
G4-EC8	112-114			L	
PROCUREMENT PRACTICES					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-EC9	114-115			R	
AVAILABILITY AND RELIABILITY					
G4-DM A*	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
EU10*	14-15; 38			L	
DEMAND SIDE MANAGEMENT					
G4-DM A*	108-111; Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
CO ₂ evitado	17; 122			R	
RESEARCH AND DEVELOPMENT					
G4-DM A*	86-87; 129; Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
PLANT DECOMMISSIONING					
G4-DM A*	73; 356; Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
SYSTEM EFFICIENCY					
G4-DM A*	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
EU11*	75			L	
EU12*	78			L	
ENVIRONMENTAL 7; 8					
MATERIALS					
G4-DM A*	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-EN1*	www.edp.pt		www.edp.pt> sustainability-> environment-> environmental management	L	
G4-EN2			Considered not material compared with the amount of materials used by EDP	L	
ENERGY					
G4-DM A	Sustainability Management Approach Report			L	
G4-EN3	92; 122			R	
G4-EN4	122			L	
G4-EN5	122			L	
G4-EN6	122			L	
G4-EN7			Not applicable to the sector	L	
WATER					
G4-DM A*	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-EN8*	94; 122			R	
G4-EN9	94		www.edp.pt> sustainability-> publications	L	
G4-EN10			Considered not material compared with the amount of water used by EDP.	L	
BIODIVERSITY					
G4-DM A*	Biodiversity Report 2013-2014 and Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-EN11	123; Biodiversity Report 2013-2014		www.edp.pt> sustainability-> publications	R	
G4-EN12*	95-97; Biodiversity Report 2013-2014		www.edp.pt> sustainability-> publications	L	
G4-EN13	95-97; Biodiversity Report 2013-2014		www.edp.pt> sustainability-> publications	L	
EU13*	95-97; Biodiversity Report 2013-2014		www.edp.pt> sustainability-> publications	L	
G4-EN14	www.edp.pt		www.edp.pt> sustainability-> environment-> biodiversity-> impacts on biodiversity	L	
EMISSIONS					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-EN15*	92-93; 122			R	
G4-EN16*	92-93; 122			R	
G4-EN17	92-93; 122			L	
G4-EN18	122			L	
G4-EN19	91-93			L	
G4-EN20			Equipments with these substances have not already materiality in EDP	L	
G4-EN21*	97; 122			R	
EFFLUENTS AND WASTE					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-EN22*	94; 122			L	
G4-EN23*	97-98; 123			R	
G4-EN24	98			L	
G4-EN25			In 2015, it weren't export hazardous waste	L	
G4-EN26	94		There were no significantly affected water bodies by the wastewater	L	
PRODUCTS AND SERVICES					
G4-DM A			Not applicable	L	
G4-EN27			Not applicable	L	
G4-EN28			Not applicable	L	
COMPLIANCE					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-EN29	129		35,556 environmental fines	R	
TRANSPORT					
G4-DM A	Sustainability Management Approach Report			L	
G4-EN30			Not material for EDP	L	
OVERALL					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-EN31	129; 385			R	

