

## BASE PROSPECTUS



### **EDP – ENERGIAS DE PORTUGAL, S.A.**

(incorporated with limited liability in the Portuguese Republic)

### **EDP FINANCE B.V.**

(incorporated with limited liability in The Netherlands  
and having its statutory seat in Amsterdam)

**€13,500,000,000**

#### *Programme for the Issuance of Debt Instruments*

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Under this €13,500,000,000 Programme for the Issuance of Debt Instruments (the "Programme"), EDP – Energias de Portugal, S.A. ("EDP") and EDP Finance B.V. ("EDP B.V." and together with EDP, the "Issuers" and each an "Issuer") may from time to time issue instruments (the "Instruments") as agreed between the relevant Issuer and the relevant Dealer (as defined below).

The Instruments issued by EDP B.V. will not be guaranteed by EDP but EDP B.V. has the benefit of the Keep Well Agreement executed by EDP as more fully described herein under "Relationship of EDP B.V. With EDP".

The maximum aggregate nominal amount of all Instruments from time to time outstanding under the Programme will not exceed €13,500,000,000 (or its equivalent in other currencies calculated as described in the Dealership Agreement described herein), subject to increase as described herein.

The Instruments may be issued on a continuing basis to one or more of the Dealers party to the amended and restated Dealership Agreement dated 5 September 2018 and any additional Dealer appointed under the Programme from time to time by the Issuers (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "relevant Dealer" shall, in the case of an issue of Instruments being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Instruments.

An investment in Instruments issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

The Base Prospectus has been approved by the Central Bank of Ireland (the "Central Bank"), as competent authority under the Prospectus Directive. When used in this Base Prospectus, "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and, where the context so requires in this Base Prospectus, includes any relevant implementing measure in a relevant Member State of the European Economic Area. The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Application will be made to the Irish Stock Exchange plc trading as Euronext Dublin ("Euronext Dublin") for Instruments issued under the Programme within 12 months of this Base Prospectus to be admitted to the official list of Euronext Dublin (the "Official List") and trading on its regulated market (the "Main Securities Market"). Such approval relates only to the Instruments which are to be admitted to trading on the Main Securities Market or on another regulated market for the purposes of Directive 2014/65/EU as amended.

References in this Base Prospectus to the Instruments being "listed" (and all related references) shall mean that the Instruments have been admitted to the Official List and to trading on the Main Securities Market. The Programme also permits Instruments to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, including, without limitation, Euronext Lisbon. Euronext Dublin's Main Securities Market and Euronext Lisbon's regulated market are regulated markets for the purposes of Directive 2014/65/EU (as amended "MiFiD II"). Notice of the aggregate nominal amount of Instruments, interest (if any) payable in respect of Instruments, the issue price of Instruments and certain other information which is applicable to each Tranche (as defined under "Terms and Conditions of the Instruments") of Instruments will be set out in the final terms (the "Final Terms") which, with respect to all Instruments to be admitted to the Official List, will be filed with the Central Bank. Copies of Final Terms in relation to Instruments to be admitted to the Official List and admitted to trading on Euronext Dublin will also be published on the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie)) and Central Bank ([www.centralbank.ie](http://www.centralbank.ie)). Any websites referred to herein do not form part of this Base Prospectus.

The Instruments have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

Instruments issued under the Programme may be rated or unrated by any one or more of the ratings agencies referred to below. The rating of a particular Tranche of Instruments to be issued under the Programme

may be specified in the applicable Final Terms. Each of EDP and EDP B.V. is rated Baa3 by Moody's Investors Service Limited ("Moody's"), BBB- by Fitch Ratings Ltd. ("Fitch") and BBB- by Standard & Poor's Global Ratings acting through Standard & Poor's Credit Market Services France SAS ("Standard & Poor's"). Instruments issued under the Programme with a maturity of more than one year are expected to be rated Baa3 by Moody's, BBB- by Fitch and BBB- by Standard & Poor's. A brief explanation of the meanings of these ratings is set out in "General Information". Where an issue of Instruments is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Each of Moody's, Fitch and Standard & Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). As such, each of Moody's, Fitch and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Interest and/or other amounts payable under the Instruments may be calculated by reference to certain reference rates (the "Programme Benchmarks"). Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "Benchmarks Regulation"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

**Arranger for the Programme**

**MORGAN STANLEY**

**Dealers**

Banco Bilbao Vizcaya Argentaria, S.A.	Banco Santander Totta, S.A.
Barclays	BNP PARIBAS
Caixa - Banco de Investimento, S.A.	CaixaBank
Citigroup	Deutsche Bank
Haitong Bank, S.A.	HSBC
ING	J.P. Morgan
Millennium Investment Banking	Mizuho Securities
Morgan Stanley	MUFG
NatWest Markets	Société Générale Corporate and Investment Banking

5 September 2018

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

EDP B.V. as Issuer and EDP in its capacity as Issuer and as Keep Well Provider accept responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Instruments issued under the Programme. To the best of the knowledge and belief of EDP and EDP B.V. (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference (see "*Documents Incorporated by Reference*") and, in relation to any Tranche of Instruments which is the subject of Final Terms, such Final Terms should be read and construed on the basis that those documents are incorporated in and form part of this Base Prospectus. The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Each Issuer has confirmed to the Dealers and Deutsche Trustee Company Limited (the "Trustee") that this Base Prospectus is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus the omission of which would, in the context of the Programme or the issue of Instruments, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. Each Issuer has further confirmed to the Dealers and the Trustee that this Base Prospectus (together with the relevant Final Terms) contains all such information as may be required by all applicable laws, rules and regulations.

No person has been authorised by EDP, EDP B.V., any of the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by EDP and/or EDP B.V. or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuers, any of the Dealers, or the Trustee.

Third party information has been included in this Base Prospectus. Where such third party information has been used the source of such information has been specified. Each Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee or any of their respective affiliates: (i) as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuers in connection with the Programme; or (ii) for any acts or omissions of the Issuers or any other person in connection with this Base Prospectus or the issue and offering of Instruments under the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuers in connection with the Programme.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Instruments (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuers, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Instruments should purchase any Instruments. Each investor contemplating purchasing any Instruments should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Instruments constitutes an offer or invitation by or on behalf of the Issuers, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Instruments.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Instruments shall in any circumstances imply that the information contained herein concerning the Issuers is correct at any time

subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme or to advise any investor in the Instruments of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Instruments.

**IMPORTANT – EEA RETAIL INVESTORS** – If the Final Terms in respect of any Instruments includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (“IMD”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Instruments or otherwise making them available to retail investors in the EEA will be prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MiFID II product governance / target market** – The Final Terms in respect of any Instruments will include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the relevant Instruments and which channels for distribution of the relevant Instruments are appropriate. Any person subsequently offering, selling or recommending the relevant Instruments (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the relevant Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 of 7 April 2016 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Instruments is a manufacturer in respect of such Instruments, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF INSTRUMENTS GENERALLY**

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Instruments in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Instruments may be restricted by law in certain jurisdictions. The Issuers, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Instruments may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuers, the Dealers or the Trustee which would permit a public offering of any Instruments or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Instruments may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Instruments may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Instruments. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Instruments in the United States, the European Economic Area (EEA) (including the United Kingdom, Ireland, Portugal, the Netherlands, Spain and France) and Japan, see "*Subscription and Sale*".

The Instruments may not be a suitable investment for all investors. Each potential investor in Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Instruments, the merits and risks of investing in the Instruments and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Instruments and the impact the Instruments will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Instruments, including Instruments where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Instruments and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Instruments are legal investments for it, (2) Instruments can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any Instruments. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Instruments under any applicable risk-based capital or similar rules.

The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and Instruments in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

This Base Prospectus may contain certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the

financial position, business strategy, management plans and objectives for future operations of EDP and the EDP Group are forward looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause EDP's and the EDP Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward looking statements are based on numerous assumptions regarding the present and future business strategies of EDP and the EDP Group and the environment in which it is expected to operate in the future.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward-looking statements made by or on behalf of EDP or EDP B.V. speak only as at the date they are made. Neither EDP nor EDP B.V. undertakes to update forward-looking statements to reflect any changes in their expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

## **PRESENTATION OF INFORMATION**

### **Certain Defined Terms and Conventions**

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Instruments*" or any other sections of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

#### **In this Base Prospectus, all references to:**

- "U.S. dollars", "U.S.\$" and "\$" refer to United States dollars, the lawful currency of the United States;
- "Sterling" and "£" refer to pounds sterling, the lawful currency of the United Kingdom;
- "EUR", "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; and
- "billion" refers to a thousand million.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures which precede them.

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## OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Instruments, the applicable Final Terms.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC (the Prospectus Regulation).

Words and expressions defined in the “*Terms and Conditions of the Instruments*” shall have the same meanings in this overview.

Issuers:	EDP – Energias De Portugal, S.A. EDP Finance B.V.
Risk Factors:	There are certain factors that may affect each Issuer's ability to fulfil its respective obligations under Instruments issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Instruments issued under the Programme and risks relating to the structure of a particular Series of Instruments issued under the Programme. All of these are set out under the heading “ <i>Risk Factors</i> ”. Investors should carefully consider these risk factors and all of the information in the Base Prospectus before deciding to buy Instruments.
Arranger:	Morgan Stanley & Co. International plc
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A., Banco Comercial Português, S.A., Banco Santander Totta, S.A., Barclays Bank PLC, BNP Paribas, Caixa - Banco de Investimento, S.A., CaixaBank, S.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Haitong Bank, S.A., HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Mizuho International plc, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc, NatWest Markets Plc, Société Générale and any other Dealers appointed in accordance with the Dealership Agreement.
Certain Restrictions:	Each issue of Instruments denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Base Prospectus.  <b>Instruments having a maturity of less than one year</b>  Instruments issued by EDP or EDP B.V. having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (“FSMA”) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see “ <i>Subscription and Sale</i> ”).
Issue and Paying Agent:	Deutsche Bank AG, London Branch
Registrar and Paying Agent	Deutsche Bank Luxembourg S.A.

Portuguese Paying Agent	Deutsche Bank Aktiengesellschaft – Sucursal em Portugal
Trustee:	Deutsche Trustee Company Limited
Programme Size:	Up to €13,500,000,000 (or its equivalent in other currencies calculated as described in the Dealership Agreement) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Dealership Agreement.
Distribution:	Instruments may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to compliance with all applicable laws, regulations and directives, the Instruments may be denominated in any currency agreed between the relevant Issuer and the relevant Dealer(s) at the time of the issue of such Series of Instruments, and the Book Entry Instruments will be denominated in Euro or such other currency as can be settled through Interbolsa, in all cases subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Maturities:	The Instruments will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
Issue Price:	Instruments may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Instruments	The Instruments will be issued in bearer, registered or book-entry form.
Fixed Rate Instruments:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Instruments:	<p>Floating Rate Instruments will bear interest at a rate determined:</p> <p>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Instruments of the relevant Series); or</p> <p>(b) on the basis of the reference rate set out in the applicable Final Terms.</p> <p>Interest on Floating Rate Instruments in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.</p> <p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Instruments.</p> <p>Floating Rate Instruments may also have a maximum interest rate, a</p>

	minimum interest rate or both.
Zero Coupon Instruments:	Zero Coupon Instruments will be offered and sold at a discount to their nominal amount and will not bear interest.
Instruments redeemable in instalments:	Each of the Issuers may issue Instruments which may be redeemed in separate instalments in such amounts and on such dates as the relevant Issuer and the relevant Dealer may agree.
Redemption:	<p>The applicable Final Terms will indicate either that the relevant Instruments cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, for taxation reasons or following an Event of Default or a Put Event) or that such Instruments will be redeemable at the option of the relevant Issuer and/or the Holders upon giving notice to the Holders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.</p> <p>Instruments having a maturity of less than one year are subject to restrictions on their denomination and distribution (see "<i>Certain Restrictions - Instruments having a maturity of less than one year</i>" above).</p>
Denomination of Instruments:	The Instruments will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Instrument will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see " <i>Certain Restrictions - Instruments having a maturity of less than one year</i> " above), and save that the minimum denomination of each Instrument will be €100,000 (or, if the Instruments are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Instruments will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8 ( <i>Taxation</i> ). In the event that any such deduction is made, the relevant Issuer will, save in certain limited circumstances provided in Condition 8 ( <i>Taxation</i> ), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Instruments will contain a negative pledge provision which restricts the right of the Issuers to create or have outstanding any mortgage, lien, pledge or other charge or to otherwise secure any obligations (subject to certain conditions and exceptions) over the whole or any part of their assets while the Instruments remain outstanding as further described in Condition 4 ( <i>Negative Pledge</i> ).
Cross Default	The terms of the Instruments will contain a cross default provision as further described in Condition 10 ( <i>Events of Default</i> ).
Status (Ranking):	Instruments will constitute direct, unconditional, unsubordinated and (subject to the provisions of the Issuers' negative pledge above) unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.
Rating:	Each of EDP and EDP B.V. has been rated Baa3 by Moody's, BBB- by Fitch and BBB- by Standard & Poor's. Instruments issued under the Programme with a maturity of more than one year are expected

to be rated Baa3 by Moody's, BBB- by Fitch and BBB- by Standard & Poor's. Series of Instruments issued under the Programme may be rated or unrated. Where a Series of Instruments is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing:

Application will or has been made for Instruments to be admitted to trading on Euronext Dublin. The Programme also permits Instruments to be issued on the basis that they (A) will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or (B) will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer, including without limitation, Euronext Lisbon.

The applicable Final Terms will state whether or not the relevant Instruments are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law:

English law, except that with respect to Book-Entry Instruments only, the form and transfer of the Instruments, creation of security over the Instruments and the Interbolsa procedures for the exercise of rights under the Book Entry Instruments are governed by, and shall be construed in accordance with Portuguese law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Instruments in the United States, the EEA (including the United Kingdom, Ireland, Portugal, the Netherlands, Spain and France) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Instruments, (see "*Subscription and Sale*").

United States Selling Restrictions:

Regulation S, Category 2. TEFRA D, unless TEFRA C or TEFRA not applicable is specified as applicable in the relevant Final Terms.

## RISK FACTORS

*An investment in the Instruments involves risks. Prospective investors should carefully consider all of the information in this Base Prospectus and the documents incorporated by reference herein, including the following risk factors, before deciding to invest in the Instruments. The actual occurrence of any of the following events could have a material adverse effect on each Issuer's business, financial condition, prospects or results of operations which may adversely affect each Issuer's ability to make payments and fulfil its other obligations under the Instruments and EDP's ability to fulfil its obligations to EDP B.V. under the Keep Well Agreement.*

*Most of these factors are contingencies that may or may not occur, and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring. The risk factors described below are not exhaustive, and are those that the Issuers believe are material, but these may not be the only risks and uncertainties that the Issuers face. Additional risks not currently known or which are currently deemed immaterial may also have a material adverse effect on the Issuer's business, financial condition, prospects or results of operations or result in other events that could lead to a diminution of each Issuer's ability to fulfil its obligations under the Instruments and EDP's ability to fulfil its obligations to EDP B.V. under the Keep Well Agreement.*

*Prospective investors should read the detailed information set out elsewhere in this Base Prospectus (including the documents incorporated by reference herein) and reach their own views prior to making an investment decision.*

*References in this section to "EDP" or the "EDP Group" are to EDP and its subsidiaries.*

*The occurrence of any of these risks could have a material adverse effect on each Issuer's business, financial condition, prospects and/or results of operations.*

### **Risks Related to EDP's Business**

#### **Strategic risks**

#### ***EDP is exposed to the uncertainty of the macroeconomic, political and social environment.***

EDP's operations are directly related, among other factors, to the general level of economic activity in the countries in which EDP operates. The global economy and the global financial system have in recent years experienced a period of significant turbulence and uncertainty, including a very severe dislocation of the financial markets and stress to the sovereign debt and economies of certain European Union countries including Portugal and Spain where EDP has a significant presence. This market dislocation has been accompanied by recessionary conditions and trends in many economies throughout the European Union. EDP is not able to predict how the economic cycle is likely to develop in the short term or the coming years or whether there will be a deterioration of the economic situation globally or in Portugal, Spain or any other country where EDP operates.

Additionally, the EDP Group is subject to risks associated with the instability of the political and social environment in each of the jurisdictions where it operates, which may adversely impact the continuity of business activities.

#### ***EDP may not be able to keep pace with technological changes in the rapidly evolving energy sector which could adversely impact its ability to increase, or maintain, its competitiveness.***

The technologies used in the energy sector have undergone rapid changes in the past and may in the future continue to change rapidly as EDP's techniques for generating electricity are constantly improving and becoming more complex. In order for EDP to maintain its competitiveness and to expand its business, it must effectively adjust to such technological changes. In particular, technologies related to power generation, electricity transmission, distribution and supply of energy-related services are constantly updated and modified. If EDP is unable to modernise its technologies quickly and regularly and to take advantage of industry trends, it could face increased pressure from competitors and lose customers in the markets in which it operates. EDP could also lose valuable opportunities to expand its operations in existing and new markets if it is unable to integrate new technologies into operations.

#### ***EDP is subject to increasing competition in the markets or regions where it operates.***

Structural changes in competition in the markets where EDP operates, either at the electricity generation level or energy supply level, have an impact on EDP's business activity, such as new entrants in the market, declines in demand, excess capacity or the launch of marketing campaigns, products or services. EDP may also be unsuccessful in obtaining licences for the construction or operation of new power plants and for necessary interconnection rights and it could therefore be unable to maintain or increase its generation capacity or market share.

Additionally, improvements in electricity connections with other markets or regions that have excess capacity or lower energy prices than those in which EDP operates power plants may also affect the profitability of EDP's plants in the future as EDP is made to compete with new suppliers.

With respect to the development of wind and solar power generation, EDP primarily faces competition in acquiring available sites and grid interconnection rights, and in setting prices for energy produced. Although EDP has generally been able to obtain a number of interconnection rights through tender processes in the past, there is no certainty that it will be able to obtain such rights in the future, particularly in light of an increasingly competitive environment. Failure to obtain these rights may cause delays to or prevent the development of EDP's wind power projects and affect the recoverability of any cost incurred. In addition, EDP's existing or future interconnection rights may not be sufficient to allow EDP to deliver electricity to a particular market or buyer. Wind and solar farms can be negatively affected by transmission congestion when there is insufficient available transmission capacity, which could result in lower prices for wind farms selling power into locally priced markets, such as certain U.S. markets.

***EDP may be exposed to additional risks if it performs Mergers and Acquisitions ("M&A") activities.***

EDP may seek opportunities to expand its operations in the future through strategic acquisitions or to focus in its core business or certain markets through strategic and/or non-core divestments. EDP plans to assess each investment based on extensive financial and market analysis, which may include certain assumptions. Additional investments or divestments could have a material adverse effect on the EDP Group as a result of any of the following circumstances or other factors:

- (i) EDP may incur substantial costs, delays or other operational or financial problems in integrating or splitting acquired businesses;
- (ii) EDP may not be able to identify, acquire or profitably manage additional businesses;
- (iii) acquisitions or divestments may adversely affect EDP's operating results;
- (iv) acquisitions or divestments may divert management's attention from the operation of EDP's existing businesses;
- (v) EDP may not be able to retain key personnel of acquired or divested businesses;
- (vi) EDP may encounter unanticipated events, circumstances or legal liabilities;
- (vii) EDP may have difficulties in obtaining the required financing or the required financing may only be available on unfavourable terms; and
- (viii) EDP may be subject to counterparty risk with respect to the payment of the price of the divested businesses.

**Business risks**

***The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration in market conditions and/or exposure to the local market of certain power plants.***

A decline in gross profit per unit of electricity or natural gas sold may result from a number of different factors, including an adverse imbalance between supply and demand in the electricity and natural gas markets in which EDP operates or in other related energy markets, the performance of international and/or regional energy prices such as oil, natural gas, coal, CO<sub>2</sub> allowances and green certificates, below average rainfall or wind speed levels in the markets in which EDP operates, higher cost of power plant construction or a change in the technological mix of installed generation capacity. The gross profit per unit of energy sold in liberalised energy markets can also be affected by administrative decisions imposed by legislative and regulatory authorities in the countries in which EDP operates. For example, EDP may not be able to renew its electricity/gas agreements on

the same or similar terms due to the selling price or the gross margin of electricity/gas being worse than their actual market value. The volatility of EDP's gross profit per unit of electricity and natural gas sold can be particularly significant in its activities in the liberalised electricity and natural gas markets of the Iberian Peninsula, which are fully exposed to market risk. If the difference between the market price for electricity and the marginal generation cost (which depends primarily on fuel and CO<sub>2</sub> costs) available at its thermal plants is too low, EDP's thermal plants may not generate electricity or electricity generation may be limited.

In addition, certain power plants operating in Portugal that still benefit from the CMEC mechanism will stop benefiting from such mechanism gradually (power plant by power plant) until 2027 and will become fully subject to market prices at such time. Moreover, the power plants still benefiting from the CMEC mechanism have, from 2017 onwards, entered into the final 10-year period of the mechanism, in which a final 10-year prospective adjustment amount to the initial CMEC compensation amount has been calculated by the relevant authorities and is due to EDP. Such final 10-year prospective adjustment amount has not been fully accepted by EDP and is currently under dispute. In any case, the amount of the final 10-year prospective adjustment may not reflect entirely the evolution of the market prices and other variables for the next 10-year period and, as such, the power plants still benefiting from the CMEC regime will be partially exposed to the risk of market prices.

Payments for electricity sold by certain of EDP's wind farms depend, at least in part, on market prices for electricity. In certain countries, EDP sells its wind power output mainly through long-term Power Purchase Agreements ("PPAs"), which set the sale price of electricity for the duration of the contract. When a PPA is not executed due to market conditions or as part of a commercial strategy, EDP sells its electricity output in wholesale markets in which it is fully exposed to market risk volatility. In jurisdictions where combinations of regulated incentives, such as green certificates, and market pricing are used, the regulated incentive component may not compensate for fluctuations in the market price component, and thus total remuneration may be volatile.

In Brazil, the electricity generated by EDP's power plants is primarily sold through PPAs, while EDP's electricity distribution business, in accordance with certain regulatory rules, has the ability to pass its electricity procurement costs through to customers when the contracted energy level is between pre-defined boundaries. Nevertheless, payments for electricity sold by EDP's electricity generation, distribution and supply activities in Brazil can be affected by significant changes in electricity market prices, particularly those due to extremely dry periods, large fluctuations in electricity demand and modifications of EDP's electricity distribution concession areas. Prices for new PPAs both for electricity generation plants under development or in operation are set through public tenders and can change significantly due to changes in competitive pressures and/or the regulatory environment.

EDP currently uses and may in the future continue to use various financial and commodity hedging instruments relating to electricity, carbon emissions, fuel (coal and natural gas) and foreign exchange, as well as bilateral PPAs and long-term fuel supply agreements, in order to mitigate market and price volatility risks. However, EDP may not be successful in using hedging instruments or long-term agreements, or it may not effectively anticipate and hedge against such risks.

***The profitability of EDP's thermal power plants and gas supply activities is dependent on the reliability of EDP's access to fossil fuels, namely coal and natural gas, in the appropriate quantities, at the appropriate times and under competitive pricing conditions.***

EDP's thermal power plants need to have ready access to fossil fuels, particularly coal and natural gas, in order to generate electricity. Although EDP has in place long-term purchase agreements for fossil fuels and corresponding transportation agreements, EDP cannot be certain that there will be no disruptions in its supply of fossil fuels. The adequacy of this supply also depends on shipping and transportation services involving various third parties. In the event of a failure in the supply chain of fossil fuels, EDP may not be able to generate electricity in some or all of its thermal power plants or may not be able to comply with the terms of existing PPAs for contracted power plants.

For example, the Pecém coal plant in Brazil, which operates under a long-term PPA, is able to pass through its fossil fuel cost in accordance with the terms of the PPA. However, the profitability of this plant could be reduced if available levels of fossil fuels or water to operate the plant are below contracted levels, for example, due to a shortage of fossil fuels. In the Iberian Peninsula's liberalised market, EDP's ordinary regime thermal power plants are fully exposed to changes in fossil fuel costs.

The gas that EDP buys for use in its combined cycle gas turbine power plants ("CCGTs") or to supply its gas customers in Portugal and Spain is currently furnished primarily through long-term contracts and delivered

both through liquefied natural gas ("LNG") terminals and international pipelines. The supply chain of gas to the Iberian Peninsula passes through several countries and involves gas production and treatment, transport through international pipelines and by ship, and processing in liquefaction terminals. This supply chain is subject to political and technical risks. Although these risks are often addressed in force majeure clauses in supply, transit and shipping contracts that may, to a certain extent, mitigate contractual risk by shifting it to the end-user market, contractual provisions do not mitigate other risks that might lead to diminished margins and loss of profits. In addition, any capacity, access or operational restrictions imposed by the transmission system operator on the use of LNG terminals, international grid connections or domestic grid connections may impair normal supply and sales activities, and such circumstances involve additional contractual risks that could lead to a reduction in profits. EDP's long-term gas procurement contracts have prices indexed largely to benchmark oil price related indices in Europe and the Middle East. Under the terms of these gas contracts, EDP commits to purchasing a minimum amount of gas for a certain period of time through "take-or-pay clauses". As a result, under certain circumstances, EDP may have to purchase more gas than it needs to operate its CCGTs or supply its gas customers, which may cause disruptions in the supply chain of natural gas and/or the enforcement of "take-or-pay" clauses. The strategy adopted by EDP for coal and gas procurement is essentially based on establishing long-term contracts, with short-term consultation processes being launched to cover any additional needs that may arise.

***EDP's profitability may be affected by significant changes in energy demand in each of the countries where it operates.***

Significant changes in the demand for electricity and natural gas in the markets in which EDP operates may have an impact on the profitability of EDP's business activities, such as generation and supply activities. EDP's investment decisions take into consideration the company's expectations regarding the evolution of demand for electricity and natural gas, which may be significantly affected by the economic conditions of the countries in which EDP sells and distributes electricity and sells natural gas, but also by a number of other factors including regulation, tariff levels, environmental and climate conditions and competition. Significant changes in any of these variables may affect levels of per capita energy consumption, which could vary substantially from EDP's expectations.

***The profitability of EDP's hydro, wind and solar power plants are dependent on weather conditions.***

Electricity generation output from EDP's hydro, wind and solar power plants in operation, as well as expected levels of output from plants under construction and under development, are highly dependent on weather conditions, particularly rainfall, wind and sunshine hours, which vary substantially across different locations, seasons and years. For example, in respect of hydro power plants, the upstream use of river flows for other purposes, restrictions imposed by legislation or the impact of climate change may result in a reduction in water flow available for electricity generation. In respect of wind power plants, turbines will only operate when wind speeds fall within certain operating ranges that vary by turbine type and manufacturer. If wind speeds fall outside or towards the lower end of these ranges, energy output at EDP's wind farms declines. EDP cannot guarantee that actual weather conditions at a project site will conform to the assumptions that were made during the project development phase and, therefore, it cannot guarantee that its hydro, wind and solar power plants will be able to meet their anticipated generation levels.

***EDP's business activity is impacted by potential climate change risks.***

Climate change may have a significant and wide-spread impact on EDP's and its stakeholders' activities over the medium to long-term. For example, EDP is exposed to transition risks related to the adoption of low-carbon strategies implemented to prevent and mitigate the effect of climate change, such as regulatory incentives and penalties, carbon pricing systems, energy efficiency solutions and low carbon products/services. The implementation of such policies to promote carbon reduction may impact the operations of EDP, namely the operations of EDP's thermal plants. In addition, decreases in hydro inflows and/or wind load factors would have a significant impact on EDP's hydro and wind generation revenues. EDP may not be able to predict, mitigate or plan for the long term physical changes associated with such climate change which may in turn impact EDP's assets, business and results of operations.

***Increased competition in electricity and natural gas supply in liberalised markets in the Iberian Peninsula may reduce EDP's margins and its ability to sell electricity and natural gas to value added final customers.***

The current customer migration to the free market following the implementation by Portugal and Spain of European Union directives, which are intended to create competitive electricity and natural gas supply markets, has enhanced the aggressiveness of offers from suppliers and added additional volatility in terms of market shares and unit price margins. Moreover, there is risk that the free market may result in deviations in actual consumption that differ from the EDP Group's forecasting model. EDP may not be able to anticipate the various risks and opportunities that may arise from the liberalisation in the Iberian Peninsula's electricity and natural gas markets, and the eventual end of the role of last resort suppliers in the regulated market.

***EDP's operating results are highly affected by laws and regulations implemented by multiple public entities in the various jurisdictions in which it operates.***

EDP's operations include the generation, transmission, distribution and supply of electricity (including the development, construction, licensing and operation of power plants, transmission and distribution grids), and supply of natural gas in several jurisdictions pursuant to concessions, licences and other legal or regulatory permits, as applicable, granted by the governments, municipalities and regulatory entities in such jurisdictions. EDP's most extensive operations are in Portugal, Spain, Brazil, the United States, Canada, Mexico, France, Belgium, Italy, Poland, Romania and the United Kingdom. The laws and regulations affecting EDP's activities in these countries may vary by jurisdiction and may be subject to modifications, including those resulting from ordinary expiry of regulatory periods, unilateral imposition by regulators and legislative authorities or as a result of judicial or administrative proceedings or actions. Furthermore, additional laws and regulations may be implemented, including those enacted as a result of actions filed by third parties or lobbying by special interest groups. Any such change may make such laws and regulations more restrictive or in other ways less favourable to EDP.

In particular, the development and profitability of renewable energy projects is significantly dependent on policies and regulatory frameworks that support such development. Many states in the United States, the U.S. federal government, and many Member States of the European Union, including European countries in which EDP operates or has pipeline projects, have adopted policies and measures that actively support renewable energy projects. Support for renewable energy sources has been strong in past years and EDP has benefited from such support. In the United States, the federal government has supported renewable energy primarily through income tax incentives. Historically, the main tax incentives for wind and solar projects have been the federal Production Tax Credit ("PTC"), the five-year depreciation for eligible assets under the Modified Accelerated Cost Recovery System ("MACRS") and the Investment Tax Credit ("ITC"). In addition, many state governments have implemented Renewable Portfolio Standards ("RPS"), which typically require that a certain percentage of the electricity supplied by a utility to consumers within such state is to be covered by renewable resources. The European Union has implemented energy targets for 2030, which are, for the most part, particularly in relation to energy efficiency and renewable energy, not binding on a national level. EDP cannot guarantee that such support, policies or regulatory frameworks in the jurisdiction in which it operates will be maintained.

Certain of the Group's operators are subject to concessions, licences and permits which are granted for fixed periods of time or are subject to early termination or revocation ("*revogação*" or "*resgate*") under certain circumstances, including as a result of legal proceedings, challenges, disputes, legal or regulatory changes or failure to comply with the terms of the relevant concession, licence or permit. Upon termination of a concession or the expiration of a licence or permit, the fixed assets associated with such concessions, licences or permits, in general, revert to the government or municipality, which granted the relevant concession, licence or permit. Under these circumstances, although specified compensatory amounts might be payable to EDP with respect to these assets, such amounts, if any, may not be sufficient to compensate EDP for its actual or anticipated loss. Moreover, the expiration or termination of concessions, licences or permits might limit EDP's ability to conduct its business in an entire jurisdiction.

EDP's business is also affected by other general laws and regulations in the various jurisdictions in which it operates, including those regarding taxes, levies and other charges, which may be amended, or subject to varying interpretations, from time to time. Rapid or significant modification in such laws and regulations could impose additional costs on EDP, such as compliance costs or the restriction of business opportunities, among others. EDP cannot guarantee that current laws and regulations will not be rapidly or significantly modified or that their interpretation by relevant authorities will differ in the future, whether in response to public pressure or initiated by regulatory, judicial or legislative authorities.

In addition, there are certain laws and regulations which, as of the date of this Base Prospectus, do not apply to EDP's activities since the conditions that are essential for such application are not currently satisfied. However, said conditions may, in the future, become satisfied and thus trigger the application of such laws and regulations.

***EDP's business is subject to and constrained by environmental, health and safety laws and regulations.***

EDP's businesses are subject to numerous environmental regulations. These include national, regional and local laws and regulations of the different countries in which EDP operates, as well as supra-national laws, particularly European Union regulations and directives and international environmental agreements. More restrictive or less favourable regulations, or the stricter interpretation of current regulations, such as an obligation to modify existing power plants and associated facilities or the implementation of additional inspection, monitoring, clean up or remediation procedures, could lead to changes in EDP's operating conditions that might require additional capital expenditures, increase its operating costs or otherwise hinder the development of its business. Environmental regulations affecting EDP's business primarily relate to air emissions, water and soil pollution, waste disposal and electromagnetic fields.

EDP continues to operate according to its current CO<sub>2</sub> risk management practices and according to existing legislation and regulations regarding these emissions. There can be no assurance, however, that EDP will manage its CO<sub>2</sub> emissions to be less than or equal to the number of emission allowances it holds (or otherwise acquires) nor that the current relevant European or local laws, regulations and targets will not be subject to change.

Apart from CO<sub>2</sub>, the major waste products of electricity generation using fossil fuels are sulphur dioxide, nitrogen oxide, and particulate matter, such as dust and ash. A primary focus of the environmental regulations applicable to EDP's business is to reduce these emissions, and EDP may have to incur significant costs in the future to comply with environmental regulations that require the implementation of preventive, mitigation or remediation measures. Environmental regulation may include emission limits, cap-and-trade mechanisms, taxes or remediation measures, among others, and may determine EDP's policies in ways that affect its business decisions and strategy, notably discouraging the use of certain fuels.

Changes in health and safety regulations may affect the design of industrial equipment in the future or the manner in which EDP's power plants are constructed, including in ways that adversely affect their operational performance or EDP's profitability.

EDP has incurred, and will continue to incur, regular capital and operating expenditures and other costs in the ordinary course of business in complying with safety and environmental laws and regulations in the jurisdictions in which it operates. Although EDP does not currently anticipate any significant capital expenditures in connection with environmental regulations outside of the ordinary course of business, EDP can provide no assurances that such capital expenditures will not be incurred or required in the future. Additionally, EDP may incur costs outside of the ordinary course of business to compensate for any environmental or other harm caused by its facilities or to repair damages resulting from any accident or act of sabotage. EDP's operational performance and profitability may also be adversely affected by changes in health and safety regulations in the future.

In certain jurisdictions, EDP may be under a legal or contractual obligation to dismantle its facilities and restore the related site to a specified standard at the end of its operating term. In some cases, EDP is required to provide collateral for these obligations. EDP generally includes a provision in its accounts for dismantling costs based on its estimates of the costs, but there is no guarantee that this will reflect all its dismantling obligations costs or the real costs incurred or to be incurred, meaning EDP may experience higher than expected costs.

Violations of environmental laws protecting migratory birds and endangered species in certain jurisdictions may also result in criminal penalties and fines.

***EDP's cash flow is subject to possible changes in the amounts and timings of the recovery of the regulatory receivables from the energy systems.***

EDP has annually recognised an amount of regulatory receivables in its statement of financial position that is related to its regulated business activities in Portugal, Spain and Brazil. These regulatory receivables are to be recovered from the energy system within a pre-determined time period, set by the relevant regulator, and any changes in the amount and timings of the recovery of such receivables may have an impact on EDP's cash

flow. For instance, with respect to regulated energy distribution and supply activities in Portugal and Brazil, as well as the generation activities in Spain, a tariff deficit/surplus is generated whenever market conditions are different from the regulator's assumptions when setting electricity and gas tariffs for a certain year or, in case of deficit, when the regulator or the government decides not to recover all system costs in a given year and defer the payment of such regulatory receivables for a number of years. In the past, significant amounts of regulatory receivables were generated, mostly in Portugal and Spain, meaning that revenues collected through electricity final tariffs were not sufficient to cover electricity system costs. In Portugal, EDP has been able to sell a significant part of its right to receive payment for these amounts without recourse, while those remaining amounts are still to be received. There can be no assurance that, in the future, new amounts of regulatory receivables will not continue to be generated or that final amounts received will not be different from the amounts initially expected or that EDP will be able to monetise them.

***EDP may in the future be subject to a change of control.***

Being the issuer of shares listed in a stock exchange, EDP may be the subject of a tender offer or the subject of any transaction resulting in one or more entities acquiring control of the majority of voting rights in EDP.

On 11 May 2018, China Three Gorges (Europe) S.A. ("CTG") released a preliminary announcement for the launch of a general and voluntary tender offer for the acquisition of shares representing the share capital of EDP (the "EDP Tender Offer" or "Offer") and a preliminary announcement for the launch of a general and mandatory tender offer for the acquisition of shares representing the share capital of EDP Renováveis. These announcements were amended in accordance with the terms of the addenda published on 16 May 2018.

On 1 June 2018, EDP received a draft prospectus from CTG setting out the terms and conditions of the EDP Tender Offer (the "Draft Prospectus"). Following an analysis of the Draft Prospectus, on 9 June 2018, EDP published the report (the "EBD Report") of the Executive Board of Directors of EDP (the "EBD"). In the EBD Report, the EBD noted that its view was that the price offered does not adequately reflect the value of EDP and that the implied offer premium is low considering what is customary for European utilities where the offerors have acquired control. Therefore, the EBD cannot recommend that EDP's shareholders tender their shares at the alluded cash consideration of €3.26 per share.

In the event of a successful tender offer or other event resulting in one or more entities obtaining control over the voting rights of EDP, EDP and EDP B.V. may be subject to a change of control. Even if the change of control provisions contained in Condition 7.5 apply to the Instruments, it may not necessarily afford holders of such Instruments protection as they would not have the right to require the Issuer to redeem the Instruments unless such change of control was also accompanied by a Rating Downgrade during the Change of Control period (each as defined herein). See "*Terms and Conditions of the Instruments – Redemption and Purchase – Redemption at option of Holders on Change of Control (Investor Put on Change of Control)*".

In addition, upon completion of a change of control, a majority shareholder may have, directly or indirectly, the power to affect, among other things, the capital structure, asset base and the day-to-day operations of EDP and EDP B.V., as well as the ability to elect and change the management of EDP and EDP B.V. and the ability to approve other changes to the operations and strategies of EDP and EDP B.V., in each case, without the consent of holders of the Instruments.

EDP and EDP B.V. cannot foresee at this stage if a change of control will indeed occur and, if it does occur, if any consequences of any such change of control will adversely impact the interests of holders of the Instruments. For further information in respect of the tender offers by CTG, see "*Recent Developments – CTG Offers*".

**Financial risks**

***EDP's involvement in international activities subjects it to particular risks, namely foreign currency risks.***

Investments in Brazil, the United States and other countries outside the Eurozone present a different or greater risk profile to EDP than those made in the energy business in the Eurozone. Risks associated with its investments outside of the Eurozone may include, but are not limited to: (i) economic volatility; (ii) exchange rate fluctuations and exchange controls; (iii) differing levels of inflationary pressures; (iv) differing levels of government involvement in the domestic economy; (v) political uncertainty; and (vi) unanticipated changes in regulatory or

legal regimes. EDP can give no assurance that it will successfully manage its investments in Brazil, the United States and other international locations.

EDP is subject to the risk 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. EDP is also subject to the risk of transactional foreign currency, as well as currency fluctuations which can occur when EDP incurs revenue in one currency and costs in another, or its assets or liabilities are denominated in foreign currency, and there is an adverse currency fluctuation in the value of net assets, debt and income denominated in foreign currencies, (and in the extreme case, exchange rate and capital controls).

EDP is also exposed to currency translation risk when the accounts of its businesses outside the Eurozone, denominated in the respective local currencies, are translated into its consolidated accounts, denominated in Euros. EDP cannot predict movements in such non-Euro currencies.

Recent exchange rate movements within operating segments have impacted the results of the Group.

Certain of EDP's operating subsidiaries have in the past and may in the future enter into agreements or incur substantial capital expenditures denominated in a currency that is different from the currency in which they generate revenues. EDP attempts to hedge currency fluctuation risks by matching together its costs and revenues in the same currency as well as by using various financial instruments. There can be no assurance that EDP's efforts to mitigate the effects of currency exchange rate fluctuations will be successful, that EDP will continue to undertake hedging activities or that any current or future hedging activities EDP undertakes will adequately protect its financial condition and operating results from the effects of exchange rate fluctuations, that these activities will not result in additional losses or that EDP's other risk management procedures will operate successfully.

***EDP's business is partly financed through debt, and the maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from EDP's assets.***

EDP relies on access to short-term commercial paper and money markets and long-term bank and capital markets as sources of finance. In recent years, global financial markets experienced extreme volatility and disruption. Ongoing adverse financial market conditions could increase EDP's cost of financing in the future, particularly as a result of its debt refinancing requirements. An increase in short- or long-term base interest rates could also negatively impact EDP's cost of debt, particularly given its floating rate exposure. If EDP is unable to access capital at competitive rates or at all, its ability to finance its operations, implement its strategy, or service its existing debt will be negatively affected.

***EDP's financial position may be adversely affected by changes to EDP's credit ratings.***

Some of EDP's debt is rated by credit rating agencies, and changes to these ratings, namely as a result of changes or downgrading to sovereign ratings, may affect both its borrowing capacity and the cost of those borrowings, as well as EDP's liquidity position.

***EDP is exposed to counterparty risk in some of its businesses.***

EDP's electricity and natural gas supply to final customers, its energy wholesale activities in the Iberian Peninsula and in international fuel markets, as well as its PPAs in the United States, Italy, Belgium and Brazil, are all subject to counterparty risk. Additionally, in the normal course of its financial management, EDP enters into agreements (deposits, underwritten credit facilities and derivative instruments) with diversified financial institutions. Should the creditworthiness of these counterparties significantly change, EDP's liquidity and financial position could be negatively affected. While EDP seeks to mitigate counterparty risk by entering into transactions with creditworthy entities, by diversifying counterparties and/or by requiring credit support, EDP may not be able to successfully do so. For example, EDP primarily faces the risks that counterparties may not comply with their contractual obligations, they may become subject to insolvency or liquidation proceedings during the term of the relevant contracts or the credit support received from such counterparties will be inadequate to cover EDP's losses in the event of its counterparty's failure to perform.

***EDP may not be able to finance its planned capital expenditures.***

EDP's business activities require significant capital expenditures. EDP expects to finance a substantial part of these capital expenditures from cash from its operating activities. If these sources are not sufficient,

however, EDP may need to finance certain of its planned capital expenditures from outside sources, including bank borrowing, offerings in the capital markets, institutional equity partnerships, state grants or divestments. No assurance can be given that EDP will be able to raise the financing required for its planned capital expenditures on acceptable terms or at all. If EDP is unable to raise such financing, it may have to reduce its planned capital expenditures which may affect its business.

***EDP operates in a capital-intensive business.***

EDP has significant construction and capital expenditure requirements, and the recovery of its capital investment occurs over a substantial period of time. The capital investment required to develop and construct a power plant generally varies based on the cost of the necessary fixed assets, such as material equipment costs and labour construction services. The price of such equipment or construction services may increase, or continue to increase, if the market demand for such equipment or services is greater than available supply, or if the price of key component commodities and raw materials used to build such equipment increases. In addition, the volatility in commodity prices could increase the overall cost of constructing, developing and maintaining power plants in the future. Other factors affecting the amount of capital investment required include, among others, construction costs and interconnection costs. In addition, EDP makes significant long-term capital expenditures and commitments on the basis of forecasts on certain investment parameters, including prices, volumes and interest rates which may turn out to be inaccurate. In the event of any material deviations from such estimates, EDP may not earn the expected return on related projects. Additionally, in order to explore growth opportunities, EDP regularly incurs expenditure in exploring, developing and planning new projects. Such projects may or may not reach a stage where they become fully operational, thus incurring higher than expected costs. The ability to translate EDP's projects from an in-development to a fully-operational stage depends on several factors, including, inter alia, the prices, the availability of PPAs and the market conditions of where a project is located.

***EDP faces liquidity risk.***

EDP's sources of liquidity include short-term deposits, revolving credit facilities and underwritten commercial paper programmes with a diversified group of creditworthy financial institutions. EDP adopts a conservative risk policy with reduced levels of exposure to financial assets, 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. However, should the creditworthiness of the financial institutions on which EDP relies for its funding significantly change, EDP's liquidity position could be negatively affected.

***EDP may incur future costs with respect to its employee benefit plans.***

EDP grants some of its employees a supplementary retirement and survival plan as well as a medical plan and death subsidy (the "Pension Plan"). The liabilities and corresponding annual costs of this defined benefit Pension Plan are determined through annual actuarial calculations by independent actuaries. The most critical risks relating to employee benefit plans accounting often relate to the returns on Pension Plan assets and the discount rate used to assess the present value of future payments. Pension liabilities can place significant pressure on cash flows, in particular, if any of EDP's pension funds become underfunded according to local regulations, EDP or its relevant subsidiary may be required to make additional contributions to the fund. The Pension Plan in Portugal is currently governed by the collective labour agreement entered into in July 2014 ("ACT 2014").

**Operational risks**

***EDP may encounter problems and delays in constructing or connecting its electricity generation, transmission and distribution facilities.***

EDP faces risks relating to the construction of its electricity generation, transmission and distribution facilities, including risks relating to the availability of equipment from reliable suppliers, availability of building materials and key components, availability of key personnel, including qualified engineering personnel, delays in construction timetables and completion of the projects within budget and to required specifications. EDP may also encounter various setbacks such as adverse weather conditions, difficulties in connecting to electricity transmission grids, construction defects, delivery failures by suppliers, unexpected delays in obtaining zoning and

other permits and authorisations or legal actions brought by third parties. Such problems or delays could expose EDP to a variety of costs, including, among others, increasing EDP's construction costs, exposing it to contractual damages, or delaying when EDP expects to begin accruing benefits under such facilities or contracts.

***EDP's revenues are heavily dependent on the effective performance of the equipment it uses in the operation of its power plants and electricity distribution networks.***

EDP's business and ability to generate revenue depend on the availability and operating performance of the equipment necessary to operate its power plants and electricity distribution networks. Mechanical failures or other defects in equipment, or accidents that result in non-performance or under-performance of a power plant or electricity distribution network may have a direct adverse impact on the revenues and profitability of EDP's activities. The cost to EDP of these failures or defects is reduced to the extent that EDP has the benefit of warranties or guarantees provided by equipment suppliers that cover the costs of repair or replacement of defective components or mechanical failures, or the losses resulting from such accidents can be partially recoverable by insurance policies in force. However, while EDP typically receives liquidated damages from suppliers for shortfalls in performance or availability (up to an agreed cap and for a limited period of time), there can be no assurance that such liquidated damages would fully compensate EDP for the shortfall and resulting decrease in revenues, or that such suppliers will be able or willing to fulfil such warranties and guarantees, which in some cases may result in costly and time-consuming litigation or other proceedings.

***EDP's assets could be damaged by natural and man-made disasters and EDP could face civil liabilities or other losses as a result.***

EDP's assets could be damaged by fire, earthquakes, acts of terrorism, and other natural or man-made disasters. While EDP seeks to take precautions against such disasters, maintain disaster recovery strategies and purchase levels of insurance coverage that it regards as commercially appropriate should any damage occur and be substantial, EDP could incur losses and damages not recoverable under insurance policies in force.

Such events could cause severe damage to EDP's power plants, distribution networks and facilities, requiring extensive repair or the replacement of costly equipment and may limit EDP's ability to operate and generate income from such facilities for a period of time. Such incidents could also cause significant damage to natural resources or property belonging to third parties, or personal injuries, which could lead to significant claims against EDP and its subsidiaries. The insurance coverage that EDP maintains for such natural disasters, catastrophic accidents and acts of terrorism may become unavailable or be insufficient to cover losses or liabilities related to certain of these risks.

Furthermore, the consequences of these events may create significant and long-lasting environmental or health hazards and pollution and may be harmful or a nuisance to neighbouring residents. EDP may be required to pay damages or fines, clean up environmental damage or dismantle power plants in order to comply with environmental or health and safety regulations. Environmental laws in certain jurisdictions in which EDP operates, including the United States, impose liability, and sometimes liability without regard to fault, for releases of hazardous substances into the environment. EDP could be liable under these laws and regulations at current and former facilities and third party sites.

EDP may also face civil liabilities or fines in the ordinary course of its business as a result of damages to third parties caused by the natural and man-made disasters mentioned above. These liabilities may result in EDP being required to make indemnification payments in accordance with applicable laws that may not be fully covered by its insurance policies.

EDP has an interest in a nuclear power plant through EDP España, S.A.U. (formerly Hidroeléctrica del Cantábrico S.A.U., "**EDP España**"), which holds a 15.5 per cent. interest in the Trillo nuclear power plant in Spain. As required by the international treaties ratified by Spain, Spanish law and regulations limit the liability of nuclear plant operators for nuclear accidents. Spanish law provides that the operator of each nuclear facility is liable for up to €700 million as a result of claims relating to a single nuclear accident. EDP would be liable for its proportional share of this €700 million amount. Trillo has insurance to cover potential liabilities related to third parties arising from a nuclear accident in Trillo up to €700 million, including environment liability up to the same limit. In the proportion of Hidrocantábrico's stake in Trillo, EDP could be subject to the risks arising from the operation of nuclear facilities and the storage and handling of radioactive materials.

***EDP's power plants are susceptible to industrial accidents, and employees or third parties may suffer bodily injury or death as a result of such accidents.***

The design and manufacturing process is ultimately controlled by EDP's equipment suppliers or manufacturers rather than EDP, and there can be no assurance that accidents will not result during the installation or operation of this equipment. Additionally, EDP's power plants, employees or third parties may be susceptible to harm from events outside the ordinary course of business, including natural disasters, catastrophic accidents and acts of terrorism. Such accidents or events could cause severe damage to EDP's power plants and facilities, requiring extensive repair or the replacement of costly equipment and may limit EDP's ability to operate and generate income from such facilities for a period of time. Such incidents could also cause significant damage to natural resources or property belonging to third parties, or personal injuries, which could lead to significant claims against EDP and its subsidiaries. The insurance coverage that EDP maintains for such natural disasters, catastrophic accidents and acts of terrorism may become unavailable or be insufficient to cover losses or liabilities related to certain of these risks.

***EDP is unable to insure itself fully or against all potential risks and may become subject to higher insurance premiums.***

EDP's business is exposed to the inherent risks in the construction and operation of power plants, electricity distribution and transmission grids and other energy related facilities, such as mechanical breakdowns, manufacturing defects, natural disasters, terrorist attacks, sabotage, personal injury and other interruptions in service resulting from events outside of EDP's control. EDP is also exposed to environmental risks, including environmental conditions that may affect, destroy, damage or impair any of its facilities. EDP has taken out insurance policies to cover certain risks associated with its business and it has put in place insurance coverage that it considers to be commensurate with its business structure and risk profile, in line with general market practice. EDP cannot be certain, however, that its current insurance policies will fully insure it against all risks and losses that may arise in the future. Malfunctions or interruptions of service at EDP's facilities could also expose it to legal challenges and sanctions which may not be covered by insurance.

In addition, while EDP has not made any material claims to date under its insurance policies that would make any policy void or result in an increase to the premiums payable in respect of any policy, EDP's insurance policies are subject to annual review by its insurers and EDP cannot be certain that these policies will be renewed at all or on similar or favourable terms.

***EDP may have difficulty in hiring and retaining qualified personnel.***

In order to maintain and expand its business, EDP needs to recruit, promote and maintain executive management and qualified technical personnel. The inability in the future to attract or retain sufficient technical and managerial personnel could limit or delay EDP's development efforts or negatively affect its operations.

***EDP may face labour disruptions that could interfere with its operations and business.***

EDP is subject to the risk of labour disputes and adverse employee relations. Such disputes could result in work stoppages, thereby damaging EDP's operations, or cause EDP to incur additional costs, such as increased labour costs or other liabilities. Although EDP has not experienced any significant labour disputes or work stoppages to date, its existing labour agreements may not prevent a strike or work stoppage at any of EDP's facilities in the future.

***Information technology ("IT") system failures could adversely affect EDP's operations.***

EDP's IT systems are critically important in supporting all of its business activities. Failures in EDP's IT systems could result from technical malfunctions, human error, lack of system capacity, security or software breaches. The introduction of new technologies and the development of new uses, such as social networking, expose EDP to new threats. In addition, cyber-attacks and hacking attempts to which companies may fall victim are increasingly targeted and carried out by specialists. Any failure or malfunctioning of EDP's IT systems could seriously affect its businesses and result in, among other things, breaches of confidentiality, delays or loss of data.

***EDP is a party in certain litigation proceedings.***

EDP is, has been, and may be from time to time in the future, subject to a number of claims and disputes in connection with its business activities. EDP cannot ensure that it will prevail in any of these disputes or that it has adequately reserved or insured against any potential losses. See "*General Information—Legal Proceedings*".

***EDP is subject to an investigation relating to amounts due in connection with the early termination of certain PPAs and the costs for the maintenance of the contractual balance and payments made in connection with its rights in respect of the Public Hydro Domain concession.***

In 2012, the European Commission ("EC") and the Portuguese authorities (Public Prosecution Services) received complaints concerning the early termination of certain PPAs and the costs for the maintenance of the contractual balance ("CMEC"), as well as in respect of EDP's rights to use the Public Hydro Domain ("DPH").

The investigation conducted by the Portuguese authorities, with reference to the above-mentioned complaint, is still pending.

As part of the liberalisation of the power sector in Portugal following changes in European Union legislation, Decree-Law no. 240/2004, of 27 December was introduced which provided for the early termination of PPAs that were signed in 1996. As a result of this required early termination, EDP and REN - Rede Eléctrica Nacional, S.A. ("REN") agreed in 2005 and in 2007 to the early termination of their long-term PPAs, with effect from July 2007. The methodology which was used to determine the amount of the compensation that EDP was entitled to receive in connection with such early termination, the CMEC, was approved by the EC in 2004 (Decision N161/2004) which considered the compensation as effective and strictly necessary. For further information, please see "*Regulatory Overview—European Energy Policy—Portugal—The Electricity Value Chain—Ordinary Regime*".

On 8 March 2008, the Government, REN and EDP Gestão da Produção de Energia, S.A. ("EDP Produção") signed several service concession arrangements for which EDP Produção paid approximately €759 million as consideration of the economic and financial balance for the use of the public hydro domain.

Following the complaint received, the EC requested clarifications from the Portuguese State in relation to the early termination of the PPAs and its replacement for the CMEC, and concluded in September 2013 that the compensation payments for early termination did not exceed what was necessary to repay the shortfall in investment costs repayable over the asset's lifetime, and determined that the implementation of the CMEC remains in keeping with the terms notified to and approved by the EC in 2004. Thus, the EC decided that no in depth investigation into the CMEC process was necessary.

Regarding the DPH, the EC formally ceased its investigation into this matter in May 2017 and concluded that the compensation paid by EDP in connection with such extension concessions was compatible with market conditions. The EC further concluded that the financial methodology used to assess the price of the extension concessions was appropriate and resulted in a fair market price. The decision has in the meantime become final. The public version of this decision is available on the EC's website.

On 2 June 2017, EDP became aware of Portugal's Public Prosecution Services' investigation (the "Investigation") in relation to the amounts due to EDP for the termination of the PPAs and compensation paid by EDP for the DPH concessions. Portugal's Public Prosecution Services stated that the facts under investigation may relate to active and passive corruption and economic participation in business and searches were conducted at the offices of EDP, grid operator REN and the local division of a consulting group. The Portuguese Public Prosecution Services stated that certain members of EDP's Executive Board of Directors, as well as former EDP directors, that had signed the relevant contracts, were named as targets of the Investigation.

Although the indicative time limits have been exceeded (which led the targets of the Investigation to present an application asking for an acceleration of the timings of the procedure), as far as EDP is aware, since June 2017, no significant progress occurred in the Investigation and none of the targets of the Investigation was even submitted to questioning.

As of this date, it is too early to determine whether the Investigation will lead to any allegations of wrongdoing or any criminal or civil prosecutions.

EDP does not accept any accusations of wrongdoing on its part or on the part of any member of the Group and believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length

transactions. However, if the Investigation were to determine otherwise there is a risk that members of the EDP Group or of its corporate bodies could become subject to penalties or other sanctions. It is difficult to predict any outcome at this stage in the process. Any such developments could harm EDP's reputation, and EDP's business, financial condition, and/or results of operations could be affected by the outcome of this Investigation.

***EDP B.V. is a funding vehicle for the EDP Group***

EDP B.V. is a funding vehicle for the EDP Group and its sole purpose is to raise finance in the international loan and capital markets and provide funds and investment services to the EDP Group, including by entering into intra-group loan agreements. EDP B.V. is exposed to interest rate risk and currency risk over its outstanding intra-group loans and external borrowings, which could adversely impact its ability to meet its financial obligations. EDP B.V. does not engage in any other activity and does not have any other sources of revenue. Therefore, given its sole purpose as a funding vehicle for the EDP Group, any risk factors affecting the ability of other companies in the EDP Group to meet their financial obligations also affect EDP B.V. and should be read accordingly.

***The Instruments issued by EDP B.V. are not guaranteed by EDP, and investors do not have any direct rights to enforce payment on the Instruments against EDP in case of default by EDP B.V. under the Instruments.***

The Instruments issued by EDP B.V. are obligations of EDP B.V. and not of EDP. EDP has no obligation to pay any amounts due under the Instruments issued by EDP B.V. EDP has entered into a Keep Well Agreement with EDP B.V., which is not a guarantee. Under the Keep Well Agreement, EDP has agreed that, for so long as EDP B.V. has any Instruments outstanding under the Programme, it will make available to EDP B.V. funds sufficient to meet its payment obligations or repay borrowings then maturing to the extent that EDP B.V.'s funds or other liquid assets are insufficient to meet its payment obligations or repay its borrowings. Although under the terms of the Keep Well Agreement the Trustee may, on behalf of holders of any Instruments issued by EDP B.V. under the Programme, enforce EDP B.V.'s rights under the Keep Well Agreement against EDP, holders do not have any direct rights against EDP. (See "*Relationship of EDP B.V. with EDP*" for more information on the Keep Well Agreement).

