



**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)

**€12,500,000,000**

*Programme for the Issuance of Debt Instruments*

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Under this EUR 12,500,000,000 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 EUR 12,500,000,000 (or its equivalent in other currencies calculated as described in the Programme 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 2 September 2014 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 Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the “Prospectus Directive”). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application will be made to the Irish Stock Exchange Limited (the “Irish Stock Exchange”) for Instruments issued under the Programme within 12 months of this Base Prospectus to be admitted to the official list of the Irish Stock Exchange (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 a regulated market for the purposes of Directive 2004/39/EC as amended and/or which are to be offered to the public in any Member State of the European Economic Area.

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 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.

The Irish Stock Exchange’s Main Securities Market and the Euronext Lisbon’s regulated market are regulated markets for the purposes of Directive 2004/39/EC as amended (the “Markets in Financial Instruments Directive”). 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 the Irish Stock Exchange will also be published on the website of the Irish Stock Exchange ([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.

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 Ba1 by Moody's Investors Service Limited ("Moody's"), BBB- by Fitch Ratings Ltd. ("Fitch") and BB+ by Standard & Poor's Credit Market Services France SAS, a Division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"). The Programme has been rated Ba1 in respect of Instruments with a maturity of more than one year by Moody's, BBB- in respect of Instruments with a maturity of more than one year by Fitch and BB+ in respect of Instruments with a maturity of more than one year 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.

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**Arranger for the Programme**

**MORGAN STANLEY**

**Dealers**

<i>Banco Bilbao Vizcaya Argentaria, S.A.</i>	<i>Banco BPI, S.A.</i>
<i>Banco Espírito Santo de Investimento, S.A.</i>	<i>Banco Santander Totta, S.A.</i>
<i>Barclays</i>	<i>BNP PARIBAS</i>
<i>Caixa - Banco de Investimento, S.A.</i>	<i>CaixaBank</i>
<i>Citigroup</i>	<i>Deutsche Bank</i>
<i>HSBC</i>	<i>ING</i>
<i>J.P. Morgan</i>	<i>Millennium Investment Banking</i>
<i>Mizuho Securities</i>	<i>Morgan Stanley</i>
<i>MUFG</i>	<i>Société Générale Corporate and Investment Banking</i>
<i>The Royal Bank of Scotland</i>	<i>UBS Investment Bank</i>

2 September 2014

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 have 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 and should be read and construed on the basis that such 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 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. 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 INFORMATION RELATING TO PUBLIC OFFERS OF INSTRUMENTS**

### **Restrictions on Public Offers of Instruments in Relevant Member States**

Certain Tranches of Instruments with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "Public Offer". This Base Prospectus has been prepared on a basis that permits Public Offers of Instruments in each Member State in relation to which the Issuer has given its consent, as specified in the applicable Final Terms (each specified Member State a "Public Offer Jurisdiction" and together the "Public Offer Jurisdictions"). Any person making or intending to make a Public Offer of Instruments on the basis of this Base Prospectus must do so only with the relevant Issuer's consent to the use of this Base Prospectus as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" and provided such person complies with the conditions attached to that consent.

If after the date of this Base Prospectus the Issuers intend to add one or more Member States to the list of Public Offer Jurisdictions for any purpose, they will prepare a supplement to this Base Prospectus specifying such Member State(s) and any relevant additional information required by the Prospectus Directive. Such supplement will also set out provisions relating to the consent of the relevant Issuer to the use of this Base Prospectus in connection with any Public Offer in any such additional Public Offer Jurisdiction.

Save as provided above, neither of the Issuers nor any Dealer have authorised, nor do they authorise, the making of any Public Offer of Instruments in circumstances in which an obligation arises for the Issuers or any Dealer to publish or supplement a prospectus for such offer.

### **Consent given in accordance with Article 3.2 of the Prospectus Directive**

In the context of a Public Offer of Instruments, the relevant Issuer and, in the case of Instruments issued by EDP B.V., EDP as Keep Well Provider accept responsibility, in each of the Public Offer Jurisdictions, for the content of this Base Prospectus in relation to any person (an "Investor") who purchases any Instruments in a Public Offer made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period specified in the applicable Final Terms and provided that the conditions attached to the giving of consent for the use of this Base Prospectus are complied with. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

Neither of the Issuers nor EDP in its capacity as Keep Well Provider, nor any Dealer, makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer. Neither of the Issuers nor EDP as Keep Well Provider, has any responsibility or liability for the actions of that Authorised Offeror.