GENERAL STANDARD DISCLOSURES	PAGE NUMBERS	REPORT	OMISSIONS/ ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN32	112-114			L	
G4-EN33	112-114			L	
ENVIRONMENTAL GRIEVANCE MECHANISMS					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN34	123			L	
LABOR PRACTICES AND DECENT WORK					
EMPLOYMENT					
G4-DM A*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	6
G4-LA 1*	100; 125			R	
EU15*	100			R	
EU17*	126		The number of individual EDP contractors is not material 1	L	
EU18*	126		The number of individual EDP contractors is not material 1	L	
G4-LA2	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA3	125			L	
LABOR MANAGEMENT RELATIONS					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA4	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
OCCUPATIONAL HEALTH AND SAFETY					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA5	126		www.edp.pt> sustainability> publications	L	
G4-LA6*	126			R	
G4-LA7	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA8	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
TRAINING AND EDUCATION					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA9	126			R	
G4-LA 10	101-102			R	
G4-LA 11	103			L	
DIVERSITY AND EQUAL OPPORTUNITY					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA 12	100; 125			R	
EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DM A	Sustainability Management Approach Report			L	
G4-LA 13	103; 126			L	
SUPPLIER ASSESSMENT FOR LABOR PRACTICES					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA 14	112-114			L	
G4-LA 15	112-114			L	
LABOR PRACTICES GRIEVANCE MECHANISMS					
G4-DM A	Sustainability Management Approach Report; Code of Ethics		www.edp.pt> sustainability> publications	L	
G4-LA 16	83-84			L	
HUMAN RIGHTS					
INVESTMENT					
G4-DM A	Sustainability Management Approach Report; Code of Ethics		www.edp.pt> sustainability> publications	L	1
G4-HR1	85			L	
G4-HR2	85; 126		Included in ethics training	L	
NON-DISCRIMINATION					
G4-DM A	Sustainability Management Approach Report; Code of Ethics		www.edp.pt> sustainability> publications	L	1; 6
G4-HR3	83-84			L	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DM A*	Sustainability Management Approach Report; Code of Ethics		www.edp.pt> sustainability> publications	L	1; 3
G4-HR4	85; 112-114			L	
CHILD LABOR					
G4-DM A	Sustainability Management Approach Report; Código de Ética		www.edp.pt> sustainability> publications	L	5
G4-HR5	85; 112-114			L	
FORCED OR COMPULSORY LABOR					
G4-DM A	Sustainability Management Approach Report; Code of Ethics		www.edp.pt> sustainability> publications	L	4
G4-HR6	85; 112-114			L	
SECURITY PRACTICES					
G4-DM A			Not material	L	2
G4-HR7			Not material	L	
INDIGENOUS RIGHTS					
G4-DM A	Sustainability Management Approach Report; Code of Ethics		www.edp.pt> sustainability> publications	L	1; 2
G4-HR8	119			L	
ASSESSMENT					
G4-DM A	Sustainability Management Approach Report; Código de Ética		www.edp.pt> sustainability> publications	L	
G4-HR9	85-86			L	
SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR 10	112-114			L	
G4-HR11	112-114			L	
RECLAMAÇÕES DE DIREITOS HUMANOS					
G4-DM A	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR 12	83			L	
SOCIETY					
LOCAL COMMUNITIES					
G4-DM A*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-SO1	118-120			L	
G4-SO2	118-120			L	
EU22*	119			L	

GENERAL STANDARD DISCLOSURES	PAGE NUMBERS	REPORT	OMISSIONS/ ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
ANTI-CORRUPTION					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-SO3	85			L	
G4-SO4	85; 126		Included in ethics training	L	
G4-SO5	83-84			L	
PUBLIC POLICY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-SO6	85			L	
ANTI-COMPETITIVE BEHAVIOR					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	6
G4-SO7			Not material	R	
COMPLIANCE					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-SO8	129			R	
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-SO9	112-114			L	
G4-SO10	112-114			L	
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-SO11	83			L	
DISASTER AND EMERGENCY PLANNING AND RESPONSE					
G4-DMA*	106; Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	1
PRODUCT RESPONSIBILITY					
CUSTOMER HEALTH AND SAFETY					
G4-DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-PR1	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-PR2			Not material	L	
EU25*	126			L	
PRODUCT AND SERVICE LABELING					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-PR3	Sustainability Management Approach Report		www.edp.pt/en/sustentabilidade/PublicacoesRelatorios/Pages/default_new.aspx; https://energia.edp.pt/particulares/apoio-cliente/origem-energia/; www.edpenergia.es/es/preguntas-frecuentes.html?provincia=badajoz; www.edpsu.pt/pt/origemdaenergia/Pages/OrigemdaEnergia.aspx	R	
G4-PR4			Not material	L	
G4-PR5	106-107			L	
MARKETING COMMUNICATIONS					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-PR6			Not applicable	L	
G4-PR7			Not material	L	
CUSTOMER PRIVACY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-PR8	108; 129			L	
COMPLIANCE					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
G4-PR9	108; 129			R	
ACCESS					
DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
EU26*	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	
EU27*	78			L	
EU28*	77-78			L	
EU29*	77-78			L	
EU30*	75			L	
PROVISION OF INFORMATION					
DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability-> publications	L	

¹There was a clarification of the concept "contractor", until 2015 understood as "supplier". EDP reports the hours of training in health and safety related with service providers.

||||||| Fully reported
 ||||| Partially reported
 ||||| Not reported

R Reasonable Verification
 L Limited Verification
 * Specific indicator for this sector