**RISK FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH INSTRUMENTS ISSUED UNDER THE PROGRAMME**

**RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF INSTRUMENTS**

A wide range of Instruments may be issued under the Programme. A number of these Instruments may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

***Risks applicable to all Instruments.***

***If the Issuers have the right to redeem any Instruments at their option, this may limit the market value of the Instruments concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.***

The optional redemption feature could limit the market value of the Instruments. During any period when the Issuers may elect to redeem the Instruments, the market value of the Instruments generally will not rise above the price at which they can be redeemed. This also may be true prior to any redemption period.

If the Issuers redeem the Instruments early, the optional redemption amount payable and/or prevailing market rates may not enable an investor to reinvest the redemption proceeds at an effective yield as high as the yield on the Instruments being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***If the Issuers have the right to convert the interest rate on any Instruments from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Instruments concerned.***

Fixed/Floating Rate Instruments may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuers have the right to effect such a conversion, this will

affect the secondary market in, and the market value of, the Instruments, since the Issuers may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuers. If the Issuers convert from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Instruments may be less favourable than then prevailing spreads on comparable Floating Rate Instruments tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Instruments. If the Issuers convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

#### **Instruments which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.**

The market values of securities issued at a substantial discount (such as Zero Coupon Instruments) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

#### **Risks related to Instruments which are linked to "benchmarks"**

The London Interbank Offered Rate ("LIBOR"), the Euro Interbank Offered Rate ("EURIBOR") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Instruments linked to such benchmark (including but not limited to Floating Rate Instruments whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Instruments.

### **RISKS RELATING TO INSTRUMENTS CLEARED THROUGH CLEARING SYSTEMS**

#### **Risks related to withholding tax**

Under Portuguese law, income derived from the Book Entry Instruments integrated in (i) and held through Interbolsa, as management entity of the Portuguese Centralised System (*sistema centralizado*, the Central de Valores Mobiliários) or (ii) an international clearing system operated by a managing entity established in a member state of the European Union other than Portugal (e.g. Euroclear or Clearstream, Luxembourg) or (iii) a European Economic Area Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States or (iv) other centralised systems not covered above provided that, in this last case, the Portuguese government authorises the application of the Decree-Law no. 193/2005, of 7 November, as amended ("Decree-Law no. 193/2005") held by non-resident investors (both individual and corporate) are eligible for the debt securities special tax exemption regime, approved by Decree-Law no. 193/2005, which establishes a withholding tax exemption, provided that certain procedures and certification requirements are complied with. Failure to comply with these procedures and certifications will result in the application of Portuguese domestic withholding tax.

See details of the Portuguese taxation regime in "*Taxation – Portugal*".

The Issuers will not gross up payments in respect of any such withholding tax in any of the cases indicated in Condition 8, including failure to deliver or incorrect completion regarding the evidence of non-residence status required under the Decree-Law no. 193/2005. Accordingly, holders of Book Entry Instruments must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Book Entry Instruments.

### **RISKS RELATED TO INSTRUMENTS GENERALLY**

Set out below is a brief description of certain risks relating to the Instruments generally:

**Investors who hold less than the minimum Specified Denomination may be unable to sell their Instruments and may be adversely affected if definitive Instruments are subsequently required to be issued.**

In relation to any issue of Instruments which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Instruments may be traded in amounts that are not integral multiples of such minimum Specified Denomination (as set out in the applicable Final Terms). In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Instruments at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Instrument in respect of such holding (should definitive Instruments be printed) and would need to purchase a principal amount of Instruments at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Instruments in definitive form are issued, holders should be aware that definitive Instruments which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

**The conditions of the Instruments contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Instrumentholders and without regard to the individual interests of particular Instrumentholders.**

The conditions of the Instruments contain provisions for calling meetings of Instrumentholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Instrumentholders including Instrumentholders who did not attend and vote at the relevant meeting and Instrumentholders who voted in a manner contrary to the majority.

The conditions of the Instruments also provide that the Trustee may, without the consent of Instrumentholders and without regard to the interests of particular Instrumentholders: (1) agree to any modification of the Instruments or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders; (2) agree to any modification of the Instruments or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law; or (3) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in any such case, is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders, in the circumstances described in Condition 16 of the conditions of the Instruments.

Furthermore, the Trustee may, without the consent of the Instrumentholders, agree with the relevant Issuer to the substitution in place of such Issuer as the principal debtor under the Instruments and the Trust Deed of another company, being a Subsidiary (as defined in "*Terms and Conditions of the Instruments*") of the relevant Issuer, subject to (a) the Instruments being unconditionally and irrevocably guaranteed by the relevant Issuer or having the benefit of a Keep Well Agreement by EDP on the same basis as that on which they had such benefit immediately prior to the substitution or the substitute Issuer is EDP; (b) the Trustee being satisfied that the interests of the Instrumentholders will not be materially prejudiced by the substitution; and (c) certain other conditions set out in the Trust Deed being complied with. See Condition 16 of "*Terms and Conditions of the Instruments*".

**The value of the Instruments could be adversely affected by a change in law or administrative practice.**

Save, with respect to Book Entry Instruments only, for the form (*representação formal*) and transfer of the Instruments, creation of security over the Instruments and the Interbolsa procedures for the exercise of rights under the Book Entry Instruments, which are governed by, and shall be construed in accordance with Portuguese law, the conditions of the Instruments are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the

case may be, Portuguese law or administrative practice after the date of this Base Prospectus and any such change could materially impact the value of any Instruments affected by it.

## **RISKS RELATED TO THE MARKET GENERALLY**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

**An active secondary market in respect of the Instruments may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Instruments.**

Instruments may have no established trading market when issued, and one may never develop. If a market for the Instruments does develop, it may not be very liquid. Therefore, investors may not be able to sell their Instruments easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, liquidity may be limited if the relevant Issuer makes large allocations to a limited number of investors.

**If an investor holds Instruments which are not denominated in the investor's home currency, such investor will be exposed to movements in exchange rates adversely affecting the value of the holding. In addition, the imposition of exchange controls in relation to any Instruments could result in an investor not receiving payments on those Instruments.**

The Issuers will pay principal and interest on the Instruments in the Specified Currency (as set out in the applicable Final Terms). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Instruments, (2) the Investor's Currency-equivalent value of the principal payable on the Instruments, and (3) the Investor's Currency-equivalent market value of the Instruments.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuers to make payments in respect of the Instruments. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**The value of Fixed Rate Instruments may be adversely affected by movements in market interest rates.**

Investment in Fixed Rate Instruments involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Instruments, this will adversely affect the value of the Fixed Rate Instruments.

**Credit ratings assigned to the Issuers or any Instruments may not reflect all the risks associated with an investment in those Instruments.**

One or more independent credit rating agencies may assign credit ratings to the Issuers or the Instruments. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Instruments. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009, as amended, (the "CRA Regulation") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement

action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

## **STABILISATION**

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, ONE OR MORE RELEVANT DEALERS ("THE STABILISATION MANAGER(S)") (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT INSTRUMENTS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF INSTRUMENTS IS MADE AND, IF BEGUN, WILL BE IN COMPLIANCE WITH ALL RELEVANT LAWS AND REGULATIONS AND MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF INSTRUMENTS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF INSTRUMENTS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Central Bank shall be incorporated in, and form part of, this Base Prospectus:

- (a) in respect of EDP:
  - (i) the audited consolidated annual financial statements of EDP for the financial year ended 31 December 2017 and auditors' report thereon which appear on pages 205-369 and 387-404, respectively, of EDP's annual report for the year ended 31 December 2017;
  - (ii) the audited consolidated annual financial statements for the financial year ended 31 December 2016 and auditor's report thereon which appear on pages 265-423 and 439-455, respectively, of EDP's annual report for the year ended 31 December 2016;
  - (iii) the unaudited consolidated condensed financial statements for the six-month period ended 30 June 2018 and the auditor's limited review report thereon which appear on pages 65-152 and in the Annexes to EDP's first half 2018 report; and
  - (iv) the unaudited consolidated condensed financial statements for the six-month period ended 30 June 2017 and the auditor's limited review report thereon which appear on pages 55-134 and in the Annexes to EDP's first half 2017 report,

each of which is available at <https://www.edp.com/en/investors/investor-information/reports-and-accounts>

- (b) in respect of EDP B.V.:
  - (i) the audited annual financial statements for the financial year ended 31 December 2017 and the auditor's report thereon which appear on pages 7-39 of EDP B.V.'s annual report for the year ended 31 December 2017;
  - (ii) the audited annual financial statements for the financial year ended 31 December 2016 and auditor's report thereon which appear on pages 7-33 of EDP B.V.'s annual report for the year ended 31 December 2016;
  - (iii) the unaudited interim financial statements for the six months period ended 30 June 2018 which appear on pages 7-13 of EDP B.V.'s 2018 interim report; and
  - (iv) the unaudited interim financial statements for the six months period ended 30 June 2017 which appear on pages 6-11 of EDP B.V.'s 2017 interim report,

each of which is available at <https://www.edp.com/en/investors/investor-information/reports-and-accounts>

- (c) the Terms and Conditions of the Instruments contained in the previous Prospectus dated 14 March 2001, pages 10 to 29 (inclusive), 22 July 2002, pages 10 to 29 (inclusive), 23 December 2004, pages 10 to 29 (inclusive), 10 January 2006, pages 31 to 50 (inclusive), 23 October 2007, pages 39 to 62 (inclusive), 17 October 2008, pages 41 to 64 (inclusive), 7 October 2009, pages 45 to 69 (inclusive), 24 September 2010, pages 42 to 67 (inclusive), 9 September 2011, pages 67 to 88 (inclusive), 14 September 2012, pages 59 to 82 (inclusive), 3 September 2013, pages 72 to 98 (inclusive), 2 September 2014, pages 79 to 104 (inclusive), 2 September 2015, pages 78 to 102 (inclusive), 2 September 2016, pages 72 to 95 (inclusive) and 5 September 2017, pages 76 to 101 (inclusive); and
- (d) the amendments to the Terms and Conditions of the Instruments on pages 67 to 88 (inclusive) of the Prospectus dated 9 September 2011, as set out in the supplement to the Prospectus dated 15 June 2012 on pages 3 to 5 (inclusive),

each of the documents listed in (c) and (d) above available at <https://www.edp.com/en/investors/funding/debt-programs/edp-sa-and-edp-finance-bv>

- (e) Section 2.6 Conditions to the launch of the Offer, Section 2.7 Conditions to effectiveness of the Offer, Section 3.3.1 Considerations on the intentions of the Offeror regarding EDP, Section

3.3.3 Key Regulatory Considerations and Section 3.3.4 Repercussions on interests of employees, clients, creditors and other stakeholders of EDP, namely subsection, Interests of the clients, suppliers, creditors and other stakeholders of EDP of the EBD Report,

available at [https://www.edp.com/sites/default/files/08-jun-2018\\_bod\\_report\\_-\\_edp\\_final\\_en.pdf](https://www.edp.com/sites/default/files/08-jun-2018_bod_report_-_edp_final_en.pdf)

Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuers and from the specified office of the Paying Agent for the time being in London.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

The Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Instruments, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Instruments. The Issuers have undertaken to the Dealers in the Dealership Agreement (as defined in "Subscription and Sale") that they will comply with the relevant Irish listing requirements.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuers and approved by the Central Bank in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

KPMG Accountants N.V., the auditors of EDP Finance B.V.'s financial statements as of and for the year ended 31 December 2016, have consented to the incorporation by reference of their auditor's reports for 2016 in this Base Prospectus. PricewaterhouseCoopers Accountants N.V., the auditors of EDP Finance B.V.'s financial statements as of and for the year ended 31 December 2017, have consented to the incorporation by reference of their auditor's report for 2017 in this Base Prospectus.

## FORM OF FINAL TERMS

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC (the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**[MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Instruments has led to the conclusion that: (i) the target market for the Instruments is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “MiFID II”)/MiFID II]; and (ii) all channels for distribution of the Instruments to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Instruments (a “distributor”) should take into consideration the manufacturer [’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the manufacturer [’s/s’] target market assessment) and determining appropriate distribution channels.]

[Date]

**[EDP – ENERGIAS DE PORTUGAL, S.A./EDP FINANCE B.V.]**

Issue of

[Aggregate Nominal Amount of Tranche]  
[Title of Instruments]

**under the €13,500,000,000  
Programme for Issuance of Debt Instruments**

### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 5 September 2018 [and the supplement[s] to the Base Prospectus dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Base Prospectus”). [This document constitutes the Final Terms of the Instruments described herein and has been prepared for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.]<sup>1</sup> In order to get full information on the Issuers and the offer of the Instruments both the Base Prospectus and these Final Terms must be read in conjunction. The Base Prospectus and these Final Terms have been published on the website of the Irish Stock Exchange plc trading as Euronext Dublin ([www.ise.ie](http://www.ise.ie)) and the Central Bank of Ireland ([www.centralbank.ie](http://www.centralbank.ie)).

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date. N.B. when using a post-1 July 2012 approved Base Prospectus to tap a previous issue under a pre-1 July 2012 approved Base Prospectus, the final terms in the post-1 July 2012 Base Prospectus will take a different form due to the more restrictive approach to final terms. The Conditions of the original issue being tapped should be reviewed to ensure that they would not require the final terms documenting the further issue to include information which is no longer permitted in final terms. Where the final terms documenting the further issue would need to include such information, it will not be possible to tap using final terms and a drawdown prospectus (incorporating the original Conditions and final terms) will instead need to be prepared.]*

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<sup>1</sup> Delete where the Instruments are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the base prospectus dated [*insert date of prospectus from those listed in "Documents Incorporated by Reference"*] [and the supplement to it dated [*date*]] which are incorporated by reference in the Base Prospectus dated 5 September 2018. This document constitutes the Final Terms of the Instruments described herein and has been prepared for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 5 September 2018 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "Base Prospectus"), including the Conditions incorporated by reference in the Base Prospectus. In order to get full information on the Issuer and the offer of the Instruments both the Base Prospectus and these Final Terms must be read in conjunction. A summary of this issue of Instruments is annexed to these Final Terms. The Base Prospectus and these Final Terms have been published on the website of the Irish Stock Exchange plc trading as Euronext Dublin ([www.ise.ie](http://www.ise.ie)) and the Central Bank of Ireland ([www.centralbank.ie](http://www.centralbank.ie)).]

*Include whichever of the following apply, or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted. Italics denote directions for completing the Final Terms.*

*[If the Instruments have a maturity of less than one year from the date of their issue, the minimum denomination may need to be not less than £100,000 or its equivalent in any other currency.]*

- |    |  |  |
|----|--|--|
| 1. | Issuer:  | [EDP – Energias de Portugal, S.A./EDP Finance B.V.]  |
| 2. | [(i)] Series Number:   | [            ]   |
|    | [(ii)] Tranche Number:   | [            ]   |
|    | (iii) Date on which the Instruments will be consolidated and form a single series: | The Instruments will be consolidated and form a single Series with Tranche [ <i>identify earlier Tranches</i> ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, as referred to in paragraph 22 below, which is expected to occur on or about [ <i>date</i> ]] |
| 3. | Specified Currency or Currencies:  | [            ]<br><br><i>(N.B. Book Entry Instruments may only be denominated in Euro, U.S. dollars, Canadian dollars, sterling, Japanese yen, Swiss francs, Australian dollars or in such other currency as can be settled through Interbolsa.)</i>   |
| 4. | Aggregate Nominal Amount:  |  |
|    | – Tranche:   | [            ]   |
|    | – Series:  | [            ]   |
| 5. | Issue Price:   | [            ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ <i>insert date</i> ]] ( <i>in the case of fungible issues only, if applicable</i> )   |
| 6. | (i) Specified Denominations:   | [            ]<br><br><i>(N.B. Instruments must have a minimum denomination of €100,000 (or equivalent))</i><br><br><i>(N.B. Book-Entry Instruments cannot be issued in integral multiples of a lesser amount than the nominal amount.)</i><br><br><i>(Note – where multiple denominations above [€100,000] or equivalent are being used, the following</i>                  |

sample wording should be followed:

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Instruments in definitive form will be issued with a denomination above [€199,000]."

- (ii) Calculation Amount for Instruments in definitive form (in relation to calculation of interest in relation to Instruments in global form, see the Conditions): [ ]  
*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note, there must be a common factor in the case of two or more Specified Denominations.)*
7. [(i) Issue Date: [ ]  
(ii) Interest Commencement Date (if different from the Issue Date): [specify /Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Instruments, for example Zero Coupon Instruments.)*
8. Maturity Date: [Specify date or for Floating Rate Instruments – Interest Payment Date falling in or nearest to [specify month and year]]  
*[(NB: The Maturity Date [should be/may need to be not] less than one year after the Issue Date)]*
9. Interest Basis: [[ ] per cent. Fixed Rate] [specify Reference Rate] +/- [ ] per cent. Floating Rate] [Zero coupon] (see paragraph [14/15/16] below)
10. Redemption[/Payment] Basis: [Instalment]  
Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11. Change of Interest Basis: [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there] [Not Applicable]
12. Put/Call Options: [Investor Put on Change of Control] [Issuer Call] [Not Applicable]  
*[(see paragraph [17/18/19] below)]*
13. (a) Status of Instruments: [Senior/Dated/Perpetual]  
(b) Date of Board approval for issuance of Instruments obtained: [ ]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Instruments)*

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date  
*(Amend appropriately in the case of irregular coupons)*
- (iii) Fixed Coupon Amount(s) for Instruments in definitive form (in relation to Instruments in global form, see the Conditions): [ ] per Calculation Amount
- (iv) Broken Amount(s) for Instruments in definitive form (in relation to Instruments in global form, see the Conditions): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Date(s): [[ ] in each year] [Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
15. **Floating Rate Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ], subject to adjustment in accordance with the Business Day Convention set out in (ii) below/, not subject to any adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issue and Paying Agent): [ ]
- (vi) Screen Rate Determination:  
Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR]  
Relevant Financial Centre: [London/Brussels/specify the Relevant Financial Centre]

Interest Determination Date(s): [            ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*

Relevant Screen Page: [            ]  
*(In the case of EURIBOR, if not Reuters, EURIBOR 01; ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)*

(vii) ISDA Determination:  
 Floating Rate Option: [            ]  
 Designated Maturity: [            ]  
 Reset Date: [            ]  
*(in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*

(viii) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)

(ix) Margin(s): [ +/- ] [   ] per cent. per annum

(x) Minimum Rate of Interest: [            ] per cent. per annum

(xi) Maximum Rate of Interest: [            ] per cent. per annum

(xii) Day Count Fraction: [[Actual/Actual – (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond basis] [30E/360 (ISDA)]

16. **Zero Coupon Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Accrual Yield: [     ] per cent. per annum

(ii) Reference Price: [            ]

(iii) Day Count Fraction in relation to Early Redemption Amounts and late payment: [30/360] [Actual/360] [Actual/365]

**PROVISIONS RELATING TO REDEMPTION**

17. Issuer Call: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Optional Redemption Date: [            ]

(ii) Optional Redemption Amount of each Instrument: [     ] per Calculation Amount

- (iii) If redeemable in part:
- (a) Minimum Redemption [ ] Amount:
- (b) Maximum Redemption [ ] Amount:
18. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date: [ ]
- (ii) Optional Redemption Amount of [ ] per Calculation Amount each Instrument:
19. Investor Put on Change of Control: [Applicable/Not Applicable]
20. Final Redemption Amount of each [ ] per Calculation Amount Instrument:
21. Early Redemption Amount of each Instrument [ ] per Calculation Amount payable on redemption for taxation reasons or on event of default:

**GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS**

22. (i) Form of Instruments: [Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for definitive Bearer Instruments and/or Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Instrument exchangeable for definitive Bearer Instruments and/or Registered Instruments on and after the Exchange Date]
- [Permanent Global Instrument exchangeable for definitive Bearer Instruments and/or Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Global Registered Instrument ([ ] nominal amount (*specify nominal amount*)) [registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Book Entry Instruments]
- (Ensure that this is consistent with the wording in the Provisions relating to the Instruments (other than Book Entry Instruments) while in Global Form section in the Base Prospectus and the Instruments themselves. The 'exchange upon 60 days' notice' option should not be expressed to be applicable if the Specified Denomination in paragraph 6 includes language*

*substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Instruments which is to be represented on issue by a Temporary Global Instrument exchangeable for Definitive Instruments or by a Permanent Global Instrument exchangeable for Definitive Instruments upon 60 days' notice.)*

- (ii) New Global Note: [Yes/No] [N.B. Not applicable to Book Entry Instruments]
23. Additional Financial Centre(s): [Not Applicable] [give details]
- (Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which sub-paragraphs 16(iii) relates)*
24. Talons for future Coupons or Receipts to be attached to definitive Bearer Instruments: [Yes, as the Instruments have more than 27 coupon payments Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made /No.]
25. Details relating to Instalment Instruments:
- (i) Instalment Amount(s): [Not Applicable] [give details]
- (ii) Instalment Date(s): [Not Applicable] [give details]

### THIRD PARTY INFORMATION

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Application for listing and admission to trading: [Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin for the Instruments to be admitted to the Official List and to trading on its regulated market.]/[Application has been made for the Instruments to be admitted to trading on Euronext Lisbon.]/[Not Applicable]
- (ii) Date from which admission is expected to be effective: [ ]
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: [The Instruments to be issued have not been specifically rated.]/[The Instruments to be issued have been assigned the following ratings by:
- [Moody's: [ ]]
- [Standard & Poor's: [ ]]
- [Fitch: [ ]].

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer], so far as the Issuer is aware, no person involved in the issue of the Instruments has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business] [*Amend as appropriate if there are other interests*]

[*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*]

### 4. YIELD

- Indication of yield: [ ]
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5. OPERATIONAL INFORMATION

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) CFI: [ ]/[Not Applicable]
- (iv) FISN: [ ]/[Not Applicable]
- [*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable"*]
- (v) Any clearing system(s) other than Euroclear, Clearstream Luxembourg and Interbolsa-Sociedade Gestora Sistemas de Liquidação & de Sistemas Centralizados de Valores Mobiliários, S.A., as operator of the [Not Applicable] [*give name(s)*]

Central de Valores Mobiliários

- (vi) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility:
- [Yes. Note that the designation "yes" simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [include this text for registered instruments] and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [Include this text if the Instruments are intended to be held in a manner which would allow Eurosystem eligibility and are not Book- Entry Instruments]
- [Yes. Note that the designation "yes" simply means that the Instruments are intended upon time to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity of securities settlement system and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [Include this text if the Instruments are intended to be held in a manner which would allow Eurosystem Eligibility and are Book-Entry Instruments.]
- [No. While the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [include this text for registered instruments]. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [Include this text if the Instruments are not intended to be held in a manner which would allow Eurosystem eligibility at the date of the Final Terms and are not Book-Entry Instruments.]
- [No] [If the Instruments are not intended to be held in a manner which would allow Eurosystem eligibility and are book-entry Instruments.]

6. **DISTRIBUTION**

- (i) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]
- (ii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]  
*(If the Instruments clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Instruments may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
- (iii) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]  
*(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)*

7. **EU BENCHMARKS REGULATION**

Relevant Benchmark[s]: [[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [administrator legal name] [appears]/[does not appear]] [repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within scope of the Benchmarks Regulation]/[As far as the Issuer is aware, the transitional provisions of Article 51 of the Benchmarks Regulation apply, such that [administrator legal name][repeat as necessary] is not currently required to obtain authorisation/registration]/ [Not Applicable]

## TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following are the Terms and Conditions of the Instruments which as supplemented, modified or replaced in relation to any Instruments, will be applicable to each Series of Instruments. Certain provisions relating to the Instruments while in global form, and certain modifications of these Terms and Conditions applicable to Instruments while in global form, are described in the section entitled "Provisions relating to the Instruments while in Global Form".*

This Instrument is one of a Series (as defined below) of Instruments issued by an Issuer (the "Issuer") which will be, as specified in the Final Terms (as defined below), either EDP – Energias de Portugal, S.A. ("EDP") or EDP Finance B.V. ("EDP B.V.") and (except in the case of Instruments issued by EDP in book-entry form ("Book Entry Instruments")) constituted by an amended and restated Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated on or around 5 September 2017 made between EDP, EDP B.V. and Deutsche Trustee Company Limited (the "Trustee", which expression shall include any successor as Trustee). Book Entry Instruments are integrated in the Interbolsa book-entry system and governed by these conditions, certain provisions of the Trust Deed as provided therein and a deed poll given by EDP in favour of the holders of Book Entry Instruments dated on or around 5 September 2017 (the "Interbolsa Instrument").

References herein to the "Instruments" shall be references to the Instruments of this Series. As used herein, "Tranche" means Instruments which are identical in all respects (including as to listing) and "Series" means a Tranche of Instruments together with any further Tranche or Tranches of Instruments which are (1) expressed to be consolidated and form a single series and (2) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Instruments, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Issue and Paying Agency Agreement (such Amended and Restated Issue and Paying Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 5 September 2017 and made between EDP, EDP B.V., Deutsche Bank AG, London Branch as issue and principal paying agent and agent bank (the "Issue and Paying Agent", which expression shall include any successor agent), Deutsche Bank Luxembourg S.A. as registrar in respect of Instruments in registered form and as paying agent (the "Registrar" which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee. In the case of Book Entry Instruments, Deutsche Bank Aktiengesellschaft – Sucursal em Portugal will be the paying agent in Portugal (the "Portuguese Paying Agent").

References to the "Final Terms" are, unless otherwise stated, to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Instrument.

In respect of Instruments issued by EDP B.V., EDP B.V. has the benefit of a Keep Well Agreement (the "Keep Well Agreement") also dated 14 March 2001 between EDP and EDP B.V.

Subject as provided in the Interbolsa Instrument the Trustee acts for the benefit of the Holders (as defined below) for the time being of the Instrument, of the Receipts (as defined below) of the Coupons (as defined below) (which expression shall, unless the context otherwise requires, include the holders of the Talons (as defined below)), and in the case of Book Entry Instruments, the persons shown in the individual securities accounts held with an Affiliate Member of Interbolsa (defined below) (the "Book Entry Instrumentholders", and, together with the holders of Instruments other than Book Entry Instruments, the "Holders", which expression shall, in relation to any Instruments represented by a Global Instrument, be construed as provided below) all in accordance with the provisions of the Trust Deed. "Affiliate Member of Interbolsa" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depositary banks appointed by Euroclear Bank SA/NV ("Euroclear Bank") and/or Clearstream Banking S.A. ("Clearstream, Luxembourg") for the purpose of holding such accounts with Interbolsa on behalf of Euroclear Bank and Clearstream, Luxembourg.

Copies of the Trust Deed, the Agency Agreement, the Interbolsa Instrument and the Keep Well Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at 5 September 2017 at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified office of each of the Paying Agents. If the Instruments are to be admitted to trading on the Main Securities Market the Final Terms will be published on the websites of the Irish Stock Exchange

([www.ise.ie](http://www.ise.ie)) and Central Bank ([www.centralbank.ie](http://www.centralbank.ie)). The Holders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Keep Well Agreement and the Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed or, in the case of Book Entry Instruments, the Interbolsa Instrument and those provisions of the Trust Deed applicable to them.

Words and expressions defined in the Trust Deed, the Interbolsa Instrument or the Agency Agreement or used in the Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the Final Terms, the Final Terms will prevail.

## **1. Form and Denomination**

### ***A: Instruments other than Book Entry Instruments***

- 1.1. Form: Instruments are issued in bearer form ("Bearer Instruments") or in registered form ("Registered Instruments"), as specified in the Final Terms and are serially numbered. Registered Instruments are not exchangeable for Bearer Instruments.
- 1.2. Coupons and Talons: Interest-bearing Bearer Instruments have attached thereto, at the time of their initial delivery, coupons ("Coupons"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, if so specified in the Final Terms, such Instruments have attached thereto, at the time of their initial delivery, a talon ("Talon") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.
- 1.3. Interest Basis: This Instrument may be a Fixed Rate Instrument, a Floating Rate Instrument or a Zero Coupon Instrument, or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.
- 1.4. Redemption/Payment Basis: This Instrument may be an Instalment Instrument, depending on the Redemption/Payment Basis shown in the Final Terms.
- 1.5. Instalment Instruments: Bearer Instruments, the principal amount of which is repayable by instalments ("Instalment Instruments") have attached thereto, at the time of their initial delivery, payment receipts ("Receipts") in respect of the instalments of principal.
- 1.6. Denomination of Bearer Instruments: Bearer Instruments are in the Specified Denomination or Denominations (each of which denominations is integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Instruments of one denomination may not be exchanged for Bearer Instruments of any other denomination.
- 1.7. Specified Denomination of Registered Instruments: Registered Instruments are in the minimum Specified Denomination specified in the Final Terms or integral multiples thereof.
- 1.8. Currency of Instruments: The Instruments are denominated in such Specified Currency as may be specified in the Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

### ***B: Book Entry Instruments***

- 1.9. *Form*: The Book Entry Instruments are issued in dematerialised book-entry form (*forma escritural*) and are *nominativas* (in which case Interbolsa, at the request of the Issuer, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Holders and transmit such information to the Issuer).
- 1.10. *Registration*: The Book Entry Instruments will be registered by Interbolsa – Sociedade Gestora de Sistemas de Liquidação de Sistemas Centralizados de Valores Mobiliários, S.A. ("Interbolsa") as management entity of the Portuguese Centralised System of Registration of Securities (*Central de Valores Mobiliários*) ("CVM"). Each person shown in the individual securities accounts held with an Affiliate Member of Interbolsa as having an interest in the Instruments shall be considered the holder of the principal amount of Instruments recorded except as otherwise required by law. One or more certificates in relation to the Book Entry Instruments (each a "Certificate") will be delivered by the relevant Affiliate Member of Interbolsa in respect of its holding of Instruments upon the request by the

relevant Instrument holder and in accordance with that Affiliate Member of Interbolsa's procedures and pursuant to article 78 of the Portuguese Securities Code (*Código dos Valores Mobiliários*).

- 1.11. *Interest Basis*: Each Book Entry Instrument may be a Fixed Rate Instrument, a Floating Rate Instrument, a Zero Coupon Instrument or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.
- 1.12. *Redemption/Payment Basis*: Each Book Entry Instrument may be an Instalment Instrument, depending on the Redemption/Payment Basis shown in the Final Terms.
- 1.13. *Denomination of Book Entry Instruments*: Book Entry Instruments are in the Specified Denomination or Denominations specified in the Final Terms. Book Entry Instruments of one denomination may not be exchanged for Book Entry Instruments of any other denomination.
- 1.14. *Currency of Instruments*: The Book Entry Instruments will be denominated in Euro or in such other currency as can be settled through Interbolsa, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

In these Conditions, "Book Entry Instrumentholder" and "holder" for the purposes of Book Entry Instruments means the person in whose name a Book Entry Instrument is registered in the relevant individual securities accounts held with an Affiliate Member of Interbolsa.

## **2. Title and Transfer**

- 2.1. *Title to Bearer Instruments*: Title to Bearer Instruments, Receipts and Coupons passes by delivery. References herein to the "Holders" of Bearer Instruments or of Receipts or Coupons are to the bearers of such Bearer Instruments or such Receipts or Coupons.
- 2.2. *Title to Registered Instruments*: Title to Registered Instruments passes by registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the "Holders" of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.
- 2.3. *Holder as Owner*: The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.
- 2.4. *Transfer of Registered Instruments*: A Registered Instrument may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum Specified Denomination) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any other Paying Agent. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor.
- 2.5. *Exchange of Bearer Instruments*: If so specified in the Final Terms, the Holder of Bearer Instruments may exchange the same for the same aggregate nominal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Registrar or of any other Paying Agent together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.6) where the exchange date would, but for the provisions of Condition 2.6, occur between the Record Date (as defined in Condition 6.4) for such payment of interest and the date on which such payment of interest falls due.
- 2.6. *New Registered Instruments*: Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will, within five Relevant Banking Days of the transfer date or, as the case may be, the exchange date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the

Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or another Paying Agent after the Record Date in respect of any payment due in respect of Registered Instruments shall be deemed not to be effectively received by the Registrar or such other Paying Agent until the day following the due date for such payment. For the purposes of these Terms and Conditions:

- (a) "Relevant Banking Day" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument where such request for exchange is made to another Paying Agent, in the place where the specified office of such Paying Agent is located;
- (b) the "exchange date" shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.5; and
- (c) the "transfer date" shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.4.

**2.7.** *No Charges upon Transfer or Exchange:* The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the Issuer, the Registrar or any other Paying Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Registrar or such other Paying Agent may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

**2.8.** *Transfer of Book Entry Instruments:* Title to the Book Entry Instruments passes upon registration in the relevant individual securities accounts held with an Affiliate Member of Interbolsa. Any Book Entry Instrumentholder will (except as otherwise required by law) be treated as its absolute owner for all purposes and no person will be liable for so treating the Book Entry Instrumentholder.

### **3. Status of the Instruments**

**3.1.** *Status of the Instruments:* The Instruments and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.

### **4. Negative Pledge**

So long as any of the Instruments remains outstanding (as defined in the Trust Deed), neither the Issuer nor, if EDP B.V. is the Issuer, EDP will create or, save only by operation of law, have outstanding any mortgage, lien, pledge or other charge (each a "Security Interest") other than any Permitted Security (as defined below) upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital) to secure any Loan Stock of any Person or to secure any obligation of any Person under any guarantee of or indemnity or purchase of indebtedness undertaking in respect of any Loan Stock of any other Person without at the same time or prior thereto at the option of the Issuer or, if the Issuer is EDP B.V., EDP either (1) securing the Instruments or securing EDP's obligations under the Keep Well Agreement in each case equally and rateably with such Loan Stock, guarantee, indemnity or purchase of indebtedness undertaking to the satisfaction of the Trustee or (2) providing such other security for or other arrangement in respect of the Instruments or EDP's obligations under the Keep Well Agreement as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Holders or which shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

For the purposes of these Terms and Conditions:

"Loan Stock" means indebtedness (other than the Instruments) having an original maturity of more than one year which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other debt securities (not comprising, for the avoidance of doubt, preference shares or other equity securities) which for the time being are, or are intended to be with the consent of the issuer thereof, quoted, listed, ordinarily dealt in

or traded on any stock exchange and/or quotation system or by any listing authority or other established securities market other than any such indebtedness where the majority thereof is initially placed with investors domiciled in Portugal and who purchase such indebtedness in Portugal.

"Permitted Security" means:

- (i) in the case of a consolidation or merger of EDP with or into another company (the "Combining Company") any Security Interest over assets of EDP if it is the surviving company or the company (if other than EDP) surviving or formed by such consolidation or merger provided that: (1) such Security Interest was created by the Combining Company over assets owned by it; (2) such Security Interest is existing at the time of such consolidation or merger; (3) such Security Interest was not created in contemplation of such consolidation or merger; and (4) the amount secured by such Security Interest is not increased thereafter; or
- (ii) any Security Interest on or with respect to assets (including but not limited to receivables) of the Issuer or, if EDP B.V. is the Issuer, EDP which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the indebtedness secured by such Security Interest or the indebtedness in respect of any guarantee or indemnity which is secured by such Security Interest is limited to the value of such assets; or
- (iii) any Security Interest securing any indebtedness incurred in relation to any asset for the purpose of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to whom such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or such asset (or any derivative asset thereof) and/or the shares held in such project borrower.

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state, agency of a state or other entity, whether or not having separate legal personality.

## **5. Interest**

The Final Terms will indicate whether the Instruments are Fixed Rate Instruments, Floating Rate Instruments or Zero Coupon Instruments.

### **5A. Interest on Fixed Rate Instruments**

This Condition 5A applies to Fixed Rate Instruments only. The Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5A for full information on the manner in which interest is calculated on Fixed Rate Instruments. In particular, the Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Instrument bears interest from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date. For so long as any of the Fixed Rate Instruments is represented by a Global Instrument interest will be calculated on the aggregate outstanding nominal amount of the Fixed Rate Instruments represented by such Global Instrument. In respect of each definitive Fixed Rate Instrument, interest will be calculated on its outstanding nominal amount. Interest on Fixed Rate Instruments which are Book Entry Instruments will be calculated on the full outstanding nominal amount of the Fixed Rate Instruments and will be paid to the Affiliate Members of Interbolsa for distribution by them to the accounts of entitled Book Entry Instrumentholders in accordance with Interbolsa's usual rules and operating procedures.

If Instruments are in definitive form, except as provided in the Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the Final Terms, amount to the Broken Amount so specified.

Except in the case of Instruments in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Instruments which are represented by a Global Instrument, the aggregate outstanding nominal amount of the Fixed Rate Instruments represented by such Global Instrument; or
- (B) in the case of Fixed Rate Instruments in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Instrument in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Instrument shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Fixed Interest Period:

- (i) if "Actual/Actual (ICMA)" is specified in the Final Terms:
  - (a) in the case of Instruments where the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
  - (b) in the case of Instruments where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and
- (iii) if "Actual/365" or "Actual/Actual (ISDA)" is specified in the Final Terms, the actual number of days in the Fixed Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Fixed Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Fixed Interest Period falling in a non-leap year divided by 365).

In these Conditions:

"Determination Period" means the period from and including a Determination Date to but excluding the next Determination Date;

"Fixed Interest Period" means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date; and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

## **5B. Interest on Floating Rate Instruments**

This Condition 5B applies to Floating Rate Instruments only. The Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 5B for full information on the manner in which interest is calculated on Floating Rate Instruments. In particular, the Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Issue and Paying Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

**5B.1** *Interest Payment Dates:* Each Floating Rate Instrument bears interest from and including the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) (each an "Interest Payment Date") in each year specified in the Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the Final Terms, each date (each an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Terms and Conditions, "Interest Period" means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date). For so long as any of the Floating Rate Instruments is represented by a Global Instrument held on behalf of Clearstream, Luxembourg and/or Euroclear Bank, interest will be calculated on the aggregate outstanding nominal amount of the Instruments represented by such Global Instrument. In respect of each definitive Floating Rate Instrument, interest will be calculated on its outstanding nominal amount. Interest on Floating Rate Instruments which are Book Entry Instruments will be calculated on the full outstanding nominal amount of the Floating Rate Instruments will be paid to the Affiliate Members of Interbolsa for distribution by them to the accounts of entitled Instrumentholders in accordance with Interbolsa's usual rules and operating procedures.

If a Business Day Convention is specified in the Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5B.1(i) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "Business Day" means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open.

**5B.2** *Rate of Interest:* The Rate of Interest payable from time to time in respect of Floating Rate Instruments will be determined in the manner specified in the Final Terms (which shall specify whether ISDA Determination or Screen Rate Determination is applicable).

**5B.3** *ISDA Determination for Floating Rate Instruments:* Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this Condition **5B.3**, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the Instruments, published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions")) and under which:

- (1) the Floating Rate Option is as specified in the Final Terms;
- (2) the Designated Maturity is a period specified in the Final Terms; and
- (3) the relevant Reset Date is the day specified in the Final Terms.

For the purposes of this sub-paragraph 5B.3, "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

**5B.4** *Screen Rate Determination for Floating Rate Instruments:* Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question plus or minus (as indicated in the Final Terms) the Margin (if any), all as determined by the Issue and Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Issue and Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR), the Issue and Paying Agent shall request each of the Reference Banks to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issue and Paying Agent provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest

Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

**5B.5** *Minimum Rate of Interest and/or Maximum Rate of Interest:* If the Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Conditions 5B.2, 5B.3 or 5B.4 above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Conditions 5B.2, 5B.3 or 5B.4 is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**5B.6** *Determination of Rate of Interest and calculation of Interest Amounts:* The Issue and Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Issue and Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Instruments in respect of each Specified Denomination for the relevant Interest Period.

The Issue and Paying Agent will calculate the amount of interest ("Interest Amount") payable on the Floating Rate Instruments for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Instruments which are represented by a Global Instrument, the aggregate outstanding nominal amount of the Instruments represented by such Global Instrument; or
- (B) in the case of Floating Rate Instruments in definitive form, the Calculation Amount,

and, in each case multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Instrument in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Instrument shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if "Actual/Actual" or "Actual/Actual (ISDA)" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if "30E/360 (ISDA)" is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (1) that day is the last day of February or (2) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (1) that day is the last day of February but not the Maturity Date or (2) such number would be 31 and D<sub>2</sub> will be 30.

- 5B.7** *Notification of Rate of Interest and Interest Amounts:* The Issue and Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Instruments are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock

exchange or other relevant authority on which the relevant Floating Rate Instruments are for the time being listed or by which they have been admitted to listing and to the Holders in accordance with Condition 15. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

#### **5B.8** *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Issue and Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Issue and Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"Designated Maturity" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

**5B.9** *Determination or calculation by Trustee:* If for any reason at any time the Issue and Paying Agent defaults in its obligations to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with the provisions of Conditions 5B.3 or 5B.4 above, as the case may be, and in each case, in accordance with paragraph 5(iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum or Maximum Rate of Interest specified in the Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent.

**5B.10** *Certificates to be final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5B, whether by the Issue and Paying Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, EDP (if the Issuer is EDP B.V.), the Issue and Paying Agent, the other Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Issuer, EDP (if the Issuer is EDP B.V.) or the Holders shall attach to the Issue and Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### **5C. Accrual of interest**

Each Instrument (or, in the case of the redemption of part only of an Instrument, that part only of such Instrument) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, if applicable, or, in the case of a Book Entry Instrument presentation of the relevant Certificate in respect thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

### **6. Payments**

**6.1.** *Method of payment:* Subject and except as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency; and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Subject always to Condition 8 (*Taxation*), payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required

pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

**6.2.** *Presentation of Bearer Instruments, Receipts and Coupons:* Payments of principal in respect of Bearer Instruments will (subject as provided below) be made in the manner provided in Condition 6.1 above only, where applicable, against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Bearer Instruments, and payments of interest in respect of Bearer Instruments will (subject as provided below) be made as aforesaid only, where applicable, against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of Bearer Instruments, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Instrument in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Instrument to which it appertains. Receipts presented without the definitive Instrument to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Instrument becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Instruments in bearer form (other than Long Maturity Instruments (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Instrument in bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Instrument or Long Maturity Instrument in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Instrument" is a Fixed Rate Instrument (other than a Fixed Rate Instrument which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Instrument shall cease to be a Long Maturity Instrument on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Instrument.

Other than in respect of Book Entry Instruments, if the due date for redemption of any Instrument is not an Interest Payment Date, interest (if any) accrued in respect of such Instrument from and including the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Bearer Instrument.

Payments in respect of the Book Entry Instruments will be made by transfer to the registered account of the holders maintained by or on behalf of them with a bank that processes payments in the relevant currency, details of which appear in the records of the relevant Affiliate Members of Interbolsa at the close of business on the Payment Day (as defined in Condition 6.5 below) before the due date for payment of principal and/or interest.

**6.3.** *U.S. Paying Agent:* Notwithstanding the foregoing provisions of Condition 6.2, if any amount of principal and/or interest in respect of Instruments is payable in U.S. dollars, such U.S. dollar payments of

principal and/or interest in respect of such Instruments will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Instruments in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer or, if the Issuer is EDP B.V., EDP – Energias de Portugal, S.A.

**6.4.** *Registered Instruments:* Payments of amounts (including accrued interest) due on the final redemption of Registered Instruments will be made against presentation and, save in the case of a partial redemption, surrender of the relevant Registered Instruments at the specified office of the Registrar.

Payments of amounts (whether principal, interest or otherwise) due in respect of Registered Instruments will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar (1) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (2) where in definitive form, as at close of business (Luxembourg time) on the fifteenth Luxembourg business day (the "Record Date") before the due date for such payment provided that the amounts due in respect of Registered Instruments under Condition 10 will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in such register as at opening of business (Luxembourg time) on the date on which such payment is made.

**6.5.** *Payment Day:* If the date for payment of any amount in respect of any Instrument, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Financial Centre specified in the Final Terms and, in the case of Instruments in definitive form only, in the relevant place of presentation, or, in the case of Book Entry Instruments, in Portugal; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, and any Additional Financial Centre) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

**6.6.** *Interpretation of principal and interest:* Any reference in these Terms and Conditions to principal in respect of the Instruments shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Instruments;
- (iii) the Early Redemption Amount of the Instruments;
- (iv) the Optional Redemption Amount(s) (if any) of the Instruments;
- (v) in relation to Instruments redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Instruments, the Amortised Face Amount (as defined in Condition 7.6); and

- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Instruments.

Any reference in these Terms and Conditions to interest in respect of the Instruments shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertakings or covenants given in addition thereto or in substitution thereof pursuant to the Trust Deed.

## **7. Redemption and Purchase**

**7.1.** *Redemption at maturity:* Unless previously redeemed or purchased and cancelled as specified below, each Instrument will be redeemed by the Issuer at its outstanding nominal amount in the relevant Specified Currency on the Maturity Date.

**7.2.** *Redemption for tax reasons:* Subject to Condition 7.6, the Instruments may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Instrument is not a Floating Rate Instrument) or on any Interest Payment Date (if this Instrument is a Floating Rate Instrument), on giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) on the occasion of the next payment due under the Instruments, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the relevant Tax Jurisdiction (as defined in Condition 8) or any political subdivision of, or any authority in, or of, the relevant Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Instruments; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Instruments then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (1) a certificate signed by two Directors of EDP stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above in which event they shall be conclusive and binding on the Holders.

Instruments redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.6 belowtogether (if appropriate) with interest accrued to but excluding the date of redemption.

**7.3.** *Redemption at the option of the Issuer (Issuer Call):* This Condition 7.3 applies to Instruments which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an "Issuer Call". The Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7.3 for full information on any Issuer Call. In particular, the Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Instruments which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the Final Terms, the Issuer may, having given:

- (i) not less than 15 days nor more than 30 days' notice to the Holders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Issue and Paying Agent and the Trustee;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Instruments then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the Final Terms together, if appropriate, with interest accrued to but excluding the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Maximum Redemption Amount, in each case as may be specified in the Final Terms. In the case of a partial redemption of Instruments (other than Book Entry Instruments), the Instruments to be redeemed ("Redeemed Instruments") will be selected individually by lot not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date") in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). A list of the serial numbers of such Redeemed Instruments will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. Partial redemption of Book Entry Instruments shall be made in accordance with the applicable Interbolsa rules.

**7.4.** *Redemption at the option of the Holders (Investor Put):* This Condition 7.47.6 applies to Instruments which are subject to redemption prior to the Maturity Date at the option of the Instrumentholder, such option being referred to as an "Investor Put". The Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7.47.6 for full information on any Investor Put. In particular, the Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the Final Terms, upon the holder of any Instrument giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, in whole (but not in part), such Instrument on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to but excluding the Optional Redemption Date.

To exercise the right to require redemption of this Instrument the holder of this Instrument must deliver (1) (in the case of Instruments in definitive form) to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or (2) (in all other cases) a notice to the Paying Agent or Transfer Agent or Registrar (as the case may be) in accordance with the standard procedures of Clearstream, Luxembourg, Euroclear Bank and/or Interbolsa or any common depository or custodian for them stating the principal amount of the Instruments in respect of which such option is exercised (a "Put Notice") in which the holder must specify a bank account to which payment is to be made under this Condition together in the case of Bearer Instruments with the Instruments. No deposit of Instruments will be required in respect of Book Entry Instruments.

**7.5.** *Redemption at option of Holders on Change of Control (Investor Put on Change of Control):* If at any time while any Instruments remain outstanding there occurs a Change of Control and within the Change of Control Period a Rating Downgrade as a result of that Change of Control occurs (together, a "Put Event"), each Holder will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Instruments in accordance with Condition 7.2 (*Redemption for tax reasons*)) to require the Issuer to redeem each of the Instruments held by such Holder on the Mandatory Redemption Date at its principal amount together with interest accrued to but excluding the Mandatory Redemption Date, such option being referred to as an "Investor Put on Change of Control".

Upon EDP becoming aware that a Put Event has occurred EDP shall promptly notify the Issuer of such fact and the Issuer shall give notice (a "Put Event Notice") to the Holders in accordance with Condition 15 (*Notices*) specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option set out in this Condition 7.5.

To exercise the option to require redemption of an Instrument under this Condition 7.5 the holder of this Instrument must, if this Instrument is in definitive form and held outside Euroclear Bank and Clearstream, Luxembourg, deliver such Instrument, on any business day in the city of the specified office of the relevant Paying Agent falling within the Put Period, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "Put Option Notice") and in which the holder must specify a bank account to which payment is to be made under this Condition 7.5. The Instrument should be delivered together with all Coupons appertaining thereto maturing after the Mandatory Redemption Date failing which an amount will be deducted

from the payment to be made by the Issuer on redemption of the Instruments corresponding to the aggregate amount payable in respect of such missing Coupons.

If this Instrument is represented by a Global Instrument or is in definitive form and held through Euroclear Bank or Clearstream, Luxembourg, to exercise the right to require redemption, purchase of an Instrument under this Condition 7.50 the holder of the Instrument must, within the Put Period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of Euroclear Bank and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear Bank or Clearstream, Luxembourg or any common depository for them to the Paying Agent by electronic means) in a form acceptable to Euroclear Bank and Clearstream, Luxembourg from time to time and, if this Instrument is represented by a Global Instrument, at the same time present or procure the presentation of the relevant Global Instrument to the Paying Agent for notation accordingly.

The Paying Agent to which such Instrument and Put Option Notice are delivered will issue to the holder concerned a non-transferable receipt (a "Put Option Receipt") in respect of the Instrument so delivered. The Issuer shall redeem the Instruments in respect of which Put Option Receipts have been issued on the Mandatory Redemption Date, unless previously redeemed and purchased. Payment in respect of any Put Option Receipt will be made on the Mandatory Redemption Date by transfer to the bank account (if any) specified in the Put Option Notice and in every other case on or after the Mandatory Redemption Date, in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 7.5.

For the purposes of this Condition:

A "Change of Control" shall be deemed to have occurred at each time (whether or not approved by the Management Board or Supervisory Board of EDP) that any person (or persons) ("Relevant Person(s)") acting in concert or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly:

- (i) acquires or becomes entitled to exercise control over EDP; or
- (ii) acquires or owns, directly or indirectly more than 50 per cent. of the issued voting share capital of EDP,

provided that the foregoing shall not include the control, or ownership of issued voting share capital, exercisable by and/or owned by the Portuguese Republic, or by the Portuguese Republic and/or by any entity or entities (together or individually) controlled by the Portuguese Republic from time to time, or in respect of which the Portuguese Republic owns directly or indirectly more than 50 per cent. of the issued voting share capital.

A Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person(s) are also, or immediately prior to the event which would otherwise constitute a Change of Control were, all of the shareholders of EDP.

"Change of Control Period" means the period ending 120 days after the Date of Announcement.

"Date of Announcement" means the date of the public announcement that a Change of Control has occurred.

"Investment Grade Rating" means a rating of at least BBB- (or equivalent thereof) in the case of S&P or a rating of at least BBB- (or equivalent thereof) in the case of Fitch or a rating of at least Baa3 (or equivalent thereof) in the case of Moody's or the equivalent in the case of any other Rating Agency.

"Investment Grade Securities" means Rated Securities which have an Investment Grade Rating from each Rating Agency that assigns a rating to such Rated Securities.

"Mandatory Redemption Date" is the seventh day after the last day of the Put Period.

"Put Period" means the period of 45 days from and including the date on which a Put Event Notice is given.

"Rated Securities" means:

- (i) the Instruments; or
- (ii) such other comparable long-term debt of the Issuer or EDP selected by the Issuer from time to time for the purpose of this definition which possesses a rating by any Rating Agency.

"Rating Agency" means Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), Fitch Ratings Limited ("Fitch") and Moody's Investors Services Limited ("Moody's") or any of their respective successors or any other rating agency of equivalent international standing specified from time to time by EDP.

"Rating Downgrade" means either:

- (i) within the Change of Control Period:
  - (a) any rating assigned to the Rated Securities is withdrawn; or
  - (b) the Rated Securities cease to be Investment Grade Securities; or
  - (c) (if the rating assigned to the Rated Securities by any Rating Agency which is current at the Date of Announcement is below an Investment Grade Rating) that rating is lowered one full rating notch by any Rating Agency (for example from BB+ to BB by S&P or Fitch and Ba1 to Ba2 by Moody's or such similar lower of equivalent rating),

provided that no Rating Downgrade shall occur by virtue of a particular withdrawal of or reduction in rating unless the Rating Agency withdrawing or making the reduction in the rating announces or confirms that the withdrawal or reduction was the result, in whole or in part, of the relevant Change of Control; or

- (ii) if at the time of the Date of Announcement, there are no Rated Securities and either:
  - (a) EDP does not use all reasonable endeavours to obtain, within 45 days of the Date of Announcement, from a Rating Agency a rating for the Rated Securities; or
  - (b) if EDP does use such endeavours, but, as a result of such Change of Control, at the expiry of the Change of Control Period there are still no Investment Grade Securities and the Rating Agency announces or confirms in writing that its declining to assign an Investment Grade Rating was the result, in whole or in part, of the relevant Change of Control.

**7.6.** Early Redemption Amounts: For the purpose of Condition 7.2 above and Condition 10, each Instrument will be redeemed at the Early Redemption Amount calculated as follows:

- (i) at the amount specified in the Final Terms or, if no such amount is so specified in the Final Terms, at its nominal amount; or
- (ii) in the case of a Zero Coupon Instrument, at an amount (the "Amortised Face Amount") equal to the sum of the Reference Price and the product of the Accrual Yield (compounded annually) being applied to the Reference Price from and including the Issue Date of the first Tranche of the Instruments to but excluding the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of the Day Count Fraction specified in the Final Terms which will be either (1) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Instruments to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable and the denominator will be 360) or (2) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Instruments to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable and the denominator will be 360) or (3) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Instruments to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable and the denominator will be 365).

**7.7.** *Instalments:* Instalment Instruments will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.67.7. *Purchases:* EDP or any subsidiary of EDP may at any time purchase Instruments (provided that, in the case of Bearer Instruments, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such

Instruments may be held, reissued, resold or, at the option of EDP, surrendered to any Paying Agent for cancellation.

**7.8.** *Cancellation:* All Instruments which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption (or in accordance with Interbolsa regulations in the case of Book Entry Instruments)). All Instruments so cancelled and Instruments purchased and cancelled pursuant to Condition 7.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Issue and Paying Agent (save in the case of Book Entry Instruments) and cannot be reissued or resold.

**7.9.** *Late payment on Zero Coupon Instruments:* If the amount payable in respect of any Zero Coupon Instrument upon redemption of such Zero Coupon Instrument pursuant to Condition 7.1, 7.2, 7.3, 7.6 or 7.5 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Instrument shall be the amount calculated as provided in Condition 7.6(ii) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Instrument becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Instrument have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Instrument has been received by the Issue and Paying Agent or the Trustee and notice to that effect has been given to the Holders in accordance with Condition 15.

## **8. Taxation**

All payments of principal and interest in respect of the Instruments, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Instruments, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Instruments, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Instrument, Receipt or Coupon:

- (i) presented for payment by or on behalf of a Beneficial Owner who is liable for such taxes or duties in respect of such Instrument, Receipt or Coupon by reason of his having some connection with the relevant Tax Jurisdiction other than the mere holding of such Instrument, Receipt or Coupon;
- (ii) presented for payment in the case of a Bearer Instrument, in the relevant Tax Jurisdiction;
- (iii) presented for payment in the case of a Bearer Instrument more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6);
- (iv) where such withholding or deduction is imposed on a payment to an individual who has not fulfilled the formal requirements for the exemption of withholding tax under European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (v) presented for payment by or on behalf of a Beneficial Owner who would have been able to avoid such withholding or deduction by presenting the relevant Instrument, Receipt or Coupon to another Paying Agent in a Member State of the European Union;
- (vi) presented for payment by or on behalf of a Beneficial Owner of Instruments, Receipts or Coupons who would not be liable for or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority;

- (vii) where the Issuer is EDP, presented for payment by or on behalf of a Beneficial Owner of Instruments, Receipts or Coupons particularly in respect of whom the information required in order to comply with the special tax regime approved by Decree-Law no. 193/2005 of 7 November ("Decree-Law no. 193/2005"), and any implementing legislation, is not received prior to the Relevant Date;
- (viii) where the Issuer is EDP, presented for payment by or on behalf of a Beneficial Owner of Instruments, Receipts or Coupons resident for tax purposes in the Tax Jurisdiction, or a resident in a country, territory or region subject to clearly a more favourable tax regime included in the list approved by Order no. 150/2004, of 13 February 2004 (Portaria do Ministro das Finanças e da Administração Pública no. 150/2004) as amended from time to time, issued by the Portuguese Minister of Finance and Public Administration, with the exception of (a) central banks and governmental agencies as well as international institutions recognised by the Tax Jurisdiction of those tax haven jurisdictions and (b) tax haven jurisdictions which have a double taxation treaty in force or a tax information exchange agreement in force with Portugal, provided that all procedures and all information required under Decree-Law no. 193/2005 regarding (a) and (b) above are complied with;
- (ix) where the Issuer is EDP, presented for payment by or on behalf of (1) a Portuguese resident legal entity subject to Portuguese corporation tax (with the exception of entities that benefit from a Portuguese withholding tax waiver or from Portuguese income tax exemptions), or (2) a non-resident legal person with a permanent establishment in Portugal to which the income or gains obtained from the Instruments, Receipts or Coupons are attributable (with the exception of entities which benefit from a Portuguese withholding tax waiver);
- (x) where the Issuer is EDP, presented for payment by or on behalf of, a Holder (i) in respect to whom the information and documentation required by Portuguese law in order to comply with any applicable tax treaty is not received by the Issuer or by the Portuguese Paying Agent directly from the Holders before the date by which such documentation is to be provided to the Issuer under Portuguese law, and (ii) who is resident in one of the contracting states; or
- (xi) where such deduction or withholding is required pursuant to the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) and any intergovernmental agreement or implementing legislation adopted by another jurisdiction or any agreement with the U.S. Internal Revenue Service in connection with these provisions.