**Except in the circumstances set out in the following paragraphs, neither of the Issuers nor EDP in its capacity as Keep Well Provider has authorised the making of any Public Offer by any offeror and the Issuers have not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Instruments. Any Public Offer made without the consent of the Issuers is unauthorised and neither of the Issuers nor EDP in its capacity as Keep Well Provider nor, for the avoidance of doubt, any Dealer accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.**

If, in the context of a Public Offer, an Investor is offered Instruments by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of the relevant Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

### **Consent**

In connection with each Tranche of Instruments, and subject to the conditions set out below under "*Common Conditions to Consent*":

*Specific Consent*

- (a) the relevant Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of such Instruments in any Public Offer Jurisdiction during the relevant Offer Period stated in the applicable Final Terms by:
  - (i) the relevant Dealer(s) or Managers(s) specified in the applicable Final Terms;
  - (ii) any financial intermediaries specified in the applicable Final Terms;
  - (iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name and address is published on the relevant Issuer's website (www.edp.pt) and identified as an Authorised Offeror in respect of the relevant Public Offer; and

*General Consent*

- (b) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the relevant Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Instruments in any Public Offer Jurisdiction during the relevant Offer Period stated in the applicable Final Terms by any other financial intermediary which satisfies the following conditions:
  - i. it is authorised to make such offers under the applicable legislation implementing the Markets in Financial Instruments Directive; and
  - ii. it accepts the relevant Issuer's offer to grant consent to the use of this Base Prospectus by publishing on its website, for the duration of the Offer Period, the following statement (with the information in square brackets completed with the relevant information) (the "Acceptance Statement"):

*"We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Instruments] (the "Instruments") described in the Final Terms dated [insert date] (the "Final Terms") published by [EDP – Energias de Portugal S.A./EDP Finance B.V.] (the "Issuer"). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Instruments in [specify Member State(s)] during the Offer Period and subject to other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offer Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus accordingly."*

The "Authorised Offeror Terms", being the terms to which the relevant financial intermediary agrees in connection with using the Base Prospectus, are that the relevant financial intermediary:

- A. will, and it agrees, represents, warrants and undertakes for the benefit of the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:
  - I. act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "Rules") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Instruments by any person and disclosure to any potential Investor;
  - II. comply with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply as if it were a Dealer;
  - III. ensure that any fee (and any other commissions or benefits of any kind) or rebate received or paid by that financial intermediary in relation to the offer or sale of the Instruments does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;

- IV. hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Instruments under the Rules;
- V. comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Instruments by the Investor), and will not permit any application for Instruments in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- VI. retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer, the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider or directly to the appropriate authorities with jurisdiction over the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider and/or the relevant Dealer in order to enable the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider and/or the relevant Dealer;
- VII. immediately inform the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider and the relevant Dealer if at any time it becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
- VIII. ensure that no holder of Instruments or potential Investor in Instruments shall become an indirect or direct client of the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- IX. co-operate with the relevant Issuer and, if EDP B.V. is the Issuer, EDP as Keep Well Provider and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) upon written request from the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer:
  - (i) in connection with any request or investigation by any regulator in relation to the Instruments, the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer;
  - (ii) in connection with any complaints received by the relevant Issuer and/or if EDP B.V. is the Issuer, EDP as Keep Well Provider and/or the relevant Dealer relating to the relevant Issuer and/or if EDP B.V. is the Issuer, EDP as Keep Well Provider and/or the relevant Dealer including, without limitation, complaints as defined in rules published by any regulator of competent jurisdiction from time to time; and/or
  - (iii) which the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer may reasonably require from time to time in relation to the Instruments and/or as to allow the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer fully to comply with its own legal, tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;