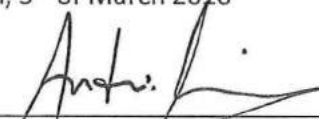


EDP – Energias de Portugal, S.A.
Executive Board of Directors


STATEMENT

With reference to 2015 financial year, and according to No. 1, item c) of article 245º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the information foreseen in No. 1 item a) of the article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 3rd of March 2016



António Luís Guerra Nunes Mexia, Chairman




Nuno Maria Pestana de Almeida Alves



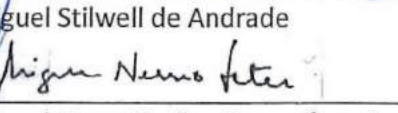
João Manuel Manso Neto



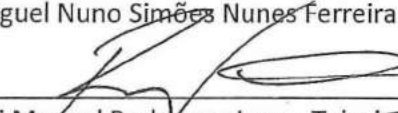
António Fernando Melo Martins da Costa



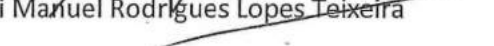
João Manuel Veríssimo Marques da Cruz



Miguel Stilwell de Andrade



Miguel Nuno Simões Nunes Ferreira Setas



Rui Manuel Rodrigues Lopes Teixeira



EDP – Energias de Portugal, S.A.
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira
Senior Accounting Officer - Corporate Centre

STATEMENT

With reference to 2015 financial year, and according to No. 1, item c) of article 245º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the information foreseen in No. 1 item a) of article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. (“EDP”), and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP, and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 3rd of March 2016

A handwritten signature in black ink, appearing to be 'Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira', is written over a large, faint, stylized signature line.



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(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

To EDP – Energias de Portugal, S.A.

- 1 As the statutory auditor of EDP – Energias de Portugal, S.A., we present attached the Auditors' Report on the individual and consolidated financial statements, presented by the Executive Board of Directors of EDP - Energias de Portugal, S.A., for the year ended 31 December 2015, including the opinion on the consistency between the Executive Board of Directors report and the financial statements.
- 2 In the development of our audit functions, and in accordance with article 446º of the Companies Code, our procedures included i) the verification of the regularity of the accounting records and supporting documentation; ii) the verification, when it was thought appropriate and by the way deemed appropriate, of the extension of cash and the existence of any kind of goods or assets belonging to the company or received as collateral, deposit or otherwise; iii) the verification that the financial statements give a true and fair view, in all material respects of the financial position of the company and its group and the results of its operations, changes in equity and cash flows for the period ended 31 December 2015, in accordance with International Financial Reporting Standards as adopted by the European Union; iv) the verification of the application of accounting policies and criteria adopted by the company, in material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.
- 3 Accordingly, we verified that the financial statements, as a whole, that include:
 - i) The statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the corresponding notes, present adequately the financial position and the results of EDP and its subsidiaries; and
 - ii) The financial information included in the Executive Board of Directors report is consistent with the financial statements.
- 4 We presented timely to the Audit Committee the statements provided in point a) and b) of paragraph 1 of Article 63 of the Statute of Ordem dos Revisores Oficiais de Contas, in which we confirm our independence from EDP - Energias de Portugal, S.A. as well as all subsidiaries, associates and joint ventures included in its consolidation perimeter and communicate any additional services provided to EDP that were duly reported in the the Report on Corporate Governance prepared by the Executive Board of Directors.

Lisbon, 3 March 2016

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)



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AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information included in the Executive Board of Directors report and in the accompanying consolidated financial statements as at and for the year ended 31 December 2015 of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated statement of financial position as at 31 December 2015 (showing total assets of 42,536,965 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 8,669,775 thousand Euros, including a net profit for the year attributable to equity holders of EDP of 912,703 thousand Euros), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the corresponding notes.

Responsibilities

- 2 The Executive Board of Directors is responsible for:
 - a) the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") that present fairly the consolidated financial position of the group of companies included in the consolidation, the consolidated results of its operations, the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows;
 - b) that the historical financial information prepared in accordance with IFRS is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ('CVM');
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity of the companies included in the consolidation, their financial position or results.
- 3 Our responsibility is to verify the consolidated financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

Scope

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly our audit included:
- verification that the financial statements of the companies included in the consolidation have been properly audited and in those significant cases in which they were not, verification, on a sample basis, of the documents underlying the figures and disclosures contained therein, and an assessment of the estimates, based on judgments and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
 - verification of the consolidation procedures and of the application of the equity method;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the applicability of the going concern principle;
 - assessment of the appropriateness of the overall presentation of the consolidated financial statements; and
 - assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").
- 6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