As used in these Terms and Conditions:

- (i) "Tax Jurisdiction" means in the case of EDP, the Portuguese Republic or any political subdivision or any authority thereof or therein having power to tax and, in the case of EDP B.V., the Netherlands or any political subdivision or any authority thereof or therein having power to tax or in either case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax in which EDP or, as the case may be, EDP B.V. becomes tax resident;
- (ii) the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issue and Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with Condition 15; and
- (iii) "Beneficial Owner" means the holder of the Instruments who is the effective beneficiary of the income attributable thereto.

## 9. Prescription

The Instruments (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6 or any Talon which would be void pursuant to Condition 6.

## 10. Events of Default

If any one or more of the following events (each an "Event of Default") shall occur and is continuing:

- (i) the Issuer fails to pay any amount of principal or interest due in respect of the Instruments or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (ii) the Issuer fails to perform or observe any of its other obligations under the Trust Deed or these Terms and Conditions or, if the Issuer is EDP B.V., EDP fails to perform or observe any of its obligations under the Trust Deed or these Terms and Conditions or (in the case of Book Entry Instruments) the Interbolsa Instrument and, save for in the case of Book Entry Instruments (A) such failure is, in the opinion of the Trustee, incapable of remedy or in respect of which, in the opinion of the Trustee, remedial action satisfactory to the Trustee cannot be taken or (B) such failure is, in the opinion of the Trustee capable of remedy or in respect of which, in the opinion of the Trustee, such remedial action can be taken and the failure continues for the period of 30 days (or such longer period as the Trustee may permit) after the Trustee has given written notice to the Issuer requiring the same to be remedied; or
- (iii) any other Indebtedness of EDP B.V. (if EDP B.V. is the Issuer) or EDP or any Indebtedness of any Material Subsidiary becomes due and payable prior to the stated maturity thereof as a result of a default thereunder or any such Indebtedness is not paid at the maturity thereof or any guarantee or indemnity in respect of Indebtedness or performance given by any such company is not honoured when due and called upon or any security interest, present or future, over the assets of any such company becomes enforceable provided that no such event in relation to such Indebtedness or any guarantee or indemnity in respect of such Indebtedness shall constitute an Event of Default unless the relative Indebtedness either alone or when aggregated with other Indebtedness relative to all (if any) other such events which shall have occurred shall amount to at least U.S.\$50,000,000 (or its equivalent in any other currency) and provided further that, for the purposes of this Condition 10(iii), neither EDP B.V. nor EDP nor any Material Subsidiary shall be deemed to be in default with respect to such Indebtedness, guarantee or security interest until expiration of the applicable grace or remedy period, if any, or if the Trustee is satisfied that it shall be contesting in good faith by appropriate means its liability to make payment thereunder; or
- (iv) any steps are taken with a view to the liquidation or dissolution of EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary, or EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary becomes insolvent or admits in writing its inability to pay its debts as and when the same fall due, or a receiver, liquidator or similar officer shall be appointed over all or any part of EDP B.V.'s (if EDP B.V. is the Issuer), EDP's or any Material Subsidiary's assets or an application shall be made for a moratorium or an arrangement with creditors of EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary or proceedings shall be commenced in relation to EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary under any legal reconstruction, readjustment of debts, dissolution or liquidation law or regulation, or a distress shall be levied or sued out upon all or any part of EDP B.V.'s (if EDP B.V. is the Issuer), EDP's or any Material Subsidiary's assets and shall remain undischarged for (60) days, or anything analogous to the foregoing shall occur under the laws of any applicable jurisdiction provided that, save in the case of Book Entry Instruments, no such event shall constitute an Event of Default if the Trustee is satisfied that it is being contested in good faith by appropriate means by EDP B.V. (if EDP B.V. is the Issuer), EDP or the relevant Material Subsidiary, as the case may be, and EDP or such Material Subsidiary or EDP B.V., as the case may be, has been advised by recognised independent legal advisers of good repute that it is reasonable to do so; or
- (v) save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Holders, EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary or EDP and the Material Subsidiaries (which for this purpose shall include EDP B.V. whether or not it is a Material Subsidiary at the relevant time) taken as a whole cease or threaten to cease to carry on the whole or a major part of the business conducted by it or them at the date on which agreement is reached to issue the first Tranche of the Instruments; or

- (vi) any authorisation, approval, consent, licence, decree, registration, publication, notarisation or other requirement of any governmental or public body or authority necessary to enable or permit EDP B.V. or EDP to comply with its obligations under the Instruments, the Trust Deed or the Keep Well Agreement or, if required for the validity or enforceability of any such obligations, is revoked, withdrawn or withheld or otherwise fails to remain in full force and effect or any law, decree or directive of any competent authority of or in the Netherlands or Portugal is enacted or issued which materially impairs the ability or right of EDP B.V. or EDP to perform such obligations; or
- (vii) EDP shall cease to own directly or indirectly more than 50 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership in any Material Subsidiary or 100 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership in EDP B.V. (if EDP B.V. is the Issuer) or EDP shall cease to have direct or indirect control of any Material Subsidiary or EDP B.V.; or
- (viii) the Keep Well Agreement is terminated or any provision of the Keep Well Agreement is amended or waived in circumstances where such amendment or waiver would have, in the opinion of the Trustee, an adverse effect on the interests of the Holders or is not enforced in a timely manner by EDP B.V. or is breached by EDP provided that in the case of such non-enforcement or breach this has, in the opinion of the Trustee, an adverse effect on the interests of the Holders; then
  - (a) in respect of Instruments other than Book Entry Instruments, the Trustee at its discretion may, and if so requested in writing by the Holders of at least one-quarter in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution of the Holders of the Instruments shall (subject in each case to being indemnified to its satisfaction), given written notice to the Issuer that the Instruments are, and they shall accordingly thereupon immediately become, due and repayable at the Early Redemption Amount (as described in Condition 7.7), together with accrued interest (if any) as provided in the Trust Deed provided that, in the case of any Event of Default other than those described in paragraphs (i) (vi) and (vii) above, the Trustee shall have certified to the Issuer that, in its opinion, such Event of Default is materially prejudicial to the interests of the Holders; and
  - (b) in respect of Book Entry Instruments, any Book Entry Instrumentholder may give notice to the relevant Issuer and to the Portuguese Paying Agent at their respective specified offices, effective upon the date of receipt thereof by the Portuguese Paying Agent, that the Book Entry Instruments held by such Book Entry Instrumentholders are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7.7 together with accrued interest (as provided in the Interbolsa Instrument)).

In these Terms and Conditions:

"Group" means EDP and its Subsidiaries;

"Indebtedness" means, with respect to any person, any indebtedness or obligation (whether present or future, actual or contingent) created, issued, guaranteed, incurred or assumed by such person for money borrowed or raised;

"Material Subsidiary" means a Subsidiary:

- (a) whose operations include the generation and/or distribution of electricity in Portugal; and
- (b)
  - (i) at any time whose total assets, as calculated from the then latest annual financial statements, audited if prepared, of that Subsidiary (consolidated in the case of a Subsidiary which itself has subsidiaries) represent not less than 5 per cent. of the total assets of the Group (as shown in the latest audited consolidated accounts of the Group); or
  - (ii) at any time whose revenues, as calculated from the then latest annual financial statements, audited if prepared, of that Subsidiary (consolidated in the case of a Subsidiary which itself has subsidiaries) represent not less than 5 per cent. of the

consolidated revenues of the Group (as shown in the latest audited consolidated accounts of the Group).

A report by the directors of EDP that in their opinion, a Subsidiary is or is not, was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. Such report may, if requested, be accompanied by a report from the Auditors (as defined in the Trust Deed) addressed to the directors of EDP as to the proper extraction of figures used by the directors of EDP in determining a Material Subsidiary and as to the mathematical accuracy of the calculations; and

"Subsidiary" means an entity from time to time of which EDP (a) has the right to appoint the majority of the members of the board of directors or similar board or (b) owns directly or indirectly more than 50 per cent. of the share capital or similar right of ownership.

#### **11. Enforcement**

In the case of Instruments other than Book Entry Instruments, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Instruments and any related Receipts or Coupons or the obligations of EDP under the Keep Well Agreement, but it shall not be bound to take any such proceedings or any other action unless (a) it shall have been so directed by an Extraordinary Resolution of the Holders or so requested in writing by the Holders of at least one-quarter in nominal amount of the Instruments outstanding and (b) it shall have been indemnified to its satisfaction. In the case of Book Entry Instruments, the Trustee may at any time, at its discretion and without notice, take such proceedings and/or other action as it may think fit against or in relation to the relevant Issuer to enforce the obligations of the relevant Issuer in respect of the covenants granted to the Trustee by the relevant Issuer under the Conditions or the Trust Deed, however the Trustee shall in no circumstances be bound to do so. No Holder, save for a Book Entry Instrumentholder, shall be entitled to proceed directly against the Issuer or to take proceedings to enforce the Keep Well Agreement unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing, provided that in the case of Book Entry Instruments, the Trustee may not but the holders thereof may at any time take such proceedings against the relevant Issuer as they may think fit to enforce the provisions of the Book Entry Instruments and/or the Interbolsa Instrument.

#### **12. Replacement of Instruments, Receipts, Coupons and Talons**

Should any Instrument (other than a Book Entry Instrument), Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Instruments, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### **13. Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Issue and Paying Agent and, in respect of Registered Instruments, a Registrar;
- (b) so long as the Instruments are listed, traded and/or quoted by or on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system;
- (c) there will at all times be a Paying Agent in jurisdiction within Europe other than the relevant Tax Jurisdiction; and
- (d) there will at all times be a Paying Agent in Portugal capable of making payment in respect of the Book Entry Instruments as contemplated by these terms and conditions of the Instruments, the Agency Agreement and applicable Portuguese law and regulation.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain limited circumstances, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Holders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

#### **14. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Instrument to which it appertains) a further Talon, subject to the provisions of Condition 9.

#### **15. Notices**

- 15.1. *Bearer Instruments:*** All notices regarding Bearer Instruments which are not admitted to trading on the Irish Stock Exchange will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London and, for so long as the Instruments are admitted to trading on the Irish Stock Exchange and the rules of that exchange so require, through the Companies Announcement Office of the Irish Stock Exchange. Any such notice will be deemed to have been given on the date of the first publication.
- 15.2. *Notices to Holders of Registered Instruments:*** Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.
- 15.3. *Book Entry Instruments:*** The Issuer shall comply with Portuguese law in respect of notices relating to Book Entry Instruments.
- 15.4. *General:*** The Issuer shall also ensure that notices are duly published and/or filed in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Instruments are for the time being listed, traded and/or quoted.
- 15.5. *Publication not practicable:*** If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.
- 15.6. *Notices from Holders:*** Notices to be given by any Holder shall be in writing and given by lodging the same, together with the relative Instrument or Instruments, with the Issue and Paying Agent.

#### **16. Meetings of Holders, Modification, Waiver and Substitution**

The Trust Deed and, in relation to Book Entry Instruments only, the Interbolsa Instrument contain provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Instruments, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Holders holding not less than ten per cent. in nominal amount of the Instruments for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Instruments for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the Instruments so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Instruments, the Receipts, the Coupons or the Trust Deed (including modifying the date of maturity of the Instruments or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Instruments or altering the currency of payment of the Instruments, the Receipts or the Coupons),

the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Instruments for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Instruments for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

The Trustee may agree, without the consent of the Holders, to:

- (a) any modification of the Instruments, the Receipts, the Coupons or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders; or
- (b) any modification of the Instruments, the Receipts, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

The Trustee may also, without any consent as aforesaid, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in any such case, is not in the opinion of the Trustee, materially prejudicial to the interests of the Holders.

Any such modification, waiver, authorisation or determination shall be binding on the Holders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Holders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 8 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The Trustee may, without the consent of the Holders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Instruments, the Receipts, the Coupons and the Trust Deed of another company, being a Subsidiary of the Issuer, subject to (a) the Instruments being unconditionally and irrevocably guaranteed by the Issuer or having the benefit of a Keep Well Agreement by EDP on the same basis as that on which they had such benefit immediately prior to the substitution, or the substitute Issuer is EDP (b) the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

#### **17. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further Instruments having terms and conditions the same as the Instruments or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Instruments. The Trust Deed and, in relation to Book Entry Instruments only, the Interbolsa Instrument contain provisions for convening a single meeting of the Holders and the holders of instruments of other series in certain circumstances where the Trustee so decides.

#### **18. Indemnification of Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee may enter into business transactions with the Issuer or any person or body corporate associated with the Issuer without accounting for any profit made or benefit received.

#### **19. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of this Instrument under the Contracts (Rights of Third Parties) Act 1999.

## **20. Governing Law and Submission to Jurisdiction**

**20.1.** *Governing law:* The Trust Deed, the Interbolsa Instrument, the Agency Agreement, the Keep Well Agreement, the Instruments, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Interbolsa Instrument, the Agency Agreement, the Keep Well Agreement, the Instruments, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law save that, with respect to Book Entry Instruments only, the form (*representação formal*) and transfer of the Instruments, creation of security over the Instruments and the Interbolsa procedures for the exercise of rights under the Book Entry Instruments are governed by, and construed in accordance with, Portuguese law.

**20.2.** *Submission to jurisdiction:* The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Instruments, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Instruments, the Receipts and/or the Coupons (a Dispute) and accordingly each of the Issuers, the Trustee and any holders of Instruments, Receipts or Coupons in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

Each of EDP B.V. and EDP irrevocably and unconditionally waived any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

To the extent allowed by law, the Trustee, the holders of Instruments, Receipts or Coupons may, in respect of any Dispute or Disputes, take: (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

**20.3.** *Appointment of Process Agent:* Each of EDP B.V. and EDP has in the Trust Deed appointed The Law Debenture Corporate Services Limited at its registered office for the time being (being at 5 September 2017 at Fifth Floor, 100 Wood Street, London EC2V 7EX) as its agent for service of process in any proceeding and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

**20.4.** *Other documents:* Each of EDP and EDP B.V. has in the Agency Agreement and the Keep Well Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## PROVISIONS RELATING TO THE INSTRUMENTS (OTHER THAN BOOK ENTRY INSTRUMENTS) WHILE IN GLOBAL FORM

### Form of Instruments

#### (A) *Relationship of Accountholders with Clearing Systems*

Each of the persons shown in the records of Euroclear Bank, Clearstream, Luxembourg or any other clearing system as the holder of an Instrument represented by a Global Instrument (which expression includes a Temporary Global Instrument and a Permanent Global Instrument) must look solely to Euroclear Bank, Clearstream, Luxembourg or such other clearing system (as the case may be) for such person's share of each payment made by the Issuer to the bearer of such Global Instrument (or the registered holder of the Global Registered Instrument, as the case may be), and in relation to all other rights arising under the Global Instruments, subject to and in accordance with the respective rules and procedures of Euroclear Bank, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument or Global Registered Instrument and such obligations of the Issuer will be discharged by payment to the bearer of such Global Instrument (or the registered holder of the Global Registered Instrument, as the case may be), in respect of each amount so paid. References in these provisions relating to the Instruments in global form to "holder" or "accountholder" are to those persons shown in the records of the relevant clearing system as a holder of an Instrument.

#### (B) *Form and Exchange – Bearer Global Instruments*

- (1) TEFRA D or TEFRA C: The Final Terms shall specify whether U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "TEFRA D Rules") or U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "TEFRA C Rules") shall apply, or specify if TEFRA is not applicable. Each Tranche of Bearer Instruments is represented upon issue by a temporary global Instrument (a "Temporary Global Instrument"), unless the Final Terms specifies otherwise and the TEFRA C Rules apply.

Where the Final Terms applicable to a Tranche of Bearer Instruments specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Final Terms) represented upon issue by a Permanent Global Instrument.

The Global Instruments will:

- (i) if the Global Instruments are intended to be issued in new global note ("NGN") form, as stated in the Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear Bank and Clearstream, Luxembourg; and
- (ii) if the Global Instruments are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depository for, Euroclear Bank and Clearstream, Luxembourg.

Interests in a Temporary Global Instrument may be exchanged for:

- (i) interests in a permanent global Instrument (a "Permanent Global Instrument"); or
- (ii) if so specified in the Final Terms, definitive Instruments in bearer form ("Definitive Instruments") and/or (if so specified in the Final Terms) Registered Instruments.

Exchanges of interests in a Temporary Global Instrument for Definitive Instruments or, as the case may be, a Permanent Global Instrument will be made only on or after the Exchange Date (as specified in the Final Terms) and (unless the Final Terms specifies that the TEFRA C Rules are applicable to the Instruments) provided certification as to the non-U.S. beneficial ownership thereof as required by U.S. Treasury Regulations (in substantially the form set out in the Trust Deed or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Instruments will

be made at any time or from such date as may be specified in the Final Terms, in each case, without any requirement for certification.

- (2) *Limitation on entitlement under a Temporary Global Instrument after Exchange Date:* Holders of interests in any Temporary Global Instrument shall not (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Instruments and/or Registered Instruments, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Instruments represented by such Temporary Global Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.
- (3) *Certification of non-U.S. beneficial ownership:* Unless the Final Terms specify that the TEFRA C Rules are applicable or specify that TEFRA is not applicable to the Instruments and subject to paragraph (2) above, if any date on which a payment of interest is due on the Instruments of a Tranche occurs while any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the non-U.S. beneficial ownership thereof as required by U.S. Treasury Regulations (in substantially the form set out in the Trust Deed or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear Bank or Clearstream, Luxembourg, or any other relevant clearing system which may be specified in the Final Terms. Payments of amounts due in respect of a Permanent Global Instrument or (subject to paragraph (2) above) a Temporary Global Instrument (if the Final Terms specifies that the TEFRA C Rules are applicable or that TEFRA is not applicable to the Instruments) will be made through Euroclear Bank or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.
- (4) *Exchange for Definitive Instruments:* Interests in a Permanent Global Instrument will be exchanged (subject to the period allowed for delivery as set out in (i) below), in whole but not in part only and at the request of the Holder of such Global Instrument, for Definitive Instruments and/or (if so specified in the Final Terms) Registered Instruments (a) if Euroclear Bank or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (b) an Event of Default (as defined in Condition 10) occurs or (c) on 60 days' notice given at any time at the request of the bearer, if so specified in the Final Terms. The circumstances described in (a) and (b) are each herein referred to as an "Exchange Event". Whenever a Permanent Global Instrument is to be exchanged for Definitive Instruments and/or Registered Instruments, the Issuer shall procure the prompt delivery of such Definitive Instruments and/or Registered Instruments, duly authenticated and where and to the extent applicable, with Coupons and Talons attached (each as defined in Condition 1.2), in an aggregate nominal amount equal to the nominal amount of such Permanent Global Instrument to the Holder of the Permanent Global Instrument against its surrender at the specified office of the Issue and Paying Agent within 30 days of the Holder requesting such exchange.

**(C) Form of Exchange – Global Registered Instruments**

- (1) *Global Registered Instrument:* Registered Instruments held in Euroclear Bank and/or Clearstream, Luxembourg (or other clearing system) will be represented by a Global Registered Instrument which will be deposited with, a common depository or common safekeeper if the Registered Instrument is held under the NSS, as the case may be, for Euroclear Bank and Clearstream, Luxembourg and registered in the name of a common nominee of Euroclear Bank and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper if the Registered Instruments are held under the NSS, as specified in the Final Terms (or registered in the name of a nominee of, and deposited with, a common depository for such other relevant clearing system).
- (2) *Exchange:* The Global Registered Instrument will become exchangeable in whole, but not in part, for individual Registered Instruments if (a) Euroclear Bank or Clearstream, Luxembourg is

closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or have in fact done so and, in any such case no successor clearing system satisfactory to the Trustee is available, (b) an Event of Default occurs, or (c) on 60 days' notice given at any time at the request of the registered Holder, if so specified in the Final Terms. The circumstances described in (a) and (b) are each herein referred to as an "Exchange Event".

Whenever the Global Registered Instrument is to be exchanged for Registered Instruments, such Registered Instruments will be issued in an aggregate nominal amount equal to the nominal amount of the Global Registered Instrument within five business days of the delivery, by or on behalf of the registered Holder of the Global Registered Instrument, Euroclear Bank and/or Clearstream, Luxembourg, to the Registrar or the Transfer Agent (as the case may be) of such information as is required to complete and deliver such Registered Instruments (including, without limitation, the names and addresses of the persons in whose names the Registered Instruments are to be registered and the nominal amount of each such person's holding) against the surrender of the Global Registered Instrument at the specified office of the Registrar or the Transfer Agent (as the case may be). Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Instruments scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar or the Transfer Agent (as the case may be) may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

**(D) Amendment to Conditions**

The Temporary Global Instruments, Permanent Global Instruments and Global Registered Instruments contain provisions that apply to the instruments that they represent, some of which modify the effect of the Terms and Conditions of the Instruments set out in this Base Prospectus. The following is a summary of certain of those provisions:

- (1) *Meetings*: The holder of a Permanent Global Instrument or of the Instruments represented by a Global Registered Instrument shall (unless such Permanent Global Instrument or Global Registered Instrument represents only one Instrument) be treated as having one vote in respect of each minimum Specified Denomination of Instruments for which such Global Instrument may be exchanged.
- (2) *Cancellation*: Cancellation of any Instrument represented by a Permanent Global Instrument or Global Registered Instrument that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Instrument or Global Registered Instrument.
- (3) *Purchase*: Instruments represented by a Permanent Global Instrument or Global Registered Instrument may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.
- (4) *Issuer's Options*: Any option of the Issuer provided for in the Conditions of the Instruments while such Instruments are represented by a Permanent Global Instrument or a Global Registered Instrument shall be exercised by the Issuer giving notice to the holders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Instruments drawn in the case of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system in respect of the Instruments will be governed by the standard procedures of Euroclear Bank, Clearstream, Luxembourg or any other clearing system (as the case may be).
- (5) *Holders' Options*: Any option of the holders provided for in the Conditions of any Instruments while such instruments are represented by a Permanent Global Instrument or a Global Registered Instrument may be exercised by the Holder of such Permanent Global Instrument or Global Registered Instrument, giving notice to the Issue and Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent or the Registrar, in the case of a Global Registered Instrument substantially in the form of the notice available from any Paying Agent (or the Registrar, in the case of a Global Registered Instrument), except that the notice

shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised, and stating the nominal amount of Instruments in respect of which the option is exercised and at the same time presenting for notation the Permanent Global Instrument or the Global Registered Instrument to the Issue and Paying Agent, or to a Paying Agent acting on behalf of the Issue and Paying Agent, or the Registrar, in the case of a Global Registered Instrument.

- (6) *Notices:* So long as any Instruments are represented by a Permanent Global Instrument or Global Registered Instrument and such Permanent Global Instrument or Global Registered Instrument is held on behalf of a clearing system (i) notices to the Holders of Instruments of that Series may be given by delivery of the relevant notice to the clearing system for communication by it to entitled accountholders in substitution for publication and/or filing as required by the Conditions and any such notice shall be deemed to have been given to the Holders on the date of delivery to the clearing system and (ii) notices to be given by any Holder may be given to the Issue and Paying Agent through Euroclear Bank and/or Clearstream, Luxembourg, as the case may be, in such manner as the Issue and Paying Agent and Euroclear Bank and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## BOOK ENTRY INSTRUMENTS HELD THROUGH INTERBOLSA

### General

*Interbolsa holds securities through a centralised system (sistema centralizado) composed of interconnected securities accounts, through which such securities (and inherent rights) are held and transferred, and which allows Interbolsa to control at all times the amount of securities so held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal and Interbolsa, as the controlling entity, all participate in such centralised system.*

The centralised securities system of Interbolsa provides for all procedures required for the exercise of ownership rights inherent to the Book Entry Instruments held through Interbolsa.

*In relation to each issue of securities, Interbolsa's centralised system comprises, inter alia: (1) the issue account, opened by the relevant issuer in the centralised system and which reflects the full amount of issued securities; and (2) the control accounts opened by each of the financial intermediaries which participate in Interbolsa's centralised system, and which reflect the securities held by such participant on behalf of its customers in accordance with their individual securities accounts.*

Book Entry Instruments held through Interbolsa will be attributed an International Securities Identification Number ("ISIN" code) through the codification system of Interbolsa. These Book Entry Instruments will be accepted and registered with *Central de Valores Mobiliários* ("CVM"), the centralised securities system managed and operated by Interbolsa and settled by Interbolsa's settlement system.

### Form of the Book Entry Instruments held through Interbolsa

*The Book Entry Instruments will be represented in dematerialised book-entry form ("forma escritural") and shall be nominativas (in which case Interbolsa, at the request of the Issuer, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Holders and transmit such information to the Issuer). Form and title to the Book Entry Instruments will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable Comissão do Mercado de Valores Mobiliários ("CMVM") and Interbolsa regulations. No physical document of title will be issued in respect of Book Entry Instruments.*

The Book Entry Instruments of each Series will be registered in the relevant issue account opened by the relevant Issuer with Interbolsa and will be held in control accounts by each Affiliate Member of Interbolsa (as defined below) on behalf of the holders of the Book Entry Instruments. Such control accounts reflect at all times the aggregate of Book Entry Instruments held in the individual securities accounts opened by the holders of the Book Entry Instruments with each of the Affiliate Members of Interbolsa. The expression "Affiliate Member of Interbolsa" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depositary banks appointed by Euroclear Bank and Clearstream, Luxembourg for the purpose of holding such accounts with Interbolsa on behalf of Euroclear Bank and Clearstream, Luxembourg.

Each person shown in the records of an Affiliate Member of Interbolsa as having an interest in Book Entry Instruments shall be treated as the holder of the Book Entry Instruments recorded therein except as otherwise required by law.

### Payment of principal and interest in respect of Book Entry Instruments held through Interbolsa

While the Book Entry Instruments are held through Interbolsa, payment of principal and interest in respect of the Book Entry Instruments: (1) in euros will be (a) credited, according to the procedures and regulations of Interbolsa, by the Portuguese paying agent (*the "Portuguese Paying Agent"*) acting on behalf of the Issuer from the payment current account which the Portuguese Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Portuguese Paying Agent's behalf for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with such Book Entry Instruments and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the Holders or through Euroclear Bank and Clearstream, Luxembourg to the accounts with Euroclear Bank and Clearstream, Luxembourg of the beneficial owners of such Book Entry Instruments, in accordance with the rules and procedures of Interbolsa, Euroclear Bank or Clearstream, Luxembourg, as the case may be; and (2) in currencies other than euros will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from

the account held by the Portuguese Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of those Book Entry Instruments or through Euroclear Bank and Clearstream, Luxembourg to the accounts with Euroclear Bank and Clearstream, Luxembourg of the beneficial owners of those Book Entry Instruments, in accordance with the rules and procedures of Interbolsa, Euroclear Bank or Clearstream, Luxembourg, as the case may be.

#### **Transfer of Book Entry Instruments held through Interbolsa**

Book Entry Instruments held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Book Entry Instruments. No owner of Book Entry Instruments will be able to transfer such Book Entry Instruments, except in accordance with Portuguese law and the applicable procedures established by the CMVM and Interbolsa.

## **USE OF PROCEEDS**

The net proceeds from each issue of Instruments issued by EDP will be applied by EDP for its general corporate purposes. The proceeds of Instruments issued by EDP B.V. will be on-lent to, or invested in, EDP Group companies.

## RELATIONSHIP OF EDP B.V. WITH EDP

*EDP has entered into a Keep Well Agreement dated 14 March 2001 with EDP B.V. (the "Keep Well Agreement") governed by English law. The following is the text of the Keep Well Agreement:*

### **"KEEP WELL AGREEMENT"**

This Keep Well Agreement is made on 14 March 2001 by and between:

- (1) EDP – ELECTRICIDADE DE PORTUGAL, S.A. ("EDP"); and
- (2) EDP FINANCE B.V. ("EDP B.V. ").

WHEREAS:

- (A) EDP B.V. is a direct wholly-owned subsidiary of EDP;
- (B) Bankers Trustee Company Limited (the "Trustee", which expression shall, wherever the context so admits, include any successor as trustee for holders of the Instruments as defined below), EDP and EDP B.V. (each an "Issuer" and together the "Issuers") have entered into a trust deed dated 14 March 2001 (the "Trust Deed") relating to the €5,000,000,000 Programme for the Issuance of Debt Instruments (the "Programme");
- (C) The Issuers may issue Instruments after the date hereof pursuant to the Programme (the "Instruments", which expression as used herein shall include Instruments whether in global or definitive form and any receipts, coupons or talons appertaining to such Instruments) which will be constituted by the Trust Deed as modified and/or supplemented and/or restated from time to time;
- (D) EDP B.V. may also hereafter assume from time to time obligations under swap agreements which will be related to the Instruments issued by EDP B.V. (any obligation of EDP B.V. in respect of each swap agreement entered into by EDP B.V. and any Instrument issued by EDP B.V. under the Programme being herein referred to as a "Debt Obligation" and the obligations together being herein referred to as "Debt Obligations"); and
- (E) EDP B.V. entered into the Programme as Issuer for its own benefit and also for the benefit of EDP.

NOW, THEREFORE, EDP and EDP B.V. hereby covenant and agree as follows:

1. In consideration of the sum of £1 paid by EDP B.V. to EDP (receipt of which EDP hereby acknowledges), EDP shall own, directly or indirectly, all of the issued and outstanding share capital of EDP B.V. and will control the composition of the board of directors of EDP B.V. so long as any Debt Obligation is outstanding and shall not pledge, grant a security interest in, encumber or alienate any of such share capital.
2. For so long as EDP B.V. has outstanding Instruments under the Programme, EDP shall, with effect on and from the date of this Agreement, cause EDP B.V. to maintain a Tangible Net Worth (as hereinafter defined), as determined in accordance with generally accepted accounting principles in the Netherlands applied on a consistent basis as shown on EDP B.V.'s most recent audited balance sheet (commencing with EDP B.V.'s audited balance sheet at 31 December 2001), of at least one euro.  
  
"Tangible Net Worth" shall mean the total assets of EDP B.V. less the sum of intangible assets and total liabilities of EDP B.V. A certificate of the auditors of EDP B.V. as to the amount of Tangible Net Worth shall, in the absence of manifest error, be final and conclusive.
3. For so long as EDP B.V. has outstanding Instruments under the Programme, if EDP B.V. at any time shall have insufficient funds or other liquid assets to meet its payment obligations (including in respect of any Debt Obligations) or to repay borrowings then maturing or subsequently to mature, upon receipt of notice from EDP B.V. to such effect, EDP shall make, or have made, available to EDP B.V., before the due date of such payment obligations or borrowings, funds sufficient to enable EDP B.V. to meet such payment obligations or to repay such borrowings, as the case may be, in full as they fall due. EDP B.V. shall use the funds made available to it by EDP hereunder solely for the fulfilment of its payment obligations and the repayment at maturity of its borrowings.
4. Any and all funds from time to time provided by EDP to EDP B.V. pursuant to Clause 3 above shall, at the option of EDP, be either (1) by way of subscription for and payment of share capital (other than

redeemable share capital) of EDP B.V., or (2) by way of subordinated loan, that is to say, a loan which, and interest on which, is not permitted to be, and is not capable of being, repaid or paid unless all other debt of EDP B.V. has been fully satisfied and is subordinated on a winding-up of EDP B.V. to all of the unsecured and unpreferred creditors of EDP B.V. other than EDP.

5. EDP warrants and agrees that its payment obligations which may arise hereunder constitute unsecured and unsubordinated obligations of EDP and rank *pari passu* with all other unsecured and unsubordinated obligations of EDP other than those obligations which are preferred by law.
6. This Agreement is not, and nothing herein contained and nothing done by EDP pursuant hereto shall be deemed to constitute, a guarantee, direct or indirect, by EDP of any Debt Obligation or any other debt of EDP B.V. (or of any subsidiary of EDP B.V.) or of any instrument issued by EDP B.V. or of any subsidiary of EDP B.V.
7. If EDP B.V. shall be in liquidation, administration or receivership or other analogous proceedings (including if EDP B.V. is declared bankrupt ("*faillissement*") or is granted a moratorium of payment ("*surséance van betaling*") or enters into winding-up proceedings ("*ontbinding*") and EDP shall be in default of its obligations hereunder, EDP shall be liable to EDP B.V. by way of liquidated damages for such default in an amount equal to the sum that EDP would have paid had it performed in full all of its obligations hereunder, and EDP B.V. and any liquidator, administrator or receiver of EDP B.V. or other analogous officer or official shall be entitled to claim accordingly.
8. This Agreement may be modified, amended or terminated only by the written agreement of EDP and EDP B.V. provided, however, that no such modification, amendment or termination shall be made which may have any adverse effect upon the holders of the Instruments issued by EDP B.V. or the holders of any other Debt Obligation taken as a whole while any such Instrument or Debt Obligation is outstanding.
9. EDP and EDP B.V. each hereby covenant and agree as follows:
  - (i) it will not consent, either orally or in writing, to any modification, amendment or termination of this Agreement which may have any adverse effect upon the holders of the Instruments issued by EDP B.V. or the holders of any other Debt Obligation taken as a whole while any Instrument or other Debt Obligation remains outstanding;
  - (ii) it will give written notice to the Trustee on behalf of the holders of Instruments issued by EDP B.V. and to the holders of any other Debt Obligation at least 30 days prior to any proposed modification, amendment or termination of this Agreement;
  - (iii) it will fully and promptly perform its obligations and exercise its rights under this Agreement and, in the case of EDP B.V. (without limitation to the foregoing) exercise its right to enforce performance of the terms of this Agreement by EDP; and
  - (iv) it will consent to the giving of an order of specific performance or similar relief by any court of competent jurisdiction in the event that any action is brought in respect of this Agreement.
10.
  - (i) This Agreement shall take effect for the benefit of the Trustee on behalf of the holders of Instruments issued by EDP B.V. and the holder of any other Debt Obligation. Apart from the parties to this Agreement and the Trustee, no other person, firm, company or association (unincorporated or incorporated) shall be entitled to any benefit under this Agreement whatsoever.
  - (ii) This Agreement shall be deposited with and held by the Trustee for so long as the Trust Deed is in force and, if thereafter, any other Debt Obligation remains outstanding it will be deposited with and held by a reputable financial institution on behalf of the holder(s) of such other Debt Obligation. Both parties hereby acknowledge the right of the holder of any Instrument issued by EDP B.V. and any other Debt Obligation to obtain from either party a copy of this Agreement.
  - (iii) The term "holder" herein has the same meaning in relation to each Instrument as the term "Holder" in the Terms and Conditions of such Instrument.
11. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.
12. Each of EDP and EDP B.V. hereby irrevocably agrees that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly

any suit, action or proceedings (together "Proceedings") arising out of or in connection with this Agreement may be brought in such courts. Each of EDP and EDP B.V. hereby irrevocably waives any objection which it may have to the laying of the venue of any Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agree that a judgment in any Proceedings brought in the English courts shall be conclusive and binding upon EDP and EDP B.V. and may be enforced in the courts of any other jurisdiction. Nothing contained herein shall limit any right to take Proceedings against EDP or EDP B.V. in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. Each of EDP and EDP B.V. hereby appoints The Law Debenture Trust Corporation p.l.c. at its registered office for the time being (being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX) as its agent for service of process and agrees that, in the event of The Law Debenture Trust Corporation p.l.c. ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Proceedings.

13. This Agreement shall be governed by, and construed in accordance with, the laws of England.

**Note:**

**The Keep Well Agreement is not, and should not be regarded as equivalent to, a guarantee by EDP of any payment in respect of the Instruments. However, following an Event of Default, the Trustee will be entitled, on behalf of the Holders, to enforce EDP B.V.'s rights under the Keep Well Agreement against EDP in accordance with the terms of the Trust Deed. Enforcement in the English courts will be subject, among other things, to the powers of such courts to stay proceedings and other principles of law and equity of general application.**

## EDP AND THE EDP GROUP

### OVERVIEW

EDP – Energias de Portugal, S.A. ("EDP" and together with its subsidiaries, the "Group" or the "EDP Group") is a listed company (sociedade aberta), whose ordinary shares are publicly traded on the regulated market of Euronext Lisbon. EDP is established in Portugal, organised 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 Av. 24 de Julho, 12, 1249 - 300 Lisbon, Portugal, and its telephone number is +351210012500.

EDP was initially incorporated as a public enterprise (empresa pública) in 1976 pursuant to Decree-Law no. 502/76, of 30 June 1976, as a result of the nationalisation and merger of the principal 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 1991, and Decree-Law no. 78-A/97, of 7 April 1997.

Under Article 3.1 of its Articles of Association, the corporate purpose of EDP is the direct or indirect promotion, development and management of undertakings and activities in the energy sector, both at national and international levels, with the goal of growing and improving the performance of its group's companies.

As a result of the privatisation of EDP's share capital, which has already involved eight phases – the first of which took place in 1997 and the most recent of which was concluded in February 2013 – the most significant shareholdings in EDP's share capital (i.e. shareholdings equal to or higher than 2 per cent.) as at 30 June 2018 are: China Three Gorges Corporation ("CTG"), owning 23.27 per cent.; Capital Group Companies, Inc., owning 9.97 per cent.; Oppidum Capital S.L., owning 7.19 per cent.; BlackRock, Inc., owning 5.00 per cent.; Mubadala Investment Company, owning 4.06 per cent.; China Ningbo International Cooperation Co., Ltd ("CNIC"), owning 4.98 per cent.; Norges Bank, owning 2.14 per cent.; Fundação Millennium BCP and BCP Group Pension Fund, owning 2.43 per cent.; Sonatrach, owning 2.38 per cent.; and Qatar Investment Authority, owning 2.27 per cent. As of 30 June 2018, EDP has an issued share capital of €3,656,537,715, comprised of 3,656,537,715 shares with a nominal value of €1 per share, all of which have been paid up.

EDP is a vertically integrated utility company that has electricity, gas and renewable energy operations primarily in Portugal, Spain, Brazil, the United States, Canada, Mexico, Poland, Romania, Italy, the United Kingdom, Belgium, France and Greece. Based on its own assessment of information published by and relating to other companies in the relevant sectors, EDP believes it is the largest generator, distributor and supplier of electricity in Portugal in terms of gigawatt hours ("GWh") of electricity generated, distributed and supplied respectively and the third largest electricity generation company in the Iberian Peninsula in terms of installed capacity. EDP maintains significant electricity and gas operations in Spain, and EDP believes it is one of the largest onshore wind power operators worldwide in terms of electricity generation (GWh). In Brazil, EDP believes it is one of the largest private generators, distributors and suppliers in terms of GWh of electricity generated, distributed and supplied in the liberalised market, respectively, and recently entered the transmission segment as further discussed herein. EDP also generates solar photovoltaic energy in Portugal, Romania and the United States.

Historically, EDP's core business has been electricity generation, distribution and supply in Portugal. Given Spain's geographical proximity and its regulatory framework, the Iberian Peninsula's electricity market has become EDP's natural home market, and EDP has made this market the primary focus of its electricity business. As at the date of this Base Prospectus, EDP's main subsidiaries in Portugal include its electricity generation company, EDP-Gestão da Produção de Energia, S.A. ("EDP Produção"), its electrical distribution company, EDP Distribuição de Energia, S.A. ("EDP Distribuição"), and its two supply companies EDP Serviço Universal, S.A. ("EDP SU") and EDP Comercial – Comercialização de Energia, S.A. ("EDP Comercial"). In Spain, EDP's main subsidiary is EDP España, S.A.U. (formerly HC Energía-Hidroeléctrica del Cantábrico, S.A.U.) ("EDP España"), which operates electricity generation plants and distributes and supplies electricity, mainly in the Asturias region of Spain.

In addition to the electricity market, EDP is also present in the natural gas supply business in both Portugal and Spain. In Portugal, EDP supplies natural gas through EDP Comercial and EDP Gás Serviço Universal, S.A. ("EDP Gás Serviço Universal") and in Spain, EDP holds indirectly (through EDP España) EDP-Comercializadora, S.A.U. ("EDP Comercializadora"), which EDP believes is one of the largest natural gas suppliers in the Spanish market in terms of number of clients. In July and October 2017, EDP sold 100 per cent.

of its gas distribution networks in Spain and Portugal, respectively, in line with EDP's strategy of strengthening its financial profile and integrating its business portfolio.

EDP has leveraged its strong Iberian renewable energy platform and, following the acquisition of EDP Renewables North America, LLC in 2007, EDP believes it has become one of the largest onshore wind power operators worldwide in terms of electricity generation, based on its own assessment of wind generation figures published by the top wind operators according to energy market data providers. EDP's renewable power assets are held through its subsidiary EDP Renováveis, S.A. ("EDP Renováveis"), of which it currently holds an 82.6 per cent. stake, with the remaining 17.4 per cent. traded on "Eurolist by NYSE Euronext Lisbon". In the third quarter of 2017, a general and voluntary public tender offer for the acquisition of shares of EDP Renováveis was concluded, through which EDP acquired an additional 5.1 per cent. stake in EDP Renováveis, which represented a total investment of €296.4 million and an increase of EDP's interest in the company from 77.5 per cent. to 82.6 per cent. EDP Renováveis has built significant growth platforms in the European, Brazilian and North American markets for the development and operation of power plants that generate electricity using renewable resources (mainly wind but also solar) and is continuously monitoring opportunities to expand its activities globally.

In Brazil, in addition to a renewable energy generation business, EDP has significant electricity generation and distribution businesses in the states of São Paulo, Espírito Santo, Tocantins, Ceará and Mato Grosso do Sul through its 51.3 per cent. stake in EDP Energias do Brasil, S.A. ("EDP Brasil"), a company listed on the São Paulo Stock Exchange. EDP Brasil is the holding company for the majority of EDP's investments in the Brazilian electricity industry, including (i) its distribution subsidiaries EDP São Paulo Distribuição de Energia S.A. (formerly Bandeirante Energia, S.A.) ("EDP São Paulo") and EDP Espírito Santo Distribuição de Energia S.A. (formerly Escelsa-Espírito Santo Centrais Elétricas S.A.) ("EDP Espírito Santo"); (ii) its generation subsidiaries Energest, S.A. ("Energest"), EDP Pequenas Centrais Hidroelétricas, S.A. ("EDP PCH"), Santa-Fé Energia, S.A. ("Santa Fé Energia"), EDP Lajeado Energia, S.A. ("Lajeado Energia"), Enerpeixe, S.A., ("Enerpeixe"), and Porto do Pecém Geração de Energia, S.A. ("Pecém"); (iii) its supply subsidiaries, EDP Comercializadora de Energia, S.A. ("EDP Comercializadora de Energia") and EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A. ("EDP Grid"); and more recently, (iv) its transmission subsidiary, EDP Transmissão, S.A. ("EDP Transmissão"). In 2016, EDP Brasil was awarded the concession to operate a transmission grid in Brazil, and in 2017, it was further awarded with four electricity transmission concessions. The transmission business is controlled by EDP Transmissão. Furthermore, EDP Brasil holds a 19.6 per cent. stake in Centrais Elétricas de Santa Catarina S.A. – CELESC ("CELESC"), a publicly held company in Brazil.

The Group's revenues from energy sales and services and other for the six months ended 30 June 2018 and 2017 amounted to €7,559.0 million and €7,875.4 million, respectively. The Group's revenues from energy sales and services and other for the years ended 31 December 2017 and 2016 amounted to €15,746.0 million and €14,595.2 million, respectively. As at 30 June 2018, the EDP Group employed 11,566 people and had total assets of €40,898.2 million and total equity of €12,840.3 million.

## **STRATEGY OF EDP**

EDP's business strategy is based on a balance between focused growth and financial deleverage and aims to address key challenges such as: (i) continuing growth; (ii) deleveraging; (iii) preserving a low risk business profile; (iv) improving efficiency; and (v) delivering attractive returns.

### **Growth**

EDP intends to increase installed capacity by 20 per cent. between 2015 and 2020, mainly driven by the hydro projects in Portugal and Brazil, as well as wind and solar projects in the United States and Latin America. EDP intends to focus on organic growth in respect of carbon dioxide ("CO<sub>2</sub>") free technologies, which is expected to result in clean energies (wind and hydro) representing 75 per cent. of the portfolio by 2020.

In Portugal, EDP has completed its planned investments in hydro capacity, with the Venda Nova III plant (780 MW) and the Foz Tua plant (263 MW), both with pumping technology, commissioned in the first half of 2017. The increased share of wind power in the Iberian Peninsula's power generation mix and the uncertainty underlying annual hydroelectric output (depending on weather conditions) is expected to result in an increasingly volatile market where pumping is an extremely important value-added feature. As at 30 June 2018, nearly 40 per cent. of EDP's overall hydro capacity had pumping capacity. This new hydro capacity allowed an extension of the residual life on EDP's overall hydro portfolio to 30 years in 2020. As of 30 June 2018, the residual life on EDP's overall hydro portfolios was 33 years.

In Brazil, EDP started full commercial operation of the São Manoel hydro power plant in April 2018 with a total installed capacity of 700 MW. EDP Brasil holds a 33.33 per cent. share of São Manoel (the remainder is held by China Three Gorges ("CTG"), owning a 33.33 per cent. share, and by Companhia Furnas Centrais Elétricas S.A., owning a 33.333 per cent. share). Furthermore, EDP is currently developing live transmission lines in Brazil, totalling nearly 1.300 km. which represent an expected total investment of R\$3.1 billion. The permit for the construction of line 24, in Espírito Santo, was obtained in February 2018 (seven months ahead of the regulatory schedule).

EDP plans to continue developing new wind and solar power capacity as part of its targeted growth plan. Based on its assessment of wind generation figures published by the top wind market operators according to energy market data providers, EDP believes it is one of the largest wind power operators worldwide with 10.7 GW of wind and solar power capacity installed as at 30 June 2018, and that this growth resulted not only from solid execution, but also from its competitive advantage in terms of the core competence of all the operational variables: availability, costs and load factor. EDP's business plan considered an increase in its wind and solar power capacity by approximately 3.5 GW between 2016 and 2020 (700MW/year), although it has now contracted more than 3.8 GW of global capacity additions. The North American market is expected to be the key market with around 65 per cent. of this new wind power capacity, Europe is expected to represent 15 per cent. and Brazil is expected to represent 10 per cent, while solar capacity is expected to represent around 10 per cent of the new power capacity. As of 30 June 2018, of the abovementioned more than contracted 3.8 GW of global capacity additions, 1.4 GW were already built in 2016 and 2017, while 1.1 GW were under construction (25 per cent. in Europe, 13 per cent. in Brazil and 63 per cent. in the United States).

After 2020, EDP Renováveis has already secured: (i) a 20-year PPA for a 219 MW onshore wind farm in Brazil, with commercial operations expected to start in 2023; (ii) a 20-year PPA for a 200 MW solar power plant in the United States, with commercial operations expected to start in 2022; and (iii) a 20-year Contract for Difference ("CfD") for a 45MW wind farm, with commercial operations expected to start in 2020..

Besides onshore wind and solar, EDP is also pursuing opportunities for offshore platforms to support further growth, namely in the United Kingdom and France, which are expected to start operations beyond the 2016-2020 Business Plan. In March 2018, EDPR, through its subsidiary EDPR UK Limited ("EDPR UK"), completed the sale of a 20 per cent. stake in equity shareholding and outstanding shareholder loans in the Moray Offshore Windfarm (East) Limited ("MOWEL"), for a total consideration of £36 million, to Mitsubishi Corporation ("MC"), decreasing its stake from 77 per cent. to 57 per cent. (the remaining 23 per cent. are owned by ENGIE). EDPR and MC have also reached an agreement on an additional 13.4 per cent. stake to be sold by EDPR to MC under the same terms and conditions. Furthermore, in September 2017, MOWEL was awarded by the UK's Department of Business Energy & Industrial Strategy ("BEIS") with a 15-year Contract for Difference ("CfD"), which is an agreement made in relation to a futures contract whereby differences in settlement are made through cash payments, rather than by the delivery of physical goods or securities, for the delivery of 950 MW of offshore wind generation at £57.5/MWh. MOWEL project is expected to be completed by 2022. In France, EDP Renováveis is developing 1 GW of offshore projects via a joint venture with Engie Energy International, in which it holds a 43 per cent. stake.

### **Maintaining Financial Deleveraging**

A key element of EDP's strategy is to maintain a strong financial profile while delivering growth targets. EDP's financial deleveraging efforts aim to reinforce the visibility of free cash flow generation over the medium term, supported by:

(i) Strict control over the investment, ensuring timely execution of projects;

(ii) EDP Renováveis' asset rotation programme, which includes the sale of minority stakes and the reinvestment in projects. The risk/return from new projects is expected to be more attractive than the minority stakes in existing projects which will be sold. EDP expects to reach €1.6 billion of asset rotation over the 2016-2020 period, and around 60 per cent. of this objective was achieved by June 2018.

In 2017, EDP completed the sale of its gas distribution business in the Iberian Peninsula, Naturgas Energía Distribución, S.A. ("NED") in Spain for €0.9 billion Equity Value (equivalent to a sale price of €2.3 billion, which includes the fair value of the contingent prices, deducted from loans in the amount of €1.4 billion, generating a gain of €0.6 billion) and EDP Gás S.G.P.S., S.A. ("EDP Gás") in Portugal for €0.3 billion Equity Value (equivalent to a sale price of €0.5 billion, which includes the fair value of the contingent prices, deducted from loans in the amount of €0.2 billion). These transactions also contributed to EDP's deleveraging process and are in line with

EDP's strategy to further strengthen its financial profile and integration of its business model. **Preserving Low Risk Business Profile**

EDP seeks to maintain diversification in terms of markets and regulatory environments while also keeping a relatively low exposure to market volatility.

EDP aims to limit the risk exposure of its business by proactively managing the major risks that affect its operations, in particular, regulatory, commodity, market and financial risks. A significant part of EDP's business portfolio involves either long-term contracted activities or regulated activities, where revenues are dependent on the outcome of regulatory decisions by governments and other authorities. As a result, EDP is in regular contact with regulatory authorities in order to seek to ensure that it receives accurate and appropriate regulatory treatment, including regarding the level of returns EDP receives on capital employed.

Some of EDP's operations are exposed to liberalised energy markets, which are subject to fluctuations in energy demand, supply and prices both in EDP's core markets and in other related international markets. In order to reduce its exposure to these sources of volatility, EDP operates an integrated generation and supply model and maintains a hedging strategy that allows it to secure pricing for a significant portion of its fuel needs and electricity and gas sales in the liberalised markets for between 12 and 18 months.

Sustainability continues to be a key component of EDP's strategy and EDP aims to maintain a leadership position in terms of sustainability best practices. EDP has one of the highest proportions of hydro and wind portfolios in Europe and plans to continue to invest in technologies with low exposure to CO<sub>2</sub> and other environmental risks.

With respect to financial risk, EDP's funding strategy aims to maintain access to diversified sources and ensure that funding needs can be met 12 to 24 months in advance.

### **Efficiency**

EDP recognises the importance of regularly implementing new initiatives to improve the efficiency of its operations and is committed to implementing its operational expenditures efficiency programme ("OPEX IV"), which targets annual cost savings of €200 million per year by 2020 and accumulated savings of €700 million for the period 2016-2020. The savings are expected to result primarily from headcount reduction in Iberia (mostly driven by retirements, corporate and support functions optimisation) and OPEX growth below inflation in Brazil. In 2017, savings achieved under OPEX IV reached €141 million and were 26 per cent. above the target.

### **Profitability and Shareholder Returns**

EDP is committed to delivering attractive returns through a predictable and sustainable dividend policy based on a target payout ratio of 65 to 75 per cent., with a dividend floor at €0.19 per share, thus allowing for future increases in the dividend per share in line with increases in the earnings per share. In 2017, the pay-out ratio was 62 per cent and was affected by non-recurring items, namely a non-recurring gain of €574.5 million from the sale of gas assets in 2017. This amount comprises a gain of €590.9 million from the sale of gas assets in Spain less €16.4 million from the loss on the disposal of gas assets in Portugal.

In summary, EDP's strategy is designed to lead to growth, financial deleveraging, keeping a low risk profile, operational efficiency enhancements and delivering attractive returns, which allows it to have a distinctive profile amongst European utilities.

## **EDP'S KEY BUSINESSES**

Historically, EDP's core business has been electricity generation, distribution and supply in Portugal. Given Spain's geographical proximity and its regulatory framework, the Iberian Peninsula's electricity market has become EDP's natural home market. In addition to the electricity market, EDP is also present in the natural gas supply business in both Portugal and Spain. In addition, through its subsidiary EDP Renováveis, EDP has a strong presence worldwide in terms of renewable energy generation with facilities in Europe, North America and Brazil. EDP also has electricity generation, distribution and supply activities in Brazil, and is currently investing in the electricity transmission segment in that country.

### **Electricity Generation in the Iberian Peninsula**

As the largest generator, distributor and supplier of electricity in Portugal in terms of GWh of electricity generated, distributed and supplied, respectively, EDP currently holds the leading position in the Portuguese

domestic electricity market, according to ERSE. As at 30 June 2018, the Group accounted for 58 per cent. of the installed capacity in the Portuguese National Electricity System ("**SEN**") and 99 per cent. of the electricity distribution network in mainland Portugal.

Based on the REN Reports, total electricity consumption in mainland Portugal In the six-month period ended 30 June 2018 reached 25.7 TWh, representing a year-on-year increase of 3.7 per cent. (when adjusted for temperature and working days, it increased year-on-year by 2.9 per cent).

According to the REN Reports, Portugal's public electricity system is powered by a number of different sources of generation. In the six-month period ended 30 June 2018, the most significant sources of power generation in Portugal, excluding contribution from imports and exports, were coal (4,623 GWh), CCGT (4,018 GWh) and wind (6,991 GWh), representing 18.0 per cent., 15.6 per cent. and 27.2 per cent. of Portugal's total electricity demand, respectively, while electricity generation from hydroelectric power plants accounted for 32.8 per cent. (8,436 GWh). The contribution made by cogeneration and waste to energy totalled 3,722 GWh, representing 14.5 per cent. of total electricity demand.

According to the REN Reports, In the six-month period ended 30 June 2018, Portugal's energy trade balance with Spain favoured exportation, totalling 2,991 GWh exported, compared to 3,193 GWh of net electricity exported in the previous year.

Based on the REE Reports, total electricity consumption in mainland Spain reached 252.7 TWh In the six-month period ended 30 June 2018, representing a year-on-year increase of 1.1 per cent. (when adjusted for temperature and working days, it increased by 1.6 per cent.).

According to REE Reports, in mainland Spain the most significant sources of power generation, excluding contribution from imports and exports, were nuclear power generation totalling 25,388 GWh In the six-month period ended 30 June 2018, representing 20.1 per cent. of Spain's total electricity demand in the period. Coal generation reached 13,810 GWh, contributing to 10.9 per cent. of Spain's total electricity consumption. Generation from CCGT plants totalled 10,938 GWh while hydroelectric power generation reached 22,199 GWh In the six-month period ended 30 June 2018, representing 8.7 per cent. and 17.6 per cent. of total electricity consumption in the country, respectively. Wind power generation totalled 27,779 GWh and cogeneration and waste to energy generation reached 15,663 GWh In the six-month period ended 30 June 2018, representing 22.0 per cent. and 12.4 per cent. of Spain's total electricity demand, respectively.

According to REE Reports, In the six-month period ended 30 June 2018, Spain's cross-border energy trade favoured importation, totalling 6,033 GWh (compared to 10,122 GWh of net imports in the first six months of 2017).

### **Portugal**

Through its subsidiary EDP Produção, the Group has a strong presence in electricity generation (excluding wind power) in Portugal. EDP's wind power generation activities in Portugal are held via EDP Renováveis. See "*—EDP Renováveis.*"

As at 30 June 2018, EDP Produção's generating facilities in Portugal, excluding wind, had a total maximum capacity of 10,098 MW, 66.3 per cent. of which was represented by hydroelectric facilities, 20.1 per cent. by CCGT power plant facilities, 11.7 per cent. by coal-fired facilities, 1.6 per cent. by mini hydroelectric power plants and 0.2 per cent. by Fisigen's cogeneration facility, plus 32 MW equity consolidated through its 50 per cent. interest in EDP Produção Bioelétrica, S.A., which is responsible for biomass power plant development. EDP does not own or operate any nuclear-powered facilities in Portugal.

In the six-month period ended 30 June 2018, net electricity generation from EDP Produção reached 12,999 GWh, which represented a year-on-year increase of 12.6 per cent., due to the severe drought in Portugal In the six-month period ended 30 June 2018 (hydro resources were approximately 53 per cent. short of long-term average in Portugal).

Performance in the Iberian Peninsula's electricity market is managed centrally by EDP's Energy Management Business Unit, which monitors the financial position of the region's electricity power plants, as well as short and medium-term risk profiles. Apart from plants in the deregulated segment, this oversight also involves management of power plants covered under the CMEC mechanism discussed below, both in terms of managing sales of energy generated in the market and supplying fuel to these power stations.

### Hydrogeneration

EDP's current hydroelectric portfolio in Portugal includes over 50 facilities and each facility is categorised into one of three generating centres, which generally correspond to the three regional locations in Portugal where these facilities are located. In addition, these facilities in Portugal consist of 116 operating groups, a separate categorisation based on the number and types of turbines operated at these facilities that provide EDP with flexibility to reduce the number of turbines needed to meet demand. These operations are controlled from a remote command centre, located in Porto, Portugal.