- X. during the period of the initial offering of the Instruments: (i) only sell the Instruments at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the Instruments for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Instruments (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;
  - XI. either (i) obtain from each potential Investor an executed application for the Instruments, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Instruments on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
  - XII. ensure that it does not, directly or indirectly, cause the Issuers or, if the Issuer is EDP B.V., EDP as Keep Well Provider or the relevant Dealer to breach any Rule or subject the Issuers or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
  - XIII. comply with the conditions to the consent referred to under "*Common conditions to consent*" below and any further requirements or other Authorised Offeror Terms relevant to the Public Offer as specified in the applicable Final Terms;
  - XIV. make available to each potential Investor in the Instruments this Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the relevant Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Base Prospectus and the applicable Final Terms; and
  - XV. if it conveys or publishes any communication (other than this Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the relevant Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuers, that such financial intermediary is solely responsible for such communication and that neither the Issuers nor, if EDP B.V. is the Issuer, EDP as Keep Well Provider nor the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer (as applicable), use the legal or publicity names of the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the relevant Issuer as issuer of the relevant Instruments and, if the Issuer is EDP B.V., EDP as Keep Well Provider of the relevant Instruments on the basis set out in this Base Prospectus;
- B. agrees and undertakes to indemnify each of the Issuers and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection

with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuers or the relevant Dealer; and

C. agrees and accepts that:

- I. the contract between the relevant Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the relevant Issuer's offer to use this Base Prospectus with its consent in connection with the relevant Public Offer (the "Authorised Offeror Contract"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
- II. subject to (IV) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "Dispute") and the Issuer and the financial intermediary submit to the exclusive jurisdiction of the English courts;
- III. for the purposes of (C)(II) and (IV), the financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;
- IV. to the extent allowed by law, the Issuers and each relevant Dealer 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; and
- V. each relevant Dealer and, if the Issuer is EDP B.V., EDP as Keep Well Provider will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

The financial intermediaries referred to in paragraphs (a)(ii), (a)(iii) and (b) above are together the "Authorised Offerors" and each an "Authorised Offeror".

**Any Authorised Offeror falling within (b) above who meets the conditions set out in (b) above and the other conditions stated in "Common Conditions to Consent" below and who wishes to use this Base Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.**

#### **Common Conditions to Consent**

The conditions to the Issuer's consent to the use of this Base Prospectus in the context of the relevant Public Offer are (in addition to the conditions described in paragraph (b) above if Part B of the applicable Final Terms specifies "General Consent" as "Applicable", or paragraph (a) above, if applicable) that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms; and
- (ii) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Instruments in the Public Offer Jurisdiction(s) specified in the applicable Final Terms.

The consent referred to above relates to Offer Periods (if any) occurring within 12 months from the date of this Base Prospectus.

The only Relevant Member States which may, in respect of any Tranche of Instruments, be specified in the applicable Final Terms (if any Relevant Member States are so specified) as indicated in (ii) above, will be Ireland or Portugal, and accordingly each Tranche of Instruments may only be offered to Investors as part of a Public Offer in

Ireland or Portugal, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Base Prospectus. The Issuers accept responsibility, in the jurisdictions to which the consent to use this Base Prospectus extends, for the content of this Base Prospectus in relation to any Investor who acquires any Instruments in a Public Offer made by any person to whom consent has been given to use this Base Prospectus in that connection in accordance with the preceding paragraph, provided that such Public Offer has been made in accordance with all the conditions attached to that consent.

**AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY INSTRUMENTS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH INSTRUMENTS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR, INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE ISSUERS WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE INSTRUMENTS CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. THE TERMS AND CONDITIONS OF THE PUBLIC OFFER SHALL BE PUBLISHED BY THAT AUTHORISED OFFEROR ON ITS WEBSITE AT THE RELEVANT TIME. NEITHER OF THE ISSUERS NOR, FOR THE AVOIDANCE OF DOUBT, ANY DEALERS HAVE ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION AS DESCRIBED ABOVE.**

#### **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 outside the Ireland 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 (including the United Kingdom, Ireland, Portugal, The Netherlands and Spain) 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 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 advisors 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 advisors 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 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*").

## **PRESENTATION OF INFORMATION**

In this Base Prospectus, all references to:

- U.S. dollars, U.S.\$ and \$ refer to United States dollars;
- to Sterling and £ refer to pounds sterling; and
- 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.