- 7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2015, the consolidated results of its operations, the consolidated comprehensive income, the consolidated cash flows and the consolidated changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

- 8 It is also our opinion that the consolidated financial information included in the Executive Board of Directors report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 3 March 2016



KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vítor Manuel da Cunha Ribeirinho (ROC n.º 1081)



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AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Executive Board of Directors report and in the accompanying financial statements as at and for the year ended 31 December 2015 of **EDP – Energias de Portugal, S.A.**, which comprise the statement of financial position as at 31 December 2015 (showing total assets of 22,437,509 thousand Euros and shareholders' equity of 7,299,635 thousand Euros, including a net profit of 802,446 thousand Euros), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the corresponding notes.

Responsibilities

- 2 The Executive Board of Directors is responsible for:
 - a) the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") that present fairly the financial position of the company, the results of its operations, the comprehensive income, the changes in equity and the cash flows;
 - b) that the historical financial information prepared in accordance with IFRS is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ('CVM');
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity of the company, its financial position or results.
- 3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

Scope

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:
- verification, on a sample basis, of the information underlying the figures and disclosures contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the applicability of the going concern principle;
 - assessment of the appropriateness of the overall presentation of the financial statements; and
 - assessment of whether the financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").
- 6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

- 7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2015, the results of its operations, the comprehensive income, the changes in equity and the cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

- 8 It is also our opinion that the financial information included in the Executive Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 3 March 2016



KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)



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INDEPENDENT ASSURANCE REPORT

**(This Report is a free translation to English from the Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail.)**

**To the Executive Board of Directors of
EDP - Energias de Portugal, S.A.**

Introduction

- 1 We have been engaged by the Executive Board of Directors of EDP- Energias de Portugal, S.A (“EDP”) to provide reasonable assurance in respect of the indicators identified in paragraph 4 of the scope paragraph and limited assurance in respect of the sustainability information included in the chapter “Performance” and appendix “Sustainability Reporting” of the EDP Annual Report (“the Report”) as a whole for the year ended 31 December 2015.

Responsibilities

- 2 The Executive Board of Directors of EDP is responsible for:
 - The preparation and presentation of the sustainability information included in the chapter “Performance” and appendix “Sustainability Reporting” of the EDP Annual Report in accordance with the Sustainability Reporting Guidelines (G4.0) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the chapter “Performance” and appendix “Sustainability Reporting” of the EDP Annual Report, and the information and assertions contained within it;
 - Determining EDP’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, in accordance with the principles of inclusiveness, materiality and response of AA1000APS (2008); and
 - Establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.
- 3 Our responsibility is to express, based on the work performed:
 - A reasonable assurance conclusion on whether GRI indicators: Economic Data (G4-EC1, G4-EC4, G4-EC5, G4-EC9), Sector (G4-EU1, G4-EU2, G4-EU3, G4-EU4, G4-EU5, G4-EU15), Environmental (G4-EN3, G4-EN8, G4-EN11, G4-EN15 (GHG Scope 1), G4-EN16 (GHG Scope 2), G4-EN21, G4-EN23; G4-EN31), Product (G4-PR3), Labour Practices (G4 10, G4-LA1, G4-LA6, G4-LA9, G4-LA12), Fines and Penalties (G4-EN29, G4-SO7, G4-SO8, G4-PR9) Absenteeism rate, Billing of Energy Efficiency Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, are free from material misstatement; and
 - A limited assurance conclusion on whether the information on the sustainability information included in the chapter “Performance” and appendix “Sustainability Reporting” of the EDP Annual Report, as a whole, as of and for the year ended 31 December 2015, is not free from material misstatement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants.

Our work included also a moderate level of assurance in accordance with the AA1000 Accountability Assurance Standard 2008 (AA1000AS) (Type 2) issued by Accountability, that consists in the verification of the nature and extent of the organization's adherence to the AA1000APS (2008), and the evaluation of the reliability of the performance information as reported in the appendix "Sustainability Reporting".

These Standards require that we comply with applicable ethical requirements, including independence requirements.