EDP Produção also operates a portfolio of mini hydro power plants ("**HPPs**") with a feed-in tariff remuneration scheme comprising 52 generating groups, across 32 power plants.

Regarding the latest capacity additions in EDP Produção's hydroelectric portfolio, the Salamonde hydro plant repowering (223 MW) and, the Baixo Sabor upstream plant (151 MW) commenced operations during in the first six months of 2016 while the Venda Nova III pumping facility (780 MW) and the Foz-Tua new hydro reservoir with pumping capacity (263 MW) became operational during the first half of 2017 and 2018, respectively.

Decree-Law 240/2004 of 27 December established the creation of a CMEC mechanism as consideration for the early termination of PPAs related to the binding electricity production by HPPs of the Group. On 8 March 2008, the Government, REN and EDP Produção signed several service concession arrangements for which EDP Produção paid approximately €759 million as consideration of the economic and financial balance for the extension of the period to operate the public hydro domain for an additional average period of 26 years. For further information, please see "Regulatory Framework—European Energy Policy—Portugal—The Electricity Value Chain—Electricity Generation—Overview". On 18 September 2013, the European Commission (the "EC") issued a press release stating that it had opened an in-depth state aid inquiry into water resources concessions granted by Portugal to EDP for electricity generation and would also inquire into the situation in other Member States. As with any state aid investigation, such proceedings are solely conducted between the EC and the Member State concerned (in this case, Portugal). The decision to initiate the procedure and the invitation to third parties to submit their observations on the case were published in the Official Journal of the European Union on 16 April 2014, following which EDP submitted its comments as an interested party. On 15 May 2017, the EC concluded that the water resource concessions granted by Portugal did not involve state aid. In the press release of 15 May 2017, the EC confirmed that the compensation paid by EDP for the hydro power concessions was in line with market conditions and that the financial methodology used to assess the price was appropriate and led to a fair market price. The decision is now final. Note that this decision does not address compliance of the measure with other provisions of EU law, such as EU public procurement rules and antitrust rules based on Articles 106/102 TFEU.

#### *Thermal generation*

EDP's thermal infrastructure and operations in Portugal consist of four power plants, the largest being the coal-fired power station in Sines, with an installed capacity of 1,180 MW which was contracted under PPA/CMEC until 30 June 2017 and has been operating in the liberalised market since then. The remaining power plants are CCGT facilities located in Carregado (Ribatejo CCGT with an installed capacity of 1,169 MW) and in Figueira da Foz (Lares I and II CCGT with an installed capacity of 863 MW).

To reduce the emissions from its existing thermal plants, EDP installed DeSOx and DeNOx equipment in Sines. EDP is also currently evaluating new CO<sub>2</sub> sequestration technologies.

#### **Spain**

Through its subsidiary EDP España, the Group is present in electricity generation (excluding wind power) in the following regions of Spain: Asturias, Navarra and Guadalajara. EDP's wind generation activities in Spain are held via EDP Renováveis. See "*— EDP Renováveis*".

As at 30 June 2018, EDP España had a total installed capacity of 3,528 MW, with approximately 48.1 per cent. represented by CCGT power plant facilities, 34.7 per cent. by coal-fired facilities, 12.1 per cent. by hydroelectric facilities and 0.7 per cent. by cogeneration and biomass facilities. EDP España also holds a 15.5 per cent. interest in Central Nuclear Trillo I, A.I.E., which owns the Trillo nuclear power plant, corresponding to 156 MW of the plant's net capacity of 1,003 MW.

In the six-month period ended 30 June 2018, net electricity generation from EDP España reached 4,233 GWh, which represented a year-on-year decrease of 20 per cent. The increase was primarily attributable to programmed outages at EDP España's coal plants in in the first six months of 2017, including the DeNOx upgrade process at Aboño 2, mitigated by lower year-on-year hydro resources in Spain In the six-month period ended 30 June 2018.

To reduce emissions from its existing thermal plants, approximately 72 per cent. of the Group coal portfolio in Spain had DeSOx/DeNOx equipment as of 30 June 2018.

### **Electricity distribution in the Iberian Peninsula**

The Group engages in electricity distribution activity through EDP Distribuição in Portugal and EDP España in Spain.

#### ***Portugal***

EDP Distribuição is EDP's regulated Portuguese electricity distribution company acting under a public service concession.

In its distribution activities, EDP Distribuição carries out approximately 99 per cent. of Portugal's local electricity distribution. Currently, it has over 226,000 kilometres of grid and in the six-month period ended 30 June 2018 EDP Distribuição distributed 23,092 GWh of electricity to over 6.2 million supply points.

#### ***Service quality***

The quality of EDP's technical service, which is monitored by ERSE, is measured by the indicator "Installed Capacity Equivalent Interruption Time" ("**TIEPI**"), which measures the specific amount of interruption time within the company's control. In the six-month period ended 30 June 2018, TIEPI increased by 3 minutes year-on-year to 29 minutes, excluding extraordinary events, remaining below the regulator's reference.

EDP has continued to invest in the maintenance of its systems and is continuing to undertake new technical and organisational initiatives, which have allowed its grid to perform adequately despite adverse weather conditions. EDP is particularly focused on Portuguese regions that historically have recorded comparatively lower service quality levels with specific improvement plans that include maintenance, restructuring and reinforcement of the grids.

#### ***Innovation***

EDP believes that smart grids have the potential to help distribution system operators address the technical challenges posed by new technologies, such as dispersed generation and electric vehicles, while also enhancing efficiency and quality of service. The evolution towards a smarter grid is an increasingly important part of EDP Distribuição's strategy. This transformation process affects a few different areas within the company.

InovGrid is EDP Distribuição's umbrella project for smart grids that has been framing and grouping the modernisation needs of the distribution network. This project includes increasing decentralised production of renewable energy and developing a more efficient management of the network, as well as the development of a range of new products and services, allowing more active participation of the client and the promotion of energy efficiency.

InovGrid's first significant milestone was the completion of a smart city pilot in the municipality of Évora in 2011. Following the Évora trial, EDP Distribuição started smart meter deployment with national reach. In the six-month period ended 30 June 2018, 320,152 smart meters EDP Boxes ("**EBs**") were installed in Portugal, resulting in a total installed base of 1,555,431 EBs as of 30 June 2018. EDP is prioritising the installation of EBs in the urban perimeter of district capitals.

Beyond smart metering, EDP Distribuição is developing other aspects of its smart grid vision, with projects such as the deployment of remote metering in all transformer sites and public lighting circuits and the installation of *Distribution Transformer Controller* devices to monitor the grid in important low voltage substations. As at 30 June 2018, there were a total of 16,319 distribution transformer controllers installed in Portugal, of which 1,434 units were installed between 1 January and 30 June 2018.

EDP Distribuição participates in a large number of European projects, actively collaborating with peers, industry, academia and policy-makers to share knowledge and advance the smart grids vision.

#### ***Efficiency of operations***

Increases in operational efficiency at EDP Distribuição have enabled more customers to be served and more energy distributed with fewer employees. At EDP Distribuição, the ratio of supply points per employee, often used as a measure of productivity in distribution companies, increased from 1,052 in 2004 to 2,064 in the six-month period ended 30 June 2018. At the same time, the indicator for energy distributed per employee almost doubled between 2004 (7.5 GWh) and the first six months of 2018 (7.7 GWh).

## **Spain**

EDP España has an electricity network infrastructure that covers the regions of Asturias (accounting for a large majority of its network), Madrid, Valencia, Cataluña and Aragon, totalling 20,649 kilometres as at 30 June 2018. Electricity distributed in the six-month period ended 30 June 2018 through EDP España's network amounted to 4,698 GWh, a 1.4 per cent. year-on-year increase.

Distribution in the high and medium-voltage sector amounted to 3,551 GWh in the six-month period ended 30 June 2018, a 1.0 per cent. year-on-year increase, while in the low-voltage sector the total amount distributed in the six-month period ended 30 June 2018 reached 1,148 GWh, representing a 2.7 per cent. year-on-year decrease.

As at 30 June 2018, EDP España's electricity distribution business had 665,186 supply points, a 0.4 per cent. year-on-year increase.

### *Service quality*

The investments carried out in recent years, as well as good working practices, allowed interruption to supply to continue to decrease. Despite the unfavourable topographical features in most of its market, EDP believes that EDP España leads in quality of service in the Spanish electricity system. In the six-month period ended 30 June 2018, TIEPI decreased by 4 minutes year-on-year to 10 minutes, mainly due to unfavourable weather conditions in the same period of 2017.

### *Efficiency of operations*

The results of EDP España's distribution network show the company's continuous efforts to maintain a high level of efficiency. In the electricity distribution area, productivity in the six-month period ended 30 June 2018 remained high, with 15.5 GWh distributed per employee and 2,188 supply points per employee. Furthermore, EDP España has maintained high network availability levels, as shown by the above mentioned TIEPI.

## **Natural gas distribution in the Iberian Peninsula**

In March and April 2017, EDP agreed to sell 100 per cent. of its gas distribution network in each of Spain and Portugal. The completion of these transactions was concluded in Spain on 27 July 2017, and in Portugal on 4 October 2017. Accordingly, the Group has ceased gas distribution activity in both countries.

## **Electricity and natural gas supply in the Iberian Peninsula**

In the Iberian Peninsula electricity and natural gas supply market, the Group is present in the liberalised and regulated markets. In Portugal, EDP supplies electricity and natural gas to customers in the liberalised market through EDP Comercial and in the regulated market through EDP SU and EDP Gás Serviço Universal. In Spain, EDP supplies electricity and natural gas to customers in the liberalised market through EDP España and EDP Comercializadora, whilst last resort customers are supplied by EDP Comercializadora de Último Recurso S.A. ("**EDP CUR**").

## **Portugal**

### *Supply in the liberalised market*

According to ERSE, EDP Comercial retained its liberalised market leadership in Portugal in the first six months of 2018 both by number of clients and volume of electricity supplied, despite a strong increase in competition. EDP Comercial had an 82.1 per cent. liberalised market share in terms of annualised clients and a 42.1 per cent. liberalised market share in terms of volumes supplied at 31 May 2018.

The 42.6 TWh of annualised electricity supplied between 1 January to 31 May 2018 in the liberalised market represented 93.5 per cent. of the total annualised electric energy supplied in Portugal, which compares to 92.4 per cent. for the previous year. The electricity sold to end customers by EDP Comercial in the six-month period ended 30 June 2018 amounted to 9,265 GWh, while in the comparable six month period of 2017 this figure totalled 9,194 GWh.<sup>2</sup>

By 30 June 2018, EDP Comercial supplied about 4,130,000 electricity customers. This represents a 0.6 per cent. year-on-year increase, mainly driven by residential clients switching from the last resort supplier. The growth pace of switching of electricity customers to the free market accelerated significantly in late 2012, gradually leading to significant net additions in EDP's liberalised client portfolio. This pace is now decelerating, as

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<sup>2</sup> To be updated if 30 June figures are published prior to the update.

most of the customers are already in the free market (approximately 82,000 net added customers in the first six months of 2017, compared to approximately 24,000 net reduction in customers in the six-month period ended 30 June 2018).

The strong pace of gas supply liberalisation, along with EDP's successful dual offer (electricity and gas) to residential and small business customers ("**B2C**"), continued to drive an increase in the number of EDP Comercial's gas customers from 629,096 as at 30 June 2017 to 654,261 as at 30 June 2018, sustaining EDP as a major player in the gas liberalised market with a market share by number of clients of 56.1 per cent. as at 31 May 2018 according to ERSE. Nevertheless, the natural gas marketed by EDP in Portugal in the liberalised market in the six-month period ended 30 June 2018 declined by 0.7 per cent. year-on-year to 1,999 GWh, primarily due to lower sales in the companies and institutions ("**B2B**") market.

EDP Comercial focuses its marketing strategy on two main areas: (1) B2B and (2) B2C.

#### *Companies and institutions (B2B)*

As at 30 June 2018, the B2B electricity business of EDP Comercial had a client portfolio amounting to 143,612 facilities, compared to 142,920 one year earlier, to which it had supplied 3,833 GWh during the first six months of 2018, which compares to 4,068 GWh during the previous year. This volume reduction is consistent with EDP's strategy to focus on higher margin segments of the B2B market.

#### *Residential and small business customers (B2C)*

Since 2006, EDP Comercial has been the most active B2C supplier in the liberalised market. As at 30 June 2018, the B2C electricity business of EDP Comercial had a client portfolio amounting to 4,016 thousand residential and small business customers, compared to 3,986 thousand as at 30 June 2017 (a 0.6 per cent. increase), to which it supplied 5,432 GWh in the six-month period ended 30 June 2018, which accounts for a 6.0 per cent. year-on-year increase.

#### *Energy services*

Additionally, the management of EDP believes that its energy services business will play an increasingly important role in retaining customers, in strengthening their long-term partnership with EDP and in creating value for both EDP and its customers.

This area's activity consists of designing and implementing value added energy solutions, for both B2B and B2C customers, ranging from energy efficiency and micro-generation, to electricity quality monitoring and electric equipment maintenance. It is also through this services activity that EDP deploys its initiatives under the Plan for Promoting Consumption Efficiency, an energy efficiency plan promoted by the regulator.

#### *Supply in the regulated market*

Under Portuguese law, transitory last resort supply tariffs are available to encourage Portuguese customers to switch to the liberalised natural gas and electricity markets. Consumers can, nevertheless, opt for a regulated tariff even if they have moved to the liberalised market.

Currently, these transitory last resort supply tariffs will be applied until 31 December 2020 for electricity and gas consumption.

In Portugal, EDP supplies electricity in the regulated market through EDP SU. Total clients supplied by EDP SU declined by 10.0 per cent. year-on-year to 1,165,624 as at 30 June 2018. Volumes supplied by EDP SU fell from 1.6 TWh in the first six months of 2017 to 1.5 TWh.

EDP Gás Serviço Universal is the last resort natural gas supplier for the concession area, involving 29 municipalities in the districts of Porto, Braga and Viana do Castelo, being responsible for the supply of natural gas in the regulated market. As at 30 June 2018, EDP Gás Serviço Universal had 42,433 customers and supplied 154 GWh (a decrease of 10.4 per cent. and 3.4 per cent. year-on-year, respectively, mainly due to the switch of customers to liberalised suppliers).

## **Spain**

#### *Supply in the liberalised market*

As at 30 June 2018, the total number of electricity customers in the Spanish liberalised market supplied by EDP España and EDP Comercializadora was 926,550 and these customers were invoiced for 6,043 GWh of

electricity supplied during 2017, a 11.7 per cent. year-on-year decrease. The energy sold represents 7 per cent. of the total energy sold in the liberalised market in Spain In the six-month period ended 30 June 2018.

In the six-month period ended 30 June 2018, the B2B segment recorded sales of 4,891 GWh, a year-on-year decrease of 15.4 per cent. in line with EDP's strategy to focus on the most attractive customer segments.

Within the B2C operation, sales of 1,152 GWh were achieved In the six-month period ended 30 June 2018, representing a year-on-year increase of 8.5 per cent. The strategy in this segment has been focused on portfolio analysis in order to attract profitable customers and gain their loyalty. On the other hand, a campaign was carried out to protect the dual domestic customer segment by means of the *Fórmula Ahorro* (Savings Formula) plan. This promotional offer included electricity and gas supply and a maintenance service through the Funciona programme, an energy services programme where the customers are provided with an overhaul and maintenance of their electricity and gas installations, air conditioning equipment and electrical appliances. This program has resulted in 575,052 contracts as at 30 June 2018.

Natural gas marketed In the six-month period ended 30 June 2018 by EDP in Spain was 7,104 GWh, flat year-on-year with a total of 835,892 clients, reflecting fewer and less appealing trading opportunities in the wholesale market and EDP's strategy of focusing on the most attractive customer segments. Gas sold in the B2B segment amounted to 4,194 GWh, and the remaining 2,910 GWh were sold in the B2C segment.

#### *Supply in the regulated market*

As a result of the process of liberalising the Spanish electricity sector, since July 2009 low voltage customers with power less than or equal to 10 kW can receive power by contract or through a reference supplier, including EDP CUR, at a tariff determined by the Spanish government called the Voluntary Price for the Small Consumer.

As at 30 June 2018, EDP CUR had 216,370 electricity customers. These customers consumed 229 GWh of electricity In the six-month period ended 30 June 2018, representing a 0.5 per cent. year-on-year decrease. The figure is continuously decreasing as more customers migrate to the liberalised market.

As for gas supply activity, EDP's efforts to move customers from the regulated to the liberalised market were effective (only a small percentage still remains on the last resort tariff system in the liberalised market) when gas retail tariffs ended in Spain in June 2008. As at 30 June 2018, EDP CUR had 50,877 customers (a 4.1 per cent. year-on-year decrease) and supplied 165 GWh (a 7.7 per cent. year-on-year increase).

#### **EDP Renováveis**

EDP Renováveis is a global leader in renewable energy, with its revenue mostly derived from wind energy activities but also from solar. It currently operates renewable energy assets in Europe (Spain, Portugal, France, Belgium, Italy, Poland and Romania), North America (United States, Canada and Mexico) and Brazil and has various projects in different stages of construction and development in these countries, as well as in United Kingdom and Greece.

As at 30 June 2018, EDP Renováveis managed a global portfolio of 11,044 MW spread over 11 countries, of which 10,713 MW was fully consolidated and an additional 331 MW was accounted for in accordance with the equity method (related to EDP Renováveis' equity stakes in Spain and in the United States). The overall installed capacity of EDP Renováveis was spread between Europe (5,250 MW), North America (5,464 MW) and Brazil (331 MW), reflecting a total of 616 MW of new capacity added to its portfolio year-on-year. As at 30 June 2018, EDP Renováveis had 828 MW of wind onshore under construction across different geographies. As at 30 June 2018, the average age of the 10,713 MW fully consolidated global portfolio was 7.6 years. EDP Renováveis' portfolio had an average age of 8.9 years in Europe, 6.9 years in North America and 3.0 years in Brazil. EDP Renováveis benefits from a balanced portfolio across different geographies and quality wind farms supported by solid wind assessment know-how, allowing it to maximise output even in periods with lower wind resource.

On 23 March 2018, EDP Renováveis S.A. concluded the sale of a 20 per cent. stake in equity shareholding and outstanding shareholder loans on the Moray Offshore Windfarm (East) Limited ("MOWEL"), to Mitsubishi Corporation ("MC"), for a total consideration of £36 million. Both companies have also reached an agreement on an additional 13.4 per cent. stake to be sold by EDPR to MC under the same terms and conditions. With the completion of this transaction, MC will participate in the investment, development and operation of the MOWEL project, located in the North Sea off the coast of Scotland (Zone 1 of the Crown Estate's Round 3 programme). In September 2017, MOWEL was awarded by the UK's Department for Business, Energy &

Industrial Strategy (“BEIS”) with a 15-year Contract for Difference (CfD) for the delivery of 950 MW of offshore wind generation at £57.5/MWh (2012 tariff-based). MOWEL is expected to be completed by 2022.

In the six-month period ended 30 June 2018, EDP Renováveis produced 15,451 GWh of clean electricity (a 6 per cent. year-on-year increase), avoiding 12.4 million tons of CO<sub>2</sub> emissions, which is calculated, geographically by country, by multiplying EDP Renováveis' wind generation in a country during a certain year with the emissions factor of the power sector for that same country for that same year (excluding nuclear generation). The increase in production benefitted mainly from capacity additions (which represented a 6 per cent. year-on-year increase on average capacity) with a higher expected load factor. The achieved load factor in the six-month period ended 30 June 2018 was 33.5 per cent., compared to 33.6 per cent. in the first six months of 2017.

### **Europe**

In the six-month period ended 30 June 2018, EDP Renewables Europe (“EDPR EU”) installed new net wind energy capacity of 37 MW in Europe which increased total installed capacity to 5,250 MW as at 30 June 2018 (of which 152 MW related to equity consolidated farms), spread over seven countries: Spain, Portugal, France, Belgium, Italy, Poland and Romania.

Electricity generation in Europe In the six-month period ended 30 June 2018 increased by 5 per cent. year-on-year to 6,341 GWh. In Europe, EDP Renováveis reached a 29 per cent. load factor In the six-month period ended 30 June 2018 (compared to 28 per cent. in the first six months of 2017), representing 101 per cent. of the long-term average P50 production level.

As at 30 June 2018, EDP Renováveis had 270 MW under construction in Europe: 68 MW in Spain; 74 MW in Italy; 26 MW in France; and 102 MW in Portugal.

### **Spain**

In Spain, EDP Renováveis' installed wind energy capacity as at 30 June 2018 amounted to 2,244 MW on a fully consolidated basis plus 152 MW equity consolidated. In the six-month period ended 30 June 2018, a net 25 MW of wind energy capacity was added in Spain relating to the acquisition of a 50 per cent. interest in a Spanish wind farm that was previously accounted for as equity.

EDP Renováveis in Spain accomplished a load factor of 30 per cent. In the six-month period ended 30 June 2018, delivering a premium over the Spanish market average (1 per cent.), representing an increase from 28 per cent. in the first six months of 2017. Electricity output in the six-month period ended 30 June 2018 increased by 7.5 per cent. year-on-year, amounting to 2,866 GWh.

As at 30 June 2018, EDP Renováveis had 68 MW of wind energy capacity under construction in Spain.

### **Portugal**

In Portugal, EDP Renováveis' installed wind energy capacity as at 30 June 2018 totalled 1,249 MW plus 5 MW of solar PV.

EDP Renováveis' load factor in Portugal In the six-month period ended 30 June 2018 reached 31 per cent., which was lower year-on-year (28 per cent. in the first six months of 2017) reflecting above average wind resource. As a result, In the six-month period ended 30 June 2018 the electricity output in Portugal increased 9 per cent. year-on-year from 1,533 GWh in the first six months of 2017 to 1,672 GWh.

Within the scope of the EDP and CTG strategic partnership, in June 2017, EDP Renováveis completed the sale to ACE Portugal Sàrl (which is 100 per cent. owned by ACE Investment Fund II LP, a subsidiary of China Three Gorges Hong Kong Ltd, a fully-owned subsidiary of CTG) of 49 per cent. of its equity shareholding and shareholder loans in a portfolio of wind assets with a capacity of 422 MW located in Portugal for a total consideration of €248 million. These assets, which were part of the ENEOP project, have been fully consolidated with EDP Renováveis since 2015. Because this transaction represents a sale of minority interests without loss of control, EDP will continue to consolidate these assets going forward.

As at 30 June 2018, EDP Renováveis had 102 MW of wind energy capacity under construction in Portugal.

### **Rest of Europe**

As at 30 June 2018, EDP Renováveis had 1,601 MW of capacity installed in the rest of Europe and was as follows: Romania 521 MW (of which 50 MW are solar PV), Poland 418 MW, France 410 MW, Belgium 71 MW

and Italy 181 MW. In the six-month period ended 30 June 2018, 37 MW of new wind energy capacity was installed in Italy.

In the six-month period ended 30 June 2018, the rest of EDP Renováveis' European operations delivered a 26 per cent. load factor, representing an decrease from 28 per cent. in the first six months of 2017. The electricity output decreased by 2 per cent. year-on-year to 1,799 GWh In the six-month period ended 30 June 2018, on the back of capacity additions along with higher realised load factor.

Within the scope of the EDP/CTG strategic partnership, in October in the first six months of 2017, EDP Renováveis concluded the sale of 49 per cent. equity shareholding and shareholder loans in a portfolio of wind assets with a capacity of 548 MW in Poland and Italy to ACE Poland S.A.R.L. and ACE Italy S.A.R.L. (both of which are 100 per cent. owned by ACE Investment Fund LP, a subsidiary of China Three Gorges Hong Kong Ltd ("**CTG HK**"), a fully-owned subsidiary of CTG) for a total consideration of €363 million. Because this transaction represents the sale of a minority interest without loss of control, EDP Renováveis continued to consolidate these assets after this transaction.

As at 30 June 2018, EDP Renováveis had 74 MW and 26 MW of wind energy capacity under construction in Italy and France, respectively.

Moreover, EDP Renováveis is pursuing opportunities for offshore platforms. Within this scope, a joint venture owned by EDP Renováveis (57 per cent.), ENGIE (23 per cent.) and Mitsubishi Corporation (20 per cent.) was awarded with a 15-year CfD in the United Kingdom for the delivery of 950 MW of offshore wind generation, which is expected to be completed by 2022.

### **North America**

In North America, EDP Renováveis' total installed capacity as at 30 June 2018 totalled 5,464 MW (of which 179 MW was equity consolidated) and was as follows: 5,234 MW spread across 14 different states in the United States, including 90 MW related to solar; 30 MW in Canada; and 200 MW in Mexico (installed in the first six months of 2017 following an agreement with Industrias Peñoles, a leading Mexican mining company, for an Electricity Supply Agreement under a self-supply regime in which the mining company acquires energy for its own consumption for the energy produced by EDP Renováveis' wind farm).

In the six-month period ended 30 June 2018, the electricity output in North America increased by 6 per cent. year-on-year to 8,690 GWh, reflecting new capacity additions and benefitting from the higher wind resource of such projects. The average load factor decreased from 39 per cent. in the first six months of 2017 to 38 per cent. In the six-month period ended 30 June 2018.

As at 30 June 2018, EDP Renováveis had 679 MW of wind onshore under construction in the United States, namely Turtle Creek (202 MW; Iowa), Meadow Lake VI (200 MW; Indiana), Prairie Queen (199 MW; Kansas) and Arkwright Summit (78 MW; New York).

### **Brazil**

EDP Renováveis' installed wind energy capacity in Brazil totalled 331 MW as at 30 June 2018, all of which operated under long-term contracts, providing visibility over cash flow generation. 127 MW of wind energy capacity was installed In the six-month period ended 30 June 2018 relating to the JAU & Aventura wind project awarded at the energy generation auction with PPA for a period of 20 years.

The average load factor in Brazil decreased from 36 per cent. in the first six months of 2017 to 30 per cent. In the six-month period ended 30 June 2018. Electricity output In the six-month period ended 30 June 2018 increased by 34 per cent. year-on-year, amounting to 420 GWh.

As at 30 June 2018, EDP Renováveis had 137 MW under construction in Brazil relating to the Babilonia wind project awarded at the energy generation auction with a PPA for a period of 20 years. EDP intends to strengthen EDP Renováveis' presence in this market which has attractive wind resources and strong growth potential.

### **EDP's energy business in Brazil**

#### **Generation (excluding wind power)**

As at 30 June 2018, EDP Brasil's generating facilities had a total installed capacity of 2,467 MW fully consolidated, 70.8 per cent. of which was represented by hydroelectric facilities (1,747 MW located in the states of Tocantins, Espírito Santo, Amapá, Pará and Mato Grosso do Sul) and 29.2 per cent. by the Pecém coal

thermal plant (720 MW located in Ceará). Additionally, EDP Brasil has 539 MW accounted for in accordance with the equity method through its interest in Santo Antônio do Jari HPP (corresponding to 50 per cent. of 393 MW total installed capacity) and Cachoeira Caldeirão HPP (corresponding to 50 per cent. of 219 MW total installed capacity), both in partnership with CTG, as well as a 33.34 per cent. equity stake in São Manoel HPP (700 MW relating to its first generation unit, online since December 2017) in partnership with CTG and Furnas.

In January in the first six months of 2017, EDP Brasil has completed the sale to Cachoeira Escura Energética S.A. of 100 per cent. of Pantanal Energética Ltda ("**Pantanal**") for R\$390 million, of which R\$45 million was paid in July 2017, upon the fulfilment of pending contractual obligations. Pantanal holds an installed capacity of 51 MW through two mini-hydro plants (HPP Mimoso and PCH Paraíso I), located in the state of Mato Grosso do Sul.

The total volume of energy sold by EDP's fully consolidated plants in Brazil In the six-month period ended 30 June 2018 reached 7,185 GWh, a 25 per cent. increase compared to the previous year, which includes 2,914 GWh from the Pecém coal thermal plant.

During the first six months of 2018 EDP Brasil concluded São Manoel HPP. The first generation unit (175 MW) became operational in December 2017, four months ahead of schedule. Construction of the second, third and fourth generation units, 175 MW each, was completed in January, March and April 2018, three and a half months, two months and a few days ahead of schedule, respectively.

### **Distribution**

Electricity distribution services are provided to a market that is divided into captive customers, who acquire electricity provided by the distributor and pay for their use of the network, and free customers, who choose a different electricity supplier and pay the distributor only for the use of the distribution network.

The distribution activities of EDP Brasil are currently developed by two concessionaires, which had approximately 3.4 million customers as of 30 June 2018, in regions where the total population is approximately 8 million people:

- EDP São Paulo – Supplies energy to about 1.8 million customers in 28 municipalities in the regions of Alto Tietê, Vale do Paraíba and Littorals Norte from the state of São Paulo, where approximately 4.5 million people live. The area has a large concentration of companies from important economic sectors, such as aviation, and paper and pulp manufacturing.
- EDP Espírito Santo – Provides services to a population of approximately 3.3 million inhabitants in 70 of the 78 municipalities from the state of Espírito Santo, supplying electricity to about 1.5 million customers. The main economic activities of the region are metallurgy, iron mining, production of paper and oil and gas.

In the six-month period ended 30 June 2018, the volume of electricity distributed totalled 12.5 TWh, representing a 0.7 per cent. year-on-year increase. A slight decline in the captive customer market partially offset an increase in the free market.

The volume of electricity sold to captive customers decreased by 0.2 per cent. year-on-year In the six-month period ended 30 June 2018, primarily due to the switch of consumers to liberalised suppliers. In the residential, commercial and other segments, the volume sold In the six-month period ended 30 June 2018 increased by 0.7 per cent. year-on-year while in the industrial segment, the volume of electricity sold fell by 5.6 per cent. year-on-year.

### **Supply**

EDP supplies electricity in the liberalised market in Brazil through EDP Comercializadora de Energia, which operates both inside and outside the concession areas of the two distributors of EDP Brasil that operate in the regulated market.

EDP Comercializadora de Energia showed growth in the volume of energy supplied In the six-month period ended 30 June 2018, trading 8,482 GWh, which was 22.1 per cent. higher than the volume traded in in the first six months of 2017, reflecting an increase in market liquidity and an increase in the number of free market customers, offset in part by a decline in regulated market customers (as they switched to the free market). Thus, based on publicly available information, EDP Comercializadora de Energia ranked as the fourth largest private trading company, in terms of volumes supplied, in Brazil In the six-month period ended 30 June 2018.

### **Transmission**

In April 2017, EDP Brasil strengthened its position in the Brazilian electric transmission market, by earning the right to build and operate four additional transmission lines in a regulated area. Together with the line that was awarded at the end of in the first six months of 2017, EDP Brasil has committed to invest R\$3.1 billion over the next five years, in nearly 1,300 km transmission lines in Santa Catarina, São Paulo, Minas Gerais, Espírito Santo and Maranhão.

#### **Other**

In March 2018, EDP Brasil concluded the acquisition of 33.1 per cent. of ordinary shares and 1.9 per cent. of preferred shares of CELESC from Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI. CELESC is the main company in the electricity sector in the state of Santa Catarina, operating in the distribution, generation and transmission of electric energy. These shares amount to 14.46 per cent. of the total shares of CELESC and the transaction price was R\$244 million.

As a result of the abovementioned deal, EDP Brasil launched, on 27 March 2018, a voluntary take-over bid for up to 32 per cent. of the preferred shares of CELESC for a price of R\$27 per share, which corresponded to a potential purchase price amount of R\$199 million for 19.1 per cent. of the total shares of CELESC. In April 2018, following the completion of the tender offer auction, EDP Brasil acquired 1,990,013 of preferred shares for a total of R\$53.7 million. As result, EDP Brasil now holds 19.6 per cent. of CELESC, thus reinforcing its focus on regulated networks, not only in the distribution segment, but also in the transmission segment, in which it is currently developing several transmission lines, one of which is in partnership with CELESC.

#### **EDP'S OTHER ACTIVITIES**

EDP also has financial interests in other energy and non-energy related assets, namely a 10.6 per cent. indirect interest in Companhia de Electricidade de Macau – CEM, S.A. ("CEM"), the utility has acted as the exclusive concessionaire for transmission, distribution and commercialisation of electricity in the Macau Special Administrative Region ("MSAR") since 1985.

## Regulatory framework

### EUROPEAN ENERGY POLICY

#### *Managing Emissions*

The EU emissions trading system ("EU ETS"), the first large greenhouse gas emissions trading scheme in the world, was launched in 2005 as a component of the EU's climate policy. The EU ETS is currently in phase 3 and works on a cap and trade principle, with a single EU wide-cap on emissions (rather than the previous national caps system). Under the EU ETS system, emission allowances for the period from 2013 to 2020 are mainly allocated by auction (the default method), in accordance with Directive 2009/29/EC of the European Parliament and of the Council, of 23 April, which amended Directive 2003/87/EC of the European Parliament and of the Council, of 13 October<sup>3</sup>. The EU ETS currently represents over three-quarters of international carbon trading.

The global amount of emission allowances available at the European Union level was determined by Commission Decision no. 2010/634/EU, of 22 October, subsequently amended by Commission Decision no. 2013/448/EU, of 5 September, amended by Commission Decision no. 2017/126/EU, of 24 January, and the methodology for allocation was set by Commission Decision no. 2011/278/EU, of 27 April, later amended by Commission Decisions no. 2011/745/EU, of 11 November (rectified on 17 November 2011), no. 2012/498/EU, of 17 August, and no. 2014/9/EU, of 18 December.

At the EU ETS level, the European Commission (the "EC") produced an impact assessment report on the measures designed to prevent the surplus of emission allowances on the market and the consequent reduction in the price of CO<sub>2</sub> per tonne. In July 2015, the EC presented a legislative proposal to revise the EU ETS for the period after 2020 (phase 4, 2021-2030), aiming to accelerate the pace of emission cuts and to better address the risk of carbon leakage.

This is the first step in delivering on the EU's target to reduce greenhouse gas emissions by at least 40 per cent. domestically by 2030 in line with the 2030 climate and energy policy framework and as part of its contribution to the Paris Agreement.

#### *Reducing Emissions*

Apart from CO<sub>2</sub>, the major waste products of electricity generation using fossil fuels are sulphur dioxide ("SO<sub>2</sub>"), nitrogen oxide ("NO<sub>x</sub>") and particulate matter, such as dust and ash.

The Industrial Emissions Directive ("IED") – Directive 2010/75/EU of the European Parliament and the Council, of 24 November – is the main EU instrument regulating pollutant emissions from industrial installations and was entered into force on 6 January 2011 to be transposed by Member States by 7 January 2013. The IED aims to reduce harmful industrial emissions, in particular, through better application of Best Available Techniques ("BAT"). Chapter III of the IED on large combustion plants includes certain flexibility instruments (Transitional National Plan, limited lifetime derogation, etc.), namely regarding emission limit values for selected pollutants.

The IED consolidates seven existing Directives and replaces them with a single clear and coherent legislative instrument. The directives that were consolidated include the then-existing IPPC Directive (Integrated Pollution Prevention and Control), the LCP Directive (Large Combustion Plant), the Waste Incineration Directive, the Solvents Emissions Directive and three Directives on Titanium Dioxide.

The Medium Combustion Plants ("MCP") Directive – Directive (EU) 2015/2193 of the European Parliament and the Council, of 25 November – was triggered by the EC Clean Air Policy Package, adopted in December 2013, and regulates emissions of SO<sub>2</sub>, NO<sub>x</sub> and dust in the air from the combustion of fuels in plants with a rated thermal input equal to or greater than 1 megawatt ("MWth") and less than 50 MWth. The MCP Directive entered into force on 18 December 2015 and had to be transposed by Member States by 19 December

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<sup>3</sup> Amended by Regulation (EU) no. 219/2009 of the European Parliament and of the Council, of 11 March, by Decision (EU) no. 2013/1359 of the European Parliament and of the Council, of 17 December, by Regulation (EU) no. 421/2014 of the European Parliament and of the Council, of 16 April, by Decision (EU) no. 2015/1814 of the European Parliament and of the Council, of 6 October, by Regulation (EU) no. 2017/2392 of the European Parliament and of the Council, of 13 December and by Directive (EU) no. 2018/410 of the European Parliament and of the Council, of 14 March.

2017. The emission limit values set in the MCP Directive will have to be applied from 20 December 2018 for new plants and by 2025 or 2030 for existing plants, depending on their size.

Regulation (EU) no. 517/2014 of the European Parliament and of the Council, of 16 April, on fluorinated greenhouse gases, aims to achieve the reduction of fluorinated-gases emissions by two-thirds by 2030. This regulation was followed by the allocation of quotas to companies selling hydrofluorocarbons ("HFCs") in the EU, with a gradual phase-down until one-fifth of 2014 sales in 2030.

## ***Renewable Energy***

The promotion of electricity from renewable sources is a priority in the European Union for purposes of security and diversification of energy supply, environmental protection and social and economic development. On the Climate Action policy area, one of the main goals is to make the EU a global leader in renewables, in compliance with the Paris Agreement, an ambitious new global climate change agreement adopted by 195 countries in December 2015, in the Paris climate conference ("COP21").

The 2020 Climate and Energy Package, approved in 2007, enacted the 20-20-20 targets for 2020, with a 20 per cent. reduction in greenhouse gas ("GHG") emissions, a 20 per cent. increase in the share of energy consumption generated by Renewable Energy Sources ("RES") and a 20 per cent. increase in energy efficiency.

In January 2008, specific binding targets were proposed for each Member State and the EC established a framework (COM (2008) 30 final) to ensure a sufficient level of investments and support in order to fulfil the defined targets.

The Renewable Energy Directive ("RED") – Directive 2009/28/EC of the European Parliament and the Council, of 23 April, later amended by Council Directive 2013/18/EU, of 13 May, and Directive (EU) 2015/1513 of the European Parliament and of the Council, of 9 September – was designed to promote the use of renewable energy.

The RED established a common framework for the promotion of energy from renewable sources and set mandatory national targets for the overall share of energy and for the share of transport energy from renewable sources. It also established rules regarding statistical transfers between Member States, joint projects with third countries, guarantees of origin, administrative procedures, information and training, and access to the electricity network for energy from renewable sources.

On 9 April 2014, the EC issued Communication 2014/C 200/01 containing guidelines on state aid for environmental protection and energy for the period from 2014 to 2020 aiming, among other things, to ensure that support schemes for renewable energy are in accordance with the European Union rules on state aid. The guidelines promote a gradual move to market-based support for renewable energy, foreseeing also the gradual introduction of competitive bidding processes for allocating public support.

In October 2014, EU leaders agreed on new targets for the post-2020 horizon with the new 2030 framework for climate and energy. The new 2030 frameworks set EU-wide targets and policy objectives for the 2020-2030 period, towards a cost-effective decarbonisation by 2050, which included a target of at least a 27 per cent. share of renewable energy consumption.

In 2015, the European Union approved the framework strategy Resilient Energy Union with a Forward-Looking Climate Change Policy (approved by Communication (2015) 80 final, of 25 February).

On 30 November 2016, the EC presented a package of measures, known as the Clean Energy Package ("CEP"), to keep the European Union competitive as the clean energy transition is changing the global energy markets, comprising five main areas: (i) Energy Efficiency, (ii) Renewables, (iii) Market Design; (iv) Security of Supply and (v) Governance, with three key goals: (i) putting energy efficiency first, (ii) achieving global leadership in renewable energies and (iii) providing a fair deal for consumers.

Currently, 4 out of the 8 legislative proposals in the CEP reached a political agreement in the trilogue negotiations among the EC, European Council and European Parliament. The agreement on the RED was reached in 14 June 2018 and now holds for adoption by the European Parliament and the Council, with a view to its publication in the Official Journal of the European Union ("OJ") in the upcoming months.

According to the EC press release, the new regulatory framework now includes a binding (and more ambitious) renewable energy target for the EU for 2030 of 32 per cent. with an upwards revision clause by 2023.

## ***Backup Capacity***

One of the key axis for the European Union is to be leader in electricity generation from renewable sources. This is an important goal to achieve secure, clean and affordable energy supplies to European consumers, but it does add some challenges, as those energy sources have an intermittent nature which reflects into a growing concern for security of supply.

To prevent possible electricity shortages, some Member States have designed different types of capacity mechanisms to assure backup capacity, by remunerating electricity generators and other capacity providers, such as demand response operators, for being available in case of need.

In April 2015, the EC launched a State Aid sector inquiry to assess the need, design and market impacts of capacity mechanisms. The final report was published in April 2016. This final report included a set of legislative proposals to improve the design and operation of the EU electricity market, namely proposals to improve national generation adequacy policies, which should gradually reduce the need for capacity remuneration mechanisms ("CRM") to guarantee security of supply.

These proposals do not exclude the need for CRM, as CRM address the need for sufficient investment. Instead the proposals discourage the usage of CRM as a substitute for market reforms, that may be required to address regulatory and market failures causing capacity shortages. These mechanisms must be designed to suit specific problems and should rely on competitive processes to avoid failing the achievement of the goal or over-compensation.

When a Member State decides to take complementary measures in the form of capacity mechanisms likely to involve State Aid, that Member State must notify the Commission for approval under State Aid rules. Harmonised rules for CRM in line with State Aid rules will help to give certainty to capacity providers and other economic actors, as well as help provide the right signals to investors and assure security of supply. The EC has approved several new capacity mechanisms under EU State Aid rules.

The CEP, presented by the EC on 30 November 2016, also sets ground rules regarding adequacy assessments and security of supply, more specifically, on CRM. These rules are currently under discussion in the trilogue meetings between the EC, European Council and European Parliament. The discussion will primarily focus on the regulatory framework for market-based capacity mechanisms, either purely national or allowing for cross-border participation, and on the proposal for a Regulation on Risk Preparedness (towards the prevention and management of crisis situations with EU wide coordination).

There is also the Electricity Coordination Group that serves as a forum for information exchange and coordination on electricity policy measures with cross-border impact. It also shares best-practices and expertise on security of supply. Additionally, the Network Code on emergency and restoration ("NC ER"), Commission Regulation (EU) no. 2017/2196, entered into force on 18 December 2017, with rules to manage the electricity transmission system in emergency, blackout and restoration states.

## ***Energy efficiency***

Energy efficiency is one of the priorities of the European Union, and one of the corner stones of the Energy Union Strategy. The Energy Efficiency Directive ("EED") – Directive 2012/27/EU of the European Parliament and the Council, of 25 October – sets rules and obligations in order to meet the 2020 energy efficiency target of 20 per cent. To reach the EU energy efficiency target, each EU Member State defined its own indicative national energy efficiency targets, which can be based on primary or final energy consumption, primary or final energy savings or energy intensity.

The 2030 climate and energy framework sets a target of 27 per cent. improvement in energy efficiency for 2030.

The EED, included in the CEP proposal of the EC, reached a political agreement in the trilogue negotiations in 19 June 2018. The EED now holds for adoption by the European Parliament and the Council, with a view to its publication in the OJ in the upcoming months.

According to the EC press release, the new regulatory framework now includes a more ambitious energy efficiency target for the EU for 2030 of 32 per cent. with an upwards revision clause by 2023.

## **IBERIAN PENINSULA**

## **MIBEL overview**

Since 1 July 2007, the electricity wholesale market in the Iberian Peninsula has been operated as a single, integrated electricity market for Portugal and Spain within the wider context of the European single electricity market, which is provided for in European Union directives. This integrated market for Portugal and Spain is known as Mercado Ibérico de Electricidade ("MIBEL"). The creation of MIBEL required both countries to acknowledge a single market in which all agents have equal rights and obligations and in which all agents must comply with principles of transparency, free competition, objectivity and liquidity.

MIBEL operates with an electricity spot market, which includes daily and intraday markets that are managed by Spanish market operator – Operador del Mercado Ibérico de Energía, Polo Español, S.A., ("OMIE") – and an electricity forward market that is managed by the Portuguese market operator – Operador do Mercado Ibérico de Energia – Pólo Português, S.A. ("OMIP").

The spot market currently operates in a market split system pursuant to which electricity market prices in each country depend on: (i) the supply and demand in each country; and (ii) the available interconnection capacity between each country. It is expected that as interconnection capacity between Portugal and Spain increases, the spot market will evolve to become a single market system.

## **Portugal**

### ***Electricity Sector-Regulatory framework***

Since 2000, the regulation of the electricity industry in Portugal has been subject to significant changes, such as the unbundling of the transmission network and the liberalisation of power generation and supply.

The main features of the current organisation of the Portuguese electricity system were first set out in EU Directive 2003/54/EC of the European Parliament and of the Council, of 26 June, concerning common rules for the internal market in electricity, the "Electricity Directive", which was transposed into Portuguese national law by Decree-Law no. 29/2006, of 15 February, as amended. Decree-Law no. 172/2006, of 23 August, as amended, further developed this legal framework and established rules for the activities in the electricity value chain (the "Electricity Framework").

Following implementation of the Electricity Framework, the former organisation of the Portuguese electricity system was replaced by a single market system, and the generation and supply of electricity are now fully open to competition, subject to obtaining the requisite licences and approvals or simple registration in the case of the liberalised supply. However, the transmission and distribution components of the value chain continue to be regulated activities provided through the award of public concessions.

To further the integration of the European electricity markets, a new legislative package was adopted in 2009 by the European Parliament and European Council, comprising (i) Directive 2009/72/EC of the European Parliament and of the Council, of 13 July, concerning common rules for the internal electricity market and replacing Directive 2003/54/EC; (ii) Regulation (EC) no. 713/2009 of the European Parliament and of the Council, of 13 July, establishing an Agency for the Cooperation of Energy Regulators; and (iii) Regulation (EC) no. 714/2009 of the European Parliament and of the Council, of 13 July, on conditions for access to the network for cross-border exchanges in electricity. Regulation (EC) no. 713/2009 was last amended by Regulation (EC) no. 347/2013, of 17 April, which also amended Regulation (EC) no. 714/2009, the latter having been amended by Commission Regulation (EU) no. 543/2013, of 14 June.

Directive 2009/72/EC was partially transposed into Portuguese national law by Decree-Law no. 78/2011, of 20 June, which amended Decree-Law no. 29/2006, and introduced changes to the Electricity Framework. The main impact is related to a regime of stricter separation between the entities acting in the generation and supply of energy and the transmission and distribution system operators, by attributing new powers to the national energy regulator and reinforcing the protection rights of consumers. In 2012, the sector's framework laws were once more amended in order to complete the implementation of Directive 2009/72/EC. Decree-Laws no. 215-A/2012 and 215-B/2012, of 8 October, were published, introducing new modifications to Decree-Law no. 29/2006 and to Decree-Law no. 172/2006, respectively.

Hence, under the amended Electricity Framework, the Portuguese electricity system is divided into five major activities: generation, transmission, distribution, supply, and the logistic operations for switching between suppliers. Subject to certain exceptions, each of these functions must be operated independently, from a legal, organisational and/or decision-making standpoint.

Decree-Law no. 138/2014, of 15 September, introduced a legal framework to safeguard strategic assets essential to ensure national defence and security and to guarantee the supply of services fundamental to the public interest related to the energy, transport and communications sectors. Under the new legal framework, a change in EDP's control structure involving direct or indirect control by a person or persons from a country that is not a member of the European Union or the European Economic Area may be denied by the Portuguese government under certain circumstances if there are real and serious reasons to believe that national defence and security or the safety of energy supply are at risk.

### ***The National Strategy for the Energy Sector***

The current organisation of the Portuguese energy sector is mostly the result of a significant restructuring initiated pursuant to the National Strategy for the Energy Sector first established by Resolution of the Council of Ministers no. 169/2005, of 24 October, later replaced by Resolution of the Council of Ministers no. 29/2010, of 19 March.

Resolution of the Council of Ministers no. 20/2013, of 10 April, replaced the Resolution of the Council of Ministers no. 29/2010, of 19 March, and set two main policy plans for the energy sector, the National Plan of Action for Energy Efficiency 2013-2016 (the "PNAEE 2016") and the National Plan of Action for Renewable Energies 2013-2020 (the "PNAER 2020"). These plans of action establish the means to comply with the international commitments assumed by Portugal in matters of energy efficiency and the use of renewable resources, without losing sight of the need to ensure adequate levels of energy prices, which do not harm the competitiveness of the Portuguese companies or the minimum living standards of the general population. PNAEE 2016 and PNAER 2020 focus primarily on the reduction of the country's energy dependence, the increase in the generation of electricity from RES and the promotion of energy efficiency and sustainable development, namely by: (i) ensuring the continuance of measures that guarantee the development of an energy model with sustainable energy costs; (ii) ensuring a substantial improvement in the country's energy efficiency; and (iii) reinforcing the diversification of primary energy sources, while re-evaluating the investments made in renewable technologies and presenting a new remuneration model for more efficient and prominent technologies.

The CEP legislative proposal, presented by the EC on 30 November 2016, includes a Regulation on the Governance of the Energy Union.

The Regulation on Governance has reached political agreement in 20 June 2018, and calls for each Member State to prepare a National Energy and Climate Plan ("PNEC") for the period 2021-2030, covering all the five dimensions of the Energy Union and taking into account the long-term perspective.

According to the EC press release, these PNEC are to be comparable throughout the EU and should be presented (draft version) by the end of 2018. The PNEC should include a description of the national objectives, targets and contributions for each of the dimensions, the policies and measures foreseen to meet them, and an assessment of the estimated impacts.

The Regulation on Governance awaits publication in the OJ, which is expected to occur in the upcoming months. Nevertheless, in the meantime, Portugal is already developing its own draft PNEC.

### ***Renewable Energy***

Decree-Law no. 39/2013, of 18 March, as amended by Decree-Law no. 68-A/2015, of 30 April, set the national targets for the use of RES in gross final energy consumption and energy consumption in transport by 2020 (31 per cent. and 10 per cent., respectively), besides establishing a mechanism for issuing guarantees of origin for the electricity obtained from RES.

### ***Emissions***

Decree-Law no. 38/2013, of 15 March, as amended by Decree-Law no. 42-A/2016, of 12 August, transposed the Directive 2009/29/EC and established a new approach for licensing emission allowances with a transitional regime for the allocation of free allowances. This foresees the annual decrease of the percentage of free allocation to a 30 per cent. free allocation in 2020, and aims for its full elimination in 2027.

Ministerial Order no. 3-A/2014, enacted on 7 January and amended by Rectification no. 15/2014, of 6 March, established governance ground rules regarding the allocation of revenues provided by the auctioning of GHG emissions allowances, including the annual plan for the use of those revenues in close link and cooperation

with the Environmental Fund "*Fundo Ambiental*" (previously, the Portuguese Carbon Fund), created by Decree Law no. 42-A/2016, of 12 August, namely the amount used to offset the special regime generation overcost.

Concurrently, Decree-Law no. 127/2013, of 30 August, which implemented Directive 2010/75/EU into Portuguese national law, established an industrial emissions regime aiming for integrated prevention and control of pollution, as well as rules to prevent and reduce air, water and soil emissions and waste generation in order to achieve a high level of environmental protection.

Also in relation to measures enacted to address climate change, Resolution of the Council of Ministers no. 56/2015, of 30 July (as amended by Rectification no. 41/2015, of 17 September), approved the Strategic Framework for Climate Policy, the Climate Change National Programme and the National Strategy for Climate Change Adjustment. This Resolution, among other things, also determined that Portugal must reduce its greenhouse gas emissions from 18 per cent. to 23 per cent. by 2020 and from 30 per cent. to 40 per cent. by 2030, both calculated on the basis of the 2005 levels, contingent on the results of European negotiations.

In what concerns the emissions of air pollutants other than CO<sub>2</sub>, Decree-Law no. 39/2018, of 11 June, which transposes the MCP Directive into Portuguese national law, establishes rules to control the emissions of SO<sub>2</sub>, NO<sub>x</sub> and dust resulting from the combustion of fuels in medium combustion plants. It also introduces changes on the environmental licensing procedure and the issuing of environmental permits.

### Energy Efficiency

Decree-Law no. 319/2009, of 3 November, while transposing Directive no. 2006/32/EC of the European Parliament and of the Council, of 5 April, established indicative objectives and the institutional, financial and legal framework necessary to eliminate the current market deficiencies and obstacles that prevent the efficient use of electricity. In addition, it created the conditions for the development and promotion of an energy services market and of other measures to improve energy efficiency. This legislation, applicable, among others, to electricity distributors, suppliers and certain types of consumers, also set out an indicative objective to achieve an energy economy of 9 per cent. by 2016. Such energy economy was to be reached through the use of energy services and through the improvement of energy efficiency. In 2015, Decree-Law no. 319/2009, of 3 November, was revoked by Decree-Law no. 68-A/2015, of 30 April (which transposed into Portuguese law Directive 2012/27/UE, of the European Parliament and of the Council, of 25 October), amended by Rectification no. 30-A/2015, of 26 June, save for certain provisions. The objective to achieve an energy economy of 9 per cent. was rescheduled to be achieved by 2020.

## **The Electricity Value Chain**

### Electricity Generation

Electricity generation is subject to licensing and is carried out in a competitive environment. Electricity generation is divided into two regimes: an ordinary regime and a special regime.

The special regime covers (i) the generation of electricity subject to a specific legal framework (namely in what concerns licensing and tariffs), such as electricity generation through cogeneration (renewable or non-renewable) or endogenous resources (e.g. wind, solar, biomass, biogas), small scale generation and generation without network injection, as well as (ii) the generation of electricity using endogenous resources, either renewable or non-renewable, which is not subject to a specific legal framework and, thus, falls under the general framework applicable to the special regime generation (namely in what concerns licensing and tariffs). All the remaining generation units which fall outside the scope of these criteria are included in the ordinary regime generation.

### Ordinary Regime

#### *Overview*

Prior to 1 July 2007, electricity generated by EDP Produção's power plants and other power plants was sold under PPAs to REN (acting as a single buyer), allowing these power plants to achieve a return on assets of 8.5 per cent. in real pre-tax terms. The price of electricity provided for in each PPA consisted of capacity and energy charges, together with other costs associated with the generation of electricity, such as self-generation and operation and maintenance costs. The capacity and energy charges were passed through to the final tariff paid by customers.

The Portuguese government set out the framework for the early termination of the PPAs in laws and decree-laws promulgated in 2004 and 2007, the CMEC. These laws provide for changing the single buyer status of REN and defining compensatory measures concerning stranded costs for the respective contracting parties through the passing on of charges to all electrical energy consumers as permanent components of the Global Use of the System Tariff ("UGS Tariff"). The market reference price for the calculation of the compensation payable to the generators was set at €50/MWh. The conditions precedent for early termination of the PPAs set forth in the various laws and decree-laws, as well as in the PPA termination agreements entered into between EDP Produção and REN on 27 January 2005, were met in 2007, and the PPAs to which EDP Produção was a party were terminated on 1 July 2007 and replaced with the CMEC mechanism.

The amount of the initial global gross compensation due to EDP Produção as a result of the early termination of the PPAs was set at €833.5 million, to be recovered in a 20-year period, starting from July 2007. The amount of compensation is capped at a maximum set for each generator and was subject to an annual adjustment during the first ten years of the CMEC, along with a final adjustment at the end of the first ten-year period. The purpose of these adjustments is to ensure parity between the revenues expected in a market regime based on the assumptions underlying the initial compensation value and the revenues effectively obtained in the market, thereby protecting generators from market risk during the first ten-year period.

The initial global gross compensation due to EDP Produção is reflected in the electricity tariffs paid by all consumers in Portugal as a separate component of the UGS Tariff, designated as "Parcela Fixa" (fixed charge), and recovered by EDP Produção or its assignees. Ministerial Order no. 85-A/2013, of 27 February, set at 4.72 per cent. the interest rate applicable to the "Parcela Fixa" between 1 January 2013 and 31 December 2027.

The adjustments to the initial global gross compensation are also reflected in electricity tariffs, and if those adjustments are to EDP Produção's benefit, they shall be due from all consumers in Portugal as a separate component of the UGS Tariff, designated as "Parcela de Acerto" (variable charge). Dispatch no. 4694/2014, of 21 February, published on 1 April, and Dispatch no. 10840/2016, of 26 August and published on 5 September, set out the guidelines of the procedures to be followed in the calculation of the annual adjustment regarding the participation of the CMEC power plants in the ancillary services market.

In its turn, the final adjustment is meant to be recovered in a ten-year period, starting in 2018, with reference to July 2017. In this regard, the 2017 State Budget Law (Law no. 42/2016, of 28 December) mandated ERSE to carry out a study to determine the amount of the final adjustment of the CMEC mechanism. ERSE submitted its study to the Portuguese Government in September 2017, having presented an amount of €154 million, which differs from the sum calculated by the EDP/REN Technical Working Group, which amounted to €256 million. The EDP/REN Technical Working Group calculations result from the strict application of the relevant legal framework, particularly the Decree-Law no. 240/2004, while ERSE's computations are a mere theoretical simulation which jeopardises the economic neutrality in which the early termination of the PPAs was based upon. EDP was notified on 3 May 2018 of the Government's decision, dated 25 April 2018, homologating the amount of the final adjustment of the CMEC mechanism as proposed by ERSE in its study. EDP has on 3 September 2018 filed a suit with the administrative courts of Lisbon (Tribunal Administrativo do Círculo de Lisboa) to challenge the amount of the final adjustment of the CMEC mechanism homologated by the Government.

Meanwhile, Resolution of the Portuguese Parliament no. 126/2018, of 11 May, created a parliamentary committee of inquiry to ascertain, within 120 days, whether there are excessive rents in the electricity generation sector, namely in the remuneration of both the ordinary regime (CMEC, PPAs, capacity payments) and the special regime generators, and, if so, establish any responsibility of political officeholders who had influence over the definition of the energy rents.