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## SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

### Section A – Introduction and warnings

Element		
A.1	Introduction and Warning	<p style="text-align: center;"><b>This summary should be read as introduction to the Base Prospectus and the applicable Final Terms.</b></p> <p style="text-align: center;"><b>Any decision to invest in the Instruments should be based on consideration of the Base Prospectus as a whole, including any documents incorporated by reference and the applicable Final Terms.</b></p> <p style="text-align: center;"><b>Where a claim relating to the information contained in the Base Prospectus and the applicable Final Terms is brought before a court of a Member State of the European Economic Area, the plaintiff investor might, under the national legislation of that Member State, have to bear the costs of translating the Base Prospectus and the applicable Final Terms before the legal proceedings are initiated.</b></p> <p style="text-align: center;"><b>Civil liability may attach only to those persons who have tabled this summary, including any translation of it, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus and the applicable Final Terms, it does not provide, when read together with the other parts of the Base Prospectus and the applicable Final Terms, key information in order to aid investors when considering whether to invest in the Instruments.</b></p>
A.2	Consent by Issuers for use of the Prospectus	<p style="text-align: center;">Certain Tranches of Instruments with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a “Public Offer”</p> <p style="text-align: center;">[Not applicable; the Instruments are not being offered to the public as part of a Public Offer]</p> <p style="text-align: center;">[Consent: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the Instruments by the Managers[, <i>[names of specific financial intermediaries listed in the final terms,]</i> [and] [each financial intermediary whose name is published on the Issuer’s website (www.edp.pt and identified as an Authorised Offeror in respect of the relevant Public Offer] [and any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p>

Element		
		<p><i>“We, [insert legal name of financial intermediary] refer to the offer of [insert title of relevant Instruments] (the “Instruments”) described in the Final Terms dated [insert date] (the “Final Terms”) published by [EDP – Energias de Portugal, S.A. / EDP Finance B.V.] (the “Issuer”). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Instruments in [specify Member State(s)] during the Offer Period and subject to other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus accordingly.”]</i></p> <p>[EDP – Energias de Portugal, S.A. / EDP Finance B.V.]’s consent referred to above is given for Public Offer of Instruments during [●] (the [specify Relevant Member State] <b>Offer Period</b>).</p> <p>The conditions to the consent of [EDP – Energias de Portugal, S.A. / EDP Finance B.V.] [in addition to the conditions referred to above]] are that such consent:</p> <p>(a) is only valid during the [specify Relevant Member State] Offer Period; and</p> <p>(b) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Instruments in [.]</p> <p><i>[replicate section for each Relevant Member State in which a Public Offer of the Instruments is made]</i></p> <p><b>AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY INSTRUMENTS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH INSTRUMENTS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR, INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE ISSUERS WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE INSTRUMENTS CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION.</b></p>

**Section B – Issuers and Keep Well Provider**

Element	Title	
<b>B.1</b>	Legal and commercial names of the Issuers	EDP – Energias de Portugal, S.A. (“EDP”) EDP Finance B.V. (“EDP B.V.”)
<b>B.2</b>	Domicile/legal form/legislation/country of incorporation	EDP is a limited liability company incorporated and domiciled in the Portuguese Republic under Portuguese law. EDP B.V. is a limited liability company incorporated and domiciled in The Netherlands under Dutch law.
<b>B.4b</b>	Trend information	Not Applicable; there are no known trends affecting the Issuers and the industries in which they operate.

Element	Title	
<b>B.5</b>	Description of the Group	<p>EDP is a vertically integrated utility company and is the parent company of the EDP Group which operates in the business areas of generation, supply and distribution of electricity and supply and distribution of gas in Portugal, Spain, France, Belgium, Italy, Poland, Romania, the United States and Brazil.</p> <p>EDP B.V. is a wholly owned subsidiary of EDP.</p>
<b>B.9</b>	Profit forecast or estimate	Not Applicable; no profit forecast or estimate is made in the Base Prospectus.
<b>B.10</b>	Audit report qualifications	Not Applicable; there are no qualifications in the audit report on the historical financial information.