Scope

4 The scope of our work was as follows:

- Reasonable Assurance:

A reasonable assurance engagement with respect to the indicators: Economic Data (G4-EC1, G4-EC4, G4-EC5, G4-EC9), Sector (G4-EU1, G4-EU2, G4-EU3, G4-EU4, G4-EU5, G4-EU15), Environmental (G4-EN3, G4-EN8, G4-EN11, G4-EN15 (GHG Scope 1), G4-EN16 (GHG Scope 2), G4-EN21, G4-EN23; G4-EN31), Product (G4-PR3), Labour Practices (G4 10, G4-LA1, G4-LA6, G4-LA9, G4-LA12), Fines and Penalties (G4-EN29, G4-SO7, G4-SO8, G4-PR9) Absenteeism rate, Billing of Energy Efficiency Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, involves performing procedures to obtain sufficient evidence to give reasonable assurance that the indicators disclosed are free from material misstatement whether caused by fraud or error. The procedures performed depend on professional judgment, including the assessment of the risk of material misstatement in the indicators mentioned above, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to EDP in the preparation and presentation of the referred indicators in order to design assurance procedures that are appropriate in the circumstances. Our engagement also included assessing the suitability of the criteria used by the Board of Directors of EDP in the preparation of the indicators, as explained in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report, in the evaluation of the appropriateness of the quantification methods, in the reporting of the policies used and the reasonableness of the estimates made by EDP.

Among others, our procedures included:

- Interviews with relevant responsible persons and relevant staff at operating and corporate level concerning the identification of the indicators mentioned above;
- Interviews with relevant responsible persons and relevant staff at operating and corporate level concerning the preparation of the indicators;
- Evaluation of the systems used for collection, calculation and reporting of the indicators;
- Recalculation of the indicators at corporate and operational level; and
- Validation of the design and effectiveness of controls.

We understand that the evidence obtained is sufficient and appropriate for the expression of our conclusion.

- Limited assurance:

Our limited assurance engagement on the sustainability information consisted in inquiries, primarily of persons responsible for the preparation of information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report as a whole for the year ended 31 December 2015, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with relevant responsible persons and relevant staff at corporate and operational level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at corporate operational level responsible for the preparation of the sustainability information;
- Visits to operating sites in Portugal, Spain and Brazil, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria;
- Comparing the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the Report for the year ended 31 December 2015 to corresponding information sources to determine whether all the relevant information contained in such underlying sources has been included in the Report;
- Reading the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of EDP.

The extent of evidence gathering procedures performed in a limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing and Assurance Engagements, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion on the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report as a whole.

- 5 Our multidisciplinary team included specialists in AA1000APS, stakeholder dialogue, social, environmental and economic business performance.

Conclusion

- 6 Based on the procedures performed, as described above:
 - We conclude that the indicators: Economic Data (G4-EC1, G4-EC4, G4-EC5, G4-EC9), Sector (G4-EU1, G4-EU2, G4-EU3, G4-EU4, G4-EU5, G4-EU15), Environmental (G4-EN3, G4-EN8, G4-EN11, G4-EN15 (GHG Scope 1), G4-EN16 (GHG Scope 2), G4-EN21, G4-EN23; G4-EN31), Product (G4-PR3), Labour Practices (G4 10, G4-LA1, G4-LA6, G4-LA9, G4-LA12), Fines and Penalties (G4-EN29, G4-SO7, G4-SO8, G4-PR9) Absenteeism rate, Billing of Energy Efficiency Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, are presented in all material respects, in accordance with the Sustainability Reporting Guidelines (G4.0), of the Global Reporting Initiative (GRI) as described in the chapter "Performance" and appendix "Sustainability Reporting" of EDP's Annual Report.
 - Nothing has come to our attention that causes us to believe that the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of EDP's Annual Report for the year ended 31 December 2014 is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4.0) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the appendix "Sustainability Reporting" of EDP's Annual Report. Additionally and also based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that EDP has not applied the principles of inclusivity, materiality and responsiveness as included in the AA1000 Accountability Principles Standard 2008, as described in the appendix "Sustainability Reporting" of EDP's Annual Report.

Without affecting our conclusions presented above, we present some of the key observations:

In relation to the Inclusiveness principle

EDP has consolidated its process of stakeholders' consultation in the different countries where operates, in line with the stakeholder management model defined at the corporate level. In 2015, EDP initiated the development of a stakeholder management plan in order to ensure better harmonization across the EDP Group. EDP annually performs specific initiatives of relationship with some groups of stakeholders, ensuring inclusion and the review of stakeholder expectations.