Furthermore, EDP has formalised the status of water concessions for its hydro power plants in accordance with Decree-Law no. 226-A/2007, of 31 May, as amended by Laws no. 17/2014, of 10 April, and no. 12/2018, of 2 March. In September 2013, the EC opened a formal investigation into the extension of the hydro power concessions granted by the Portuguese Government to EDP. During the formal investigation, the Commission verified that the compensation paid by EDP for the mentioned extension was in line with market conditions. On this basis, the Commission issued a press release on 15 May 2017 stating that it had concluded that the compensation paid by EDP for the extension of the concessions did not involve state aid. As a result, EDP has retained the rights to operate 26 hydro power plants under market conditions (with 4.094 MW of installed capacity), whose average term of operation is until 2047.

Dispatch no. 5443/2017, of 6 June, published on 22 June, created a working group to determine the rights over the Hidraulicity Correction Account ("CCH") following the termination of the account as of 31 December 2016, as provided for by Decree-Law no. 110/2010, of 14 October. This working group was dissolved pursuant to Dispatch no. 11246/2017, of 13 December, published on 22 December. Afterwards, the Secretary of State for Energy created a new working group with the same stated purpose by means of Dispatch no. 2224/2018, of 27 February, published on 5 March. This working group has six months to submit its findings to the Portuguese Government.

After the termination of the CCH, Dispatch no. 2258/2017, of 6 February, published on 15 March, created a working group to study the hidraulicity mechanism aiming at reviewing and implementing a harmonised mechanism within the Iberian Peninsula, taking into account, in particular, the need to implement mechanisms that limit the remuneration of hydroelectric energy. This study and proposed measures should have been presented to the Government by 31 March 2017, but no information has been made public.

### *Capacity remuneration mechanism*

Ministerial Order no. 41/2017, of 27 January, replaced the former capacity remuneration mechanism, based on a targeted capacity payment scheme, with a market mechanism that remunerates the availability services through a competitive auction, as of 1 January 2017. The power plants that benefit from the CMEC mechanism have been excluded from taking part in the auction. The auction for 2017 was carried out on 30 March and the total bid size (1,766 MW) was awarded to three entities, including the last resort supplier, at a settlement price of €4,775 per MW. In compliance with the 2018 State Budget Law (Law no. 114/2017, of 29 December), Ministerial Order no. 93/2018, of 3 April, postponed the auction for 2018 and beyond, awaiting a decision by the EC, that raised concerns about the compatibility of this mechanism with the guidelines on state aid for environmental protection and energy.

Alongside, hydro power plants that are not under a PPA or under the CMEC mechanism, with the exception of power reinforcements without pumping, may benefit from an investment incentive under Ministerial Order no. 251/2012, of 20 August, provided that its generation licenses were granted between the dates of entry into force of Decree-Law no. 264/2007, of 24 July, and of Ministerial Order no. 251/2012, of 20 August, or that such power plants are included in the Portuguese National Programme of Dams with a Significant Hydroelectric Potential and the relevant generation license was obtained before 31 December 2013. If granted, the investment incentive shall take effect for a period of ten years, starting from the month following the request for eligibility, in an amount calculated based on the current criteria for national supply coverage set out in Ministerial Order no. 251/2012 and related regulations. The annual reference values of the investment incentive correspond to the amounts set out in the Annex to Ministerial Order no. 251/2012, of 20 August.

### *Competition Balance Mechanism*

Decree-Law no. 74/2013, of 4 June, provides for the establishment of a mechanism designed to restore the competitive equilibrium in the wholesale electricity market in Portugal, with an impact on the allocation of costs of general economic interest ("CIEG") between participants in the electricity system. Its purpose is to capture the alleged windfall profits reaped by the Portuguese generators caused by higher pool prices following the introduction of taxes on Spanish generators.

This Decree-Law was further complemented with the publication of the Ministerial Order no. 288/2013, of 20 September, amended by Ministerial Order no. 225/2015, of 30 July, which establishes procedures to study the impact on pool prices of off-market measures and events registered within the European Union and the redistributive effects impacting electricity tariffs. It also establishes the partitioning of CIEG to be paid by generators in the ordinary regime and other generators that are not included in the guaranteed remuneration regime, and the deduction of these amounts of CIEG to be recovered by the UGS Tariff. In 2017, the publication of Dispatch no. 9955/2017, of 31 October, forbade the consideration of the Social Tariff and CESE as national off-market events in evaluating the net competitive advantage of Portuguese generators (as set by Decree-Law no. 74/2013), thus artificially increasing the amount of net windfall profits to be returned by EDP Produção. Furthermore, Dispatch no. 9371/2017, of 10 October, determined the retroactive refund of the amounts related to the allegedly illegal passing of the Social Tariff and CESE costs to consumers in 2016 and 2017. EDP Produção decided to take legal action against the latter Dispatches.

### *Special Regime*

## Overview

The Portuguese legal provisions applicable to the generation of electricity based on renewable resources are primarily governed by Decree-Law no. 172/2006, of 23 August, amended with the entry into force of Decree-Law no. 215-B/2012, of 8 October, and further modified by Law no. 7-A/2016, of 30 March, Decree-Law no. 38/2017, of 31 March, Decree-Law no. 152-B/2017, of 11 December and Law no. 114/2017, of 29 December. Special regime generation is also governed by Decree-Law no. 29/2006, of 15 February, which sets out the principles for the organisation and functioning of the Portuguese Electricity System.

Since the enactment of Decree-Law no. 215-B/2012, special regime generation is no longer distinguished from the ordinary regime generation solely because it benefits from specific remuneration schemes under pro-investment policies. Indeed, as laid down in article 33-G of Decree-Law no. 172/2006, as amended by said Decree-Law, the special regime generators are remunerated either through market schemes (general regime) or through guaranteed remuneration schemes.

Pursuant to article 55 of Decree-Law no. 172/2006, the supplier of last resort has the obligation of acquiring the special regime generated power that benefits from specific remuneration schemes, which are largely based on a feed-in tariff business model, paying special regime generators a feed-in tariff that depends on their generation technology and the contractual conditions under which their licencing request was submitted.

Conversely, generators that do not benefit from a feed-in tariff must sell the generated energy in the organised electricity markets (along with the provision of balancing services) or through bilateral agreements. To facilitate energy trading by these generators, Decree-Law no. 215-B/2012 foresaw the creation of a Market Facilitator/Aggregator, to be selected under a public tender procedure, to receive and trade the energy of the special regime generators operating under market rules. However, the Market Facilitator/Aggregator is still to be appointed. Furthermore, the referred Decree-Law 215-B/2012 announced the development of a Guarantee of Origin scheme, to allow an additional payment on the electricity sold by special regime generators, which was later regulated by Decree-Law no. 39/2013, of 18 March, which amended Decree-Law no. 141/2010, of 31 December. Currently, there are approximately a dozen small hydro plants (with nominal power between 0.2 MW and 10 MW), as well as a wind farm of 18 MW and a small PV power plant of 3,3 MW running under general market rules. In the absence of a Market Facilitator/Aggregator, these generators had to enter into an agreement with a Commercial Trader to be able to sell their energy in the wholesale market, being responsible for the payment of deviations from day-ahead trades, as well as grid access and other taxes and levies.

## Licenses

The licensing regime applicable to power plants included in the special regime generation is governed by Decree-Law no. 172/2006, of 23 August, Ministerial Order no. 237/2013, of 24 July, and Ministerial Order no. 243/2013, of 2 August, amended by Rectification no. 38-A/2013, of 1 October, and Ministerial Order no. 133/2015, of 15 May.

Ministerial Order no. 237/2013, of 24 July, establishes the regime for the prior communication procedure regarding the installation of power plants under the special regime, which do not require a generation licence and sell energy under general market rules, and Ministerial Order no. 243/2013, of 2 August, establishes the licensing regime for power plants under the special regime that benefit from a guaranteed remuneration scheme. The need for a power plant under the special regime to obtain a generation licence is determined in accordance with article 33-E of Decree-Law no. 172/2006, of 23 August, as amended.

The granting of the right to construct and operate a power plant in the special regime generation depends in particular on the applicable remuneration scheme:

- (i) If a power plant is meant to be operated under a specific remuneration scheme (feed-in tariff), its promoters must be selected upon the conclusion of a public tender procedure or of a proceeding open to any interested parties which comply with the requirements established by the Ministry responsible for the energy sector, and then obtain a generation license and an operation license.
- (ii) The entities who wish to operate under the general remuneration scheme (trading energy in organised markets, through bilateral agreements or to an aggregator) must obtain a generation licence from the Directorate General for Energy and Geology (*Direcção-Geral de Energia e Geologia*, the "DGEG") or the Secretary of State (depending on the power plant's installed capacity) and an operation license from the DGEG, under the terms of article 33-E of Decree-

Law no. 172/2006, of 23 August (in some cases, the generator must, alternatively, submit a prior communication to the DGEG and obtain an operation certificate). As set forth in Decree-Law no. 172/2006, of 23 August, the procedures for requesting a generation licence are open three times per year, in the first two weeks of January, May and September.

Entities wanting to access the general remuneration scheme are limited to the grid capacity or lack thereof declared by the National Grid Operators (Transmission and Distribution). To overcome the lack of grid capacity and the excess requests for the connection of new power plants to the grid where such lack of grid capacity is verified, mainly Solar PV in the Centre/South of Portugal, the Secretary of State of Energy issued Ministerial Order no. 62/2018, of 2 March, determining that the requests must be selected by random draw.

### *Tariffs*

Decree-Law no. 189/88, of 27 May, and the amendments thereto, including Decree-Law no. 313/95, of 24 November, Decree-Law no. 168/99, of 18 May, Decree-Law no. 312/2001, of 10 December, Decree-Law no. 339-C/2001, of 29 December, Decree-Law no. 33-A/2005, of 16 February, Decree-Law no. 225/2007, of 31 May and Decree-Law no. 35/2013, of 28 February, set out a specific formula for calculating the tariffs to be paid to generators for the electricity generated by power plants using renewable energy (excluding large hydro power plants) that initiated their licensing procedure prior to the entering into force of Decree-Law no. 215-B/2012, of 8 October.

As a consequence of the entry into force of Decree-Law no. 215-B/2012, of 8 October, the licencing of any new renewable energy project (with the exception of large hydro power plants) must be obtained under general market rules or under a tender procedure that grants the right to benefit from a guaranteed remuneration scheme, which, according to Decree-Law no. 215-B/2012, of 8 October, and Ministerial Order no. 243/2013, of 2 August, must be defined by a Ministerial Order that has yet to be published. Thus, there is currently no guaranteed remuneration regime applicable to new renewable energy projects licensed under Decree-Law no. 172/2006, of 23 August.<sup>4</sup>

Pursuant to Ministerial Order no. 69/2017, of 16 February, the last resort supplier is under the obligation to deduct the amounts received by generators that benefited from guaranteed remuneration along with other public incentives destined to promote and develop renewable energy. In order to do so, the Secretary of State for Energy was supposed to approve a dispatch, on a proposal from the DGEG, identifying the amounts due by each power plant and its respective unit value, which has not yet occurred. For the time being there are no new developments to report, it being unclear what to expect in the foreseeable future.

### *Wind farms*

Wind farms licensed before the entry into force of Decree-Law no. 33-A/2005, of 16 February, are remunerated in accordance with the formula defined in Schedule II of Decree-Law no. 189/88, of 27 May, as amended by Decree-Law no. 339-C/2001, of 29 December.

With the publication of Decree-Law no. 35/2013, of 28 February, a new remuneration regime came into force for wind farms licensed between the entry into force of Decree-Law no. 33-A/2005, of 16 February (i.e. 17 February 2005), and the entry into force of Decree-Law no. 215-B/2012, of 8 October (i.e. 7 November 2012). Consequently:

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<sup>4</sup> Projects licensed under Ministerial Order no. 202/2015, of 13 July, which establishes the remuneration scheme applicable to offshore windfarms at the experimental or pre-commercial stage, may benefit from a feed-in tariff determined under the terms of such regime, as well as Order no. 12573/2015, of 6 November, and Order no. 11001/2015, of 2 October. Additionally, biomass projects which were granted either grid connection points in the context of the 2006 public tender procedures or generation licenses prior to the entry into force of Decree-Law no. 5/2011, of 10 January, may benefit from an incentive corresponding to a higher coefficient which is relevant to determine the applicable feed-in tariff under the terms of Decree-Law no. 189/88, of 27 May. These legal regimes apply exclusively to projects which have already been granted rights to initiate construction of the corresponding power plants and that should enter into operation by the end of 2019. In fact, new capacity may only benefit from support measures if licensed under (i) the special and extraordinary legal regime approved by Decree-Law no. 64/2017, of 12 June, which establishes the terms under which municipalities, intermunicipal communities or municipal associations may install and operate new biomass power plants, (ii) the cogeneration legal regime, approved by Decree-Law no. 23/2010, of 25 March, as amended, and iii) the small scale generation regime, approved by Decree-Law no. 153/2014, of 20 October.

- (i) wind farms that were already in operation as of 17 February 2005, sell their electricity at a set tariff, that decreases with the cumulative number of operating hours, for a period of 15 years starting from the entry into force of Decree-Law no. 33-A/2005;
- (ii) wind farms, for which the licensing procedures begun after 17 February 2005 and which fall under the transitory regime approved by article 4 of Decree-Law no. 33-A/2005, sell their electricity at a set price, dependent on generation, for a period of 15 years starting from the date the operation licence was granted;
- (iii) wind farms for which the licensing procedures begun after 17 February 2005 and which do not fall under the transitory regime approved by Decree-Law no. 33-A/2005 sell up to 33 GWh per MW of installed capacity at a price based on a formula set out in Decree-Law no. 33-A/2005, for a period of 15 years starting from the date the operation licence is granted. After this 15-year period has elapsed or, if earlier, when the 33 GWh per MW of installed capacity limit is reached, the electricity produced is sold at the prevailing market price, in addition of the price received for the sale of Green Certificates, if applicable.

Furthermore, the publication of Decree-Law no. 35/2013, of 28 February, establishes an alternative remuneration regime, which allows generators to reduce their exposure to market risk, once the period of the initial remuneration regime has expired, by paying an annual compensation to the SEN.

EDP Renováveis chose to pay €5,800 per MW of installed capacity between 2013 and 2020, to benefit from the alternative remuneration regime, which consists of selling all electricity generated at a set price, corresponding to the average market price of the previous twelve months, subject to a floor of €74/MWh and a cap of €98/MWh, for a period of seven years upon the conclusion of the initial 15-year term.

On 7 April 2015, Ministerial Order no. 102/2015 was published, which established the procedures for the placement of additional energy and for the repowering of wind farms (i.e., increasing the number of wind turbines in existing wind farms) on the terms established by Decree-Law 94/2014, of 24 June. The main measures introduced by this legislation were: (i) the energy produced by repowering 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) the repowering of wind farms is recognised as an independent generator. In addition, Dispatch no. 7087/2017, of 1 August, established that, in the context of a repowering authorisation procedure, DGEG must consult ERSE on the impacts of the repowering's feed-in tariff on the SEN. Furthermore, the Dispatch determines that such authorisation can only be granted if it has no negative effects for the SEN.

### *Small Hydro Plants (PCH)*

Decree-Law no. 35/2013, of 28 February, has shortened the duration of the remuneration regime applicable to PCH benefiting from the remuneration conditions established by Decree-Law 33-A/2005, of 16 February, from the expiration date on their water use license (of 35 years on average) to, if earlier, 25 years since the date they were attributed their operation license, after which date the electricity produced by these plants will be sold at market prices.

### *Self-consumption and small scale generation*

Decree-Law no. 153/2014, of 20 October, further regulated by Ministerial Orders nos. 14/2015 and 15/2015, of 23 January, and Ministerial Order no. 60-E/2015, of 2 March, defines the legal regimes concerning generation for self-consumption and small scale generation activities.

Ministerial Order no. 15/2015, of 23 January, set the reference tariff to be applied in 2015 to the electricity produced by small scale generation to €95/MWh and determined the percentages to be applied to the reference tariff, according to the energy source used by those generators: 100 per cent. for PVs, 90 per cent. for biomass and biogas, 70 per cent. for wind farm and 60 per cent. for small hydro. By enacting Ministerial Order no. 32/2018, of 23 January, the Secretary of State for Energy decided to extend these tariffs to 2018, as in the two previous years.

### *Cogeneration*

Decree-Law no. 23/2010, of 25 March, as amended by Law no. 19/2010, of 23 August, Decree-Law no. 68-A/2015, of 30 April, and Rectification no. 30-A/2015, of 26 June, establishes the legal framework applicable to the generation of electricity through cogeneration.

As significant amendments were made to the cogeneration legal regime, the terms of the applicable remuneration schemes depend on the time the licensing procedure was carried out.

For cogeneration power plants operating at the time of its entry into force, Decree-Law no. 23/2010, as amended by Law no. 19/2010, of 23 August, established a transitory regime, allowing for generators with an operation license to choose between the previous remuneration scheme (for a maximum period of 15 years from the beginning of the operation license or, if earlier, 10 years after the entry into force of Decree-Law no. 23/2010) and the remuneration scheme approved by said decree-law.

The terms for the calculation of the reference tariff and the efficiency, renewable and market participation premiums, as well as the provisions regarding the transition into the remuneration scheme approved by Decree-Law no. 23/2010, of 25 March, were enacted by Ministerial Order no. 140/2012, of 14 May, as amended by Rectification no. 35/2012, of 11 July, and Ministerial Order no. 325-A/2012, of 16 October.

The amendments introduced by Decree-Law no. 68-A/2015, of 30 April, set out a more expeditious regime for obtaining a licence for generation of electricity through cogeneration, a new way of calculating the reference tariff payable to cogenerators, as well as new rules on the transitory remuneration scheme.

The remuneration mechanism is currently based on two methods subject to the choice of the cogeneration generator: a general regime where the compensation is either defined by market value or, if the injection capacity is less than or equal to 20 MW and the energy is self-consumed, a feed-in tariff based on market value and paid by the last resort supplier; and a special regime that is only available for generators with an injection capacity lower than or equal to 20 MW, defined by a temporary reference tariff plus an efficiency premium and a renewable premium, if applicable. The values of the reference tariffs are defined quarterly by DGEG.

### *Solar*

The country's potential for solar energy is substantial and far from fully realised. However, Portugal has recently witnessed a significant increase in capacity-licensing requests for utility-scale solar energy projects running under general market rules, which has resulted in a shortage of grid capacity. This shortage resulted in the establishment of new rules to obtain a generation licence when the requested capacity exceeds the grid capacity (Ministerial Order no. 62/2018, of 2 March).

### Electricity Transmission

Electricity transmission is carried out through the national transmission network, under an exclusive concession granted by the Portuguese government for a 50-year period. The concession for electricity transmission was awarded to REN until 2057, under article 69 of Decree-Law no. 29/2006, of 15 February, following the concession already granted to REN under article 64 of Decree-Law no. 182/95, of 27 July, as amended and republished by Decree-Law no. 56/97, of 14 March.

The activities of the transmission system operator (or the concessionaire for the electricity transmission network) must be independent, both legally and organisationally, from other activities in the electricity sector. On 9 September 2014, ERSE issued a decision certifying that REN complies with the relevant legal requirements to be considered a full ownership unbundling transmission system operator, subject to the conditions set out therein.

### Electricity Distribution

Electricity distribution is carried out through the national distribution network, consisting of a medium and high voltage network, and through the low voltage distribution networks.

Currently, the national distribution network is operated under an exclusive concession granted by the Portuguese State for a 35-year period. The concession for electricity distribution in high and medium voltage levels was awarded to EDP's subsidiary, EDP Distribuição, pursuant to article 70 of Decree-Law no. 29/2006, of 15 February, after converting the licence held by EDP Distribuição under the former regime into a concession

agreement, signed on 25 February 2009. The terms of the concession are set forth in Decree-Law no. 172/2006, of 23 August.

The low voltage distribution networks are operated under concession agreements granted by the municipalities. Most of the low voltage distribution networks are handled by EDP Distribuição, alongside some local concessionaires with less than 100,000 clients.

Although the existing municipal concession agreements were maintained pursuant to Decree-Law no. 172/2006, of 23 August, the new concessions must be awarded after a competitive procedure to be implemented by the relevant municipalities. To this end, Law no. 31/2017, of 31 May, established the principles and general rules of the upcoming public tenders. Accordingly, regardless of the end date of the prevailing concession agreements, the public tender procedures are scheduled to take place simultaneously in 2019, covering all the municipalities that choose not to carry out the distribution activity directly. Pursuant to Law no. 31/2017, the concession agreements terminating prior to 2019 (which is the case for the agreements with the municipalities of Lisbon, set to have ended in 2017, and São João da Madeira, set to have ended in 2016, both of which continue to be operated by EDP Distribuição up to this date) must be extended by the relevant municipalities that choose not to carry out the activity directly until the new concessions enter into force. In order to ensure the launch of the public tender procedures in early 2019, the Council of Ministers issued Resolution no. 5/2018, of 11 January, approving the programme of preparatory studies and actions to be carried out by ERSE in coordination with DGEG and the National Association of Portuguese Municipalities ("ANMP"), which is currently underway.

By law, the entities carrying out the low voltage distribution which supply more than 100,000 customers and which are vertically integrated must be independent from other activities unrelated to the distribution activity, from a legal, organisational and decision-making standpoint. In turn, the operators of low voltage distribution networks who supply less than 100,000 customers are only obliged to have separate accounts and are not subject to a full ownership or legal unbundling obligation.

Under the Electricity Framework, the distribution system operator must prepare a network development and investment plan to be submitted to DGEG and subject to a public consultation and an opinion from ERSE, before discussion by the Portuguese Parliament and approval by the member of the Government responsible for energy issues.

The prices that EDP Distribuição charges for access to the distribution networks are subject to extensive regulation by ERSE. The access tariffs set by ERSE are paid by all consumers, whether in the regulated or the liberalised market. The allowed revenues of EDP Distribuição for the 2018-2020 regulatory period are set as follows: (i) concerning the low voltage network, a price cap mechanism, with an efficiency factor of 2.0 per cent. is applied to the total expenditure ("TOTEX"); (ii) regarding the high and medium voltage network, the capital expenditure ("CAPEX") is remunerated through the application of a rate of return to the net regulated asset base and the operating expenditures ("OPEX") are subject to a price-cap mechanism, with an efficiency factor of 2.0 per cent. The regulated asset base is remunerated by a 5.75 per cent. reference rate of return, indexed to the evolution of the yield of the 10-year Portuguese Treasury bonds between October of year "t-1" and September of year "t". This mechanism sets a floor and a cap of 4.75 per cent. and 9.75 per cent., respectively.

### Electricity Supply

Electricity supply is open to competition, subject only to a registration regime. Suppliers may freely buy and sell electricity. For this purpose, they have the right to access the national transmission and distribution networks upon payment of access tariffs set by ERSE. EDP operates as a supplier in the liberalised market, through its subsidiary EDP Comercial.

Electricity suppliers must comply with certain public service obligations to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access tariffs and access to information in simple and understandable terms.

As required by the Electricity Directive, the Electricity Framework establishes a last resort supplier, licensed by DGEG, subject to universal service obligations and regulation by ERSE. Besides supplying electricity to customers who haven't switched to the liberalised market, the last resort supplier is responsible for the purchase of the special regime generation that benefits from a guaranteed remuneration scheme (feed-in tariff). This energy is sold by the last resort supplier in the organised markets or at energy auctions promoted and organised by ERSE. The last resort supplier is entitled to recoup the overcosts with the acquisition of the special regime generation relative to the revenues obtained from its sale in the market.

Pursuant to amendments introduced by Decree-Law no. 264/2007, of 24 July, the last resort supplier is further required to buy energy through market mechanisms, namely auctions, with conditions defined by the Government. The purchases are recognised for the purpose of regulated costs whenever they reach maturity. The last resort supplier must manage the different forms of contracts in order to acquire energy at the lowest cost. All unneeded surplus electricity acquired by the last resort supplier is resold on the organised market.

Since 1 January 2007, the role of last resort supplier has been carried out by (i) an independent entity, from an organisational and legal standpoint, EDP Serviço Universal ("EDP SU"), which was created by EDP's subsidiary, EDP Distribuição, and by (ii) some local low voltage distribution concessionaires with less than 100,000 clients.

The prices that EDP SU charges for the electricity supplied to the customers remaining in the regulated market are uniform throughout mainland Portugal and subject to extensive regulation.

Revenues for last resort suppliers comprise different components according to the regulated activity: (i) the costs with the purchase and sale of energy and the access to the networks are fully recouped and recognised in the regulated cost base; (ii) regarding the commercialisation activity, OPEX is subject to a price-cap mechanism, with an efficiency factor of 1.5 per cent.

### Logistics for Switching Suppliers

The ability to switch to the liberalised market was opened to all electricity consumers as of September 2006. Since then, electricity consumers are free to choose their electricity supplier and are exempt from any payment when switching suppliers. Switching suppliers should not take more than three weeks, and there is no limitation on the number of switches any customer can make.

Decree-Law no. 172/2006, of 23 August, introduced a new legal entity, the logistic operator for switching suppliers ("OLMC"), regulated by ERSE, responsible for overseeing the logistical operations that facilitate consumer switching. While waiting the creation of a switching operator, ERSE determined that, in the meantime, EDP Distribuição, the operator of the medium and high voltage distribution network, should take on that role.

In 2017, Decree-Law no. 38/2017, of 31 March, established the legal regime applicable to the OLMC for electricity and natural gas, attributing this function to Agência para a Energia ("ADENE"), the national agency for energy.

### Phasing out of end-user regulated tariffs

The phasing out of end-user regulated tariffs begun in 2011, pursuant to Decree-Law no. 104/2010, of 29 September, which approved the termination of the end-user regulated tariff for clients other than normal low voltage (comprising the very high, high, medium and special low voltage levels) as of 1 January 2011 and their replacement by a transitory end-user regulated tariff, set by ERSE. In its turn, Resolution of the Council of Ministers no. 34/2011, of 1 August, approved the timetable for the termination of the end-user regulated tariff and the introduction of a transitory end-user regulated tariff for normal low voltage electricity consumers as follows: (i) 1 July 2012 for consumers with contracted power equal or greater than 10.35 kVA; (ii) 1 January 2013 for consumers with contracted power lower than 10.35 kVA.

By law, the last resort supplier must continue to supply the electricity consumers that have yet to migrate to the liberalised market. To encourage customers to switch to the liberalised market, Decree-Law no. 75/2012, of 26 March, approved the application of an aggravating factor to the transitory end-user regulated tariffs set by ERSE.

The termination of the transitory end-user regulated tariffs was initially scheduled to occur on (i) 31 December 2011 for all segments other than normal low voltage; (ii) 31 December 2014 for normal low voltage customers with contracted power equal or greater than 10.35 kVA; and (iii) 31 December of 2015 for the remainder. However, the termination of the transitory end-user regulated tariffs has been continuously postponed, except for the very high voltage level, which ended in 2013. Following Ministerial Order no. 39/2017, of 26 January, the phasing out of the remaining transitory end-user regulated tariffs is now scheduled to be completed by 31 December 2020.

In addition, Decree-Law no. 75/2012, of 26 March, as amended by Law no. 105/2017, of 30 August, determined that the normal low voltage consumers that have already switched to the liberalised market may choose pricing conditions comparable to the end-user regulated tariffs and, ultimately, return to the last resort

supplier when the relevant supplier does not offer such pricing conditions, under the terms established in Ministerial Order no. 348/2017, of 14 November. Moreover, Law no. 105/2017 provides for the elimination of the aggravating factor established by Decree-Law no. 75/2012, of 26 March.

### ***Electricity Tariffs***

According to ERSE statutes, approved by Decree-Law no. 97/2002, of 12 April, further regulated by Decree-Law no. 84/2013, of 25 June, ERSE is responsible for the establishment and for the approval of tariffs and regulated prices applicable in Portugal, under the Tariff Code of the electricity sector. The tariffs and prices for electricity and other services in 2018 were approved by ERSE Directive no. 2/2018, of 4 January.

### ***Costs deferral***

The regulatory period from 2006 to 2008 brought little change in the method of tariff calculation. However, in 2006 and 2007, a "tariff deficit" was generated, which meant that the end-user tariffs charged by the last resort supplier (EDP Distribuição in 2006 and EDP SU in 2007) were not covering all the costs of the system, generating a loss for the last resort supplier and for the transmission system operator, REN. This deficit resulted from two different decree-laws: i) Decree-Law no. 187/95, of 27 July, amended by Decree-Law no. 157/96, of 31 August, and Decree-Law no. 44/97, of 20 February, which prevented the low voltage tariffs from rising above the expected rate of inflation in 2006; and ii) Decree-Law no. 237-B/2006, of 18 December, which limited the rise in tariffs for residential customers (normal low voltage) in 2007 to a maximum of 6 per cent. These deficits were fully recovered in ten years, beginning in 2008, through annual rises in the access tariffs.

When ERSE set the tariffs for 2009, another, and significantly larger, tariff deficit was generated, mainly due to the increase in electricity prices in the wholesale market. Given the need to regulate the creation of these deficits and to clarify how they could be recovered, Decree-Law no. 165/2008, of 21 August, defined the rules applicable to (i) tariff adjustments resulting from the electric energy acquired by the last resort supplier in exceptional cost situations, as well as to (ii) the tariff repercussion of certain costs related to energy, sustainability and general economic interest policy measures. Namely, this decree-law stated that every tariff deficit generated thereon, on such conditions, should be recovered over a maximum period of 15 years. In the case of the tariff deficit of 2009, an instalment worth 1/15 of the total deficit plus the corresponding interest has been added to the tariffs each year, beginning in 2010.

In 2012, to prevent an increase in electricity tariffs, the Portuguese government deferred the CMEC annual adjustments of 2010, according to Decree-Law no. 109/2011, of 18 November. Another deferral was enacted pursuant to Decree-Law no. 256/2012, of 29 November, applying to the CMEC and PPA annual adjustments of 2011, earning interests at an annual rate of 5 per cent. and 4 per cent., respectively, as set by Ministerial Order no. 145/2013, of 9 April.

Decree-Law no. 32/2014, of 28 February, deferred the CMEC annual adjustment of 2012 in the electricity tariffs for 2014, to be recovered in equal parts in the allowed revenues of the distribution network operator for 2017 and 2018. The Decree-Law also determined the payment of a compensation for this deferral, according to a remuneration rate computed pursuant to Ministerial Order no. 500/2014, of 26 June, applied to the parameters being established by Dispatch no. 9480/2014, of 22 July, resulting in an annual interest rate of 5 per cent.

In 2011, a change in Decree-Law no. 29/2006, of 15 February, was established by Decree-Law no. 78/2011, of 20 June, and further amended by Decree-Law no. 75/2012, of 26 March, by Decree-Law no. 112/2012, of 23 May, by Decree-Law no. 215 A/2012, of 8 October, by Decree-Law no. 178/2015, of 27 August, and Law no. 42/2016, of 28 December, in order to allow for the deferral of overcosts with the acquisition of electricity under the special regime generation over a period of five years, mandatory for the 2012 overcosts and optional for the overcosts up until 2020. Accordingly, since 2012, ERSE has been deferring for a 5-year period the recovery of the special regime generation overcosts expected for each year. Ministerial Order no. 279/2011, of 17 October, further regulated by Ministerial Order no. 146/2013, of 11 April, set the methodology to calculate the rate of return applicable to the deferral of the recovery of the overcosts with the acquisition of special regime generation. The final value of the rate of return depends on parameters defined annually in supplementary legislation. The parameters for 2018 were set by Dispatch no. 11043/2017, of 27 November, and considered by ERSE in the tariffs for 2018.

### ***Extraordinary Contribution to the Energy Sector***

The 2014 State Budget Law (Law no. 83-C/2013, of 31 December, as amended by Law no. 33/2015, of 27 April) introduced an extraordinary contribution applicable to the energy sector ("CESE"), with the stated purpose of funding mechanisms that promote the energy sector systemic sustainability, through the establishment of a fund – the Systemic Sustainability Fund for the Energy Sector – intended to finance social and environmental policies and to contribute to the reduction of the tariff debt of the National Electricity System. CESE corresponds to a tax on the net assets of the energy 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 initially emerged as an extraordinary measure, with a temporary nature. Nevertheless, and unlike originally proposed, CESE has been continuously extended under each year's State budget law. Although having paid this levy since its introduction in 2014 up until 2016, EDP has disputed its payment with the competent authorities, for disagreeing with the legal and constitutional basis of CESE. In this context, EDP has considered that it should continue to dispute the legality and constitutionality of this tax and has decided that it shall not proceed with its payment.

### **Social tariffs**

The electricity social tariff was established by Decree-Law no. 138-A/2010, of 28 December, as amended by Decree-Law no. 172/2014, of 14 November, and Law no. 7-A/2016, of 30 March, corresponding to a 20.0 per cent. discount applied to the low voltage access tariff, borne by the electricity generators in the ordinary regime.

Decree-Law no. 102/2011, of 30 September, as amended by Decree-Law no. 172/2014, of 14 November, regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September, introduced an additional support mechanism, by establishing the extraordinary social support to the energy consumer ("ASECE"), corresponding to a 13.8 per cent. discount applied to the electricity bill before taxes, born by the Portuguese taxpayers.

The 2016 State Budget Law (Law no. 7-A/2016, of 30 March) introduced important changes in the support mechanisms addressing energy poverty, creating a unique and automatic model to assign social tariffs to economically vulnerable customers. Concurrently, it revoked Decree-Law no. 102/2011, of 30 September, determining the incorporation of ASECE into the social tariff discount, thereby increasing the amount financed by the ordinary regime generation.

The rate of discount of the social tariff is established annually by Dispatch of the member of the Government responsible for energy issues. Accordingly, for 2018, Dispatch no. 9081-C/2017, of 11 October, keeps the discount unchanged at a rate equivalent to 33.8 per cent. of the electricity bill before taxes.

## **Natural gas regulatory framework**

### **Overview**

The general basis, principles and model of organisation of the Portuguese Natural Gas System ("SNGN"), were established through Decree-Law no. 30/2006, of 15 February, and Decree-Law no. 140/2006, of 26 July, both amended by Decree-Law no. 66/2010, of 11 June, and the former amended by Decree-Law no. 77/2011, of 20 June.

Thereafter, Decree-Laws no. 230/2012 and 231/2012, of 26 October, were published, completing the transposition of the Directive 2009/73/EC of the European Parliament and of the Council, of 13 July, concerning common rules for the internal market in natural gas ("Directive 2009/73/EC"), and introducing new modifications to Decree-Law no. 30/2006, of 15 February, and to Decree-Law no. 140/2006, of 26 July. These acts introduced important modifications: (i) the requirements related to the independence, legal separation and ownership unbundling of the transmission network operator were reinforced, with the aim of assuring the independence and eliminating the network access discrimination risk; (ii) the legal separation requirements were equally clarified for all the remaining operators in the gas sector (LNG terminal, underground natural gas storage and distribution network operators); and (iii) the statutes of the suppliers were clarified, with particular reference to the last resort suppliers playing in the SNGN.

The SNGN is currently divided into six major activities: reception, storage and regasification of LNG, underground storage of natural gas, transmission, distribution, supply and logistic operations for switching between suppliers.

Activities related to the reception, storage and regasification of LNG, underground storage of natural gas, and transmission of natural gas are regulated and provided through the award of public service concessions. Natural gas distribution is carried out through the award of public service concessions or licences. The supply of natural gas is open to competition and only requires compliance with a licensing or registration procedure.

## **MIBGAS**

During the last decade, the Portuguese and Spanish Governments made their best efforts to establish a stable framework that would enable gas system operators in both countries to develop their activity in the Iberian Peninsula, the Iberian Natural Gas Market ("MIBGAS").

The construction of this framework started with the creation of the market operator MIBGAS, S.A., which started the negotiation of natural gas products on 16 December 2015. MIBGAS, S.A. started trading Portuguese products in 2017.

MIBGAS liquidity is below the liquidity levels of the main European gas hubs. Therefore, measures were taken to increase market liquidity, including the appointment in January 2017 of a market creator (Gunvor International BV).

## **Natural Gas Value Chain**

### Reception, Storage and Regasification of LNG and Underground Storage

There are no natural gas deposits in Portugal and therefore there is no domestic natural gas production. The supply of natural gas to the Portuguese market is carried out through two physical interconnections with Spain (Campo Maior and Valença) and a container terminal in the industrial area of Sines' port.

Galp Gás Natural, S.A., the gross last resort supplier of the SNGN, has long-term take-or-pay contracts with two main suppliers: Sonatrach in Algeria and NLNG in Nigeria. The natural gas from Sonatrach is transported via the Maghreb pipeline while the natural gas from NLNG is transported via LNG carriers. Both supply the regulated Portuguese gas market.

The reception, storage and regasification of LNG in Sines' terminal are operated by REN Atlântico, S.A. ("REN Atlântico"), under a concession regime and are subject to regulation by ERSE. Access to the LNG terminals is based on specific tariffs applicable to all market agents, approved and published by ERSE.

The underground storage of natural gas comprises the following components: the reception, compression, underground storage and gas depressurisation and drying for posterior delivery to the transmission network. These activities are performed in Carriço, near the Portuguese city of Leiria, and are operated by REN Armazenagem, S.A. ("REN Armazenagem") and Transgás Armazenagem, under a concession regime and subject to regulation by ERSE. Since 2012, with Decree-Law no. 231/2012, of 26 October, Portuguese legislation stipulates that access to underground storage facilities is based either on negotiated access with the operators or regulated access, or through a combination of both.

EDP has a contract with REN Armazenagem, to take advantage of the underground storage facilities for maintaining gas safety reserves in order to ensure power to its plants and/or to its clients during peaks in demand. EDP also has an agreement with REN Atlântico to provide storage and regasification of LNG for clients supplied by the autonomous units of reception ("UAG").

### Transmission

The transmission of natural gas is carried out under an exclusive 40-year concession granted by the Portuguese government. Following the decision to unbundle the activity of natural gas distribution from that of transmission, the concession of the transmission network was awarded, in September 2006, to REN Gasodutos, S.A. ("REN Gasodutos"). The terms of the concession contract were established by the Council of Ministers Resolution no. 105/2006, of 23 August.

On 9 September 2014, ERSE issued a decision certifying that REN Gasodutos complies with the relevant legal requirements to be considered a full ownership unbundling transmission system operator, subject to the conditions set out therein.

### Distribution

Natural gas distribution involves the distribution of natural gas through medium and low-pressure pipelines and is carried out through concessions or licences granted by the Portuguese government. Pursuant to article 66 of Decree-Law no. 30/2006, of 15 February, the entities operating the natural gas distribution network at the date of its enactment will continue to do so as concessionaires or licensed entities under an exclusive territorial public service regime.

Natural gas distribution operators supplying more than 100,000 customers are required to be independent, from a legal, organisational and decision-making standpoint, from other activities unrelated to the distribution activity. The relevant concessionaires are required to grant third party access to the natural gas distribution networks at tariffs set by ERSE, which are applicable to all customers, including supply companies.

Under Portuguese law, municipalities are allowed to charge a tax for the occupation of the subsoil. According to the distribution concession agreements, these amounts may be borne by the natural gas consumers. However, pursuant to Law no. 42/2016, of 28 December, which approved the State Budget for 2017, the tax shall be paid by the *infrastructures companies* and cannot be reflected on the clients' invoices.

### Supply

The supply of natural gas is open to competition, subject only to prior registration with DGEG. EDP's licensed supplier of natural gas for the liberalised market is EDP Comercial.

Suppliers may openly buy and sell natural gas. For this purpose, they have the right to access the natural gas transmission and distribution networks upon payment of an access tariff set by ERSE. The Natural Gas Framework enumerates certain public service obligations for suppliers to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access tariffs and access to information in simple and understandable terms.

The Natural Gas Legal Framework also establishes the existence of a gross last resort supplier and of retail last resort suppliers, licensed by DGEG and subject to regulation by ERSE. As last resort suppliers are required to be legally separated from all other activities (unless they supply less than 100,000 clients), EDP's last resort supplier activity is undertaken by its subsidiary, EDP Gás Serviço Universal ("EDP Gás S.U."), in the concession area of REN Portgás Distribuição, S.A. ("REN Gás Distribuição"), which covers the districts of Oporto, Braga and Viana do Castelo, in the Northern coastal region of Portugal.

The allowed revenues of the last resort suppliers are defined by ERSE on an annual basis according to the parameters set at the beginning of each regulatory period. On 30 June 2016, ERSE released the parameters for the new regulatory period 2016-2019. The allowed revenues of EDP Gás SU are set as follows: (i) the retailing activity is remunerated through the application of a rate of return to the working capital, in addition of a retail margin of €4/client/year; (ii) and the OPEX is subject to a price-cap mechanism, with an efficiency factor of 2.0 per cent. The working capital is remunerated by a 6.20 per cent. reference rate of return, indexed to the evolution of the yield of the 10-year Portuguese Treasury bonds between April of year "t-1" and March of year "t". This mechanism sets a floor and a cap of 5.70 per cent. and 9.30 per cent., respectively.

ERSE Directive no. 9/2018, of 1 June, published in the Portuguese official gazette on 22 June, approved the regulated tariffs to be applicable between July 2018 and June 2019.

### Logistic operations for switching suppliers

Switching to the liberalised market is open to all natural gas consumers as of January 2010. Since then, natural gas consumers are free to choose their supplier and are exempt from any payment when switching suppliers. Decree-Law no. 140/2006, of 26 July, introduced a new entity, the OLMC, regulated by ERSE, responsible for overseeing the logistical operations that facilitate consumer switching in both the electricity and the natural gas sectors. Decree-Law no. 38/2017, of 31 March, established the legal regime applicable to the OLMC for electricity and natural gas, attributing this function to ADENE.

### **Phasing out of end-user regulated tariffs**

The phasing out of end-user regulated tariffs began in 2010, pursuant to Decree-Law no. 66/2010, of 11 June, which approved the termination of the end-user regulated tariff for large clients (with an annual gas consumption greater than 10,000 m<sup>3</sup>) as of 1 July 2010, and their replacement by a transitory end-user regulated tariff, set by ERSE. In its turn, Decree-Law no. 74/2012, of 26 March, approved the timetable for the termination of the end-user regulated tariff and the introduction of a transitory end-user regulated tariff for clients with annual gas consumption lower than 10,000 m<sup>3</sup> as follows: (i) 1 July 2012 for clients with an annual gas consumption greater than 500 m<sup>3</sup>; and (ii) 1 January 2013, for the remainder. By law, the last resort suppliers must continue to supply the natural gas consumers that have yet to migrate to the liberalised market.

To encourage customer switching to the liberalised market, Ministerial Order no. 108-A/2015, of 14 April, amended by Ministerial Order no. 359/2015, of 14 October, approved the application of an aggravating factor to the transitory end-user regulated tariffs set by ERSE. Dispatch no. 11412/2015, of 30 September, updated the parameters used to compute the aggravating factors according to the mechanism established in Ministerial Order no. 108-A/2015, of 14 April.

The termination of the transitory end-user regulated tariffs was initially scheduled to occur on (i) 31 March 2011 for large clients; (ii) 31 December 2014 for clients with an annual gas consumption between 10,000 m<sup>3</sup> and 500 m<sup>3</sup>; (iii) 31 December 2015 for the remainder. However, these deadlines have been continuously postponed and, following Ministerial Order no. 144/2017, of 24 April, the phasing out of the transitory end-user regulated tariffs is now scheduled to be completed by 31 December 2020.

From 2021 onwards, last resort suppliers will only be allowed to supply economically vulnerable consumers, as defined by Decree-Law no. 231/2012, of 26 October. However, economically vulnerable consumers were granted the right to choose whether to continue to be supplied by the last resort supplier or by a regular supplier, maintaining in any case the right to benefit from the legally established tariff discounts.

### **Social Tariffs**

The natural gas social tariff was established by Decree-Law no. 101/2011, of 30 September, corresponding to a discount applied to the low-pressure access tariff borne by natural gas customers.

In addition, Decree-Law no. 102/2011, of 30 September, regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September, introduced the ASECE, corresponding to a 13.8 per cent. discount applied to the natural gas bill before taxes, borne by the Portuguese taxpayers.

Meanwhile, the 2016 State Budget Law (Law no. 7-A/2016, of 30 March) introduced important changes in the support mechanisms addressing energy poverty, creating a unique and automatic model to assign social tariffs to economically vulnerable customers. At the same time, it determined the incorporation of ASECE into the social tariff discount (revoking Decree-Law no. 102/2011, of 30 September).

The rate of discount of the social tariff is established annually by Dispatch of the member of the Government responsible for energy issues. Accordingly, for the period between July 2018 and June 2019, Dispatch no. 3121/2018, of 20 March, keeps the discount unchanged at a rate equivalent to 31.2 per cent. of the natural gas bill before taxes.

The 2018 State Budget Law (Law no. 114/2017, of 29 December) provides for changes to the way the costs with the social tariff are funded, by determining that these costs should be borne by the natural gas transportation companies and suppliers, as a pro rata of the amount of gas supplied in the previous year.

As per the Portuguese Government's request, the Attorney General's office issued an opinion on the State Budget Law's provision that establishes social tariff's funding in which it argues that all companies responsible for the transportation of natural gas shall borne the costs with the social tariff and that these shall include the TSO, as well as the DSO.

Following the homologation of such opinion by the Secretary of State for Energy, and even though the interpretation contained therein only binds the public services that requested said opinion, ERSE amended the Tariff Code as to reflect the interpretation of the Attorney General's office opinion.

In fact, these changes became effective as of 1 July 2018, after ERSE introduced the necessary amendments to the Natural Gas Tariff Code and to the Natural Gas Commercial Relations Code, with the adoption of Regulations no. 385/2018, of 1 June, published in the Portuguese official gazette on 21 June, and no. 387/2018, of 1 June, published in the Portuguese official gazette on 22 June, respectively.

## **Market regulators**

Responsibility for regulation of the Portuguese energy sector is shared between DGEG, ERSE and the Portuguese Competition Authority, according to their respective functions and responsibilities.

### **DGEG**

DGEG has primary responsibility for the conception, promotion and evaluation of policies concerning energy and geological resources and has the stated aim of assisting the sustainable development and the security of energy supply in Portugal. Namely, DGEG is responsible for: assisting in defining, enacting, evaluating and implementing energy policies; promoting and preparing the legal and regulatory framework underlying the development of the generation, transmission, distribution and consumption of electricity; supporting the Ministry of the Economy at an international and European level; supervising compliance with the legal and regulatory framework that underpins the Portuguese energy sector (particularly in connection with the electricity transmission network and the electricity distribution network); approving the issuance, modification and revocation of electricity generation licences; conducting the public tender procedure for the attribution of network interconnection points in the renewable energy sector; and issuing opinions concerning the energy sector.

DGEG is also responsible for proposing the Distribution Network Regulation and the Transmission Network Regulation of the Portuguese Electricity System. These regulations identify the assets of both networks and set out the conditions for their operation, notably regarding the control, management and maintenance of the network, technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. Both the Distribution Network Regulation and the Transmission Network Regulation were approved by Ministerial Order no. 596/2010, of 30 July.

### **ERSE**

ERSE was appointed as the independent regulator of electricity services in February 1997. On 2002, ERSE's authority with respect to the electricity sector was extended to the autonomous regions of Madeira and Azores and later, on 2006, to the natural gas sector. Recently, Decree-Law no. 57-A/2018, of 13 July, expanded the scope of ERSE's regulatory overview to the sectors of Liquefied Petroleum Gas (LPG), oil-based fuels and biofuels.

In 2012, Decree-Law no. 212/2012, of 25 September, revised ERSE's statutes with an emphasis on the reinforcement of the regulator's powers, namely those applicable to sanctions. Accordingly, Law no. 9/2013, of 28 January, established the sanctioning regime applicable to the electricity and natural gas sectors and formally granted ERSE powers to initiate legal proceedings and apply sanctions to the entities operating in these sectors.

According to ERSE statutes, ERSE is responsible for the establishment and for the approval of tariffs and regulated prices for electricity and natural gas. No later than 15 December of each year, ERSE publishes a document defining the allowed revenues of the regulated activities and the electricity tariffs for the following year. The procedure is identical for gas, but with nearly a 6 months lag, taking place no later than 1 June of each year. Every three years, ERSE publishes a document containing the parameters for each new regulatory period. The tariffs and prices for electricity and other services in 2018 and the parameters for the regulatory period 2018-2020 were approved by ERSE Directive no. 2/2018, of 4 January. The tariffs and prices for natural gas in the gas year 2018-2019 were approved by ERSE Directive no. 9/2018, of 1 June, published in the Portuguese official gazette on 22 June.

The approval of the main regulations applicable to the Portuguese electricity and natural gas systems is also assigned to ERSE as set forth below:

- (i) The Electricity Tariff Code (Regulation no. 619/2017, of 23 November, published in the Portuguese official gazette on 18 December) and the Natural Gas Tariff Code (Regulation no. 225/2018, of 2 April, published in the Portuguese official gazette on 16 April, amended by Regulation no. 385/2018, of 1 June, published in the Portuguese official gazette on 21 June) established the methodology for determining the allowed revenues of the regulated companies and setting the regulated tariffs, including the criteria to settle the tariff structure.
- (ii) The Electricity Commercial Relations Code (Regulation no. 561/2014, of 10 December, published in the Portuguese official gazette on 22 December, amended by Regulation no. 632/2017, of 23 November, published in the Portuguese official gazette on 21 December) and the Natural Gas Commercial Relations Code (Regulation no. 416/2016, of 14 April, published

in the Portuguese official gazette on 29 April, amended by Regulation no. 224/2018, of 2 April, published in the Portuguese official gazette on 16 April, and Regulation no. 387/2018, of 1 June, published in the Portuguese official gazette on 22 June) set the provisions governing the commercial and contractual relationship between the agents operating in the electricity and natural gas sectors, including the commercial conditions under which the connection to the energy grid can be established and the rules to be observed in the process of switching suppliers.

- (iii) The Quality of Service Code (Regulation no. 629/2017, of 23 November, published in the Portuguese official gazette on 20 December) set the standards for the technical and commercial quality of service to be rendered in all services provided by the network operators and suppliers of the Portuguese electricity and natural gas systems.
- (iv) The Electricity Access to the Network and Interconnections Code (Regulation no. 560/2014, of 10 December, published in the Portuguese official gazette on 22 December, amended by Regulation no. 620/2017, of 23 November, published in the Portuguese official gazette on 18 December) and the Natural Gas Access to the Networks, Infrastructure and Interconnections Code (Regulation no. 435/2016, of 14 April, published in the Portuguese official gazette on 9 May) defined the technical and commercial conditions under which third parties may access the energy infrastructure, including the criteria for the network operators to refuse access.
- (v) The Electricity Networks Operation Code (Regulation no. 557/2014, 10 December, published in the Portuguese official gazette on 19 December, amended by Regulation no. 621/2017, of 23 November, published in the Portuguese official gazette on 18 December) and the Natural Gas Infrastructure Operation Code (Regulation no. 417/2016, of 14 April, published in the Portuguese official gazette on 29 April) laid down the procedures for managing the electricity/natural gas flows in the electricity transmission network/ natural gas transmission network, underground storage facilities and LNG terminals, while ensuring interoperability with the networks connected to these infrastructures.

### ***Portuguese Competition Authority***

From 8 July 2012, Portugal has in place a new competition act, approved by Law no. 19/2012, of 8 May, which follows closely the wording of the fundamental anti-trust provisions contained in the Treaty on the Functioning of the European Union and of the EU Merger Control Regulation.

Competition rules in Portugal are enforced by an independent agency, the Portuguese Competition Authority ("AdC"). To that end, AdC enjoys of a number of sanctioning, supervisory and regulatory powers which include investigative prerogatives to perform inquiries of legal representatives of companies or associations of companies, request documents or information and conduct searches at business and non-business premises, including private domiciles. It may also impose severe fines on companies and individuals that do not comply with competition rules. Penalties can amount to 10 per cent. of a group's annual turnover or 10 per cent. of an individual's annual income.

## **Spain**

### ***Electricity Sector – Regulatory Framework***

The main characteristics of the Spanish electricity sector are the existence of the wholesale Spanish generation market (also referred to as the "**Spanish Pool**"), and the fact that all consumers have been free to choose their supplier since 1 January 2003. Additionally, since 2006, bilateral contracts and the forward market (long-term energy acquisition contracts) have made up a larger part of the market.

All generators provide electricity at market prices to the Spanish Pool and under bilateral contracts to consumers and other suppliers at agreed prices. Suppliers, including last resort suppliers, and consumers can buy electricity in this pool. Foreign companies may also buy and sell in the Spanish pool and in the forward markets.

The market operator and agency responsible for the market's economic management and bidding process is OMIE (see "*Regulatory framework—Iberian Peninsula—Mibel Overview*"), while REE is the operator and manager of the transmission grid and sole transmission agent. REE, as the transmission company, together

with the regulated distributors, provide network access to all consumers. However, consumers must pay an access tariff or toll for the transmission and the distribution.

Liberalised suppliers are free to set a price for their customers. The main direct activity costs of these entities are the wholesale market price and the regulated access tariffs to be paid to the distribution companies. Electricity generators and suppliers or consumers may also engage in bilateral contracts without participating in the wholesale market.

As from 1 July 2009, last resort suppliers, appointed by the Spanish government, supply electricity at a regulated tariff set by the Spanish government to the last resort consumers (low-voltage electricity consumers whose contracted power is less than or equal to 10 kW). Since then, distributors have not been permitted to supply electricity. In January 2014, the last resort tariff was replaced by the "Voluntary Price for the Small Consumer" (*precio voluntario para el pequeño consumidor*).

Royal Decree-Law no. 6/2010 created a new player which, as specified in Royal Decree no. 647/2011, is responsible for developing the supply of energy to recharge electric vehicles.

As part of the unbundling of the transmission system operator, distributors sold their remaining transmission assets to REE in 2011, completing the process required by Law no. 17/2007, which established REE as the sole transmission agent.

Through Royal Decree-Law no. 13/2012, Directive 2009/72/EC has been partially transposed to the Spanish regulation.

Royal Decree-Law no. 9/2013, of 13 July, included a set of regulatory modifications applicable to the Spanish electricity sector that affected the return ratio of energy assets. These modifications were confirmed by the enactment of Law no. 24/2013 of the Electricity Sector, of 26 December, and were primarily aimed at eliminating the tariff deficit. The main modification directly implemented by Royal Decree-Law no. 9/2013 was that the return ratio pre-tax of regulated activities was indexed to the yield associated with Spanish ten-year sovereign bonds plus a spread. The spread mentioned above for distribution and transmission activities was established at 100 basis points for the second half of 2013 and has been set at 200 basis points from 2014 onwards. The spread for renewable and combined heat and power ("CHP") generation has been set at 300 basis points since the enactment of Royal Decree-Law no. 9/2013.

Following the enactment of Law no. 24/2013, the Spanish government implemented a set of additional royal decrees that included modifications to regulations governing all activities relating to the provision of energy, including renewables, electricity distribution and transmission, as further detailed in the following sections.

Royal Decree-Law no. 7/2016 established that discounts in tariffs to vulnerable customers ("Social Voucher") would be supported by all supply companies. Royal Decree no. 897/2017 established requirements to become vulnerable customer and the applicable discounts.

### **Electricity Sector Act**

The enactment of Law no. 54/1997 (the "Electricity Sector Act") gradually changed the Spanish electricity sector from a state-controlled system to a free-market system with elements of free competition and liberalisation. The Electricity Sector Act is intended to guarantee that the supply of electricity in Spain is provided at high quality and lowest possible cost. In order to achieve those targets, the Electricity Sector Act provides for:

- the unbundling of regulated (transmission, distribution, technical management of the system and economic management of the wholesale market) and liberalised activities (generation, trading, international transactions and energy supply for recharging electric vehicles);
- a wholesale generation market, or electricity pool;
- freedom of entry to the electricity sector for new operators carrying out liberalised activities;
- the ability of all consumers to select their electricity supplier and their method of supply as of 1 January 2003;

- the right of all operators and consumers to access the transmission and distribution grid by paying access tariffs approved by the Spanish government; and
- the protection of the environment.

Law no. 17/2007 amended the Electricity Sector Act, bringing it into conformity with the Electricity Directive, with the intention of reconciling the liberalisation of the electricity system with the twin national objectives of guaranteeing supply at the lowest possible price and minimising environmental damage. Royal Decree-Law no. 13/2012 built upon the achievement of that target by introducing Directive 2009/72/EC in the Spanish regulation.

In December 2013, a new electricity sector act (Law no. 24/2013) entered into force substituting Law no. 54/1997. This new law is based on the reforms announced by the Ministry of Industry in July 2013 and maintains the main principles of Law no. 54/1997, but reinforces the objectives of economic and financial sustainability in the electricity sector, thus preventing a new tariff deficit.

### **Generation**

Generation facilities have several methods of contracting for the sale of electricity and determining a price for the electricity:

- *Wholesale energy market or pool.* This pool was created on 1 January 1998 and includes a variety of transactions that result from the participation of market agents (including generators, suppliers and direct consumers and, until 30 June 2009, distributors) in daily and intra-day market sessions.
- *Bilateral contracts.* Bilateral contracts are private contracts between market agents, where terms and conditions are freely negotiated and agreed. Information about these contracts must be given to the energy market in order to retain transparency within the electricity industry.
- *Auctions for purchase options or primary emissions of energy.* Principal market participants could be required by law to offer purchase options for a pre-established amount of their power. Some of the remaining market participants are entitled to purchase such options during a specified period. However, these options are currently not regulated in Spain.