Element	Title						
<b>B.12</b>	Selected historical key financial information:						
	In relation to EDP:						
	The table below sets out summary information extracted from the EDP Group's audited income statement for each of the two years ended 31 December 2012 and 31 December 2013 and from the EDP Group's unaudited income statement for each of the six month periods ended 30 June 2013 and 30 June 2014, respectively:						
	<b>Consolidated Income Statement</b>						
			<b>Unaudited</b>				
			<b>Six Months Ended 30 June</b>		<b>Year Ended 31 December</b>		
			<b>2014</b>	<b>2013*</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>
			<small>(Thousands of Euros)</small>			<small>(Thousands of Euros)</small>	
		Revenues from energy sales and services and other	8,019,423	8,182,702	-	-	-
		Cost of energy sales and other	-5,320,641	-5,292,285	-	-	-
		Turnover	-	-	8,120,755	16,103,190	16,339,854
		Cost of electricity	-	-	-4,088,700	-8,235,491	-8,392,199
		Cost of gas	-	-	-659,898	-1,264,745	-1,375,841
		Changes in inventories and cost of raw materials and consumables used	-	-	-457,604	-1,051,924	-1,143,647
			<u>2,698,782</u>	<u>2,890,417</u>	<u>2,914,553</u>	<u>5,551,030</u>	<u>5,428,167</u>
		Revenue from assets assigned to concessions	-	-	167,436	424,105	433,661
		Expenditure with assets assigned to concessions	-	-	-167,436	-424,105	-433,661
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		Other operating income / (expenses)					
		Other income	254,941	190,513	-	-	-
		Other operating income	-	-	190,963	360,003	389,967
	Supplies and services	-422,407	-441,327	-451,178	-934,903	-928,287	
	Personnel costs and employee benefits	-200,571	-335,227	-337,747	-638,516	-671,536	
	Other expenses	-328,598	-331,641	-	-	-	
	Other operating expenses	-	-	-359,883	-720,646	-589,853	
		<u>-696,635</u>	<u>-917,682</u>	<u>-957,845</u>	<u>-1,934,062</u>	<u>-1,799,709</u>	
		<u>2,002,147</u>	<u>1,972,735</u>	<u>1,956,708</u>	<u>3,616,968</u>	<u>3,628,458</u>	
	Provisions	-17,775	-36,850	-36,850	-54,877	-16,055	
	Amortisation and impairment	-680,533	-685,537	-719,060	-1,503,616	-1,493,889	
	Compensation of amortisation and depreciation	-	-	13,536	26,369	24,901	
		<u>1,303,839</u>	<u>1,250,348</u>	<u>1,214,334</u>	<u>2,084,844</u>	<u>2,143,415</u>	
	Gains / (losses) on the sale of financial assets	-	-	12	-16	2,766	
	Financial income	491,143	518,259	529,456	904,910	731,658	
	Financial expenses	-736,402	-835,435	-862,345	-1,642,350	-1,436,924	
	Share of net profit in joint ventures and associates	8,133	-14,860	-	-	-	
	Share of profit in associates	-	-	18,793	34,132	23,777	
	Profit before income tax and CESE	<u>1,066,713</u>	<u>918,312</u>	<u>900,250</u>	<u>1,381,520</u>	<u>1,464,692</u>	
	Income tax expense	-242,368	-208,130	-190,060	-187,997	-282,537	
	Extraordinary contribution to the energy sector (CESE)	-30,629	-	-	-	-	
		<u>-272,997</u>	<u>-208,130</u>	<u>-190,060</u>	<u>-187,997</u>	<u>-282,537</u>	
	<b>Net profit for the period</b>	<u><b>793,716</b></u>	<u><b>710,182</b></u>	<u><b>710,190</b></u>	<u><b>1,193,523</b></u>	<u><b>1,182,155</b></u>	
	<b>Attributable to:</b>						
	Equity holders of EDP	673,163	603,219	603,219	1,005,091	1,012,483	
	Non-controlling Interests	120,553	106,963	106,971	188,432	169,672	
	Net profit for the period	<u>793,716</u>	<u>710,182</u>	<u>710,190</u>	<u>1,193,523</u>	<u>1,182,155</u>	
	Earnings per share (Basic and Diluted) - Euros	<u><b>0.19</b></u>	<u><b>0.17</b></u>	<u><b>0.17</b></u>	<u><b>0.28</b></u>	<u><b>0.28</b></u>	
	* Restated financial information for comparative purposes						
	The table below sets out summary information extracted from the EDP Group's audited statement of financial position as at 31 December 2012 and 31 December 2013 and from the EDP Group's unaudited statement of financial position as at 30 June 2014:						