In relation to the Materiality principle

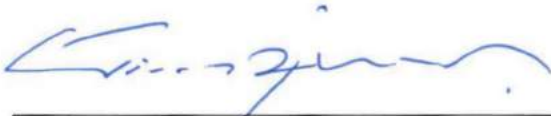
EDP has established a comprehensive process for determining material issues, which consolidates a vision at the corporate and local levels. The outputs resulting from the identification of material issues reflect the main themes for the energy sector, regions where the group is present and main stakeholder's groups. EDP ensure the enlargement of the materiality process scope to all geographies where the group operates. The EDP Group is currently developing a redefinition project of the whole process of materiality that aims to ensure better harmonization of this among all countries. This work aims to determine the materiality per stakeholder's segment.

In relation to the Responsiveness principle

EDP address the answer of its main stakeholders' expectations by defining a set of goals and targets, however should improve the alignment and communication of its commitments and corporate goals to the most relevant material issues identified by stakeholders.

Our assurance report is made solely to EDP in accordance with the terms of our engagement. Our work has been undertaken so that we might state to EDP those matters we have been engaged to state in this assurance report and for no other purpose. We do not accept or assume responsibility to any third party other than EDP for our work, for this assurance report, or for our conclusions.

Lisbon, 3 March 2016



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Independent Evaluation Report on the Internal Control System Over Financial Reporting of EDP Group

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

To the
Executive Board of Directors
EDP – Energias de Portugal, S.A.

Introduction

- 1 We were engaged by EDP – Energias de Portugal, S.A. (“EDP” or “the Company”) to perform a work to assess the internal control system over consolidated financial reporting (“SCIRF”) of the Company and its subsidiaries (“Group” or “EDP Group”) as at 31 December 2015, based on the criteria established in the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) in relation with global business and control procedures, and with the Control Objectives for Information and Related Technologies (“COBIT”) in relation to the general information technologies controls.

Responsibilities

- 2 The Executive Board of Directors is responsible for adopting adequate measures to ensure to a reasonable degree of security the implementation and maintenance of an adequate internal control system over the consolidated financial reporting and the proper development of improvements to the system.
- 3 Our responsibility is to assess and express a conclusion, with reasonable assurance, on the effectiveness of the EDP Group’s internal control system over consolidated financial reporting.

Scope

- 4 The internal control system over the consolidated financial reporting is a process designed, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles and includes policies and procedures that:
 - respect to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of assets of EDP Group;
 - provide reasonable assurance that transactions are recorded as necessary to permit the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of EDP Group are being made only in accordance with authorizations of the Executive Board of Directors and Directors of EDP or Directors and Management of EDP subsidiaries; and
 - provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisitions, use or disposals of assets of EDP Group that could have a material effect on the consolidated financial statements.

- 5 Our work was conducted in accordance with the International Standard on Assurance Engagements - "ISAE 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform our work to obtain reasonable assurance about whether the Group's internal control over consolidated financial reporting system is effective in all material respects.
- 6 Our evaluation included obtaining an understanding of the Group's internal control system over the consolidated financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk and performing such other procedures as we considered necessary in the circumstances.
- 7 We believe that the work performed provides a reasonable basis for our conclusion.
- 8 Due to the limitations inherent in any form of internal control system, there is a possibility that internal control over consolidated financial reporting may not prevent or detect the errors or irregularities that might arise, whether due to collusion, errors in judgment, human error, fraud or malpractice. Also, projections of any evaluation of effectiveness to future periods of the internal control over consolidated financial reporting are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Conclusion

- 9 In our opinion, the Group's internal control system over consolidated financial reporting as at 31 December 2015 is adequate and effective, in all material aspects, according to the criteria established in the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) in relation with global business and control procedures, and with the Control Objectives for Information and related Technologies (COBIT) for general information technologies controls.
- 10 On 3 March 2016 we issued our audit report on the consolidated financial statements of the Group as at 31 December 2015, expressing an unqualified opinion.
- 11 This report has been prepared according to your request in accordance with terms as described in paragraph 1. We do not accept any liability to any third parties other than the intended recipients of this report.