These sales can be subject to Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency ("REMIT"). REMIT imposes certain obligations on market participants, mainly transparency and information obligations. It is compulsory for members of the EU.

Power plants also participate in ancillary services markets managed by the system operator, REE. Participation is mandatory for certain kind of power plants.

Until December 2013, power plants that used renewable, waste and CHP energy sources were regulated under a "special regime", but the distinction between an ordinary and a special regime ceased to apply after the enactment of Law no. 24/2013.

Order no. ITC 2794/2007 established a new regime of fixed payments applicable to generators operating in the ordinary regime. This regime established an investment incentive, for a period of ten years, set at an initial amount of €20,000 per MW installed, later increased to €26,000 per MW installed by Order ITC/3127/2011 and lowered to €10,000 per MW installed by Royal Decree-Law no. 9/2013.

Referred Order ITC/3127/2011 has also regulated an incentive regarding the availability of certain facilities in the short-term. This incentive is expected to end as of July 2018.

Royal Decree-Law no. 14/2010 imposed on generators the payment of a €0.5 per MWh fee for the use of the networks.

Law no. 15/2012 imposed a set of taxes on generators in order to cover the costs of the electricity system: (i) a 7 per cent. generation tax on income from electricity output, (ii) a 22 per cent. charge on the use of inland water for electricity generation (increased to 25.5 per cent. by means of Royal Decree-Law 10/2017, of 9

June), (iii) a tax on the production of nuclear waste and a tax on storage of this waste, (iv) a tax on natural gas of €0.65/GJ applying to all natural gas consumers, and (v) a tax on coal of €0.65/GJ applicable to generators.

Law no. 24/2013 also regulates the temporary closure of generation facilities, which is subject to a prior administrative authorisation scheme.

Royal Decree no. 900/2015 established the administrative, technical and economic conditions of the self-consumption regime. Self-consumers must pay access rates to use the distribution network and a self-consumption charge if they are physically connected to the distribution network. However, self-consumers with less than 10 kW are exempt from variable self-consumption charges.

### ***Specific remuneration regime for renewables, CHP and waste generation***

Prior to July 2013, the electricity system was required to acquire the electricity offered by special regime generators at tariffs that were fixed by a royal decree or order and that varied depending on the type of generation. These tariffs were generally higher than the average Spanish electricity market prices. Application of the Spanish special regime was discretionary for companies that owned eligible facilities. Generally, eligible facilities were those with an installed capacity of 50 MW or less that used cogeneration, CHP, waste or any renewable energy source as their primary energy.

Royal Decree no. 661/2007 provided the previous regulation of the Spanish special regime. This decree was framed within the commitment of the Spanish government to encourage investments in renewable energy in Spain.

Under this decree, Spanish special regime power facilities could select between a fixed tariff or to participate in the market. If the generator sold electricity in the market, it received the market price plus a premium, subject to a cap and floor on final prices.

However, since January 2012, the special regime has suffered several adjustments as part of the measures taken by the Spanish government to ensure the financial sustainability of the electricity system:

- (i) In January 2012, Royal Decree-Law no. 1/2012 suspended feed-in tariffs and premiums for new projects.
- (ii) In December 2012, Act no. 15/2012 introduced a tax on energy generation (7 per cent. of incomes).
- (iii) In February 2013, Royal Decree-Law no. 2/2013 encompassed a set of regulatory modifications mainly the elimination of the premium, cap and floor schemes.
- (iv) In July 2013, Royal Decree-Law no. 9/2013 changed the remuneration scheme of the special regime and repealed Royal Decree no. 661/2007.
- (v) The new scheme was confirmed by Law no. 24/2013, of December 2013, replacing the "special regime" with the "specific remuneration regime".

As a consequence of the enactment of Royal Decree-Law no. 9/2013, in July 2013, during the first regulatory period, which applies from July 2013 to December 2019, the return ratio pre-tax during the remaining useful life of the assets under the special regime must be equal to the yield associated with Spanish ten-year sovereign bonds plus a spread of 300 basis points. The new return ratio pre-tax has been set at 7.4 per cent. during the regulatory life of the power plant (20 years in the case of existing wind generation, 25 years in the case of CHP generation and generation from waste, and 30 years in the case of photovoltaic generation).

As a result of the enactment of Law no. 24/2013, in December 2013, the special regime for renewables, CHP and waste generation was replaced by a specific remuneration regime which applies to the facilities that were regulated under the special regime prior to July 2013. As of July 2013, any new facilities that would have been eligible facilities under the special regime receive the same treatment as facilities that belong to the ordinary regime, the only difference being the regulated supplements that are received from the specific remuneration regime.

The specific remuneration additional to market revenues consists of: (i) a capacity supplement in €/MW to cover investments not recovered in the market; and (ii) if applicable, an operation supplement in €/MWh when operating costs cannot be recovered in the market. This specific remuneration is calculated taking into account standard installations throughout the regulatory life of the power plant, and assuming an efficient and well-managed company. The granting of this specific remuneration scheme for new facilities will be determined on a

competitive basis through auctions. The result of the auctions will determine the value of the supplement in €/MW applicable.

Royal Decree no. 413/2014, published in June 2014, established the detailed regulation applicable to the specific remuneration regime. Remuneration values for the first half of the six-year regulatory period for power plants under the special regime prior to July 2013 were set out in Ministerial Order no. 1045/2014. Order ETU/130/2017, published in February 2017, set the remuneration parameters of the second regulatory semi-period 2017-2019.

The amount of the capacity supplement for existing wind farms varies depending on the year the power plant went into operation and will be paid for 20 years after the power plant was commissioned. Interim revisions are conducted every three years to correct deviations from the expected pool price. Farms with a commissioning date earlier than 2004 were not given any capacity supplement. EDP Renováveis installed capacity in Spain, according to the start-up date, was 9 per cent. up to 2003, 39 per cent. between 2004 and 2007 and 52 per cent. from 2008 onwards.

On 12 April 2017, the Spanish Government authorised auctions of up to 3 GW of specific remuneration for renewable facilities in mainland Spain in accordance with Royal Decree 359/2017. In accordance with this Decree, an auction was held on 17 May 2017 which awarded 3 GW (almost all of which related to wind capacity). On 25 May 2017, the Government announced that a new auction of 3 GW would take place, with substantially similar rules as the previous auction. This auction was held on 25 July 2017 and awarded a total of 5 GW of renewable capacity (4 GW of solar and 1 GW of wind capacity).

The authorisation of renewable, CHP and waste plants falls within the authority of regional governments due to their small size. However, as a result of Royal Decree-Law no. 6/2009, since 2009 all facilities have had to be entered in a register managed by the Ministry of Industry in order to benefit from the premiums and tariffs of the Spanish special regime (Royal Decree 661/2007), and now the specific remuneration scheme created by Royal Decree-Law no. 9/2013.

### ***Electricity tariffs, supply and distribution***

Since January 2003, all consumers have become qualified consumers. All of them may choose to acquire electricity under any form of free trading through contracts with suppliers, by going directly to the organised market or through bilateral contracts with producers.

With the adoption of the Last Resort Supply (*Suministro de Último Recurso*) on 1 July 2009 (Law no. 17/2007 that amended the Electricity Sector Act in order to adapt it to the Electricity Directive), the regulated tariff system was replaced by a last resort tariff system. Last resort tariffs (now called *precio voluntario para el pequeño consumidor*) are set by a methodology approved by the Spanish government on an additive basis and can only be applied to low-voltage electricity consumers whose contracted power is less than or equal to 10 kW. According to Royal Decree no. 216/2014, the last resort tariff is calculated taking into account the sum of the following components: (i) costs of the electricity generation (which is indexed to the Spanish hourly pool price), (ii) access tariffs and (iii) regulated costs of supply management.

Last resort consumers can choose between being supplied at last resort tariffs or being supplied in the liberalised market.

The cost of supply methodology was approved by Royal Decree 469/2016. Ministerial Order ETU/1948/2016 establishes the cost of supply during 2017 and 2018. Due to several Supreme Court decisions and according to the referred Ministerial Order, the cost of supply between 2014 and 2016 also had to be re-invoiced to customers during 2017 and 2018.

Electricity transmission and distribution activities are regulated given that their particular characteristics impose severe limitations on the possibility of introducing competition. The new regulatory framework changed the manner in which electricity businesses receive payments in order to promote efficiency and quality of service. The regulations take into account the investment and operational costs related to transmission activities. Fixed remuneration for distribution is based on investment and operational and maintenance costs. Currently, the economic regime for distributors is contained in Royal Decree-Law no. 9/2013, Law no. 24/2013 and Royal Decree no. 1048/2013, and the settlement system is contained in Royal Decree no. 2017/1997. Until July 2013, remuneration to distribution activities was determined by Royal Decree no. 222/2008 and Royal Decree-Law no. 13/2012, which had already established that capital costs would only be paid for net assets and postponed the remuneration until the second year after new assets have been brought into operation.

The main change introduced in July 2013 was setting the return ratio of energy assets based on the yield associated with Spanish ten-year sovereign bonds plus a spread, set at 100 basis points for the second half of 2013 and 200 basis points from 2014 until at least the end of 2019. Royal Decree no. 1048/2013, approved in December 2013, establishes the general remuneration framework which is mainly based on the regulatory asset base ("RAB"). This RAB is determined by taking into consideration audited physical units affected by efficiency factors. After approval of Royal Decree no. 1073/2015 and Ministerial Order no. 980/2016, the new remuneration model has come into effect producing a substantial improvement in EDP's remuneration through its subsidiary Hidrocarbónico Distribución Eléctrica. In the meantime, Royal Decree-Law no. 9/2013 established a transitory phase of the remuneration scheme between 2013 and 2015.

The Supreme Court's decision of 25 October 2017 ordered the Ministry to increase the RAB calculated in Ministerial Order no. 980/2016 to compensate all distributors for an incorrect valuation of assets transferred to customers. The impact of this decision is expected to occur during 2018.

In April 2018, the Government declared that the remuneration established in the Ministerial Order IET 980/2016 was prejudicial for customers. The Ministry of Energy considers now that one of the parameters (remaining useful life of the assets) of the remuneration was wrongly estimated, in favour of some distributors (including Hidrocarbónico Distribución Eléctrica) and harming the interest of electricity customers. This declaration only produces the effect of allowing the Ministry of Energy to appeal this Order before the Supreme Court. During the corresponding contentious-administrative proceeding, it is responsibility of the Supreme Court to analyse the Order and issue a decision on its conformity to Law and eventual cancellation. The impact of this process is expected to occur during 2019.

In accordance with the provisions of Law no. 24/2013, regulated energy costs are paid from access tariffs and prices applicable to consumers and from specific items from the National Budget (Law no. 15/2012); from 1 January 2011, all facilities are obliged to pay tolls for the energy they generate (Royal Decree-Law no. 14/2010). Regulated incomes must be sufficient to cover all regulated costs, including transmission and distribution costs, specific remuneration schemes costs, and other costs.

Access tariffs and other regulated prices and charges are set by the Minister of Energy, Tourism and Digital Agenda. The portion of access tariffs that is designated to cover transmission and distribution costs will be fixed by the national regulatory authority *Comisión Nacional de los Mercados y la Competencia* ("CNMC") according to a methodology which has not yet been approved by the Spanish government. Access tariffs and regulated prices are uniform throughout Spain, although regional extra costs, if approved, may be added to tariffs set by the Ministry of Energy. Access tariffs for 2018 were established in Ministerial Order ETU/1282/2017.

On the other hand, on 1 July 2009, the regulated system of electricity tariffs was extinguished. Since then, distributors have ceased to supply electricity, and now function only as network operators. Accordingly, from that date, all consumers have been in the liberalised market. However, Royal Decree no. 216/2014, provides that the low voltage final consumers who use 10 kW or less are eligible for the tariff of last resort, which applies a regulated price to that supply. This tariff will be applied by the designated suppliers of last resort (called *comercializadores de referencia*), among which is EDP Comercialización Último Recurso, S.A.

Following the approval of Act 25/2009, prior to commencing the supply of electricity, suppliers are obliged to provide a statement to the Ministry of Energy or to the respective regional authority where they wish to engage in the supply, which includes a confirmation of (a) the dates for beginning and ending their supply activity, (b) proof of their capacity for the development of the supply, and (c) the guarantees required. CNMC is entitled to publish on its web site an up-to-date list of electricity suppliers that have communicated the commencement of their supply.

Due to the disappearance of the Supplier switching office (*Oficina de Cambio de Suministrador* or "OCSUM"), the CNMC supervises the process for consumers changing their electricity supplier under principles of transparency, objectivity and independence.

Last resort suppliers in the Iberian Peninsula may acquire electricity in the spot or forward markets to meet last resort demand. In Spain, following the enactment of Royal Decree-Law no. 17/2013, last resort suppliers are no longer permitted to hold energy auctions to purchase electricity.

Law no. 18/2014 implemented Directive 2012/27/EU of Energy Efficiency, establishing mandatory contributions from suppliers of gas, electricity and petroleum products to the National Energy Efficiency Fund in order to support efficiency measures to comply with that Directive.

### **Tariff Deficit in electricity sector**

Regulatory developments in the electricity sector in Spain during 2012 and 2013 were aimed at eliminating the tariff deficit in order to ensure the sustainability of the system. These measures have contributed to the following positive developments: i) the definitive settlements of 2014-2016 produced a surplus of €1,400 million; ii) the provisional settlement of 2017 is expected to produce a slight surplus; iii) in 2015, the Spanish government approved two reductions of the regulated prices of capacity paid by consumers through Royal Decree-Law no. 9/2015 and Ministerial Order no. 2735/2015 in August 2015 and December 2015, respectively.

However, the past debts of tariff deficit amounted to €21,000 million as of 31 December 2017 (nearly €2,000 million less than in 2016), none of which is currently being financed by electric companies. Deficits prior to 2014 were securitised as described below.

Law no. 24/2013 provides that access tariffs, regulated prices and other regulated income must be sufficient to recover the full costs of the regulated activities without any deficit. Although some deficit was permitted until 2013 (as provided by Royal Decree-Law no. 6/2009 and Royal Decree-Law no. 14/2010), Law no. 24/2013 limits tariff deficits incurred as of 2014 to a 2 per cent. yearly cap.

The deficit produced up to 2012 was fully transferred from the electricity companies to a Securitisation Fund called Depreciation Fund of Electric Tariff Deficit ("FADE"), which is guaranteed by the Spanish State Budget. Financing costs of FADE are included in the regulated costs to be recovered through access tariffs.

In 2012 and 2013 the Spanish government took important steps in order to address the key aspects of the problem of the tariff deficit:

- (i) Royal Decree-Law no. 1/2012 suspended temporarily all new renewable premiums.
- (ii) Royal Decree-Laws no. 13/2012 and 20/2012 reduced system costs in 2012 up to €1,000 million (in transmission and distribution activities, in capacity payments to generators, in coal subsidies, in system operation and payments to interruptible customers) while increasing system revenues in €700 million from some budget surpluses. Some of these measures were only in force during 2012.
- (iii) Access tariffs were updated as from April 2012 to all customers resulting in a revenue increase for the system of €1,600 million.
- (iv) Due to the inadequacy of previous measures for containing the tariff deficit, the Spanish government approved Law no. 15/2012 in December 2012, which imposed new taxes on generators and natural gas customers in order to cover the costs of the electricity system. Additionally, the Spanish government has allocated and will continue to allocate up to €450 million per year of the revenues from the sale of emission allowances to the tariff. The implementation of the above measures increases system revenues by €3,300 million annually.
- (v) Royal Decree-Law no. 2/2013 described above.
- (vi) Royal Decree-Law no. 9/2013 with an estimated yearly impact of €4,500 million, borne by customers (€900 million), National Budget (€900 million) and companies (€2,700 million).

The deficit produced in 2013 (€3,200 million) was transiently financed by electricity companies until December 2014 when it was securitised through the mechanism approved by Royal Decree no. 1054/2014.

Several Supreme court's decisions ordered the Government to give back the Social Voucher funded by companies between 2014 and 2016 (€ 500 million). State Budget Laws of 2017 and 2018 authorised the cost of court decisions to be charged to the tariff surpluses obtained since 2014.

### **Last Resort Tariff to vulnerable customers**

Royal Decree-Law no. 6/2009 has created the "Social Voucher" for some consumers benefiting from the tariff of last resort (the "TUR"). The TUR complies with the social, consumer and economic conditions as determined by the Ministry of Energy. Currently, as provided by Royal Decree no. 216/2014, this tariff for vulnerable customers consists of a discount on the regulated tariff PVPC (precio voluntario para el pequeño consumidor).

Until 2016, discounts applied to vulnerable customers were funded by all vertically integrated companies according to the rules established in Law no. 24/2013 and Royal Decree no. 968/2014. However, several

Supreme Court rulings abolished in August 2016 this funding mechanism. Royal Decree-law no. 7/2016, of December 2016, approved a new framework of protection for vulnerable customers and a new funding mechanism consisting in all supply companies financing the cost of the discounts proportionally to the number of their customers. From then on, EDP contributes with approximately 3,6 per cent. of the national cost of the Social Voucher.

From 1 July 2009, individual consumers with a contracted capacity of less than 3 kW in their residence, consumers over 60 years old with minimum pensions, large families and families of which all the members are unemployed were entitled to the Social Voucher.

From October 2017, Royal Decree no. 897/2017 established the requirements to become vulnerable and thus eligible for the Social Voucher: customers in their residence being i) large families, ii) families with all members with minimum pensions, or iii) families with incomes less than certain thresholds established in Ministerial Order no. 943/2017. The discounts include a 25 per cent. discount for vulnerable customers, a 40 per cent. discount for severe vulnerable customers and a 100 per cent. discount for customers at risk of social exclusion. In the latter case, local social services should at least contribute with 50 per cent. of the invoice.

Customers benefitting from the "old" social voucher that do not apply for renewal or do not fit into the new criteria will lose the discount from October 2018 onwards.

### ***Authorisations and Administrative Procedures***

All power plants require certain permits and licences from public authorities at local, regional and national levels before starting construction and operation.

Administrative registration, permits and licences are generally required for the construction, enlargement, modification and operation of power plants and ancillary installations. In addition, power plants using renewable energy sources or CHP must be registered on the "specific remuneration" register managed by the Minister of Energy, Tourism, and Digital Agenda before the power plant is entitled to benefit from the specific remuneration regime. New power plants in mainland Spain will only be included in the specific remuneration register through a competitive process of capacity auctions.

Facilities must also obtain an authorisation in order to connect to the relevant transmission and distribution networks. If interconnection authorisation is not granted, administrative authorisation cannot be granted.

However, interconnection authorisation can only be denied due to lack of current or future network capacity.

Royal Decree no. 1699/2011, regulating the connection of small power plants to distribution networks, aims to streamline administrative procedures to speed up the connection of small power plants (renewable energy power plants below 100 kW and CHP installations below 1 MW) to the electricity grid.

Royal Decree no. 900/2015 specifies the administrative procedures that apply to self-consumption facilities

### ***Gas Regulation Overview***

The general basis, principles and model of organisation of the gas sector in Spain were established through the Hydrocarbons Act no. 34/1998, of 7 October 1998 (the "**Hydrocarbons Act**"), Royal Decree no. 949/2001, of 3 August, and Royal Decree no. 1434/2002, of 27 December.

The approval of Act no. 12/2007, of 2 July, which modifies the Hydrocarbons Act, in order to adapt it to EU Directive 2003/55/EC of the European Parliament and of the Council, of 26 June, has continued the process of deregulation that was started in the sector in 1998, and Royal Decree-Law no. 13/2012 has completed this process by introducing Directive 2009/73/EC in the Spanish regulation. The regulated supply system ended on 1 July 2008 and was substituted by a last resort supply system. According to Law no. 12/2007, the scope of consumers that can be supplied under the last resort tariff systems has been reduced to only domestic and low consumption users. However, these clients will have the option to choose between being supplied under the last resort system (by last resort suppliers appointed by the Spanish government) or in the liberalised market (at the prices freely agreed with suppliers).

The Ministerial Order ETU/1283/2017 establishes the access tariffs and the revenues related to access to gas sector installations by third parties and remuneration of regulated activities for the year 2018.

Following the same criteria established for the electricity sector, the Spanish government has amended the Hydrocarbons Act, through Royal Decree-Law no. 8/2014, of 4 July, included in Act no. 18/2014, in order to regulate the financial stability of the gas system. The amendments to Law no. 34/1998 are focused on the economic and financial balance of the system, thus aiming to avoid new tariff deficits.

In 2015, the approval of Act no. 8/2015, of 21 May, modified the Hydrocarbons Act, with the main goal of creating an organised market of natural gas in the Spanish system that, once it becomes liquid, should give a price reference to the market and increase competition in the sector. The organised market MIBGAS has since then the role of market operator. There are other important changes in the act, for example, the liberalisation of the periodic check-ups of users' installations (which was a distributor duty in the past).

In October 2015, Royal Decree no. 984/2015 was approved which: i) defined the general principles of the operation of the organised market of natural gas in the Spanish system (the operative details were established in December 2015 pursuant to resolutions); ii) modifies the system of contracting access capacity to the gas sector installations by third parties; and iii) develops the model of liberalisation for periodic check-ups of users' installations, the responsibilities of each party and recognises the administrative cost of the distribution system operator.

With respect to the supplier of last resort, Royal Decree no. 485/2009 and Royal Decree no. 216/2014 allowed for the possibility of merging firms that have to supply both electricity and gas, under the supplier of last resort requirements, into a single company. As a result, by Decision no. 12/02/2009 of the General Director for Energy Policy and Mines, EDP CUR holds the qualification of supplier of last resort in both sectors from 1 January 2010.

Spanish law distinguishes between: (i) regulated activities, which include transportation (regasification of LNG, underground storage and transportation of natural gas) and distribution; and (ii) non-regulated activities, which include supply.

Any company engaging in a regulated activity must engage in only one regulated activity. However, a group of companies may conduct unrelated activities whenever they are independent at least in terms of their legal form, organisation and decision making with respect to other activities not relating to transmission, distribution and storage (Law no. 34/1998 and Law no. 12/2007). Royal Decree-Law no. 13/2012 incorporated new rules from Directive 2009/73/EC to achieve an effective separation between regulated activities and non-regulated activities carried out by Spanish companies. This Royal Decree-Law also establishes the ownership unbundling model for the gas transmission system operator in relation to the main network for the primary transmission of natural gas transmission pipeline/grid, "red troncal". However, any vertically integrated company established prior to 3 September 2009 may opt between an ownership unbundling model or the independent system operator or regional transmission organisation ("ISOs") model.

There have been several mergers and acquisitions in the Spanish gas market, resulting in changes to the market structure. During 2017 EDP completed the sale of all its gas network business in Spain. As a consequence, EDP remains in the gas sector only in liberalised activities (trading and supply).

The Spanish gas market has developed significantly in recent years, with more than 7 million customers in 2017.

### Natural Gas Transportation

The construction, expansion, operation and closure of gas pipelines, storage facilities and regasification plants requires prior administrative authorisation. In addition, for the construction and operation of gas transmission, regasification and storage facilities, other licences and permits are necessary, including an environmental impact assessment; licences related to infrastructure construction and land rights; and licences related to construction (for example, an activity licence, opening licence and works licence).

Preliminary authorisation is granted by either the Ministry of Energy, if the proposed facilities are basic transportation facilities, or, if they affect more than one autonomous community, by the regional authorities where such facilities will be located.

Once the preliminary authorisation has been granted, either the Ministry of Energy or the applicable autonomous regional authority will authorise the engineering construction project. Such authorisation enables the

applicant to begin construction of the facility. Definitive authorisations are then granted upon completion of the facility.

### Natural Gas Distribution

An administrative authorisation is required for the conduct of distribution activities. Any legal entity with Spanish nationality or any member of the European Union may apply for an administrative authorisation. Applicants must give evidence of their legal, financial and technical capacity for distribution.

Distribution companies are under a legal duty to provide access to their networks to suppliers and consumers. The main principles governing third-party access to the distribution networks are the same as those applicable to access to the transportation network.

### Natural Gas Supply

EDP participates in the ordinary supply market through EDP Comercializadora S.A.U., and in the last resort market through its subsidiary EDP CUR in selling natural gas to end consumers all over Spain.

Suppliers acquire natural gas from producers or other suppliers and sell it to other suppliers or to consumers in the liberalised market on terms and conditions freely agreed among the parties. In order to enable suppliers to conduct their business, transporters and distributors are under an obligation to grant access to their network in exchange for regulated tolls and fees. Royal Decree-Law no. 6/2009 has appointed the companies that can supply consumers under the last resort supply system.

Due to the disappearance of OCSUM (Supplier switching office), the CNMC supervises the process for consumers changing their gas supplier under principles of transparency, objectivity and independence.

Following the approval of Act no. 25/2009, prior to commencing supply activity gas suppliers are obliged to provide a statement to the Ministry of Energy or to the respective regional authority where they wish to engage in supply activity (who will transfer the information to the CNMC) which includes confirmation of: (a) the dates for commencing (and ending) their activity, (b) proof of their technical capacity for the development of the activity, and (c) the guarantees required. A prior administrative authorisation is only required for the conduct of supply activities if a company or its parent company is from a country outside of the European Union that does not recognise equivalent rights. The CNMC is entitled to publish on its web site an up-to-date list of gas suppliers that have communicated the exercising of their activities.

The implementation of supply of last resort in the natural gas sector was established by Royal Decree no. 104/2010, of 5 February, and Royal Decree-Law no. 13/2012 which has partially transposed Directive 2009/73/EC into Spanish regulation.

### Tariff Deficit in natural gas sector

In the Spanish natural gas sector, the main regulatory developments in the period from 2012 to 2014 aimed to reduce the tariff deficit. In this context, the Spanish government approved Royal Decree Law no. 8/2014 in July 2014, which main measures are summarised as follows:

- (i) Reduction of €238 million per year in regulated activities remuneration (distribution and transportation).
- (ii) New remuneration models for regulated activities, during a new six-year regulatory period, which applies from July 2014 to December 2020. For distribution, the new model is still demand based, but the price updating component (IPH) disappears. In the case of transportation, there is a new variable component of remuneration linked to the system demand evolution.
- (iii) Financing of the 2014 tariff deficit by regulated companies in 15 years. New deficits occurring from 2015 onwards financed by regulated companies in five years.
- (iv) New yearly cap to tariff deficits, which leads to automatic tariffs and tolls increase.

However, these measures have not been enough to contain the tariff deficit and every year a small new tariff deficit is being produced, which is financed by companies with regulated revenues from the tariff system, mainly distribution and transmission operators.

The accumulated deficit as of 31 December 2016 amounted to €2,471 million as declared by the CNMC. This amount includes the debt for the unsuccessful underground storage project, named "Castor" (€1,328 million).

## **Brazil**

The Ministry of Mines and Energy ("MME") is the Brazilian government's office responsible for conducting the country's energy policies. Its main duties include formulating and implementing policies for the energy sector, according to the guidelines defined by the National Energy Policy Council ("CNPE"). The MME is responsible for establishing national energy sector planning, monitoring the security of supply of the Brazilian electricity sector and defining preventive actions to guarantee supply restoration in case of structural imbalances between supply and demand of energy.

According to Law no. 10848/2004 (the "New Electricity Act"), the Brazilian government, acting primarily through MME, undertook certain duties that were previously the direct responsibility of the ANEEL, including granting concessions and issuing directives governing the bidding process for concessions relating to public services.

ANEEL has the authority to regulate and enforce the production, transmission, distribution and sale of electricity, ensuring the service quality provided by the universal service and tariff establishment to the network users, while preserving the economic and financial viability of agents and industry. The 2004 Electricity Act introduced significant changes to the regulation aimed at providing new incentives to maintain the country's generation capacity adequate to supply the electricity market. Furthermore, through competitive electricity public auctions, energy supply and demand are expected to produce lower tariffs. The key features of the New Electricity Act include:

- Creation of two markets for electricity trading:
  - the regulated contracting market for the sale and purchase of electricity towards the distribution companies, which is operated through electricity purchase auctions; and
  - the unregulated market or free contracting market for the sale and purchase of electricity for generators, free consumers and electricity trading companies.
- The requirement that distribution companies purchase electricity sufficient to supply 100 per cent. of their demand through public energy auctions.
- Creation of an electricity reserve policy for all electricity traded through contracts.
- Restrictions on certain activities of electricity distribution companies to ensure focus on their core business and guarantee more efficient and reliable services to their customers.
- Restrictions on self-dealing to encourage electricity distribution companies to purchase electricity at lower prices, rather than buying electricity from related parties.
- Continued compliance with contracts executed prior to the New Electricity Act in order to provide stability to transactions carried out before its enactment.
- Prohibition on power distribution utilities on sales of electricity to free consumers at non-regulated prices.
- Prohibition on distributors engaging directly in power generation or transmission operations.

Several significant changes in regulation regarding the electricity sector occurred during 2012, such as the Provisional Measure 579/2012, later converted to Law no. 12783, in which the Brazilian government presented measures to reduce electric energy bills. The expected average reduction for Brazil amounts to 20.2 per cent. of total electric energy bills due to government actions aimed at concession renewals (13 per cent) and sector charges (7 per cent).

Regarding concession renewals, the generation utilities with contracts expiring between 2015 and 2017 may renew their concessions and shall guarantee that they make available physical energy to the quotas system for the distributors in proportion to the market size of each distributor.

On 23 January 2013, Provisional Measure 605 was published, which has the objective of increasing the scope of application of the resources of the Energy Development Fund – *Conta de Desenvolvimento Energético* ("CDE"). As a result, the CDE began using resources to help offset the discounts applied to the tariffs and the involuntary exposure of distributors resulting from the decision of some generation companies not to extend their generation concessions. This measure amended Law no. 10438/2002, which established the application of the CDE resources.

On 6 March 2013, the CNPE issued the Resolution CNPE 3/2013, which set a new methodology for sharing additional costs incurred using thermoelectric power plants out of the order of merit, which would normally give preference to hydro power plants. According to this new resolution, thermal power plants may operate out of the typical order of merit ahead of the hydroelectric plants to maintain the safety of the system in light of the hydrological crisis in Brazil.

On 7 March 2013, the Decree no. 9745/2013 increased the costs that can be covered by funds from the CDE, from January to December 2013. The CDE is responsible for the monthly transfer to the distribution utilities of amounts to cover the costs related to: generation allocated under the Energy Relocation Mechanism – ERM; replacement amounts not covered by such quotas ("Involuntary Exposure"); and the additional cost of thermal power plants dispatched out the order of merit, Energy Security of the System Service Charge ("ESS – Energy Security").

On 7 May 2013, a new administrative regulation (*Resolução Normativa* no. 549/2013) was published, which provided that the incremental costs of the acquisition of energy and other system charges ("ESS") occurred in 2013 would be funded by the CDE (positive balances in *Conta de Compensação de Variação de Valores da Parcela A* – "CVA"). This regulation established the compensation criteria and determined that ANEEL will publish in each ordinary tariff revision the amounts that should be paid by Eletrobras to the distribution companies (through the CDE) with reference to the costs and CVA charges mentioned above.

Hydro power plants in Brazil have adopted the Energy Reallocation Mechanism (the "MRE"), a hydrological risk sharing mechanism. The Generating Scaling Factor is a measurement of the amount of energy generated compared against the amount of energy guaranteed under the MRE. If a hydro plant generates less energy than the amount guaranteed, it will have a deficit. This can occur due to unfavourable hydrological conditions, such as extended or severe drought. When a deficit occurs, hydro generators must buy energy in the spot market, generally at higher prices, to accomplish their contractual commitments.

Since distribution network operators ("DNOs") had cash flow difficulties due to Involuntary Exposure and high energy costs as a result of the below average raining season in 2014, the federal government issued Decree no. 8221/2014. This decree created an account in the Regulated Contracting Environment (the "ACR-Account") to cover the additional costs of electricity distributors due to involuntary exposure in the context of high price levels in the spot market and high usage of thermoelectric plants. The Commercialisation Chamber (the "CCEE") manages the account, and is responsible for contracting loans, as well as for ensuring the transfer of costs incurred in the operations of the CDE. Such operations are entitled to defray the expenses incurred from February 2014 until 31 December 2014. The monthly amount transferred to each DNO must be ratified by ANEEL and will consider the prevailing tariff coverage. The balance of the ACR-Account may be pledged in favour of banks (creditors), and its operation is regulated by the agency. Loans will be paid by consumers in 54 months through energy tariffs. On 25 April 2014, the CCEE signed contracts with banks to finance 11.2 billion of BRL\$ (*reais*) to enable the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The CDE present in the energy tariffs will generate funds to repay the loan amount. Loan repayments started in November 2015. The ACR-Account resources obtained through bank loans were completely used in April 2014. Therefore, in August 2014, a new loan of BRL 6.5 billion was approved. The value of the ACR-Account was insufficient to cover the November and December of 2014 deficit, forcing ANEEL to defer payment for 31 March 2015. In March 2015, the CCEE signed a new loan of BRL 3.4 billion. The amounts received by the ACR-Account to cover the 2014 deficit were considered in the energy tariffs from the 2015 ordinary tariff processes. Since 2015, the ACR-Account balance has been controlled by ANEEL.

The Tariff Flag System started operating in January 2015. This system signals to the consumers the real costs of electricity generation, and consists of three flags: green, yellow and red. The green flag indicates that the

cost of energy production is low and therefore no extra charges are applied to the energy tariff. The yellow and red flags represent differing levels of increase in energy production cost, and that an additional charge has been added to the tariff. Only consumers classified as low income residential subclass will receive a discount on the additional amount applied by the yellow and red flags.

On 14 February 2017, by Resolution no. 2203, ANEEL set the following values for the additional fare to be charged to consumers on the yellow and red flag:

- Yellow flag: applies an additional energy rate of R\$1.0 per 100 kWh.
- Red flag: the extra charge is differentiated into two levels:
  - Level 1: applies an additional energy rate of R\$3.0 per 100 kWh.
  - Level 2: applies an additional energy rate of R\$5.0 per 100 kWh.

On 4 February 2015, the Tariff Flag Resource Account was created, through Decree 8401/2015. Distributors collect the proceeds from the application of the Tariff Flag 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: ESS – Energy Security, thermal dispatch; insufficient Itaipu hydroelectric generation; spot market exposure due to insufficient generation by those hydroelectric plants contracted according to the quotas regime, instituted by Law no. 12783/2013; and compensation to the Reserve Energy Account. Reserve energy is intended to strengthen energy security and was established by Law no. 10848/2004.

ANEEL approves transfers to the distribution companies on a monthly basis. Any costs not covered by the Tariff Flag revenue will be considered in the next tariff process.

In the Provisional Measure no. 688, issued on 18 August 2015 and converted into Law no. 13203 on 8 December 2015, ANEEL introduced optional insurance for hydro generators to cover the event of a deficit. The cost of the insurance varies depending on the level of cover. The option to insure the risk, under conditions provided by Law no. 13203, was conditioned on the inability to receive the amount of energy not covered in the MRE via legal proceedings. EDP Brazil has an insurance policy for 7 of 15 of its hydro plants, covering 51 per cent. of the guaranteed energy from EDP Brazil.

The Provisional Measure no. 735, issued on 23 June 2016 and converted into Law no. 13360 on 18 November 2016, aims to restructure the Brazilian Energy Sector Funds` management whose current values are approximately R\$20 billion, made up of: (i) the CDE, (ii) Global Reversion Reserve ("RGR") and (iii) Fuel Consumption Account.

It is an important step forward in the governance of the Brazilian Energy Sector. The management of the resources migrated from Eletrobras, a state-owned company with assets in the electricity sector, to a board composed of representatives of the CCEE, with recent history of control and audit of their accounts, subject to the regulation of the ANEEL.

Law no. 13360 also determines that from 2030 the CDE`s apportionment between DNOs will be proportional to their markets. The transition period between the current allocation, which overloads the South, Southeast and West Central regions, and the proportional allocation to markets will be 2017-2030. The participation of high voltage installations will be lower than low voltage.

The measure creates favourable conditions for the transfer of shareholding control of concessions and simplifies the bidding process and the terms of payment to the Union.

It also authorises the transfer of debts with Itaipu from Federal Reserve to end-consumer tariffs and revokes the possibility of extension of the concessions whose start-up of the plants was delayed, even if there is recognition of exclusive responsibility.

Finally, it also permits distribution companies to sell their energy excedents to the free market so that they can enhance their energy overcontract condition.

More recently, in Provisional Measure no. 579/2012, later converted to Law no. 12783/2013, the Ministry of Mines and Energy published The Ministerial Ordinance ("Portaria") no. 120/2016, which detailed compensation payable to the transmission companies that agreed to anticipate the renewal of their concession contracts to 2012. Furnas, Chesf, CTEEP, Eletronorte, Eletrosul, Cemig-GT, CEEE-GT, Copel-GT and Celg-GT are entitled

to receive R\$ 62.2 billion in indemnities over an 8-year period. R\$ 35.2 billion corresponds to amounts not paid to these companies between 2013 and 2017, concerning investments made before May 2000. The remaining R\$ 27.0 billion corresponds to the remuneration of these investments until the end of the assets operating life. The payment entered the energy tariffs starting from July 2017. According to ANEEL, the payment of the first instalment increased energy tariffs by 7.17 per cent. on average (with the impact ranging from 1.13 to 11.45 per cent.).

According to Decree no. 9022, of 31 March 2017, MME detailed sources to support the CDE account (as well as RGR utilisation) and the situations in which they can be used, implemented and managed, as stated in previous legislation (Laws no. 7891/2013, 10438/2002, 12111/2009 and 12783/2013).

### ***Distribution tariffs***

Power distribution companies in Brazil operate with regulated tariffs, and their operating results are therefore subject to regulation. Their concession contracts contain provisions for periodic and annual tariff adjustments and the possibility of extraordinary tariff revisions (i.e. revisions that can be taken by the regulator if some unexpected exogenous factor occurs that affects the financial or economic equilibrium of the concession).

### ***Periodic tariff revisions***

Every three, four or five years, depending on the concession contract, ANEEL establishes a new set of tariffs, reviewing all concessionaire costs and expected revenue. To calculate periodic tariff revisions, ANEEL determines the annual revenue required for a power distribution company to cover what a concession contract refers to as the sum of "Portion A" and "Portion B" costs. Portion A costs consist of a distribution company's costs of power supply, transmission costs as well as tariff charges. Portion B costs consist of the distribution company's operating costs, taxes, depreciation and return on investment, accepted by the regulator. The after-tax rate of return on the Regulatory Asset Base ("RAB") in the 2011-2015 regulatory period was set at 7.5 per cent.

The required revenue of EDP's electricity distribution companies is calculated on an annual basis and regards a revenue flow compatible with the regulatory economic costs calculated according to specific rules established by ANEEL, over a past 12-month period called a test year. The regulatory regime in Brazil provides for price caps, and if the estimated required revenue for the year under analysis is different from the actual revenue of the concessionaire for that year, the risk is allocated to the concessionaire. Recent modifications in the tariff methodology have reduced this risk, called market risk, and for almost all of Portion A costs the market risk has been allocated to the customers: if the revenue is higher than expected, the tariff for the next year is reduced, and vice versa.

Periodic tariff revisions are conducted every three years for EDP Espírito Santo and every four years for EDP São Paulo.

On 28 April 2015, through Resolution no. 660, ANEEL approved changes in the methodology applicable to the processes of Periodic Tariff Review for distributors as of 6 May 2015. The changes related to the following: (i) general procedures; (ii) operating costs; (iii) X-factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues; and (vi) other income. The most significant changes are as follows:

- (i) the tariff cycle concept was extinguished. The methodologies and parameters prevailing at the time of the tariff review will be used. The parameters and the methodologies will be updated every two to four years and every four to eight years respectively in each case counted from 2015;
- (ii) the weighted average cost of capital ("WACC") increased from 7.5 per cent. to 8.09 per cent. (after tax). The points taken into account in the update were: (i) standardisation of the series; (ii) use of average credit risk of companies in the debt capital; and (iii) recalculation of the cost of capital every three years, with a methodology review every six years;
- (iii) remuneration for the risk associated with investment operations funded by third-party funds (subsidies);
- (iv) the definition of efficient operating costs was changed to comprise the "consumer energy index" and "non-Technical losses";
- (v) in determining the level of non-technical losses, the variable "low-income" was included and the database updated based on three statistical models;

- (vi) the level of unrecoverable revenues (percentage) shall be calculated based on past 60 months of non-compliance by the concessionaire;
- (vii) the percentage share of other revenue has been changed to 30 per cent. in the services of: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. The percentage share of other services was set at 60 per cent.; and
- (viii) the calculation of X-Factor now includes consideration of commercial quality.

On 6 March 2018, ANEEL has decided to maintain the WACC at 8.09 per cent. (after tax) until December 2019. From 2020 onward it will be applied a new methodology, which will be the object of a public consultation in the meantime.

### Tariff adjustments

Because the revenues of electricity distribution companies are affected by inflation, they are afforded an annual tariff adjustment to address the impact of inflation in the period between periodic revisions. For the purposes of the annual adjustment, a tariff adjustment rate (referred to as the Tariff Adjustment Index) is applied, through which Portion A costs are adjusted to account for variations in costs and Portion B costs are adjusted to account for variations in the IGP-M inflation index. For Portion B, the tariff adjustment rate also takes into account a measure of the distributor's operating productivity power quality, called X-Factor. The main objective of the X-Factor is to ensure an efficient balance between revenues and costs, established at the time of revision, by taking into account standard values established by the regulator. The X-Factor has three components: (i) expected productivity gains; (ii) quality of service; and (iii) cost efficiency.

On 20 October 2015, ANEEL approved the fourth periodic tariff review result for EDP São Paulo for the four-year regulatory period beginning in 23 October 2015. The RAB was set at R\$1.67 billion (from the previous R\$1.55 billion). Technical regulatory losses were fixed at 4.59 per cent. while commercial losses were set through a descending trajectory that starts at 9.83 per cent. in 2016 and ends at 8.45 per cent. in 2019.

On 18 October 2017, ANEEL approved the 2017 annual tariff readjustment for EDP São Paulo which will apply from 23 October 2017 to 22 October 2018. The average effect was 24.37 per cent. Portion B was readjusted by -2.68 per cent., considering an IGP-M of -1.45 per cent. and an X-Factor of 1.23 per cent., in result of 1.14 per cent. of productivity gains, 0.33 per cent. of incentives to quality of service and -0.24 per cent. of trajectory to adequacy of operational costs.

On 2 August 2016, ANEEL approved the seventh periodic tariff review result for EDP Espírito Santo for the three-year regulatory period beginning in 7 August 2016. The RAB was set at R\$2.02 billion (from the previous R\$1.59 billion). Technical regulatory losses were fixed at 7.14 per cent., while commercial losses were set at 11.45 per cent. in 2016 until the next tariff revision. These indexes are constant during the term of the tariff cycle, with no trajectory of reduction.

On 31 July 2017, ANEEL approved the 2017 annual tariff readjustment for EDP Espírito Santo which will apply from 7 August 2017 to 6 August 2018. The average effect was 9.34 per cent. Portion B was readjusted by -2.52 per cent., considering an IGP-M of -1.33 per cent. and an X-Factor of 1.2 per cent. resulting from 1.15 per cent. of productivity gains, 0.05 per cent. of incentives to quality of service and 0.00 per cent. of trajectory to adequacy of operational costs. The effect of the new tariffs for use of the transmission system, approved by ANEEL's regulatory resolution No. 2259/2017, which will be incorporated in the transportation costs to be collected in the next 12 months, explained the increase of 6.68 percentage points of the total of 9.34 per cent. of the average effect to be passed on to consumers.

### **United States**

Federal, state and local energy statutes regulate the development, ownership, business organisation and operation of electric generating facilities in the United States. In addition, the federal government regulates wholesale sales of electricity and certain environmental matters, and the state and local governments regulate the construction of electric generating facilities, retail electricity sales and environmental and permitting matters.

#### ***Federal regulations related to the electricity industry***

The federal government regulates wholesale power sales and the transmission of electricity in interstate commerce through the Federal Energy Regulatory Commission ("FERC"), which draws its jurisdiction from the Federal Power Act, as amended (the "FPA"), and from other federal legislation such as the Public Utility

Regulatory Policies Act of 1978, as amended ("PURPA 1978"), and the Public Utility Holding Company Act of 2005 ("PUHCA 2005").

### ***Electricity generation***

All of the Group's project companies in the United States operate as exempt wholesale generators ("EWGs") under PUHCA 2005 or as owners of qualifying facilities ("QFs") under PURPA 1978, or are dually certified. In addition, most of the project companies are regulated by FERC under Parts II and III of the FPA and have market-based rate authorisation from FERC. Such market-based rate authorisation allows the project companies to make wholesale power sales at negotiated rates to any purchaser that is not an affiliated public utility with a franchised electric service territory.

EWGs are owners or operators of electric generation (including producers of renewable energy, such as wind and solar projects) that are engaged exclusively in the business of owning and/or operating generating facilities and selling electric energy at wholesale. An EWG cannot make retail sales of electric energy or engage in other business activities that are not incidental to the generation and sale of electric energy at wholesale. An EWG may own or operate only those limited interconnection facilities necessary to connect wholesale generation to the grid.

Under the FPA, FERC has exclusive rate-making jurisdiction over "public utilities" that engage in wholesale sales of electric energy or the transmission of electric energy in interstate commerce. With certain limited exceptions, the owner of a renewable energy facility that has been certified as an EWG in accordance with FERC's regulations is subject to regulation under the FPA and to FERC's rate-making jurisdiction. FERC typically grants EWGs the authority to charge market-based rates as long as the EWG can demonstrate that it does not have, or has adequately mitigated, market power and it cannot otherwise erect barriers to market entry. Currently, none of the Group's project companies or their affiliates has been found by FERC to have the potential to exercise market power in any U.S. markets. In the event that FERC's analysis of market power changes or if certain other conditions of market-based rate authority are not met, FERC has the authority to impose mitigation measures or withhold or rescind market-based rate authority and require sales to be made based on cost-of-service rates which could result in a reduction in rates.

FERC generally grants EWGs with market-based rate authority waivers from many of the accounting and record-keeping requirements that are otherwise imposed on traditional public utilities under the FPA. However, EWGs with market-based rate authority are subject to ongoing review of their rates under FPA sections 205 and 206, advance review of certain direct and indirect dispositions of FERC-jurisdictional facilities under FPA section 203, regulation of securities issuances and assumptions of liability under FPA section 204 (subject to certain blanket preauthorisations), and supervision of interlocking directorates under FPA section 305. FERC has authority to assess substantial civil penalties (i.e. up to approximately \$1.2 million USD per day per violation) for failure to comply with the conditions of market-based rate authority and the requirements of the FPA.

Certain small power production facilities may qualify as QFs under PURPA 1978. A wind-powered generating facility (or the aggregation of all such facilities owned or operated by the same person or its affiliates and located within one mile of each other) with a net generating capacity of 80 MW or less may be certified by FERC or self-certified with FERC as a QF. Certain QFs, including renewable energy facilities with a net generating capacity of 30 MW or less, are exempt from certain provisions of the FPA, including the accounting and reporting requirements. Additionally, renewable energy QFs with a net generating capacity of 20 MW or less are exempt from FERC's rate-making authority under the FPA. QFs that are not located in competitive wholesale markets have the right to require an electric utility to purchase the power generated by such QFs at the utility's avoided cost rate. QFs also have the right to require an electric utility to interconnect it to the utility's transmission system, and to sell firm power service, back-up power, and supplementary power to the QF at reasonable and non-discriminatory rates. However, states have generally been permitted broad authority to define their own interpretation of reasonable rates, set additional limitations on the nameplate capacity of QFs eligible for contracts and modify the tenor of contracts for QF sales. Therefore, the precise terms of sale for generation from QF projects vary from state to state. Finally, a renewable energy QF with a net capacity of 30 MW or less is exempt from regulation under PUHCA 2005 and the state laws and regulations respecting the rates of electric utilities and the financial and organisational regulation of electric utilities.

FERC also implements the requirements of PUHCA 2005, which imposes certain obligations on "holding companies" that own or control 10 per cent. or more of the direct or indirect voting interests in companies that own or operate facilities used for the generation of electricity for sale, including renewable energy facilities. As a general matter, PUHCA 2005 imposes certain record-keeping, reporting and accounting obligations on such

holding companies and certain of their affiliates. However, holding companies that own only EWGs, QFs or foreign utility companies are exempt from the federal access to books and records provisions of PUHCA 2005.

Wholesale electricity transactions in the United States are either bilateral in nature, which allows two parties to freely contract for the sale and purchase of energy, or take place within a single, centralised clearing market for spot energy purchases and sales and which facilitates the efficient distribution of energy. Given the limited interconnections between transmission systems in the United States and differences among market rules, regional markets have formed within the transmission systems operated by independent system operators ("ISOs"), such as the Midcontinent, California, New York, PJM Interconnection, Southwest, and New England ISOs.

EDP's project companies typically sell power and the associated renewable energy credits ("RECs") from EDP's electric generation facilities under long-term bilateral power purchase agreements. However, additional energy or ancillary services may be sold on a short-term basis to the market, generally at short-term clearing prices. In addition, EDP's project companies may sell RECs under long-term or short-term bilateral agreements. All of EDP's electric generating facilities are typically interconnected to the grid through long-term interconnection agreements, under which transmission-owning utilities (in combination with any ISO in which the utility is a member) agree to construct and maintain system-operated interconnection facilities and provide interconnection service to the facilities. As such, successful and timely completion of EDP's projects and electric sales from EDP's projects are dependent on the performance of EDP's counterparties under the interconnection agreements.

#### NERC reliability standards

FERC has jurisdiction over all users, owners, and operators of the bulk power system for purposes of approving and enforcing compliance with certain reliability standards. Reliability standards are requirements to provide for the reliable operation of the bulk power system. Pursuant to its authority under the FPA, FERC certified the North American Electric Reliability Corporation ("NERC") as the entity responsible for developing reliability standards, submitting them to FERC for approval, and overseeing and enforcing compliance with reliability standards, subject to FERC review. FERC authorised NERC to delegate certain functions to eight regional entities. All users, owners and operators of the bulk power system that meet certain materiality thresholds are required to register with the NERC and comply with FERC-approved reliability standards. Violations of mandatory reliability standards may result in the imposition of civil penalties of up to approximately \$1.2 million USD per day per violation. All of EDP's project companies in the United States that meet the relevant materiality thresholds have registered with NERC as Generation Owners and/or Generation Operators, and are required to comply with applicable FERC-approved reliability standards. NERC may require generators that own certain interconnection facilities also to register as Transmission Owners and/or Transmission Operators. Such a change may impose additional reliability standards on EDP's project companies.

#### **State Regulations Related to the Electricity Industry**

State regulatory agencies have jurisdiction over the rates and terms of electricity service to retail customers. As noted above, an EWG is not permitted to make retail sales. States may or may not permit QFs to engage in retail sales.

In certain states, approval of the construction of new electricity generating facilities, including renewable energy facilities such as wind farms, is obtained from a state agency, with only limited additional ministerial approvals required from state and local governments. However, in many states the permit process for power plants (including wind farms) also remains subject to land-use and similar regulations of county and city governments. State-level authorisations may involve a more extensive approval process, possibly including an environmental impact evaluation, and are subject to opposition by interested parties or utilities.

#### **Renewable Energy Policies**

The marked growth in the U.S. renewable energy industry has been driven primarily by federal and state government policies designed to promote the growth of renewable energy, including wind and solar power. The primary U.S. federal renewable energy incentive programmes have been the production tax credits ("PTCs"), investment tax credit ("ITC"), a cash grant programme in lieu of tax credits (now expired), and a modified accelerated cost recovery system ("MACRS"), which allows the accelerated depreciation of certain major equipment components over a five-year period. The principal way in which many states have encouraged renewable generation development is through the implementation of renewable portfolio standards ("RPS"), under which a utility must demonstrate that a certain percentage of its energy supplied to consumers within the

applicable state comes from renewable sources. Under many RPS, a utility may demonstrate its compliance through its ownership of RECs. RECs are generally tradable and considered separate commodities from the underlying power that is generated by the resource. A majority of states, the District of Columbia and three U.S. territories have implemented mandatory RPS requirements, and a number of other states and two U.S. territories have implemented voluntary, rather than mandatory, renewable energy goals. Additionally, some states and localities encourage the development of renewable resources through reduced property taxes, state tax exemptions and abatements, and state grants.

#### Federal Tax Incentives

In the United States, the federal government has supported renewable energy primarily through income tax incentives. Historically, the main tax incentives have been the federal PTC, ITC and the five-year depreciation for eligible assets under MACRS under the Internal Revenue Code of 1986. The PTC is a per kilowatt-hour tax credit for electricity that is generated by qualified energy resources including wind, and sold by the taxpayer to an unrelated person during the taxable year. In 2009, the American Recovery and Reinvestment Act allowed renewable energy projects to elect, in lieu of the PTC, an ITC equal to 30 per cent. of the capital invested in the project. The PTC and ITC for wind projects are available for new projects that begin construction before 1 January 2020. The value of the PTC and ITC has been reduced by 20 per cent. for projects that begin construction in 2017, and will be reduced by 40 per cent. for projects that begin construction in 2018, and by 60 per cent. for projects that begin construction in 2019. As of the date of this Base Prospectus, there can be no assurance that the wind PTC and ITC will be extended so as to be available for projects beginning construction after 2019.

Historically, the main federal tax incentives for solar projects have been an ITC equal to 30 per cent. of the capital invested in the project and the five-year depreciation for eligible assets under MACRS. The 30 per cent. ITC for solar projects is currently scheduled to be reduced to 26 per cent. for projects that begin construction in 2020, to 22 per cent. for projects that begin construction in 2021, and to 10 per cent. for projects that begin construction after 31 December 2021. With respect to asset depreciation under MACRS, in February 2008, the Economic Stimulus Act of 2008 provided for a temporary 50 per cent. bonus depreciation with 5-year MACRS utilised to recover the remaining basis for eligible property, including wind and solar property, placed in service before 28 September 2017. In December 2017, The Tax Cuts and Jobs Act ("TCJA") expanded bonus depreciation to 100 per cent. for eligible property, including wind and solar property, acquired after 27 September 2017 and placed in service before 1 January 2023. The value of bonus depreciation is scheduled to be reduced for property placed in service in 2023 to 80 per cent., in 2024 to 60 per cent., in 2025 to 40 per cent., and in 2026 to 20 per cent., after which the bonus depreciation expires. As of the date of this Base Prospectus, there can be no assurance that the bonus depreciation will be extended beyond its current expiration. The TCJA also added a requirement that limits the amount of business interest expense that is deductible to the sum of business interest income plus 30 per cent. of the business operating results plus provisions and amortisations and impairments for taxable years beginning before 1 January 2022 and operating results for taxable years beginning on or after that date.

EDP's ability to take advantage of the benefits of the PTC, ITC and depreciation incentives is based in part on the investment structures that EDP entered into with institutional investors in the United States (the "**Partnership Structures**"). Even assuming that the PTC, ITC and depreciation incentives continue to be available in the future, there can be no assurance that (i) EDP will have sufficient taxable income in the United States to utilise the benefits generated by these tax incentives or (ii) EDP will otherwise be able to realise the benefits of these incentives. In particular, there can be no assurance that EDP will be able to realise the benefits of these incentives through Partnership Structures entered into with investors who offer acceptable terms and pricing (or that there will be a sufficient number of such suitable investors).

#### State Renewable Portfolio Standards

In addition to U.S. federal tax incentives, at the state level, RPS provide support for EDP's business by specifying that a certain percentage of a utility's energy supplied to consumers within the state must come from renewable sources (typically between 15 per cent. and 25 per cent. by 2020 or 2025) and, in certain cases, make provision for various penalties for non-compliance. According to the Database of State Incentives for Renewables and Efficiency as of February 2017, 29 U.S. states, the District of Columbia and three U.S. territories have mandatory RPS requirements, while an additional eight states and one US territory have adopted non-mandatory renewable energy goals. Within states, municipalities that have authority over electric utilities may also choose to adopt renewable energy incentives. For states with mandatory targets, most state RPS administrators require utilities to secure RECs to demonstrate compliance with the RPS requirement. Although additional states may

consider the enactment of a RPS, there can be no assurance that they will decide to do so, or that the existing RPS will not be discontinued or adversely modified.

### ***Environmental Compliance***

Construction and operation of wind and solar generation facilities and the generation and transport of renewable energy are subject to environmental regulation by U.S. federal, state and local authorities. Typically, environmental laws and regulations require a lengthy and complex process for obtaining licences, permits and approvals prior to construction, operation or modification of a project or generating facility. Prior to development, permitting authorities may require that wind project developers consider and address, among other things, impact on birds, bats and other biological resources, noise impact, paleontological and cultural impact, wetland and water quality impact, compatibility with existing land uses and impact on visual resources. In addition, projects which propose to impact federal land or require some federal licence or permit, or federal funding, generally require the review of the potential environmental effects of the action pursuant to the National Environmental Policy Act ("NEPA"), which requires that the public be afforded an opportunity to review and comment on the proposed project. Other federal environmental reviews that would be triggered by a discretionary federal agency action to license, permit or fund a project include a review of the project's effects on listed species and designated critical habitat under section 7 of the Endangered Species Act ("ESA") to ensure that the permitted project includes sufficient avoidance, minimisation and mitigation measures to avoid jeopardising the continued existence of a species and/or adversely modifying designated critical habitat. In 2016, the definition of "adverse modification" under ESA, section 7 was changed to apply a stricter standard that inquires as to whether the federal agency action, if approved, will preclude or significantly delay recovery of a listed species. For those projects located on federal Bureau of Land Management ("BLM") land holdings, BLM has prepared an environmental impact statement that reviewed potential impacts on a programmatic level and is intended to reduce the time required to obtain permits to construct wind projects on their land.