Element	Title					
	<b>Consolidated Statement of Financial Position</b>					
		<b>Unaudited</b>				
		<b>Six Months ended 30 June</b>	<b>31 December</b>	<b>Year ended 31 December</b>		
		<b>2014</b>	<b>2013*</b>	<b>2013</b>	<b>2012*</b>	<b>2012</b>
		<small>(Thousands of Euros)</small>		<small>(Thousands of Euros)</small>		
	<b>Assets</b>					
	Property, plant and equipment	19,634,769	19,454,099	20,316,306	20,905,340	20,905,340
	Intangible assets	5,942,555	6,017,802	6,028,307	6,541,862	6,541,862
	Goodwill	3,259,336	3,253,144	3,295,874	3,318,457	3,318,457
	Investments in joint ventures and associates	789,473	645,421	-	-	-
	Investments in associates	-	-	182,562	163,881	163,881
	Available for sale investments	232,138	212,483	212,483	181,298	181,298
	Deferred tax assets	243,034	320,590	388,813	340,816	340,816
	Trade receivables	118,139	98,994	99,005	97,099	97,099
	Debtors and other assets from commercial activities	3,124,313	3,188,179	3,188,586	2,736,902	2,736,902
	Other debtors and other assets	645,106	552,032	525,077	534,573	534,573
	Collateral deposits associated to financial debt	400,930	420,081	430,607	415,045	415,045
	<b>Total Non-Current Assets</b>	<b>34,389,793</b>	<b>34,162,825</b>	<b>34,667,620</b>	<b>35,235,273</b>	<b>35,235,273</b>
	Inventories	211,073	264,788	280,009	377,618	377,618
	Trade receivables	1,935,731	2,181,903	2,208,287	2,280,104	2,280,104
	Debtors and other assets from commercial activities	1,459,238	1,820,900	1,827,815	2,051,519	2,051,519
	Other debtors and other assets	308,936	306,579	308,155	296,674	296,674
	Current tax assets	323,136	433,052	439,109	435,628	435,628
	Financial assets at fair value through profit or loss	9,089	4,217	4,217	390	390
	Collateral deposits associated to financial debt	31,007	18,729	18,729	13,451	13,451
	Cash and cash equivalents	1,621,460	2,156,707	2,180,122	1,695,336	1,695,336
	Assets held for sale	-	715,837	715,837	241,851	241,851
	<b>Total Current Assets</b>	<b>5,899,670</b>	<b>7,902,712</b>	<b>7,982,280</b>	<b>7,392,571</b>	<b>7,392,571</b>
	<b>Total Assets</b>	<b>40,289,463</b>	<b>42,065,537</b>	<b>42,649,900</b>	<b>42,627,844</b>	<b>42,627,844</b>
	<b>Equity</b>					
	Share capital	3,656,538	3,656,538	3,656,538	3,656,538	3,656,538
	Treasury stock	-69,100	-85,573	-85,573	-103,706	-103,706
	Share premium	503,923	503,923	503,923	503,923	503,923
	Reserves and retained earnings	3,711,899	3,365,777	3,365,777	3,123,116	3,123,116
	Consolidated net profit attributable to equity holders of EDP	673,163	1,005,091	1,005,091	1,012,483	1,012,483
	<b>Total Equity attributable to equity holders of EDP</b>	<b>8,476,423</b>	<b>8,445,756</b>	<b>8,445,756</b>	<b>8,192,354</b>	<b>8,192,354</b>
	Non-controlling Interests	3,203,518	3,082,146	3,082,805	3,239,314	3,239,314
	<b>Total Equity</b>	<b>11,679,941</b>	<b>11,527,902</b>	<b>11,528,561</b>	<b>11,431,668</b>	<b>11,431,668</b>
	<b>Liabilities</b>					
	Financial debt	15,376,806	15,600,723	15,968,756	16,715,725	16,715,725
	Employee benefits	1,702,611	1,751,066	1,751,066	1,750,838	1,933,425
	Provisions	367,639	354,233	360,203	340,068	382,866
	Hydrological correction account	-	-	-	33,644	33,644
	Deferred tax liabilities	670,424	759,092	775,269	852,054	852,054
	Institutional partnerships in USA wind farms	1,458,758	1,508,495	1,508,495	1,679,753	1,679,753
	Trade and other payables from commercial activities	1,350,041	1,251,192	1,252,337	1,262,771	1,262,771
	Other liabilities and other payables	364,910	326,570	375,846	409,737	409,737
	<b>Total Non-Current Liabilities</b>	<b>21,291,189</b>	<b>21,551,371</b>	<b>21,991,972</b>	<b>23,044,590</b>	<b>23,269,975</b>
	Financial debt	3,681,823	4,158,086	4,192,168	3,807,503	3,807,503
	Employee benefits	180,503	183,469	183,469	182,587	-
	Provisions	22,451	27,437	28,003	42,798	-
	Hydrological correction account	18,463	35,641	35,641	22,832	22,832
	Trade and other payables from commercial activities	2,566,353	3,219,936	3,289,002	3,220,599	3,220,599
	Other liabilities and other payables	256,505	209,651	238,086	368,143	368,143
	Current tax liabilities	592,235	574,080	585,034	467,738	467,738
	Liabilities held for sale	-	577,964	577,964	39,386	39,386
	<b>Total Current Liabilities</b>	<b>7,318,333</b>	<b>8,986,264</b>	<b>9,129,367</b>	<b>8,151,586</b>	<b>7,926,201</b>
	<b>Total Liabilities</b>	<b>28,609,522</b>	<b>30,537,635</b>	<b>31,121,339</b>	<b>31,196,176</b>	<b>31,196,176</b>
	<b>Total Equity and Liabilities</b>	<b>40,289,463</b>	<b>42,065,537</b>	<b>42,649,900</b>	<b>42,627,844</b>	<b>42,627,844</b>
	* Restated financial information for comparative purposes					