Lisbon, 3 March 2016



KPMG & Associados

Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)

represented by

Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

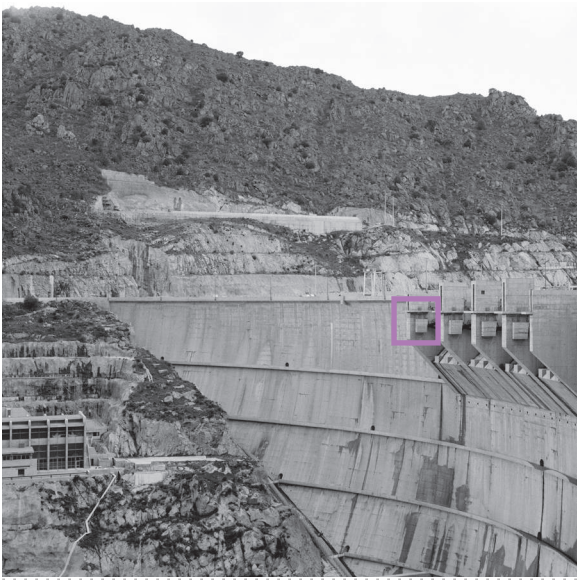




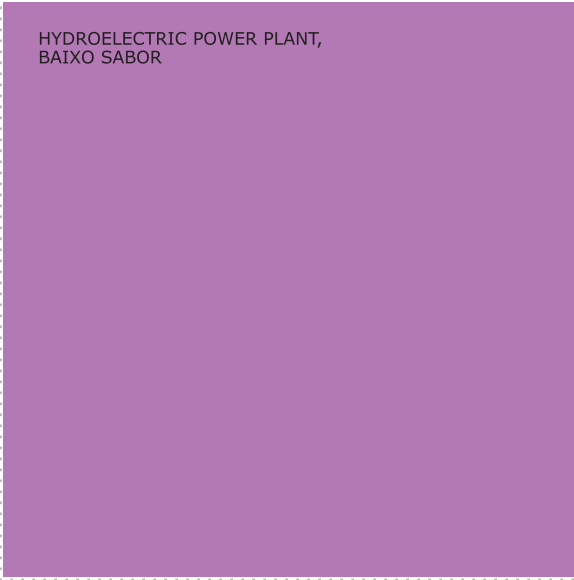
edp

Energy with inherent intelligence.

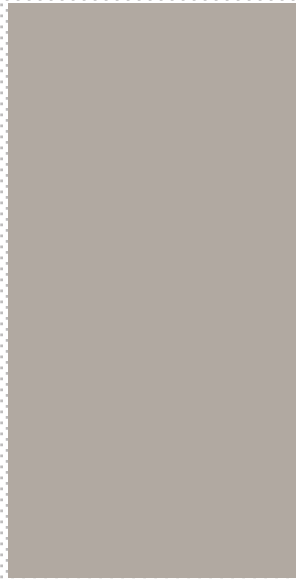
Energy that goes beyond.



HYDROELECTRIC POWER PLANT,
BAIXO SABOR



MUSEU DA ELECTRICIDADE
(ELECTRICITY MUSEUM), LISBOA



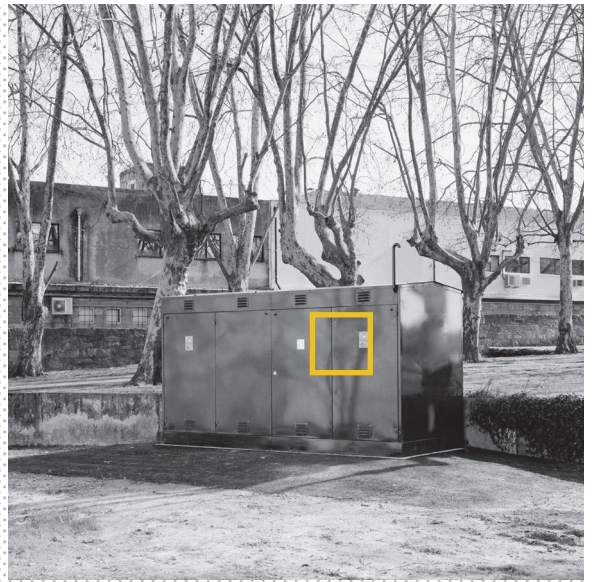
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2015





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VILA POUCA DE AGUIAR



SOLAR FARM,
ESTARREJA



FMP – GAS METERING AND FILTERING STATION,
MATOSINHOS



HIGH TENSION POLES



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APRIL 2016

edp

Always present.
Always future.