The U.S. Fish and Wildlife Service ("USFWS") is charged with enforcement of federal environmental laws protecting endangered and threatened species, migratory birds, and bald and golden eagles as well as the habitat supporting such species. The ESA, Migratory Bird Treaty Act ("MBTA") and Bald and Golden Eagle Protection Act ("BGEPA") each prohibit the "take" of species protected by the particular statute. Generally, prohibited "take" of species includes activities that kill, injure, or capture a protected species and, for the ESA, extends to habitat modification.

The USFWS has issued voluntary guidelines for land-based wind energy projects, which outline the USFWS regulatory requirements under the ESA, MBTA and BGEPA and provide project developers with guidance as to how to assess potential impacts and avoid or minimise significant adverse impacts of a project on species and habitats. While a project developer who adheres to the USFWS guidelines is not relieved of legal culpability should a violation of any of these statutes arise, the USFWS may consider a developer's documented efforts to engage with the agency and follow the guidelines in the scoping of any enforcement action or penalty. Additionally, the USFWS also manages a permitting regime for take under BGEPA through which developers adopt conservation measures to avoid and/or minimise the "take" of eagles to the maximum extent possible. Under the permitting regime, the USFWS may issue a permit for a set duration, between five and thirty years, depending on the nature of the activities, impact on eagles, and mitigation measure taken by the recipient. Special requirements for avoidance, minimisation, or mitigation measures are required for permits with a duration of greater than five years. At present, there is no similar permitting or incidental take authorisation program for the MBTA.

Other federal reviews, permits, or authorisations may be required where a renewable energy project involves or impacts federal lands, federally regulated natural resources, or other areas of federal authority. For example, wind farms with structures which exceed 200 feet in height must meet the lighting and safety regulations of the Federal Aviation Administration. Likewise, wind and solar projects must comply with permitting and mitigation requirements relating to impacts on wetlands, water quality, and wastewater discharge under the Clean Water Act, for project activities in or in proximity to waters of the United States. It is possible that wind farms may in the future be subject to further federal restrictions intended to minimise interferences with military radar systems. Further, the designation of new species as well as new or revised critical habitat protected under the ESA can adversely affect new project development as well as impose new restrictions upon existing project operations where there is retained federal discretionary authority associated with the project permit, license or funding.

Various states have also implemented environmental laws and regulations that impact renewable energy projects. In addition to state permitting regimes for the protection of waterways and other natural

resources. Certain state environmental laws require the preparation of an environmental assessment or impact report similar to the federal review required under NEPA, while some states require a meeting be held to solicit comments from affected local landowners and local authorities.

The United States is one of the most attractive markets globally for wind energy generation in terms of total installed wind capacity and continued growth. As of 31 December 2017, the U.S. wind industry accounted for 16 per cent. of global wind energy capacity. According to the American Wind Energy Association ("AWEA"), the U.S. wind energy industry installed 7,017 MW in 2017, which brought the U.S. total installed wind power capacity to 88,973 MW. According to the U.S. Energy Information Administration, in 2017 wind energy provided approximately 6.3 per cent. of the United States' electricity. According to AWEA's 2017 Annual Report, EDP Renováveis was the fourth largest owner of wind projects in the United States, based on installed capacity, at the end of 2017. EDP Renováveis' main competitors, based on installed wind capacity, include Berkshire Hathaway Energy, Avangrid Renewables, E.ON Climate & Renewables, and NextEra Energy Resources. EDP Renováveis and these four companies represent 37 per cent. of total installed wind capacity in the U.S. according to AWEA's 2017 Annual Report.

## **MANAGEMENT**

### **Corporate governance model**

EDP's shareholders approved its current corporate governance model at the Annual General Shareholders Meeting held on 30 March 2006, which entered into force on 30 June 2006. The corporate governance model is structured as a two-tier system, composed of an executive board of directors (the "Executive Board of Directors") and a general and supervisory board (the "General and Supervisory Board"). The Executive Board of Directors is EDP's managing body and is responsible for its management and for developing and pursuing EDP's strategy. Since the Annual General Shareholders Meeting held on 5 April 2018, the Executive Board of Directors must be composed of at least five and no more than nine directors, all of whom undertake executive positions. This decision to enlarge the number of members was made to give more flexibility regarding the number of members that compose the Executive Board of Directors of EDP, in accordance with Law no. 62/2017, dated 1 August, which establishes a balanced representation between women and men at the management and supervision boards of listed companies, imposing a ratio of 20 per cent. of the under-represented gender on those corporate bodies at the first elective general shareholders' meeting occurring after 1 January 2018. Under the current mandate of 2017-2018, the Executive Board of Directors is composed of nine directors who were elected at the Annual General Shareholders Meeting held on 5 April 2018. The General and Supervisory Board is a supervisory and consulting body and is responsible for, among other things, supervising the EDP Group's activities and reviewing and approving important transactions involving the EDP Group. The General and Supervisory Board must be composed of at least nine members and must at all times have more members than the Executive Board of Directors. All members of the General and Supervisory Board undertake non-executive positions. At the Annual General Shareholders' Meeting, held on 5 April 2018, 21 members of the General and Supervisory Board for the current mandate of 2017-2018 were elected. EDP complies with the corporate governance provisions included in the Portuguese Securities Code. Furthermore, EDP adopted in full the corporate governance recommendations contained in the Corporate Governance Code approved by the Portuguese Securities Market Commission (the "CMVM"), with the exception of the following recommendation:

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 and that all the votes cast must be counted without the aforementioned limitation on this decision.

This recommendation has not been adopted on the basis of the considerations below.

Over the past five years, the subject of statutory limitation on voting rights has been discussed by the General Meeting of EDP on two occasions. The limitation of the number of votes set out in Article 14 of EDP's Articles of Association reflects the will of the shareholders of EDP, as expressed through resolutions of the General Meeting, to defend the company's specific interests: (i) a change of the limit from 5 per cent. to 20 per cent. was approved by the shareholders at the General Meeting of 25 August 2011, involving participation of 72.25 per cent. of the capital and approval by a majority of 94.16 per cent. of the votes cast; (ii) a later increase to the current 25 per cent. was approved at the General Meeting of 20 February 2012, involving participation of 71.51 per cent. of the capital and approval by a majority of 89.65 per cent. of the votes cast. The shareholders have thus been periodically called on to decide on limiting 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.

The attitudes of shareholders of EDP have thus proven to be in line with those advocated by the recommendation and enable EDP to pursue its goals, whilst avoiding the rigid procedures for this review set down in EDP's Articles of Association, which has also attracted particularly intense scrutiny from shareholders.

### Executive Board of Directors

The Executive Board of Directors, together with EDP's executive officers, manages EDP's affairs and monitors the daily operation of EDP's activities in accordance with Portuguese law and EDP's Articles of Association. Executive officers are in charge of EDP's various administrative departments and report directly to the Executive Board of Directors. Companies within the Group are managed by their respective boards of directors. The names of the current directors on the Executive Board of Directors, along with their principal affiliations and certain other biographical information, are set forth below:

<b>Name</b>	<b>Year of Birth</b>	<b>Position</b>	<b>Year Originally Elected</b>	<b>Last Election</b>
António Luís Guerra Nunes Mexia	1957	Chief Executive Officer	2006	2018
Miguel Stilwell de Andrade	1976	Chief Financial Officer	2012	2018
João Manuel Manso Neto	1958	Executive Director	2006	2018
António Fernando Melo Martins da Costa	1954	Executive Director	2006	2018
João Manuel Veríssimo Marques da Cruz	1961	Executive Director	2012	2018
Miguel Nuno Simões Nunes Ferreira Setas	1970	Executive Director	2015	2018
Rui Manuel Rodrigues Lopes Teixeira	1972	Executive Director	2015	2018
Maria Teresa Isabel Pereira	1965	Executive Director	2018	----
Vera de Morais Pinto Pereira Carneiro	1974	Executive Director	2018	----

**António Luis Guerra Nunes Mexia, Chairman** He is Chairman of the Executive Board of Directors of EDP-Energias de Portugal, S.A. since March 2006. He is also Chairman of EDP Renováveis, S.A. e EDP-Energias de Brasil, S.A. Moreover, since April 2016, he chairs the Business Council for Sustainable Development in Portugal (part of the WBCSD regional network) and the Board of Se4all, within the United Nations organisation. He was born on 12 July 1957 in Lisbon. He received a degree in Economics from the University of Geneva (Switzerland) in 1980, where he was Assistant Lecturer in the Department of Economics. He was also 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 was Vice-Chairman of the Board of Directors of ICEP (Portuguese Institute for Foreign Trade). From 1990 to 1998 he became member of the Board of Directors of Banco Espírito Santo de Investimentos and, in 1998, he entered the Gas sector as 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, and became Executive Chairman of the company in 2001. He was President of Eurelectric between June 2015 until June 2017. In 2004, he was appointed Minister of Public Works, Transport and Communication of the Portuguese Government.

In 2013 he received the Honoris Causa Graduation from "Instituto Superior de Economia e Gestão" (ISEG) and in 2014 he was honored by the President of the Portuguese Republic with the "Grã-Cruz da Ordem do Mérito Empresarial".

**Miguel Stilwell de Andrade** He was born on 6 August 1976. He 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 privatisation, EDP's share capital increase in 2004, EDP Energias do Brazil's IPO in 2005 and EDP Renováveis' IPO in 2008. He was a Member of the Board of EDP Distribuição Energia, from January 2009 to February 2012. Miguel was also Member of the Board of Directors of EDP Inovação, EDP Ventures, EDP Gas Distribuição and Chairman of InovGrid ACE. In 2012, he was appointed CEO of EDP Comercial, as well as CEO and Vice-Chairman of Hidroeléctrica del Cantabrico and Naturgas Energia. Between 2013 and 2015, he was a Member of FAE-Fórum de Administradores de Empresas's Board of Directors. In 2014, he was appointed CEO of EDP Soluções Comerciais. He was appointed in 2015 as Board Member of the Câmara de Comércio Hispano Portuguesa in Spain. He was elected member of the Executive Board of EDP on 20 February of 2012 and was re-elected on 21 April 2015 and on 5 April 2018.

**João Manuel Manso Neto** He was born on 2 April 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 both a professional education course through the American Bankers Association (1982), the academic component of the Master's Degree programme in Economics at Faculdade de Economia, 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 Energía, 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, being also a member of the Board of OMIE, OMIP and MIBgás. He was appointed on 30 March 2006 as member of the Executive Board of Directors, which office began on 30 June 2006, and was reappointed on 15 April 2009, 20 February 2012, 21 April 2015, and 5 April 2018.

**António Fernando Melo Martins da Costa** Born in Oporto, Portugal in December 1954, he holds a degree in Civil Engineering from Faculdade de Engenharia do Porto (1976) and an 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 Board Member of Insurance, Pensions and Assets Management of several companies of BCP Group. Between 1999 and 2002 he was Executive Director of Eureka BV (The Netherlands), President of Eureka Polska and Vice-President of PZU (Poland). 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. He is Chairman of the Board of Directors of EDP Valor, since 2013. He maintains responsibilities for EDP Distribuição at EDP's Executive Board level. He is a Founding Member of the Portuguese Institute for Corporate Governance, Vice-Chairman of American Chamber of Commerce, Director of Hungarian Chamber of Commerce, Vice-Chairman of Proforum, Vice-Chairman of APGEI (Portuguese Association of Management and Industrial Engineering) and Member of the Superior and General Board of Porto Business School. He was appointed on 30 March 2006 as member of the Executive Board of Directors, which office began on 30 June 2006, and was reappointed on 15 April 2009, 20 February 2012, 21 April 2015 and 5 April 2018.

**João Manuel Veríssimo Marques da Cruz** He was born on 23 May 1961. He holds a degree in Management (1984) from Lisbon's ISE at Instituto Superior de Economia da Universidade Técnica de Lisboa, an MBA (1989) from Universidade Técnica de Lisboa and a Postgraduate qualification in Marketing and Management of Airlines (1992) from IATA - International Air Travel Association/Bath University, 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 Group – Portuguese Railways, namely EMEF. From 2002 to 2005, he was CEO of Air Luxor, an airline company, and from 2005 to 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 member of the Executive Board of Directors on 20 February 2012 and was reappointed on 21 April 2015 and 5 April 2018. He was appointed as a member of the Executive Board of Directors of EDP - Energias do Brazil SA on 10 April 2015. He is Chairman of Global Hydro, a joint venture between EDP and CTG for hydro projects of small and medium size, from 9 April 2015.

**Miguel Nuno Simões Nunes Ferreira Setas** He was born on 12 November 1970. He has served various roles in EDP Energias do Brasil since 2008 and became the CEO of EDP Energias do Brasil in January 2014. 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) and previously, between 2008 and 2009, he was the VP responsible for New Business Development, Commercialisation and Renewables. He joined EDP in 2006 as the CEO Chief of Staff. In 2007, he was a Board Member of EDP Comercial (responsible for the commercialisation in the liberalised 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. Since then, he has been connected to the energy sector. 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, which also formed 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 21 April 2015 as a member of the Executive Board of Directors and was reelected on 5 April 2018.

**Rui Manuel Rodrigues Lopes Teixeira** He was born on 10 October 1972. He was appointed on 21 April 2015 as member of the Executive Board of Directors of EDP and was reelected on 5 April 2018. He serves as Chief Executive Officer of EDP – Gestão da Produção de Energia, S.A. He is also a Member of the Board of Directors of several subsidiaries of the Company's Group. 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 a 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 Group. In 2007 he also served as Chief Financial Officer of EDP Renewables Europe SL. From 2008 until 2015, 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. He holds a MSc degree in Naval Architecture and Marine Engineering from Instituto Superior Técnico de Lisboa, a Master in Business and Administration from Universidade Nova de Lisboa and is a graduate of Harvard Business School's Advanced Management Program.

**Maria Teresa Isabel Pereira** She was born on 17 February 1965. She holds a Law degree from Lisbon Law School, where she lectured on Contract Law. She was admitted to the Portuguese Bar Association as a Lawyer in 1997. Her professional career as a lawyer started in the Group, at Proet – Projectos, Engenharia e Tecnologia, S.A., a company incorporated later as EDP – Gestão da Produção de Energia, S.A. In 1998, when the Portuguese telecommunications market was liberalised, she joined the telecommunications area, as General Counsel at ONI SGPS, since 2000. In 2005 she returned to EDP, and in 2006 she was appointed as EDP Company Secretary, a position currently held along with General Secretary and General Counsel, in EDP-Energias de Portugal, S.A. Corporate Centre in General Secretariat and Legal advice (SGAJ). This department provides support to the Executive Board of Directors, and incorporates the administrative and logistic functions of support, as well as legal counseling to the Group, with the aim of assuring an efficient functioning of the Corporate Centre and compliance with the applicable law, as well as assuring the harmonisation of corporate governance policies within the Group. She was elected member of the Executive Board of EDP on 5 April 2018.

**Vera de Moraes Pinto Pereira Carneiro** She was born on 23 April 1974. She graduated with a Post-Graduate degree in Economics from Universidade NOVA de Lisboa-NOVA School of Business and Economics,

and has a Master in Business Administration (M.B.A.) which she received in 2000, in INSEAD, Fontainebleau, France. She began her professional career in 1996 as associate in Mercer Management Consulting (today Oliver Wyman). Afterwards, between 2001 and 2003 she became a founding partner of Innovagency Consulting. In 2003 she worked in TV Cabo Portugal-PT Multimédia (today NOS) as TV Service Director. In September 2007, she became TV Service Director in MEO, Portugal Telecom, where the most relevant projects included were MEO Pay TV service launch across three platforms: IPTV over ADSL, IPTV over fiber, and Satellite, MEO Go!, on all devices and creation of a leading interactivity experience on TV. Since January 2014, she has been Senior Vice President and Managing Director for Spain and Portugal at Fox Networks Group, and member of the Executive Leadership Team Europe and Africa. Currently she is also a non-Executive Board Member in Pulsa Media, in Barcelona, which is a TV Advertising Sales House, representing DTT and PayTV channels from several media groups operating in the Spanish Market. She was elected member of the Executive Board of EDP on 5 April 2018.

### General and Supervisory Board

The General and Supervisory Board is primarily responsible for permanently monitoring the management of EDP and its subsidiaries and providing advice and support to the Executive Board of Directors, primarily with respect to strategy, reaching objectives and complying with applicable laws. The General and Supervisory Board also carries out other supervisory and control functions relating to the Group's activities, and it maintains a mandatory financial matters committee and audit committee composed of five of its members, which is responsible for overseeing the financial data and auditing of EDP.

The names of the members of the General and Supervisory Board, along with their principal affiliations and certain other biographical information, are set forth below:

<b>Name</b>	<b>Year of Birth</b>	<b>Position</b>	<b>Year Originally Elected</b>	<b>Last Election</b>
Luís Filipe Marques Amado	1953	Chairman	2015 (as Vice-Chairman)	2018
China Three Gorges Corporation (represented by Ya Yang)	1962	Vice-Chairman	2015 (as Chairman represented by Eduardo Catroga)	2018
China Three Gorges International Corp. (represented by Dingming Zhang)	1963	Member	2018	-
China Three Gorges (Europe) S.A. (represented by Shengliang Wu)	1972	Member	2012	2018
China Three Gorges Brazil Energia Ltda (represented by Yinsheng Li)	1973	Member	2018	-
China Three Gorges (Portugal) Sociedade Unipessoal, Lda. (represented by Eduardo de Almeida Catroga)	1942	Member	2015	2018
DRAURSA, S.A. (represented by Felipe Fernández Fernández)	1952	Member	2015	2018
Fernando María Masaveu Herrero	1966	Member	2012	2018
Banco Comercial Português, S.A. (represented by Nuno Manuel da Silva Amado)	1957	Member	2015	2018
Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (the "Sonatrach") (represented by Karim Djebbour)	1957	Member	2007	2018

<b>Name</b>	<b>Year of Birth</b>	<b>Position</b>	<b>Year Originally Elected</b>	<b>Last Election</b>
Senfora, BV (represented by Mohamed A-Huraimel Al-Shamsi)	1978	Member	2015	2018
Maria Celeste Ferreira Lopes Cardona	1951	Member	2012	2018
Ilídio da Costa Leite de Pinho	1938	Member	2012	2018
Jorge Avelino Braga de Macedo	1946	Member	2012	2018
Vasco Joaquim Rocha Vieira	1939	Member	2012	2018
Augusto Carlos Serra Ventura Mateus	1950	Member	2013	2018
João Carvalho das Neves	1956	Member	2015	2018
María del Carmen Fernández Rozado	1952	Member	2015	2018
Laurie Fitch	1970	Member	2018	-
Clementina Maria Dâmaso de Jesus Silva Barroso	1958	Member	2018	-

**Luís Filipe Marques Amado, Chairman** He was born on 17 September 1953. He is a native of Porto de Mós, with a degree in Economics and an 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 and Cooperation. He was a "Visiting professor" at Georgetown University. Currently, he is an advisor. He was non-Executive Chairman of Banif and is non-executive director of SOM. He is an invitee professor of Instituto Superior de Ciências Sociais e Políticas, and of Paris School of International Affairs (PSIA). He is a curator of Fundação Oriente and member of the Board of Directors of Fundação Francisco Manuel dos Santos. He is a member of the European Council of Foreign Relations and of Centre for International Relations and Sustainable Development (CIRSD). 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 at the General Shareholders Meeting held on 21 April 2015 and Chairman of EDP General and Supervisory Board on the General Shareholders' Meeting held on 5 April 2018.

**Ya Yang** He was born on 27 August 1962. He has a Bachelor's degree in Finance from Changsha University of Electricity. He later received a "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, and 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, representing China Three Gorges New Energy Co. Ltd on 20 February 2012 and initiated his initial term of office on 11 May 2012. He was appointed as representative of China Three Gorges New Energy Co. Ltd and was elected as Member of EDP'S General and Supervisory Board on 21 April 2015 at the General Shareholders' Meeting. He was appointed as representative of China Three Gorges Corporation, and was re-elected as Member of EDP's General and Supervisory Board on 5 April 2018 at the General Shareholders' Meeting.

**Dingming Zhang** He was born on 1 December 1963. He has a Bachelor's degree in Power System and Automation from Huazhong University of Science and Technology in 1984 and a 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, representing the China Three Gorges Corporation, on 20 February 2012 and initiated his term of office on 11 May 2012. He was appointed as representative of China Three Gorges (Europe), S.A. and elected as Member of EDP's General and Supervisory Board on 21 April 2015 at the General Shareholders' Meeting. He was appointed as representative of China Three Gorges International Corp, and was elected as Member of EDP's General and Supervisory Board on 5 April 2018 at the General Shareholders' Meeting.

**Shengliang Wu** He was born on 11 March 1971. He received a Bachelor's degree in Engineering from Wuhuan University of Hydraulic and Electrical Engineering in 1992 and a Master's degree in Technical Economics and Management from Chongqing University in 2000. He served as a technician and later as an engineer in Gezhouba Hydropower Plant (1992-1998), Secretary of the Corporate Affairs Department in Gezhouba Hydropower Plant (1998-2002), Financial Manager of the 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), and Deputy Director and then Director of the 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) and 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 has been Vice President of China Three Gorges International Corporation and President of China Three Gorges (Europe) S.A. He was appointed member of the General and Supervisory Board of EDP, representing China Three Gorges International (Europe) S.A., on 20 February 2012 and initiated his term of office on 11 May 2012. He was appointed as representative of China Three Gorges (Portugal), Sociedade Unipessoal, Lda., and was elected as Member of EDP'S General and Supervisory Board on 21 April 2015 at the General Shareholders' Meeting. He was appointed as representative of China Three Gorges (Europe), S.A., and re-elected as Member of EDP's General and Supervisory Board on 5 April 2018 at the General Shareholders' Meeting.

**Yinsheng Li** He was born in 1973 in Heilongjiang, China. He received both Bachelor's degree in Science (1996) and Master's degree in Engineering (2004) from Tsinghua University in China. He is attending a global EMBA program (OneMBA) at FGV Brazil that will conclude in May 2018. He started his career at China International Water & Electric Corp. (CWE) in 1996 as a Civil Engineer and Quantity Surveyor, and took several managerial positions thereafter as Project Manager, Country Manager and a business unit Deputy General Manager. In 2009, he was transferred to China Three Gorges Corp. (CTG) after CWE merged into CTG Group. He was appointed as Divisional Chief on International Department (2009) and Deputy Director of CTG/EDP Collaboration Department (2012). In 2013, he led the effort to establish CTG Brazil and was appointed as the first CEO (2013). CTG Brazil has grown to become one of the largest energy companies in the country. He also serves as Executive Vice President of China Three Gorges Internation Corporation (2016). He was appointed as representative of China Three Gorges Brasil Energia Ltda and was elected as Member of EDP's General and Supervisory Board on 5 April 2018 General Shareholders' Meeting.

**Eduardo de Almeida Catroga** He was born on 14 November 1942. He has a degree in Finance from ISEG of Universidade Técnica de Lisboa and a post-graduate degree from Harvard Business School. He served as Minister of Finance of the Portuguese government from 1994 to 1995. He is a guest senior lecturer in business strategy for the ISEG MBA program. He has focused his career on corporate management and administration, specifically within CUF and in SAPEC, where he was CFO (1974) and General Director, respectively. Currently, he is a non-executive Chairman of the Board of Directors of the SAPEC Group, member of the Board of Nutrinveste, member of the Board of Banco Finantia and member of the Investments Committee of Portugal Venture Capital Initiative, an equity fund promoted by the European Investment Bank. He was designated for the first time member of the EDP General and Supervisory Board on 30 June 2006 and he was reappointed on 15 April 2009. He was appointed chairman of the General and Supervisory Board of EDP on 20 February 2012 and on 21 April 2015, in representation of China Three Gorges Corporation. He was appointed as representative of China Three Gorges (Portugal), Sociedade Unipessoal, Lda. and was re-elected as Member of EDP's General and Supervisory Board on 5 April 2018 General Shareholders' Meeting.

**Felipe Fernández** He was born on 21 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 "Sociedade 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 Hidrocantábrico (1993 - 1998); Director of the Department of Management Control, Purchasing and Quality of Hidrocantábrico (1998 - 2001), President of the company Gas Asturias (2001 - 2003), Director of Support Areas and Control of Hidrocantábrico (2001 - 2002); Hidrocantábrico CFO, Chairman of Gas Capital, CEO of Hidrocantábrico Servicios, Board Member of Naturcorp, Gas de Asturias, SINAIE, Canal Energía, Telecable and Sociedad Regional de Promoción de Asturias (2002 - 2004). He is currently a Board Member of Liberbank, General Manager of Caja de Ahorros de Asturias, President of Infocaja and Lico Corporación, Board Member of HC Energía, Ahorro Corporation and Tudela Veguín. He is also a Board Member of da Sociedad Promotora de las Comunicaciones en Asturias (SPTA). He was appointed member of the General and Supervisory Board of EDP, representing Cajastur Inversiones SA on 20 February 2012, 21 April 2015 and 5 April 2018, representing DRAURSA, S.A.

**Fernando María Masaveu Herrero** He was born on 21 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 holds the following positions, among others: Chairman of Masaveu Corporation; Cementos Tutela Veguín; Agrocortex Florestais do Brasil; Masaveu LLC; Masaveu Real Estate US Delaware LLC; 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; 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 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 and Chairman of the Board of Oppidum Capital, S.L. Beyond this, he is a Member of the Board of several companies in Masaveu Group. He is a Member of the EDP General and Supervisory Board; Member of EDP Strategy and Performance Committee and Member of the EDP Remuneration Committee. He was elected as a Member of EDP's General and Supervisory Board on 20 February 2012 and was re-elected on 21 April 2015 and 5 April 2018. In the past, he occupied relevant positions in several areas: L+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; Energía: 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 Agüeira e Hoteles y Turismo de la Meseta, Managing Director of Danyson Kft.

**Karim Djebbour** He was born on 13 August 1957 in Paris. He has a degree in Experimental Sciences (1978), a degree in Agronomic Engineering (expertise in Rural Economy - 1983) and a degree in Assessment Economic and Financial Project (C.E.F.E.B. Paris – 1988/89). Between 1984 and 1991, he held several positions at Banque de l'Agriculture et du Développement Rural, namely as sub director of "Evaluation de Projects". From 1991 to 1993, he was sub director at the Ministry of Economy, responsible for productive investments. He joined the SONATRACH Group in 1993 as General Manager Assistant in Project Financing. From 1999 to 2001, he was Finance Director of SONATRACH's branch (Filiales et Participations); General Manager of the Holding SONATRACH Services Parapétroliers SPP (2001-2007); CEO of BRC (Brown and Root Condor) in January 2007 and CEO of ENGCB (Génie civil et bâtiment) in June 2007. In 2008, he was General Manager of SONATRACH Investissements et Participations SIP; General Manager of SONATRACH International Holding Corporation SIHC BVI (June 2010); abd Consultant of Filiales et Participations Executive Board (November

2013). From January 2014 to June 2015, he was Chief of Staff of SONATRACH's CEO. Between June 2015 and March 2017, he was Consultant of the Executive Board of SONATRACH Group. He is currently the Chief of Staff of SONATRACH's CEO.

**Mohammed Al Huraimel Al Shamsi** He was born on 27 October 1978. He is a C-Level professional experienced in strategic planning, business operations leadership, negotiation, and talent management. He has a proven track record in successfully obtaining ROI through successful management of investments and has experience in the private and government sectors. He is currently the Director of Utilities Investments in Mubadala Investments Company, where he is responsible for the Utilities investments portfolio, which includes thermal power generation and district cooling assets. During his tenure at Mubadala, Mohammed has spearheaded the development of Suyadi-a \$150M green field joint venture in Mainland China, turned around Tabreed-an UAE provider of distributed cooling services, and was placed as interim Chief Executive of MINESA-a \$200M Gold Mine in North East Colombia. He has held board seats in Tabreed District Cooling (UAE), Jianguo Suyadi (China), Shariket Kahraba Hadjret-En-Nous (SKH) S.A.R.L. (Algeria), and SMN Power Company (Oman). Prior to Mubadala, he was the director of Strategy & Policy at the UAE Prime Minister's Office, where he was responsible for developing the UAE Vision 2021 and the Federal Government Strategy 2011-2013 across 48 government agencies. He has also held roles at McKinsey & Company, Dubai International Capital, and General Motors. Mohammed holds an MBA from the HEC School of Management-Paris and a Bachelors Degree in Business Administration from the American University of Sharjah. He enjoys travelling, where he visited over 60 countries and has lived in six different countries. He was appointed as representative of Senfora. He was re-elected as Member of EDP's General and Supervisory Board on 5 April 2018 General Shareholders' Meeting.

**Nuno Manuel da Silva Amado** He was born on 14 August 1957. He has a degree in Companies Organization and Management from ISCTE - Instituto Superior das Ciências do Trabalho e da Empresa. He also holds a complementary executive degree from INSEAD, Fontainebleau (Advanced Management Programme). From 1980 to 1985 he was employee of KPMG Peat Marwick, in the Audit and Consulting Department. From 1985 onwards he worked at Citibank and Banco Fonsecas & Burnay. Afterwards, he was Member of the Board of Directors of Deutsche Bank Portugal, Member of the Executive Commission of BCI (Banco de Comércio e Indústria) / Banco Santander, Vice-President of the Executive Committee of Crédito Predial Português, Vice-President of the Executive Commission of Banco Totta & Açores, Member of the Executive Commission 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 was appointed as a Member of the General and Supervisory Board of EDP on 6 May 2013. At the General Shareholders' Meeting on 21 April 2015, he was elected Member EDP – Energias de Portugal, S.A., representing Banco Comercial Português, S.A., and was re-elected on 5 April 2018.

**Maria Celeste Ferreira Lopes Cardona** She was born on 30 June 1951. She holds a degree, a master and a Phd (legal-administrative sciences, specialisation 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 the Minister of Finance, on the Tax Affair Committee of OECD (Organisation for Economic Cooperation and Development). She has been an Assistant Professor at Faculdade de Direito da Universidade de Lisboa and at 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 received 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 has 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", and "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 20 February 2012, and was reappointed on 21 April 2015 and 5 April 2018.

**Ilídio da Costa Leite de Pinho** He was born on 19 December 1938. He has a degree in Electronics and Machinery Engineering. He received a Grã-Cruz Order of Merit and is an Honorary member of the Industrial Order of Merit and was a Member of the "Ordens Honoríficas Portuguesas" from 1986 to 1999. He received a Gold Medal and "Honorary citizen" award granted by the city of Vale de Cambra in 1999. He received a Gold

Medal and "University Benefactor" award granted by "Universidade Católica Portuguesa" and a Golden Badge by the Portuguese Association of Voluntary Firemen in 2002. Between 1986 and 1991, he was a non-executive Board of Directors Member of ICEP (Instituto do Comércio Externo de Portugal), representing the National Industry. He was 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. He was a member of the Administrative Committee of "Universidade Católica" – Oporto and of the Senate of "Universidade do Porto", Member of the University Counsel of "Universidade de Aveiro", Member of the board of several business association and Member of the "Trilateral Commission" between 1988 and 1996. He was founder and Chairman of the Board of Directors of COLEP and founder of NacionalGás, S.A. and its subsidiaries, LusitâniaGás, EGA, EGL, EMPORGÁS, EDISOFT, S.A. and MEGASIS. He was the main shareholder of Transinsular, a non-executive Member of the Board of Directors of "Banco Espírito Santo, S.A." between 2000 and 2005, a shareholder of "CEM - Companhia de Electricidade de Macau, SARL", Chairman of the Strategy Committee of "Fomentinvest, S.A." and founder and Chairman of the Board of Directors and the Board of Trustees of Fundação Ilídio Pinho. He has been Chairman of various companies of Group Ilídio Pinho. He was appointed as a member of the General and Supervisory Board of EDP on 20 February 2012 and was reappointed on 21 April 2015 and 5 April 2018.

**Jorge Avelino Braga de Macedo** He was born on 1 December 1946. He has a law degree from Universidade de Lisboa in 1971. At Yale University, he completed his M.A. in International Relations (1973) and also has a PhD in Economics (1979). He graduated from the Faculty of Economics of Universidade de Lisboa in 1982. From 1999 to 2003, he belonged to the OECD (Organisation for Economic Cooperation and Development) 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 the International Monetary Fund and has been a consultant at the European Bank for Reconstruction and Development, the United Nations and the World Bank. Currently, he is a Professor and Director of the Center for Globalization and Governance (CG & G) at the Nova School of Business and Economics of 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 20 February 2012 and was reappointed on 21 April 2015 and 5 April 2018.

**Vasco Joaquim Rocha Vieira** He was born on 16 August 1939. He has a degree in Civil Engineering. He took several courses and specialities, 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, he was promoted to Brigadier and 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. 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 was Director of Weapons and Engineering (1975/1976) and Chief of Staff of the Army (1976/1978) during the normalisation period of the Army's role in the democratic regime following the 1974 Revolution, of the military reconversion, of the operative and missions of the Army at the end of the Ultramar war and the demobilisation and reorientation of the Army for Portugal responsibilities before NATO. During this period, he was, inherently, member of the Revolution Council. He was national military representative (1978/1984) at Europe Supreme Allied Command – SHAPE/NATO, Minister of Republic for Azores Autonomous Region with chair at Council of Ministers (1986/1991). He was appointed as Macao Governor in 1991, where he was responsible for the management of this territory during the transition period until the power transference from Portugal to the People's Republic of China in 1999. Currently, he is Member of the Board of Engineers, Member of the Academy of Engineering, 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) and Member of the School Board of the same Institute. 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 20 February 2012 and reappointed on 21 April 2015 and 5 April 2018.

**Augusto Carlos Serra Ventura Mateus** He was born on 27 August 1950. He has a degree in Economics from Instituto Superior de Economia e Finanças (ISCEF), da Universidade Técnica de Lisboa. He is 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. He is

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. He is 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 Politécnico de Tomar since 2011. He was appointed member of the General and Supervisory Board of EDP on 6 May 2013 and was reappointed on 21 April 2015 and 5 April 2018.

**João Carvalho das Neves** He is a professor in finance and planning and management control at ISEG, Universidade de Lisboa. He is a director with a master degree in Real Estate Management and Assessment. He is an 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. He is an Independent management consultant and has a PhD from Manchester Business School, centre for Creative Leadership, Kennedy Harvard Government School, a PhD in management control (HEC Paris and Wisconsin Graduate Business School in Madison), in company finances (IMD and Management Centre 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 Centre for Monetary and Banking Studies in Geneva). He is a Fellow of RICS Royal Institution Chartered Surveyors (management and assessment of real estate) since January 2008. He has been a Statutory Auditor since 1998 and a Technical Accountant admitted since 1981. He was approved as a Business Coach by the ECA European Coaching Association He was approved as Multi-Health Systems in Emotional Intelligence Bar-On model. He was Chairman of ACSS Administração do Sistema Central de Saúde, I.P (2011-2014), a Board Member of BPN (2008) and SLN (2008 – 2009) where he was included as member of Miguel Cadilhe team and a Judicial administrator (1993 – 1998) of Torralta, TVI and Casino Hotel de Troia, taking part in the recovery process of these companies. He was an Associated Partner of Coopers & Lybrand, now PWC (1992 – 1993), director of CIFAG/IPE (1985 – 1992) and assistant controller of Cometna (1981 – 1984). He was a 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) and MBA Director at ISEG (1998 – 2020 and 2014 – 2016). He has a post-graduation and master degree in management and real estate assessment (2001). He has 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 the General and Supervisory Board of EDP on 21 April 2015 and was reappointed on 5 April 2018.

**María del Carmen Fernández Rozado** She has a Degree in Economics, Business Administration and Political Science and Sociology from the Complutense University of Madrid. She also has a PhD from the aforementioned University and an MBA from IESE Business School (University of Navarra). She became a member of the State Tax Inspectors Body, by public competition. She is an Account Auditor (Registered in the Auditing and Accounting Institute). During her professional career, she has participated in more than 50 workshops, international and national workshops and seminars regarding Finance, Auditing, Taxes, Global Management, Business Strategy, Renewable Energies and International Cooperation. She has more than 35 years of experience in the field of Finance, Accounting, Taxation and the Energy Sector. From 1983 to 1999, she occupied relevant positions in the Ministry of Economy and Finance (General Tax Inspector Chief in Madrid). In 1999, she was appointed member of the Board of the National Energy Commission (Regulatory Body of Spanish Energy System). During this period (1999-2011), she participated in the Planning of the Sector including authorisations, mergers and acquisitions as well as in the implementation of the retribution model for Electricity distribution in the Spanish Market and other subjects. She was President of the Renewable Energy TASK FORCE, Sustainability Energy Efficiency and Carbon Market in ARIAE (Latin American Energy Regulators Association) for several years. A large part of her professional career has been carried out in Latin America providing technical assistance to the Regulatory Bodies in Peru, Colombia, Dominican Republic, Guatemala, Argentina and Uruguay regarding aspects of the implementation of technical norms in the tender of renewable energies. She was involved in the 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 has been the international advisor for the development and implementation of business plans in Energy and Infrastructure in Latin America and Asia. She has garnered provided local support with various Institutions and Regulatory Bodies. From 2012 to 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 of the Audit Committee of EDP and was reappointed on 5 April 2018. She has also held the following positions: 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. She is author of numerous articles and publications regarding the previously mentioned activities. She is a member of Several Professional Associations in Spain and Latin America. She is a patron of the Comillas University Foundation ICAI-ICADE in Madrid and Vice-president of the Club Financiero Genova, Madrid.

**Laurie Fitch** She was born on 26 January 1970. She has a B.A. in Arabic and Middle East Studies from the American University and an M.A. in Arab Studies from Georgetown University, School of Foreign Service. She was Assistant Vice President (Middle East and Africa Division) of the Bank of New York, between 1994 and 1999. She worked as Equity Research Associate Analyst at Schroder & Co/UBS in New York, with institutional Investor-ranked US consumer product analysts. Between 2002 and 2006, she was Managing Director (Active Equities) of the pension funds TIAA-CREF, in New York. Between 2006 and 2011, she became senior analyst and later partner in Artisan Partners in New York, Specialist investor in utilities (International Growth Strategies), industrials and infrastructure stocks for long-only asset manager. Between 2012 and 2016, she worked as Managing Director and Co-Head of Global Industrials Group, in Investment Banking Division, in Morgan Stanley & Co, in London. Currently, and since September 2016, she is partner of PJT Partners, as corporate finance advisor with a multi-sector focus on utilities and global industrial manufacturers. She was elected member of the General and Supervisory Board of EDP – Energias de Portugal, S.A. on 5 April 2018.

**Clementina Maria Dâmaso de Jesus Silva Barroso** She was born in Angola on 10 May 1958. She has a PhD in Applied Business Management (ISCTE - IUL), a Master in Business Management (ISEG-UL) and a degree in Management (ISCTE-IUL). Currently, she is an invited Associate Professor in the Department of Finance, ISCTE-IUL (since 1982), Official Accountant /Statuary Auditor (since 1999), Non-executive Director and Member of the Audit Committee, Banco CTT S.A. (since 2015), Non-Executive Director and Member of the Audit Committee, Sociedade Gestora de Fundos de Investimento FundBox, SFIM, S.A. (since 2011) and Member of the Board of Directors, Portuguese Institute of Corporate Governance (since 2016). In the past, within the scope of Executive Education at INDEG / ISCTE, she was Member of the Board and General Director (1999-2013) and Administrative and Finance Director (1990-1999). In Banco Espírito Santo e Comercial de Lisboa (BESCL), she worked at the Department of Special Credit Operations (1988-90) and in Telefones de Lisboa e Porto (TLP), she worked at Central Organization Department (1982-1987). She was elected member of the General and Supervisory Board of EDP – Energias de Portugal, S.A. on 5 April 2018.

## EXECUTIVE OFFICERS

EDP has 20 executive officers in charge of various business and administrative departments at the holding company level of EDP (Corporate Centre) which report directly to the Executive Board of Directors. Selected information for the executive officers in charge of EDP's principal business activities is set forth below:

Name	Year of Birth	Year of Appointment	Position
<b>SUPPORT TO GOVERNANCE AREA</b>			
Rita Ferreira de Almeida	1977	2018	Company Secretary and Head of The General Secretariat
Alexandra Cabral	1970	2018	Head of Legal Department
Pedro McCarthy Cunha	1987	2016	Chief of Staff of the Chairman of the Executive Board
Azucena Viñuela Hernández	1965	2006	Head of Internal Audit and Compliance Department
<b>STRATEGIC AREA</b>			
Ana Quelhas	1976	2016	Head of Energy Planning Department
António Castro	1959	2016	Head of Risk Management Department
Pedro Vasconcelos	1982	2017	Head of Business Analysis Department

Name	Year of Birth	Year of Appointment	Position
Joana Simões	1961	2004	Head of Regulation and Competition Department
<b>FINANCIAL AREA</b>			
Paula Guerra	1973	2008	Head of Financial Management Department
João Gouveia Carvalho	1979	2015	Head of Planning and Control Department
Miguel Ribeiro Ferreira	1967	2004	Head of Consolidation, IFRS Reporting Global Coordination Department
Miguel Viana	1972	2006	Head of Investor Relations Department
<b>SYSTEMS AND ORGANISATIONAL AREA</b>			
José Filipe Santos	1967	2012	Head of Organisational Development Department
José Manuel Ferrari Bigares Careto	1962	2018	Head of Information Systems Department
<b>HUMAN RESOURCES AREA</b>			
Paula Carneiro	1967	2013	Head of Human Resources Department
Jorge Cruz Morais	1957	2017	EDP University
<b>MARKETING AND COMMUNICATION AREA</b>			
José Manuel Ferrari Bigares Careto	1962	2014	Head of Customer and Marketing Department
Paulo Campos Costa	1965	2015	Head of Global Coordination of the Trademark, Marketing and Communication Department
Paulo Miguel Lopes	1957	2015	Head of Institutional Relations and Stakeholders Department
<b>SUSTAINABILITY, ENVIRONMENT AND ETHICS AREA</b>			
António Castro	1959	2016	Head of Sustainability Department
José Figueiredo Soares	1951	2012	Ethics Ombudsman
<b>BUSINESS UNITS</b>			
Carlos Mata	1963	2012	Head of Energy Management Business Unit

The business address of each member of the Executive Board of Directors and each executive officer of EDP is Av. 24 de Julho, 12, 1249 - 300 Lisbon, Portugal. The business address of each member of the General and Supervisory Board is Av. 24 de Julho, 12, 1249 - 300 Lisbon, Portugal.

#### **CONFLICTS OF INTEREST**

The members of the Executive Board of Directors, the General and Supervisory Board and the executive officers of EDP do not have any conflicts, or any potential conflicts, between their duties to EDP and their private interests or other duties.

#### **RECENT DEVELOPMENTS**

##### *Management*

On 30 March 2018, Andreas Gerardus Maria Nagelmaker has been appointed as new member of the Management Board of EDP B.V. and Myrthe Marie Louise Görtzen has resigned her functions.

On 5 April 2018, at EDP's Annual General Shareholders' Meeting:

- (a) Maria Teresa Isabel Pereira and Vera Pinto Pereira have been appointed as new members of the Executive Board of Directors for the 2018-2020 term. Nuno Alves, having reached the end of his mandate, has stepped down from his function as member of the Executive Board of Directors of EDP.
- (b) On the General and Supervisory Board:
  - (i) China Three Gorges New Energy Corp., China International Water & Electric Corp. Ltd, António Sarmento Gomes Mota and Alberto Joaquim Milheiro Barbosa have each

reached the end of their mandate and stepped down from their functions as member of the General and Supervisory Board.

- (ii) China Three Gorges International Corp., China Three Gorges Brasil Energia Ltda, Laurie Fitch and Clementina Maria Dâmaso de Jesus Silva Barroso have been appointed as new members of the General and Supervisory Board for the 2018-2020 term.
- (iii) Luís Filipe Marques Amado has been appointed as Chairman of the General and Supervisory Board.
- (iv) Ya Yang, former representative of China Three Gorges New Energy Corp., now represents China Three Gorges Corporation and has been appointed as Vice-Chairman of the General and Supervisory Board.
- (v) China Three Gorges Brasil Energia Ltda has appointed Yinsheng Li as its representative. Sonatrach has appointed Karim Diebbour as its representative and Senfora, BV has appointed Al- Huraimel as its representative.
- (vi) Dingming Zhang, former representative of China Three Gorges (Europe) S.A., now represents China Three Gorges International Corp.; Shengliang Wu, former representative of China Three Gorges (Portugal) Sociedade Unipessoal, Lda., now represents China Three Gorges (Europe) S.A.; Eduardo de Almeida Catroga, former representative of China Three Gorges Corporation, now represents China Three Gorges (Portugal) Sociedade Unipessoal, Lda.

On 26 July 2018, António [Manuel de Carvalho Ferreira](#) Vitorino, member of the General and Supervisory Board, resigned.

#### *CTG Offers*

On 11 May 2018, China Three Gorges (Europe) S.A. ("CTG") released a preliminary announcement for the launch of a general and voluntary tender offer for the acquisition of shares representing the share capital of EDP (the "EDP Tender Offer" or "Offer") and a preliminary announcement for the launch of a general and mandatory tender offer for the acquisition of shares representing the share capital of EDP Renováveis, S.A. (subsequently amended on 16 May 2018).

On 1 June 2018, EDP received a draft prospectus from CTG setting out the terms and conditions of the EDP Tender Offer (the "Draft Prospectus"). CTG offered a cash consideration of €3.26 per share (to be reduced by any future gross amount that is attributed to each share, whether as dividend, advance for account of profit or distribution of reserves).

Following an analysis of the Draft Prospectus, on 9 June 2018 EDP published the EBD Report under the terms of number 1 of article 181 of the Portuguese Securities Code. In the EBD Report, the EBD noted that its view was that the price offered does not adequately reflect the value of EDP and that the implied offer premium is low considering what is customary for European utilities where the offerors have acquired control. Therefore, the EBD has stated it cannot recommend that EDP's shareholders tender their shares at the alluded cash consideration of €3.26 per share.

The EBD further noted that there are merits in the strategic intentions of CTG. Given the uncertainties regarding the implementation of the plan and the potential impact on EDP, the EBD referred that it would seek additional information from CTG in order to be in a position to form a more considered view regarding the value of the project.

In the EBD Report, the EBD noted that CTG had expressed an intention to increase its strategic commitment to EDP and to ensure that EDP remains a relevant player in the sector. CTG's plan for EDP consists of five main pillars that include intentions regarding identity, efficiency and growth, financial profile, asset contributions and optionality in Chinese wind offshore. In its report, the EBD noted the merit of CTG's intention to:

- preserve EDP's Portuguese identity and autonomous decision-making based on the highest, international corporate governance standards, while maintaining the group's presence in the geographies in

which it is currently present and is a reference player, and retaining EDP's listed status with significant liquidity and free float;

- focus on assets with a stable cash flow profile, with a view to maintaining a low-risk and diversified business profile, and position EDP to lead the operations and growth of CTG Group in Europe, the Americas and the group of Portuguese-speaking African countries, as well as selected Asian markets;

- reinforce EDP's financial profile by committing to maintain the leverage reduction trend at EDP level and ensure at least an investment grade rating, while aiming to retain flexibility to pursue growth and maintain a stable dividend pay-out policy with dividend pay-out not below what has been disclosed by EDP;

- potentially contribute long-term contracted existing assets of CTG Group in geographies where there is market overlap with EDP, pursuant to a framework agreement with the EDP. These include controlled hydro assets in Brazil (capacity of 8GW), jointly held stakes with EDP in three hydro assets in Brazil (gross capacity of 1.3GW), minority stakes of 49% in eleven wind farms in Brazil controlled by EDP (gross capacity of 0.3GW), a majority shareholding of 80% in a wind offshore project in Germany (gross capacity of 0.3GW) and a 49% shareholding in EDPR Portugal (gross capacity of 0.6GW); and

- create growth optionality by facilitating the entrance into China's offshore wind market, where the CTG intends to play an active role. This asset class is consistent with the current strategic focus of EDP and could provide for a new additional development platform.

The EBD noted that the merits of the above described intentions depend on their implementation model, which is not clear at this stage. More specifically, at this stage, the visibility on the options, the actionability of the intentions and the potential impact in the risk-return profile of the company are still limited. Hence, the EBD requires more information in order to form a considered view.

The EBD report also noted that, in particular, regarding the asset contribution intentions, the limited level of detail of the CTG's proposal, namely their implementation mechanism, capital structure and timeframe, raises a number of questions which cannot be appropriately addressed by the EBD based on the information currently available. However, EBD noted that it is positive that some general principles for these transactions were outlined, including complying with the investment criteria applicable to similar type of investments currently pursued by EDP, ensuring the transactions are arms-length assessed based on standard practices for this type of transactions and approved by the competent corporate bodies of EDP.

The EBD made a note that that the contribution of sizeable Brazilian assets contemplated by CTG would lead to a significant increase in the relative contribution from Latin America to EDP's overall portfolio and therefore materially alter its business risk and return profile.

The EBD stated that it welcomes CTG's intentions to regulate the potential asset contribution through a framework agreement, and would expect CTG to provide similar safeguards in relation to its other intentions, namely identity, corporate governance, financial strategy and dividend policy, and new markets such as the Chinese wind offshore.

The EBD also stated that there are additional items related to the Offer that should be clarified ahead of shareholders' decision milestones, namely the Offer effectiveness condition to obtain 50% plus 1 of the voting rights of EDP, corporate governance, assumption regarding the obligation to launch a mandatory tender offer in EDP Brasil in case of control acquisition, and other CTG's assumptions that support the Offer.

In terms of regulatory considerations, the EBD stated in its report that there are numerous regulatory conditions and authorisations which are required to be satisfied in order for the Offer to proceed. The time to obtain these authorisations, in addition to their natural uncertainty, could be significant and may affect the value realised as the Offer does not include any element to compensate for continuous incorporation of the expected dividend in the share price.

The EBD noted that the regulatory authorisation process may result in the Offer being subject to remedies and/or mitigation measures in different markets and segments. This may be most relevant in the United States business, where remedies and/or mitigation measures may be imposed by CFIUS/FERC. Given the significance of the US renewables platform to EDPR and to EDP in enabling the exposure to a leading global market and a source of long-term profitable, low-risk and sustainable growth, such an outcome could materially impact EDP's strategy and growth prospects. However, the EBD noted CTG's intention to seek EDP's management involvement and opinion regarding any specific conditions or arrangements that may be required.

In terms of creditors, the EBD Report noted that “CTG is committed to reducing leverage at EDP and ensuring that it maintains at least an investment grade rating in line with its present one” and that “the financial strategy to be adopted after the Offer will be aligned with the policy followed by EDP in the past years, by seeking financial cost reduction, maintaining an adequate working capital level and ensuring the compliance with all legal requirements”. Finally, the EBD noted, with respect to its future dividend policy, that CTG has stated in the Draft Prospectus that “such policy will be implemented taking into account and ensuring compliance with existing financial agreements ensuring compliance with existing financial agreements”.

Therefore, the EBD stated in its report that it does not anticipate that the Offer will have a material impact over creditors. This view is based on the CTG commitment to reduce leverage and maintaining at least an investment grade rating in line with EDP’s present one.

The EBD report states that if CTG attains control following the Offer, there are a number of contracts related to financing, Power Purchase Agreements and equity partnerships with change of control clauses that should be taken into consideration. It has also stated that, moreover, there are also other impacts that should be taken into consideration if mitigation measures or remedies are required.

For more information, see Section 2.6 Conditions to the launch of the Offer, Section 2.7 Conditions to effectiveness of the Offer, Section 3.3.1 Considerations on the intentions of the Offeror regarding EDP, Section 3.3.3 Key Regulatory Considerations and Section 3.3.4 Repercussions on interests of employees, clients, creditors and other stakeholders of EDP, namely subsection, Interests of the clients, suppliers, creditors and other stakeholders of EDP of the EBD Report, which is incorporated by reference in this Base Prospectus.

## FINANCIAL STATEMENTS OF THE EDP GROUP

The following financial information is extracted without material adjustment from the audited consolidated financial statements of EDP for the years ended 31 December 2017 and 31 December 2016, prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union and incorporated by reference in this Base Prospectus, and from the unaudited condensed consolidated financial statements of EDP for the six months ended 30 June 2018 and 30 June 2017, prepared in accordance with IAS 34 “Interim Financial Reporting” (“IAS 34”) as adopted by the European Union and which are incorporated by reference in this Base Prospectus.

### Consolidated Income Statement

Thousand Euros	Unaudited			
	Six Months Ended 30 June		Year Ended 31 December	
	2018	2017	2017	2016
Revenues from energy sales and services and other ....	7,558,990	7,875,410	15,745,987	14,595,164
Cost of energy sales and other .....	-4,866,504	-4,982,355	-10,354,909	-8,857,132
	2,692,486	2,893,055	5,391,078	5,738,032
Other income.....	186,312	199,020	1,036,999	427,314
Supplies and services .....	-442,720	-472,361	-990,533	-947,874
Personnel costs and employee benefits.....	-324,893	-340,788	-680,833	-660,616
Other expenses.....	-389,459	-376,442	-766,762	-797,549
	-970,760	-990,571	-1,401,129	-1,978,725
	1,721,726	1,902,484	3,989,949	3,759,307
Provisions .....	3,088	-1,647	3,627	15,076
Amortisation and impairment .....	-698,961	-708,664	-1,675,659	-1,510,304
	1,025,853	1,192,173	2,317,917	2,264,079
Financial income .....	291,028	240,254	439,636	899,323
Financial expenses .....	-568,127	-610,200	-1,248,089	-1,790,803
Share of net profit in joint ventures and associates.....	3,458	7,228	11,521	-22,062
Profit before income tax and CESE.....	752,212	829,455	1,520,985	1,350,537
Income tax expense .....	-116,918	-119,153	-10,304	-88,796
Extraordinary contribution to the energy sector (CESE)	-64,057	-67,415	-69,246	-61,630
	-180,975	-186,568	-79,550	-150,426
<b>Net profit for the period .....</b>	<b>571,237</b>	<b>642,887</b>	<b>1,441,435</b>	<b>1,200,111</b>
<b>Attributable to:</b>				
<b>Equity holders of EDP .....</b>	<b>379,989</b>	<b>450,430</b>	<b>1,113,169</b>	<b>960,561</b>
<b>Non-controlling Interests .....</b>	<b>191,248</b>	<b>192,457</b>	<b>328,266</b>	<b>239,550</b>
<b>Net profit for the period .....</b>	<b>571,237</b>	<b>642,887</b>	<b>1,441,435</b>	<b>1,200,111</b>
Earnings per share (Basic and Diluted) - Euros .....	0.10	0.12	0.31	0.26

## Consolidated Statement of Financial Position

Thousand Euros	Unaudited		
	Six Months ended 30	Year ended 31 December	
	June 2018	2017	2016
<b>Assets</b>			
Property, plant and equipment .....	22,749,361	22,730,615	24,193,736
Intangible assets .....	4,483,622	4,747,360	5,128,544
Goodwill .....	2,239,190	2,232,668	3,414,852
Investments in joint ventures and associates .....	869,517	843,082	820,565
Available for sale investments .....	-	124,016	165,044
Equity instruments at fair value .....	123,399	-	-
Investment property.....	27,614	39,199	31,219
Deferred tax assets .....	1,053,330	808,521	904,412
Debtors and other assets from commercial activities .....	2,612,112	2,839,379	2,448,442
Other debtors and other assets .....	560,081	518,772	437,028
Non-Current tax assets .....	49,245	60,793	32,241
Collateral deposits associated to financial debt.....	26,832	34,874	31,936
<b>Total Non-Current Assets</b> .....	<b>34,794,303</b>	<b>34,979,279</b>	<b>37,608,019</b>
Inventories.....	304,676	265,775	316,577
Debtors and other assets from commercial activities .....	3,083,863	3,325,730	3,207,613
Other debtors and other assets .....	368,311	304,628	354,316
Current tax assets .....	509,354	520,500	494,504
Financial assets at fair value through profit or loss .....	-	37,544	9,567
Collateral deposits associated to financial debt.....	14,571	10,381	20,095
Cash and cash equivalents .....	1,554,539	2,400,077	1,521,253
Assets held for sale.....	268,632	231,135	551,802
<b>Total Current Assets</b> .....	<b>6,103,946</b>	<b>7,095,770</b>	<b>6,475,727</b>
<b>Total Assets</b> .....	<b>40,898,249</b>	<b>42,075,049</b>	<b>44,083,746</b>
<b>Equity</b>			
Share capital .....	3,656,538	3,656,538	3,656,538
Treasury stock.....	-62,410	-62,957	-63,528
Share premium.....	503,923	503,923	503,923
Reserves and retained earnings .....	4,475,737	4,335,265	4,348,793
Consolidated net profit attributable to equity holders of EDP .....	379,989	1,113,169	960,561
<b>Total Equity attributable to equity holders of EDP</b> .....	<b>8,953,777</b>	<b>9,545,938</b>	<b>9,406,287</b>
Non-controlling Interests .....	3,886,520	3,934,322	4,330,085
<b>Total Equity</b> .....	<b>12,840,297</b>	<b>13,480,260</b>	<b>13,736,372</b>
<b>Liabilities</b>			
Financial debt.....	14,370,396	15,469,636	15,550,273
Employee benefits.....	1,097,835	1,198,362	1,410,136
Provisions.....	793,435	726,771	637,613
Deferred tax liabilities .....	557,297	466,532	722,401
Institutional partnerships in USA .....	2,090,103	2,163,722	2,339,425

Thousand Euros	Unaudited		
	Six Months ended 30		
	June	Year ended 31 December	
	2018	2017	2016
Trade and other payables from commercial activities .....	1,404,087	1,343,171	1,293,133
Other liabilities and other payables .....	883,632	874,984	761,101
Non-current tax liabilities .....	92,650	91,551	68,156
<b>Total Non-Current Liabilities .....</b>	<b>21,289,435</b>	<b>22,334,729</b>	<b>22,782,238</b>
Financial debt .....	1,997,764	1,448,129	2,476,403
Employee benefits .....	345,654	323,891	316,709
Provisions .....	22,700	26,058	33,879
Hydrological correction account .....	787	1,574	1,574
Trade and other payables from commercial activities .....	3,194,272	3,498,131	3,362,421
Other liabilities and other payables .....	410,278	284,140	345,032
Current tax liabilities .....	686,618	563,456	953,264
Liabilities held for sale .....	110,444	114,681	75,854
<b>Total Current Liabilities .....</b>	<b>6,768,517</b>	<b>6,260,060</b>	<b>7,565,136</b>
<b>Total Liabilities .....</b>	<b>28,057,952</b>	<b>28,594,789</b>	<b>30,347,374</b>
<b>Total Equity and Liabilities .....</b>	<b>40,898,249</b>	<b>42,075,049</b>	<b>44,083,746</b>

## Consolidated Statement of Cash Flows

Thousand Euros	Unaudited			
	Six Months Ended 30 June		Year Ended 31 December	
	2018	2017	2017	2016
<b>Operating activities</b>				
Cash receipts from customers.....	7,034,690	7,171,210	13,776,871	13,369,454
Proceeds from tariff adjustments sales .....	904,601	592,916	1,192,916	2,286,944
Payments to suppliers .....	-5,410,472	-5,388,813	-10,551,653	-9,475,160
Payments to personnel.....	-429,831	-461,767	-854,016	-902,430
Concession rents paid.....	-145,090	-140,395	-279,631	-278,310
Other receipts / (payments) relating to operating activities .....	-296,870	-483,996	-390,307	-330,525
<b>Net cash from operations .....</b>	<b>1,657,028</b>	<b>1,289,155</b>	<b>2,894,180</b>	<b>4,669,973</b>
Income tax received / (paid) .....	-20,494	-311,426	-658,587	-628,153
<b>Net cash from operating activities .....</b>	<b>1,636,534</b>	<b>977,729</b>	<b>2,235,593</b>	<b>4,041,820</b>
<b>Investing activities</b>				
Cash receipts relating to:				
Sale of assets / subsidiaries with loss of control.....	30,026	-	2,764,384	95,434
Other financial assets and investments .....	63,237	52,914	50,917	34,956
Changes in cash resulting from consolidation perimeter variations .....	-	26,497	28,342	-
Property, plant and equipment and intangible assets.....	5,359	7,306	23,405	18,058
Other receipts relating to tangible fixed assets .....	2,535	8,866	17,381	10,782
Interest and similar income.....	46,725	48,853	73,746	89,240
Dividends.....	16,251	16,478	32,403	19,888
Loans to related parties .....	22,274	28,119	32,318	49,586
	<b>186,407</b>	<b>189,033</b>	<b>3,022,896</b>	<b>317,944</b>
Cash payments relating to:				
Acquisition of assets / subsidiaries.....	-	-1,100	-308,921	-139,607
Other financial assets and investments .....	-127,874	-59,715	-170,237	-140,531
Changes in cash resulting from consolidation perimeter variations .....	-8,098	-34,206	-34,088	-7,051
Property, plant and equipment and intangible assets.....	-872,758	-1,110,058	-1,920,980	-2,090,617
Loans to related parties .....	-32,379	-4,677	-18,916	-74,605
	<b>-1,041,109</b>	<b>-1,209,756</b>	<b>-2,453,142</b>	<b>-2,452,411</b>
<b>Net cash from investing activities .....</b>	<b>-854,702</b>	<b>-1,020,723</b>	<b>569,754</b>	<b>-2,134,467</b>
<b>Financing activities</b>				
Receipts / (payments) relating to financial debt				
(include Collateral Deposits) .....	-369,819	1,656,682	-440,343	-1,559,513
Interest and similar costs of financial debt including	-330,787	-408,914	-789,930	-903,826

Thousand Euros	Unaudited			
	Six Months Ended 30 June		Year Ended 31 December	
	2018	2017	2017	2016
hedge derivatives .....				
Receipts/(payments) relating to loans from non-controlling interests .....	-40,373	10,432	8,229	376,317
Interest and similar costs relating to loans from non-controlling interests .....	-18,111	-13,383	-25,405	-22,971
Governmental grants received .....	-	-6	-16	-
Share capital increases / (decreases) by non-controlling interests .....	-27,165	-11,899	-87,563	86,229
Receipts / (payments) relating to derivative financial instruments.....	15,772	9,116	-90,876	-23,520
Dividends paid to equity holders of EDP .....	-690,517	-690,637	-690,637	-672,537
Dividends paid to non-controlling interests.....	-41,753	-53,173	-140,159	-175,355
Treasury stock sold / (purchased) .....	-952	-	-869	-2,878
Sale of assets / subsidiaries without loss of control	-	210,847	210,098	697,881
Receipts / (payments) from institutional partnerships – USA.....	-74,749	-131,613	250,022	451,788
<b>Net cash from financing activities .....</b>	<b>-1,578,454</b>	<b>577,452</b>	<b>-1,797,449</b>	<b>-1,748,385</b>
<b>Changes in cash and cash equivalents .....</b>	<b>-796,622</b>	<b>534,458</b>	<b>1,007,898</b>	<b>158,968</b>
Effect of exchange rate fluctuations on cash held .....	-48,916	-66,667	-129,074	116,836
Cash and cash equivalents at the beginning of the period .....	2,400,077	1,521,253	1,521,253	1,245,449
<b>Cash and cash equivalents at the end of the period .....</b>	<b>1,554,539</b>	<b>1,989,044</b>	<b>2,400,077</b>	<b>1,521,253</b>

## EDP FINANCE B.V.

### INCORPORATION, DURATION AND DOMICILE

EDP Finance B.V. (hereinafter "EDP B.V."), a wholly-owned subsidiary of EDP, is incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) in Amsterdam, the Netherlands, on 1 October 1999 for an unlimited period of time.

EDP B.V. has its registered office at Luna ArenA, Herikerbergweg 130, 1101 CM Amsterdam, the Netherlands (telephone number +31 (0)20 575 56 00) and its statutory seat is in Amsterdam, the Netherlands. EDP B.V. is registered in the Commercial Register of the Chamber of Commerce under file number 34121496.

### OBJECTS AND ACTIVITIES

The main objects of EDP B.V. are to assist EDP and the EDP Group in raising funds in the international markets and to provide financial and investment services to group companies.

### SHARE CAPITAL

The authorised share capital of EDP B.V. consists of 80,000 shares of €100 each, of which 20,000 shares have been issued and fully paid up.

### MANAGEMENT

The management of EDP B.V. is conducted by a management board that may consist of one or more members. Members of the management board are elected by a general meeting of the shareholders of EDP B.V. and may be recalled from this position at any time.

The current management board is composed of four members: EDP, Hubert Philippus de Kanter, Andreas Gerardus Maria Nagelmaker and TMF Netherlands B.V. Details of the directors of EDP can be found in "Management".

The details of the individual directors of EDP B.V. are as follows:

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>	<u>Elected</u>
Hubert Philippus de Kanter	1963	Director	2014
Andreas Gerardus Maria Nagelmaker	1962	Director	2018

TMF Netherlands B.V. may be represented by:

- i) any two managing directors acting jointly;
- ii) any proxy holder A acting jointly with a managing director or a proxy holder A or a proxy holder B; or
- iii) any proxy holder B acting jointly with a managing director or a proxy holder A.

Full details of all appointed managing directors, proxy holders A and proxy holders B can be found in the register entry for TMF Netherlands B.V. in the Commercial Register of the Chamber of Commerce under file number 33126512.

The contact address for the managing directors, proxy holders A and proxy holders B of TMF Netherlands B.V. (including the individual directors of EDP B.V.) is Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam, the Netherlands (telephone number: +31 (0)20 575 56 00).

EDP B.V. may be legally represented by the entire management board, being EDP, Mr. H.P. de Kanter, TMF Netherlands B.V. and Mr. A.G. Nagelmaker, acting jointly, or by two members of the management board acting jointly.

The principal outside activities of Mr. De Kanter and Mr. Nagelmaker are as employees of TMF Netherlands B.V., a trust company established in the Netherlands in 1970 whose principal outside activities are the provision of corporate secretarial and administrative services to businesses, companies and other forms of enterprise.

For details of the outside activities of EDP please see "*EDP and the EDP Group*" above.

#### **CONFLICTS OF INTEREST**

The members of the management board of EDP B.V. do not have any conflicts, or any potential conflicts, between their duties to EDP B.V. and their private interests or other duties.

#### **ANNUAL GENERAL MEETING OF THE SHAREHOLDERS**

An annual general meeting of shareholders must be held in Amsterdam, the Netherlands, within six months following the end of each fiscal year. Each outstanding share is entitled to one vote.

#### **FINANCIAL STATEMENTS AND DISTRIBUTION OF PROFITS**

EDP B.V.'s fiscal year coincides with the calendar year. The annual general meeting of the shareholders shall determine the allocation of the accrued profits.

The following financial information is extracted without material adjustment from the audited financial statements of EDP B.V. for the years ended 31 December 2017 and 31 December 2016, prepared in accordance with the IFRS as adopted by the European Union and incorporated by reference in this Base Prospectus, and from the unaudited financial statements of EDP B.V. for the six months ended 30 June 2018 and 30 June 2017, prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") as adopted by the European Union, and which are incorporated by reference in this Base Prospectus.

## Income Statement

Thousands of Euros	Unaudited			
	Six Months Ended 30		Year Ended 31 December	
	June			
	2018	2017	2017	2016
Interest income.....	238,531	282,531	575,509	638,919
Interest expenses.....	-235,013	-279,482	-551,934	-609,781
Net interest income / (expenses).....	3,518	3,049	23,575	29,138
Net other financial income and expenses .....	17,905	574	2,442	3,929
Net financial income / (expenses) .....	21,423	3,623	26,017	33,067
Other operating income / (expenses)				
Services rendered .....	576	796	1,003	1,214
Supplies and services .....	-1,256	-1,224	-2,197	-2,460
Personnel costs.....	-19	-19	-	-38
Profit / (Loss) before income tax.....	20,724	3,176	24,789	31,783
Income Tax (expense) / benefit.....	-5,210	-789	-6,187	-7,936
<b>Profit / (Loss) for the period .....</b>	<b>15,514</b>	<b>2,387</b>	<b>18,602</b>	<b>23,847</b>

## Statement of Financial Position

Thousands of Euros	Unaudited		
	Six Months ended 30 June	Year ended 31 December	
		2018	2017
<b>Assets</b>			
Loans to and receivables from group entities .....	6,128,921	5,960,631	12,942,089
Derivative financial instruments .....	128,399	77,410	156,700
Deferred tax assets .....	-	-	2,239
Total Non-Current Assets .....	6,257,320	6,038,041	13,101,028
Loans to and receivables from group entities .....	8,310,127	9,466,291	1,100,769
Derivative financial instruments .....	52,184	65,863	69,077
Debtors and other assets .....	2,872	2,870	1,865
Tax receivable .....	5,049	5,049	5,075
Cash and cash equivalents .....	1,425	301,738	219,037
Total Current Assets .....	8,371,657	9,841,811	1,395,823
Total Assets .....	14,628,977	15,879,852	14,496,851
<b>Equity</b>			
Share capital .....	2,000	2,000	2,000
Share premium .....	11,980	11,980	11,980
Reserves and retained earnings .....	127,136	106,943	83,730
Profit / (loss) for the period .....	15,514	18,602	23,847
Total Equity .....	156,630	139,525	121,557
<b>Liabilities</b>			
Debt securities .....	10,550,765	10,522,529	10,021,509
Loans and credit facilities from third parties .....	995,419	1,942,285	2,359,359
Derivative financial instruments .....	42,189	45,738	77,377
Total Non-Current Liabilities .....	11,588,373	12,510,552	12,458,245
Debt securities .....	1,071,687	1,160,475	1,202,056
Loans and credit facilities from third parties .....	452,534	34,207	206,890
Loans from group entities .....	1,137,426	1,900,641	337,678
Amounts owed on commercial paper .....	200,000	115,000	85,000
Derivative financial instruments .....	15,907	12,615	83,630
Trade and other payables .....	704	2,987	1,795
Tax payable .....	5,716	3,850	-
Total Current Liabilities .....	2,883,974	3,229,775	1,917,049
Total Liabilities .....	14,472,347	15,740,327	14,375,294
Total Equity and Liabilities .....	14,628,977	15,879,852	14,496,851

## Statement of Cash Flows

	Unaudited			
	Six Months Ended 30 June		Year Ended 31 December	
	2018	2017	2017	2016
<b>Cash flows from operating activities</b>				
<b>Profit/(Loss) for the period</b> .....	15,514	2,387	18,602	23,847
<b>Adjustments for:</b>				
Net interest income / (expense).....	-3,518	-3,049	-23,575	-29,138
Net other financial income and expenses.....	-35,178	950	-26,297	-43,106
Supplies and services .....	-	-	-	-
Tax income.....	5,210	789	6,187	7,936
	<u>-17,972</u>	<u>1,077</u>	<u>-25,083</u>	<u>-40,461</u>
<b>Changes in:</b>				
Loans to and receivables from group entities .....	-1,519,656	-514,052	265,787	1,198,901
Debtors and other assets .....	-2,945	-2,533	-2,740	-457
Amounts owed on commercial paper .....	85,000	95,000	30,000	-25,000
Loans from group entities .....	1,916,200	-589,197	-356,250	-148,172
Trade and other payables.....	660	2,583	2,932	1,793
	<u>461,287</u>	<u>-1,007,122</u>	<u>-85,354</u>	<u>986,604</u>
Interest received.....	126,132	128,450	313,821	325,082
Interest paid.....	-261,802	-272,298	-490,412	-605,673
Tax received / (paid).....	-3,890	25	25	-
<b>Net cash used in operating activities</b> .....	<u>321,727</u>	<u>-1,150,945</u>	<u>-261,920</u>	<u>706,013</u>
<b>Cash flows from financing activities</b>				
Proceeds from issued debt securities.....	744,795	1,479,121	1,972,896	1,595,476
Redemption of debt securities .....	-800,512	-	-1,081,547	-2,250,000
Proceeds of loans and credit facilities from third parties..	-546,234	-125,000	-350,000	365,000
Redemption of loans and credit facilities from third parties.....	-	75,000	-209,950	-206,566
<b>Net cash flow from financing activities</b> .....	<u>-601,951</u>	<u>1,429,121</u>	<u>331,399</u>	<u>-496,090</u>
<b>Net increase / (decrease) in cash and cash equivalents</b> .	<u>-280,224</u>	<u>278,176</u>	<u>69,479</u>	<u>209,923</u>
Cash and cash equivalents at the beginning of the year.....	301,738	219,037	219,037	806
Effect of exchange rate fluctuations on cash and cash equivalents held .....	-20,089	185	13,222	8,308
<b>Cash and cash equivalents at the end of the period</b> .....	<u>1,425</u>	<u>497,398</u>	<u>301,738</u>	<u>219,037</u>

## TAXATION

The following is a general description of certain Netherlands, Portuguese and Irish tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective purchasers of Instruments should consult their tax advisers as to the consequences under the tax laws of the country in which they are resident for tax purposes and the tax laws of the Netherlands and/or Portugal and/or Ireland of acquiring, holding and disposing of Instruments and receiving payments of interest, principal and/or other amounts under the Instruments. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

### Portugal

The following is a general summary of the Issuers' understanding of current law and practice in Portugal as in effect as at the date of this Base Prospectus in relation to certain current relevant aspects of the Instruments to Portuguese taxation and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any Beneficial Owner of Instruments. It does not take into account or discuss the tax laws of any country other than Portugal and relates only to the position of persons who are the absolute beneficial owners of Instruments. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences resulting from the purchase, ownership and disposition of Instruments, including the effect of any state or local taxes, under the tax laws of Portugal and each country where they are resident, or are deemed to be resident.

The reference to "interest", "other investment income" and "capital gains" in the paragraphs below means "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take into account any different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law or which may be created by the "Terms and Conditions of the Instruments" or any related documentation.

The summary below in relation to Instruments issued by EDP B.V. and by EDP assumes that such Instruments would be treated by the Portuguese tax authorities as corporate bonds (*obrigações*) as defined under Portuguese law. If the Portuguese tax authorities do not treat the Instruments as *obrigações*, no assurance can be given that the same tax regime will apply.

#### 1. Instruments issued by EDP B.V.

Interest and other investment income obtained by Portuguese resident individuals on Instruments issued by EDP B.V. are subject to individual income tax. If the payment of interest or other types of investment income is made available to Portuguese resident individuals through a Portuguese resident entity or a Portuguese branch of a non-resident entity, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to aggregate it to his taxable income, subject it to tax at progressive rates varying from 14.5 per cent. up to 48 per cent. In the latter circumstance, a solidarity surcharge is due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the taxable income exceeding €250,000 (if any). Also, in case the individual elected to aggregate the interest and other investment income, the tax withheld is deemed a payment on account of the final tax due. Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at a rate of 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply. If the interest and other investment income on the Instruments is not received through an entity located in Portugal, it is not subject to Portuguese withholding tax, but an autonomous taxation rate of 28 per cent. will apply unless an option for aggregation is made, subject to the aforementioned progressive tax rates and a solidarity surcharge.

Gains obtained with the repayment of Instruments are classified as capital gains for Portuguese tax purposes.

Capital gains obtained by Portuguese resident individuals on the repayment or transfer of the Instruments are taxed at a rate of 28 per cent. levied on the positive difference between the capital gains and capital losses realised on the transfer of securities and derivatives of each year, which is the final tax on that income, unless the individual elects to aggregate it to his taxable income, subjecting it to tax at progressive rates of up to 48 per cent. In the latter circumstance, a solidarity surcharge is due on the part of the taxable income

exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 and up to €250,000 and (ii) 5 per cent. on the taxable income exceeding €250,000 (if any). Accrued interest qualifies as interest for tax purposes.

Interest and other investment income derived from the Instruments and capital gains obtained with the transfer of the Instruments by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable profits and are subject to Corporate Income Tax at a 21 per cent. tax rate (a 17 per cent. rate is applicable to the first €15,000 of taxable income obtained by small and medium sized companies, as defined in the annex of Decree-Law no. 372/2007, of 6 November), to which a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of their taxable income may be added. A state surcharge (*derrama estadual*) also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000, and 9 per cent. on taxable profits in excess of €35,000,000.

The acquisition of Instruments through gift or inheritance by a Portuguese resident legal person or non-resident legal person acting through a Portuguese permanent establishment is subject to Corporate Income Tax at a 21 per cent. tax rate (a 17 per cent rate is applicable to the first EUR 15,000 of taxable income obtained by small and medium sized companies, as defined in the annex of Decree-Law no. 372/2007, of 6 November), to which a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of their taxable income may be added. A state surcharge (*derrama estadual*) also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000, and 9 per cent. on taxable profits in excess of €35,000,000.

Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more account holders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent. unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

There is neither wealth nor estate tax in Portugal.

Payments made by EDP B.V. of interest, other investment income or principal on Instruments issued by it to an individual or legal person non-resident in Portugal for tax purposes without a permanent establishment to which such income may be attributable are not subject to Portuguese income tax.

Capital gains obtained on the transfer of an Instrument by an individual or a legal person who is neither resident nor engaged in business through a permanent establishment in Portugal to which that gain is attributable are not subject to Portuguese income tax.

## **2. Instruments issued by EDP not integrated in a centralised control system foreseen under Decree-Law no. 193/2005, of 7 November 2005**

Interest and other types of investment income obtained on Instruments by a Portuguese resident individual are subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to aggregate it to his taxable income, subjecting it to tax at progressive rates of up to 48 per cent. In the latter circumstance, a solidarity surcharge is due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 and up to €250,000 and (ii) 5 per cent. on the taxable income exceeding €250,000 (if any). Also, in case the individual elects to aggregate the interest and other investment, the tax withheld is deemed a payment on account of the final tax due.

Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent. unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

In the case of Zero Coupon Instruments, the difference between the redemption value and the subscription cost is qualified as investment income and is also subject to Portuguese income tax.

Gains obtained with the repayment of Instruments are classified as capital gains for Portuguese tax purposes.

Capital gains obtained by Portuguese resident individuals on the repayment or transfer of Instruments are taxed at a rate of 28 per cent. levied on the positive difference between the capital gains and capital losses realised on the transfer of securities and derivatives of each year, which is the final tax on that income, unless the individual elects to aggregate it to his taxable income, subjecting it to tax at progressive rates of up to 48 per

cent. In the latter circumstance, a solidarity surcharge is due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 and up to €250,000 and (ii) 5 per cent. on the taxable income exceeding €250,000 (if any). Accrued interest qualifies as interest for tax purposes.

Interest and other investment income derived from Instruments and capital gains obtained with the repayment or transfer of Instruments by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to Corporate Income Tax at a 21 per cent. tax rate (a 17 per cent rate is applicable to the first EUR 15,000 of taxable income obtained by small and medium sized companies, as defined in the annex of Decree-Law no. 372/2007, of 6 November), to which a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income may be added. A state surcharge (*derrama estadual*) also applies at 3 per cent. on taxable profits in excess of €1,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000, and at 9 per cent. on taxable profits in excess of €35,000,000.

Withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due. Financial institutions subject to Portuguese corporate income tax (including branches of foreign financial institutions located in Portugal), and *inter alia* pension funds, retirement and/or education savings funds, share savings funds, venture capital funds and collective investment undertakings constituted under the laws of Portugal are not subject to withholding tax.

Interest and other types of investment income obtained by non-resident legal persons without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 25 per cent., which is the final tax on that income. Interest and other types of investment income obtained by non-resident individuals without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 28 per cent., which is the final tax on that income. The rate is 35 per cent. in the case of individuals or legal persons domiciled in a country, territory or region included in the "tax havens" list approved by Ministerial order no. 150/2004, of 13 February as amended from time to time. Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax of 35 per cent. unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Under the tax treaties entered into by Portugal which are in full force and effect as of the date of this Base Prospectus, the withholding tax rate may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes were approved by Order (*Despacho*) no. 4743-A/2008 (2nd series), of 8 February 2008, published in the Portuguese official gazette, second series, no. 37, of 21 February 2008 of the Portuguese Minister of Finance (as amended), available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

Income paid to an associated company of EDP which is resident in the European Union is exempt from withholding tax.

For these purposes, an associated company of EDP is:

- (i) a company which is subject to one of the taxes on profits listed in Article 3 (a) (iii) of Council Directive 2003/49/EC without being exempt, which takes one of the forms listed in the Annex to that Directive, which is considered to be resident in an European Union Member State and is not, within the meaning of a double taxation convention on income concluded with a third state, considered to be resident for tax purposes outside the European Union;
- (ii) a company which holds a minimum direct holding of 25 per cent. of EDP's share capital, or a company whose share capital is directly held at least by 25 per cent. by EDP, or a company whose share capital is directly held at least 25 per cent. by a third company which also directly holds at least 25 per cent. of the share capital of EDP; and
- (iii) provided that the holding has been maintained for an uninterrupted period of at least two years, if the minimum holding period is met after the date the withholding tax becomes due, a refund may be obtained.

The associated company of EDP to which payments are made must be the beneficial owner of the interest, which will be the case if it receives the interest for its own account and not as an intermediary, either as a representative, a trustee or authorised signatory, for some other person.

The exemption from withholding tax may take place at source or through the refund of tax withheld.

Capital gains obtained on the repayment or transfer of Instruments by non-resident individuals without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation in 2017 unless the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (*Portaria*) no. 150/2004, of 13 February (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*) amended from time to time. If the exemption does not apply, the gains will be subject to personal income tax at a rate of 28 per cent. However, under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis. Accrued interest does not qualify as capital gains for tax purposes.

Capital gains obtained on the repayment or disposal of Instruments by a legal person non-resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation, unless the share capital of the beneficial owner is more than 25 per cent. directly or indirectly held by Portuguese resident entities or if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (*Portaria*) no. 150/2004, of 13 February (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*) as amended. For the first exception the capital gains are still exempt if the following requirements are cumulatively met: (i) the beneficial owner is resident in an EU Member State, in an European Economic Area Member State which is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States, or in a country with which Portugal has a double tax treaty in force which foresees the exchange of information; (ii) the beneficial owner is subject and not exempt from a tax referred to in article 2 of Council Directive 2011/96/UE of 30 November 2011, or from a tax of similar nature with a rate not lower than 60 per cent. of the Portuguese IRC rate (currently 12.6 per cent.); (iii) the beneficial owner holds, directly or indirectly, at least 10 per cent. of the share capital or voting rights for at least 1 year uninterruptedly of the entity disposed; (iv) the beneficial owner is not part of an arrangement or series of arrangements which have been put into place for the main purpose or one of the main purposes of obtaining a tax advantage. If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent. However, under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis.

Stamp Duty at a rate of 10 per cent. applies to the acquisition through gift or inheritance of Instruments by an individual who is resident for tax purposes in Portugal. An exemption applies to transfers in favour of the spouse, de facto spouse, descendants and parents/grandparents. The acquisition of Instruments through gift or inheritance by a Portuguese resident legal person or a non-resident legal person acting through a Portuguese permanent establishment is subject to Corporate Income Tax at a 21 per cent. tax rate (a 17 per cent rate is applicable to the first EUR 15,000 of taxable income obtained by small and medium sized companies, as defined in the annex of Decree-Law no. 372/2007, of 6 November), to which a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income may be added. A state surcharge (*derrama estadual*) also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000, and 9 per cent. on taxable profits in excess of €35,000,000.

No Stamp Duty applies to the acquisition through gift and inheritance of Instruments by an individual who is not resident for tax purposes in Portugal. The acquisition of Instruments through gift or inheritance by a non-resident legal person is subject to corporate income tax at a rate of 25 per cent. However, under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis.

There is neither wealth nor estate tax in Portugal.

### **3. Instruments issued by EDP integrated in a centralised control system foreseen under Decree-Law no. 193/2005, of 7 November 2005**

The regime described in paragraph 2 above corresponds to the general tax treatment of investment income and capital gains on Instruments issued by a Portuguese entity and to the acquisition through gift or inheritance of such Instruments.

Nevertheless, pursuant to the Special Tax Regime for Debt Securities, approved by Decree-Law no. 193/2005, of 7 November 2005, as amended from time to time (hereafter "the special regime approved by Decree-Law no. 193/2005"), investment income paid on, as well as capital gains derived from, a sale, repayment or other disposition of the Instruments, to non-Portuguese resident beneficial owners will be exempt from Portuguese income tax provided the debt securities are integrated in (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as the CVM managed by Interbolsa), or (ii) an international clearing system operated by a managing entity established in a member state of the European Union other than Portugal (e.g. Euroclear or Clearstream, Luxembourg) or in a European Economic Area Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States, or (iii) integrated in other centralised systems not covered above provided that, in this last case, the Portuguese government authorises the application of the Decree-Law no.193/2005, and the beneficiaries are:

- (i) central banks or governmental agencies; or
- (ii) international bodies recognised by the Portuguese Republic; or
- (iii) entities resident in countries or jurisdictions with whom Portugal has a double tax treaty in force or a tax information exchange agreement; or
- (iv) other entities without headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable and which are not domiciled in a blacklisted jurisdiction as set out in the Ministerial order no. 150/2004 from time to time.

For purposes of application at source of this tax exemption regime, Decree-Law no.193/2005 requires completion of certain procedures and the provision of certain information. Under these procedures (which are aimed at verifying the non-resident status of the noteholder), the beneficial owner is required to hold the Instruments through an account with one of the following entities:

- (i) a direct registered entity, which is the entity with which the debt securities accounts that are integrated in the centralised system are opened;
- (ii) an indirect registered entity, which, although not assuming the role of the "direct registered entities", is a client of the latter; or
- (iii) an international clearing system, which is an entity that proceeds, in the international market, to clear, settle or transfer securities which are integrated in centralised systems or in their own registration systems.

The special regime approved by Decree-Law no. 193/2005 sets out the detailed rules and procedures to be followed on the proof of non-residence by the beneficial owners of the Instruments to which it applies.

Under these rules, the direct register entity is required to obtain and retain proof, in the form described below, that the beneficial owner is a non-resident entity that is entitled to the exemption. As a general rule, the proof of non-residence should be provided to, and received by, the direct register entities prior to the relevant date for payment of any interest, or the redemption date (for Zero Coupon Instruments), and, in the case of domestically cleared Instruments, prior to the transfer of Instruments, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand on the date of this Base Prospectus.

**(a) Domestically Cleared Instruments**

The beneficial owner of Instruments must provide proof of non-residence in Portuguese territory substantially in the terms set forth below:

- (i) If a holder of Instruments is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese State, a declaration of tax residence issued by the holder of Instruments, duly signed and authenticated or proof pursuant to the terms of paragraph (iv) below.
- (ii) If the beneficial owner of Instruments is a credit institution, a financial company, pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty and is subject to a

special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the holder of Instruments and its domicile; or (C) proof of non-residence, pursuant to the terms of paragraph (iv) below.

- (iii) If the beneficial owner of Instruments is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence and the law of incorporation and domicile; or (B) proof of non-residence pursuant to the terms of paragraph (iv) below.
- (iv) In any other case, confirmation must be made by way of: (A) a certificate of residence or equivalent document issued by the relevant tax authorities or; (B) a document issued by the relevant Portuguese consulate certifying residence abroad; or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence. For these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable. There are rules on the authenticity and validity of the documents, in particular that the holder of Instruments must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until three months after the date on which the withholding tax would have been applied and will be valid for a three-year period starting on the date such document is issued.

In the cases referred to in paragraphs (i), (ii) and (iii) above, proof of non-residence is required only once, the beneficial owner having to inform the register entity of any changes that impact the entitlement to the exemption. The holder of Instruments must inform the register entity immediately of any change that may preclude the tax exemption from applying.

**(b) Internationally Cleared Instruments**

If the Instruments are registered in an account with an international clearing system, prior to the relevant date for payment of any interest or the redemption date (for Zero Coupon Instruments), the entity managing such system is to provide to the direct register entity or its representative the identification and number of securities, as well as the amount of income payable and, when applicable, the amount of tax to be withheld, itemised by type of beneficial owner, as follows:

- (i) Entities with residence, headquarters, effective management or permanent establishment in the Portuguese territory to which the income is attributable which are not exempt from tax and are subject to withholding tax;
- (ii) Entities which have residence, headquarters, effective management or permanent establishment in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by Ministerial order no. 150/2004, of 13 February, as amended from time to time, which are not exempt from tax and are subject to withholding tax;
- (iii) Entities with residence, headquarters, effective management or permanent establishment in the Portuguese territory to which the income is attributable which are exempt from tax or not subject to withholding tax; and
- (iv) Other entities which do not have residence, headquarters, effective management or permanent establishment to which the income would be attributable in the Portuguese territory.

In addition, the international clearing system managing entity is to provide to the direct register entity, in relation to each income payment, at least the following information concerning each of the

beneficiaries mentioned in (i), (ii) and (iii) above: name and address, tax identification number, if applicable, identification of the securities held and amount thereof and amount of income.

No Portuguese exemption shall apply at source under the special regime approved by Decree-law no. 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for an exemption to apply are met, but, due to inaccurate or insufficient information, tax is withheld, a special refund procedure is available under the regime approved by Decree-law no. 193/2005. The refund claim is to be submitted to the direct register entity of the Instruments within six months from the date the withholding took place. The refund of withholding tax after the above six-month period is to be claimed to the Portuguese tax authorities through an official form available at <http://www.portaldasfinancas.gov.pt> (approved by Order no. 2937/2014 issued by Portuguese Secretary of State for Tax Matters), within two years from the end of the year in which tax was withheld. The refund is to be made within three months, after which interest is due.

### ***Administrative cooperation in the field of taxation***

On 10 November 2015, the Council of the European Union adopted Council Directive (EU) 2015/2060 of 10 November 2015 repealing Council Directive 2003/48/EC of 3 June 2003 (the "Savings Directive") from 1 January 2016 in the case of Portugal (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates) to prevent an overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2014/107/EU of 9 December 2014, which amended Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, of 19 December 1977, which is based on the format established by the Organisation for Economic Co-operation and Development ("OECD") called Common Reporting Standard ("CRS"). This new global standard for automatic exchange of information on investment income is generally broader scope than the Savings Directive.

The Council Directive 2014/107/EU of 9 December 2014 regarding the mandatory automatic exchange of information in the field of taxation was transposed into the Portuguese Law through the Decree-Law no. 64/2016, of 11 October. Under such law, the Issuer will be required to collect information regarding certain accountholders and report such information to Portuguese Tax Authorities – which, in turn, will report such information to the relevant Tax Authorities of EU Member States or third States which have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information for the Common Reporting Standard.

Under Council Directive 2014/107/EU, of 9 December 2014, financial institutions are required to report to the tax authorities of their respective Member State (for the exchange of information with the state of residence) information regarding bank accounts, including custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Directive. The information refers to the account balance at the end of the calendar year, income paid or credited in the account and the proceeds from the sale or redemption of the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others. In view of the regime enacted by Decree-Law no. 64/2016, of 11 October, which has been amended through Law no. 98/2017, of 24 August, all information regarding the registration of the financial institution, the procedures to comply with the reporting obligations arising thereof and the applicable forms were approved by Ministerial Order (Portaria) no. 302-B/2016, of 2 December 2016, Ministerial Order (Portaria) no. 302-C/2016, of 2 December 2016, Ministerial Order (Portaria) no. 302-D/2016, of 2 December 2016, as amended by Ministerial Order (Portaria) no. 255/2017, of 14 August 2017, and by Ministerial Order (Portaria) no. 58/2018, of 27 February 2018, and Ministerial Order (Portaria) no. 302-E/2016, of 2 December 2016.

### ***Foreign Account Tax Compliance Act – Portugal***

The United States has reached a Model 1 intergovernmental agreement with Portugal, signed on 6 August 2015 and ratified by Portugal on 5 August 2016 and which has entered into force on 10 August 2016. Portugal has implemented, through Law 82-B/2014, of 31 December, the legal framework based on reciprocal exchange of information on financial accounts subject to disclosure in order to comply with FATCA. Through Decree-Law no. 64/2016, of 11 October amended through Law no. 98/2017, of 24 August, and Ministerial Order

(Portaria) no. 302-A/2016, of 2 December 2016, as amended by Ministerial Order (Portaria) no. 169/2017, of 25 May 2017, the Portuguese government approved the complementary regulation required to comply with FATCA. Under the referred legislation the Issuer is required to obtain information regarding certain accountholders and report such information to the Portuguese Tax Authorities, which, in turn, will report such information to the United States Internal Revenue Service.

## Netherlands

### General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Instruments, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. For the purposes of Netherlands tax law, a holder of Instruments may include an individual or entity who or which does not have the legal title to these Instruments, but to whom or to which nevertheless the Instruments or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Instruments or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of the acquisition, holding, settlement, redemption and disposal of the Instruments.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as at the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands corporate and individual income tax consequences for:

- (i) holders of Instruments holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Instruments of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutorily defined term), directly or indirectly, holds or is deemed to hold: (1) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer; (2) rights to acquire, directly or indirectly, such interest; or (3) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*);
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other Netherlands tax resident entities that are not subject to or exempt from Netherlands corporate income tax;
- (iv) persons to whom the Instruments and the income from the Instruments are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*);
- (v) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba and the Instruments are attributable to such permanent establishment or permanent representative; and
- (vi) individuals for whom the Instruments or the income therefrom are attributable to employment activities which are taxed as employment income in the Netherlands.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

### Withholding Tax

With respect to Instruments issued by EDP B.V., all payments made by EDP B.V. under the Instruments may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, provided that the Instruments do not in fact function as equity of EDP B.V. within the meaning of article 10, paragraph 1, under d of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

On 10 October 2017, the four parties that have formed the new Dutch government released their coalition agreement (*regeerakkoord*) 2017-2021. The coalition agreement does not include legislative proposals, but instead sets out a large number of policy intentions of the new Dutch government. One of the policy intentions is the introduction of a withholding tax on interest payments made to beneficiaries in low-tax jurisdictions or countries that are included in the EU list of non-cooperative jurisdictions as of 2021. Many aspects of the policy intentions remain unclear. However, the interest withholding tax is expected to only apply to certain payments made by a Dutch entity directly or indirectly to group companies in a low-tax or non-cooperative jurisdictions and therefore the withholding tax obligation is not expected to extend to publicly listed bonds.

With respect to Instruments issued by EDP, all payments made by EDP under the Instruments may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

### **Corporate and Individual Income Tax**

#### **(a) Residents of the Netherlands**

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands corporate income tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Instruments are attributable, income derived from the Instruments and gains realised upon the redemption, settlement or disposal of the Instruments are generally taxable in the Netherlands (up to a maximum rate of 25 per cent.).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands tax purposes, income derived from the Instruments and gains realised upon the redemption, settlement or disposal of the Instruments are taxable at the progressive rates (at up to a maximum rate of 51.95 per cent.) under the Netherlands Income Tax Act 2001, if:

- (i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Instruments are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Instruments are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance by the individual of activities with respect to the Instruments that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies, an individual that holds the Instruments must determine taxable income with regard to the Instruments on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a percentage of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a statutory threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Instruments will be included as an asset in the individual's yield basis. The deemed return percentage to be applied to the yield basis increases progressively depending on the amount of the yield basis. With regard to 2018, up to a yield basis of €70,800 the percentage is 2.017 per cent.; between €70,800 and € 978,000 the percentage is 4.326 per cent. and above €978,000 the percentage is 5.38 per cent. The deemed return on income from savings and investments is taxed at a rate of 30 per cent. The percentage to determine the deemed return can be restated on a yearly basis.

#### **(b) Non-residents of the Netherlands**

If a person is not a resident nor is deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes, such person is not liable for Netherlands income tax in respect of income derived from the Instruments and gains realised upon the settlement, redemption or disposal of the Instruments, unless:

- (i) the person is not an individual and such person: (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Instruments are attributable; or (2) is (other than by way of securities) entitled to a share in the profits of an

enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Instruments are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25 per cent.

- (ii) the person is an individual and such person: (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Instruments are attributable; or (2) realises income or gains with respect to the Instruments that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which include activities in the Netherlands with respect to the Instruments which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*); or (3) is (other than by way of securities) entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Instruments are attributable.

Income derived from the Instruments as specified under (1) and (2) is subject to individual income tax at progressive rates up to a maximum rate of 51.95 per cent. Income derived from a share in the profits of an enterprise as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "*Residents of the Netherlands*"). The fair market value of the share in the profits of the enterprise (which includes the Instruments) will be part of the individual's Netherlands yield basis.

#### **Gift and Inheritance Tax**

Netherlands gift or inheritance taxes will not be levied on the occasion of the transfer of the Instruments by way of gift by, or on the death of, a holder of the Instruments, unless:

- (i) the holder of the Instruments is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

#### **Value Added Tax**

In general, no value added tax will arise in respect of payments in consideration for the issue of the Instruments or in respect of a cash payment made under the Instruments, or in respect of a transfer of Instruments.

#### **Other Taxes and Duties**

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Instruments.

#### **Ireland**

***The following is a summary of Irish withholding taxes on interest based on the laws and practices currently in force in Ireland and addresses the tax position of investors who are the absolute beneficial owners of their Instruments. Particular rules not discussed may apply to certain classes of taxpayers holding Instruments, including dealers in securities and trusts, and should be treated with appropriate caution. The summary does not constitute tax or legal advice and the comments below are of a general nature only and do not discuss all aspects of Irish taxation that may be relevant to any particular holder of Instruments. Prospective investors in the Instruments should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Instruments and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.***

#### **Withholding Tax**

Tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. The Issuers will not be obliged to withhold tax from payments of interest on the

Instruments so long as such payments do not constitute Irish source income. Interest paid on the Instruments may be treated as having an Irish source if:

- (a) the Issuers are resident in Ireland for Irish tax purposes; or
- (b) the Issuers are not resident in Ireland for Irish tax purposes but (i) the register for the Instruments is maintained in Ireland; or (ii) if the Instruments are in bearer form, the Instruments are physically held in Ireland; or
- (c) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which are used to fund the payments on the Instruments.

It is anticipated that: (i) the Issuers are not and will not be resident in Ireland for tax purposes; (ii) bearer Instruments will not be physically located in Ireland and the Issuers will not maintain a register of any registered Instruments in Ireland; and (iii) the Issuers do not and will not have a branch or permanent establishment in Ireland.

### **Encashment Tax**

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any interest, dividends or annual payments paid on Instruments issued by a company not resident in Ireland (such as the Issuer), where such interest, dividends or annual payments are collected or realised by a bank or encashment agent in Ireland.

Encashment tax does not apply where the Instrument holder is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

### **The Proposed Financial Transactions Tax ("FTT")**

On 14 February 2013 the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Instruments (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt. Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Instruments are advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. The Issuers may be foreign financial institutions for these purposes. A number of jurisdictions (including Portugal and the Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA with respect to payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to Instruments, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on Instruments, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on Instruments, such withholding would not apply prior to 1 January 2019 and Instruments

characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the relevant Issuer). However, if additional Instruments as described under "*Terms and Conditions of the Instruments — Further Issues*" that are not distinguishable from previously issued Instruments are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Instruments, including the Instruments offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in Instruments.

Neither the Issuers nor the Keep Well Provider are obliged to gross up any amounts which may be withheld or deducted pursuant to FATCA.

## SUBSCRIPTION AND SALE

Instruments may be sold from time to time by the Issuer to any one or more of Banco Bilbao Vizcaya Argentaria, S.A., Banco Comercial Português, S.A., Banco Santander Totta, S.A., Barclays Bank PLC, BNP Paribas, Caixa - Banco de Investimento, S.A., CaixaBank, S.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Haitong Bank S.A., HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Mizuho International plc, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc, NatWest Markets Plc, and Société Générale (the "Dealers"). The arrangements under which Instruments may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 5 September 2018 (the "Dealership Agreement") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments. The Dealership Agreement provides that the obligations of Dealers to subscribe for Instruments may be subject to certain conditions precedent. Instruments may be offered by the Issuer or the Dealers to any Investors, subject to the restrictions described below.

### United States of America

Regulation S Category 2; TEFRA D, unless TEFRA C or TEFRA not applicable is specified as applicable in the relevant Final Terms.

Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Instruments: (1) as part of their distribution at any time; or (2) otherwise until 40 days after the completion of the distribution of the Instruments comprising the relevant Tranche, as certified to the Issue and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Instruments to or through more than one Dealer, by each of such Dealers as to Instruments of such Tranche purchased by or through it, in which case the Issue and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons except in accordance with Regulation S of the Securities Act, and such Dealer will have sent to each dealer to which it sells Instruments during the restricted period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to or for the account or benefit of U.S. persons.

In addition, until 40 days after the commencement of the offering of Instruments comprising any Tranche, any offer or sale of Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### Portugal

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Instruments may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (*Código dos Valores Mobiliários*) enacted by Decree-Law no. 486/99, of 13 November 1999 (as amended and restated from time to time) unless the requirements and provisions applicable to the public offering in Portugal are met and registration, filing, approval or recognition procedures with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, "CMVM") are made. In addition, each Dealer has

represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that other than in compliance with all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation implementing the Prospectus Directive (as amended) and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Instruments by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including compliance with the rules and regulations that require the publication of a prospectus, when applicable: (1) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold, re-sold, re-offered or delivered and will not directly or indirectly take any action, offer, advertise, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Instruments in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (2) it has not distributed, made available or cause to be distributed, and will not distribute, make available or cause to be distributed, the Base Prospectus or any other offering material relating to the Instruments to the public in Portugal; and (3) that any such distribution shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

### **The Netherlands**

Zero Coupon Instruments (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either EDP, EDP B.V. or a member of Euronext Amsterdam N.V. in accordance with the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of 21 May 1985 (as amended) and, in addition thereto, if such Zero Coupon Instruments in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987 attached to the Royal Decree of 11 March 1987 (*Staatscourant* 129) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Instruments. No such mediation is required in respect of: (a) the transfer and acceptance of Zero Coupon Instruments while in the form of rights representing an interest in a Zero Coupon Instrument in global form; or (b) the initial issue of Zero Coupon Instruments in definitive form to the first holders thereof; or (c) transfer and acceptance of Zero Coupon Instruments in definitive form between individuals not acting in the conduct of a business or profession; or (d) the transfer and acceptance of such Zero Coupon Instruments within, from or into the Netherlands if all Zero Coupon Instruments (either in definitive form or as rights representing an interest in a Zero Coupon Instrument in global form) of any particular Series or Tranche are issued outside the Netherlands and are not distributed within the Netherlands in the course of initial distribution or immediately thereafter. In the event that the Savings Certificate Act applies, certain identification requirements in relation to the issue and transfer of, and payments, on Zero Coupon Instruments have to be complied with. For the purposes of this paragraph, "Zero Coupon Instruments" are Instruments that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (1) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the Issuer;
- (2) in relation to any Instruments having a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold, and will not offer or sell, any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal and agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of section 19 of the FSMA by the Issuer; and

- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Instruments in, from or otherwise involving the United Kingdom.

## Spain

Neither the Instruments nor the Programme have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*). Therefore, neither Instruments nor the Programme are intended for any public offer of the Instruments in the Kingdom of Spain in compliance with the requirements of Royal Legislative Decree 4/2015 of 23 October, approving the consolidated text of the Securities Market Law (the **Securities Market Law**), Royal Decree 1310/2005, of 4 November, on admission to listing and on issues and public offers of securities (as amended from time to time) and any other regulation developing them which may be in force from time to time. Accordingly, any offer, sale or distribution of the Instruments, or any subsequent resale of the Instruments, or distribution of copies of the Programme or any other document relating to the Instruments in the Kingdom of Spain shall be made under circumstances which are exempted from the rules on public offerings pursuant to Article 35 of the Securities Market Law.

In addition, any offer (not public offer) addressed to the public in general not to qualified investors (i.e. in other circumstances which are exempted from the rules on public offerings) through the mass media or general marketing, should be made through a firm duly authorised to render investment services.

## Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") and, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Instruments directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, ministerial guidelines and regulations of Japan.

## Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Instruments specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it will not underwrite the issue of, or place the Instruments, otherwise than in conformity with the provisions of the European Union (Markets in Financial Instruments) Regulations 2017 (as amended, the "MiFID II Regulations" including, without limitation, Regulation 5 (Requirement for authorisation (and certain provisions concerning multilateral trading facilities and organised trading facilities)) thereof, or any rules or codes of conduct made under the MiFID II Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Instruments, otherwise than in conformity with the provisions of the Companies Act 2014 (as amended, the "Companies Act"), the Central Bank Acts 1942-2015 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended); and

- (c) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, the Instruments otherwise than in conformity with the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act.

### **France**

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Instruments to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Instruments, and that such offers, sales and distributions have been and shall only be made in France only to: (a) providers of investment services relating to portfolio management for the account of third parties; and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the *French Code monétaire et financier*.

### **Belgium**

Other than in respect of Instruments for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Instruments may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "Belgian Consumer") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Instruments, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Instruments, directly or indirectly, to any Belgian Consumer.

### **General**

Other than with respect to the listing of the Instruments on such stock exchange as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "**General**" above.

## GENERAL INFORMATION

1. It is expected that each Tranche of Instruments which is to be admitted to listing on the Official List of Euronext Dublin and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Global Instrument or Instruments initially representing the Instruments of such Tranche, and the approval of the Base Prospectus has been granted on 5 September 2018 by the Central Bank.
2. The establishment of the Programme was authorised by the Board of Directors of EDP at a meeting held on 21 September 1999 and by the management board of EDP B.V. at a meeting held on 8 October 1999. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 17 July 2018 and by written resolutions of the management board of EDP B.V. on 31 July 2018. The Issuers have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Instruments and their respective obligations under the Trust Deed and the Keep Well Agreement.
3. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuers in relation to the Instruments and is not itself seeking admission of the Instruments to the Official List of Euronext Dublin or to trading on the Main Securities Market for the purposes of the Prospectus Directive.
4. The Instruments (other than Book Entry Instruments) have been accepted for clearance through Euroclear Bank and Clearstream, Luxembourg (which are the entities in charge of keeping records in respect of such Instruments). The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the Final Terms relating thereto. The Book Entry Instruments will be cleared through the clearing system operated by Interbolsa. The appropriate identification reference for a Tranche of Book Entry Instruments will be specified in the applicable Final Terms. Book Entry Instruments shall only be denominated in euro or in such other currency as accepted for registration and settlement purposes by Interbolsa. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of Interbolsa is Avenida da Boavista, 3433 4100-138 Porto, Portugal.

5. Bearer Instruments (other than Temporary Global Instruments) with an initial maturity of more than one year and any Coupon appertaining thereto, will bear a legend to the following effect: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.*"
6. For the period of 12 months following the date of this Base Prospectus, physical copies of the following documents will, when published, be available from the registered offices of EDP and EDP B.V. and from the specified offices of the Paying Agents for the time being in London and Lisbon (together with English translations in the case of paragraphs (i), (ii) and (iii) below):
  - (i) the constitutional documents of EDP and EDP B.V.;
  - (ii) the audited consolidated financial statements of EDP in respect of the financial years ended 31 December 2017 and 31 December 2016 and the audited financial statements of EDP B.V. in respect of the financial years ended 31 December 2017 and 31 December 2016, in each case with the audit reports prepared in connection therewith;
  - (iii) the most recently published audited annual financial statements of EDP and EDP B.V. and the most recently published unaudited interim financial statements (if any) of EDP and EDP B.V. in each case together with any audit or review reports prepared in connection therewith;
  - (iv) the Dealership Agreement, the Trust Deed, the Interbolsa Instrument, the Keep Well Agreement, the Agency Agreement and the forms of the Instruments, the Receipts, the Coupons and the Talons;
  - (v) a copy of this Base Prospectus;

- (vi) any future information memoranda, prospectuses, offering circulars, supplements and Final Terms (save that Final Terms relating to an Instrument which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Instrument and such holder must produce evidence satisfactory to the relevant Paying Agent, as the case may be, as to its holding of Instruments and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of Instruments admitted to trading on the Main Securities Market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, this Base Prospectus will be available on the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie)) and Central Bank ([www.centralbank.ie](http://www.centralbank.ie)).

In relation to the documents referred to at (i), (ii) and (iii) above, the Issuers confirm that the translations thereof are true and accurate, however, in case of a discrepancy between the original document and the English translation thereof, the original document will prevail.

- 7. There has been no significant change in the financial or trading position of EDP, EDP B.V. or the EDP Group since 30 June 2018, and there has been no material adverse change in the prospects of EDP, EDP B.V. or the EDP Group since the date of their last published audited financial statements, being 31 December 2017.
- 8. Save as described in (i) note 34 (*Provisions*) and note 4 (*Critical accounting estimates and judgements in preparing financial statements*) to EDP's condensed consolidated financial statements for the six months ended June 2018; (ii) in note 36 (*Provisions*) and note 3 (*Critical accounting estimates and judgements in preparing financial statements*) to EDP's consolidated financial statements for the year ended 31 December 2017 (which are incorporated by reference in this Base Prospectus) and (iii) in the following paragraph, none of EDP, EDP B.V. or any other member of the EDP Group is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which EDP or EDP B.V. is aware) in the 12 months preceding the date of this document which may have or have had a significant effect on the financial position and profitability of EDP, EDP B.V. or the EDP Group.

On 3 September 2018, EDP Produção was notified by the AdC of a statement of objections to EDP Produção for alleged abuse of dominance in the balancing services market under Law no. 19/2012, of 8 May. The AdC emphasises that issuing a Statement of Objections does not prejudice the final outcome of the procedure, which started in September 2016. At this stage of the procedure, EDP Produção is given the opportunity to exercise its rights of defence against the alleged infringement and possible applicable sanctions. EDP Produção is currently analysing the statement of objections in order to take the actions considered necessary within the applicable deadlines. As stated in note 4 (*Critical Accounting Estimates and Judgements in Preparing the Financial Statements*) of EDP's condensed consolidated financial statements for the six months ended June 2018, EDP Group considers that EDP Produção has not benefitted from any overcompensation in the service systems market between 2009 and 2014 and that it has always complied with the legal and regulatory framework in place.

- 9. From 1 January 2018, the auditors of EDP are PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais de Contas, independent certified public accountants. With respect to the unaudited condensed interim financial information of EDP for the six month period ended 30 June 2018 incorporated by reference in this Base Prospectus, PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais de Contas have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report incorporated by reference in this Base Prospectus states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais de Contas is a member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*).
- 10. Until the financial year ended 31 December 2017, KPMG & Associados, SROC, SA, independent certified public accountants, were the auditors of EDP and audited: (i) the consolidated financial

statements of the EDP Group as of and for the year ended on 31 December 2017, without qualification, prepared in accordance with IFRS as adopted by the European Union; and (ii) the consolidated financial statements of the EDP Group as of and for the year ended on 31 December 2016, without qualification, prepared in accordance with IFRS, as adopted by the European Union. With respect to the unaudited condensed interim financial information of EDP for the six-month period ended 30 June 2017 incorporated by reference in this Base Prospectus, KPMG & Associados, SROC, have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report incorporated by reference in this Base Prospectus states that they did not audit, and they do not express an opinion, on such interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. KPMG & Associados, SROC, S.A. is a member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*).

11. The auditors of EDP have no material interest in EDP.
12. From 1 January 2017, PricewaterhouseCoopers Accountants N.V. are the auditors of EDP B.V. and audited its financial statements for the financial year ended on 31 December 2017, prepared in accordance with IFRS as adopted by the European Union, as stated in their report incorporated by reference herein. PricewaterhouseCoopers Accountants N.V. have no material interest in EDP B.V. The auditor signing the auditor's report on behalf of PricewaterhouseCoopers Accountants N.V. is a chartered accountant (*registeraccountants*) in the Netherlands and is a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).
13. Until the financial year ended 31 December 2016, KPMG Accountants N.V. were the auditors of EDP B.V. and audited its financial statements for the financial year ended on 31 December 2016, prepared in accordance with IFRS as adopted by the European Union, as stated in their report incorporated by reference herein. KPMG Accountants N.V. have no material interest in EDP B.V. KPMG Accountants N.V. are chartered accountants (*registeraccountants*) in the Netherlands and are members of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).
14. The Trust Deed will provide that the Trustee may rely on any certificate or report by the auditors of the relevant Issuer or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the relevant Issuer or such other person in respect thereof.
15. Instruments issued under this Programme will have a minimum denomination of €100,000 (or its equivalent in any other currency).
16. Instruments issued by EDP, B.V. having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent.
17. The price and amount of Instruments to be issued under the Programme will be determined by the Issuer and the relevant Dealer on or before the applicable Issue Date of the relevant Series of Instruments in accordance with prevailing market conditions and will be disclosed in the applicable Final Terms. The Issue Price of the Instruments of any Series may be less than, equal to or greater than the par value of the relevant Instruments as at the Issue Date.
18. Interest on Floating Rate Instruments will accrue at a rate linked to either LIBOR or EURIBOR (each a "FRN Reference Rate"). The relevant FRN Reference Rate (including the relevant reference period and details of where it is published) that will apply to any particular Tranche of Instruments issued under the Programme will be disclosed in the Final Terms.
19. The yield for any particular Series of Instruments will be calculated on the basis of the average annual rate of return if the relevant Instruments were to be purchased at the Issue Price on the Issue Date and held to maturity. The yield specified in the applicable Final Terms in respect of a Series of Instruments will not be an indication of future yield.

20. The Issuers do not intend to provide any post-issuance information in relation to any issues of Instruments.
21. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Instruments issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or the Issuers' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Instruments issued under the Programme. Any such positions could adversely affect future trading prices of Instruments issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

22. The ratings of the Issuers are set out at page 2 of this Base Prospectus. The applicable ratings of each of the relevant credit rating agencies have the following meanings:

(i) Moody's – Baa3

Moody's issuer ratings are opinions of the ability of entities to honour senior unsecured financial obligations and contracts. Obligations issued by issuers rated Baa3 are judged to be medium grade and subject to moderate credit risk and as such may possess certain speculative characteristics. The modifier 3 indicates a ranking in the lower end of this generic rating category.

(ii) Standard and Poor's – BBB-

A Standard & Poor's issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness in order to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments. The addition of the minus (-) sign shows the obligor's relative standing within the major rating category BBB.

(iii) Fitch – BBB-

In aggregate, Fitch's issuer credit ratings provide an ordinal ranking of issuers based on Fitch's view of their relative vulnerability to default on financial obligations. BBB ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity. The addition of the modifier "-" sign denotes relative status within the major rating category BBB.

23. The information at paragraph 22(i), (ii) and (iii) above has been extracted from the websites of Moody's (in the case of paragraph (i)), Standard & Poor's (in the case of paragraph (ii)) and Fitch (in the case of paragraph (iii)). The Issuers confirm that such information has been accurately reproduced and that, so far as they are aware and are able to ascertain from information published by Moody's, Standard &

Poor's and Fitch respectively, no facts have been omitted which would render the reproduced information inaccurate or misleading.

24. The Legal Entity Identifier code of EDP is 529900CLC3WDMGI9VH80.
25. The Legal Entity Identifier code of EDP B.V. is 5299007L43AQDFOW5739.

## ISSUERS

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*To EDP B.V.*  
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