Element	Title					
	The table below sets out summary information extracted from the EDP Group's audited statement of cash flows as at 31 December 2012 and 31 December 2013 and the EDP Group's unaudited statement of cash flows as at 30 June 2013 and 30 June 2014, respectively:					
	<b>Consolidated Statement of Cash Flows</b>					
		<b>Unaudited</b>				
		<b>Six Months Ended 30 June</b>			<b>Year Ended 31 December</b>	
		<b>2014</b>	<b>2013*</b>	<b>2013</b>	<b>2013</b>	<b>2012*</b>
		(Thousands of Euros)			(Thousands of Euros)	
	<b>Operating activities</b>					
	Cash receipts from customers	7,635,070	7,433,139	7,580,020	14,551,137	14,709,734
	Proceeds from tariff adjustments sales	1,113,313	1,007,823	1,007,823	1,559,978	442,340
	Payments to suppliers	-5,821,474	-5,583,829	-5,690,709	-10,946,648	-11,665,153
	Payments to personnel	-312,584	-420,489	-423,028	-655,391	-654,672
	Concession rents paid	-143,180	-142,703	-142,784	-267,499	-266,570
	Other receipts / (payments) relating to operating activities	-290,069	-150,638	-171,951	-463,808	-441,352
	<b>Net cash from operations</b>	<b>2,181,076</b>	<b>2,143,303</b>	<b>2,159,371</b>	<b>3,777,769</b>	<b>2,124,327</b>
	Income tax received / (paid)	-113,656	-72,674	-72,674	-257,919	-127,792
	<b>Net cash from operating activities</b>	<b>2,067,420</b>	<b>2,070,629</b>	<b>2,086,697</b>	<b>3,519,850</b>	<b>1,996,535</b>
	<b>Investing activities</b>					
	Cash receipts relating to:					
	Sale of assets / subsidiaries with loss of control	133,508	255,556	255,556	256,173	26,322
	Other financial assets and investments	494	349	349	2,178	4,905
	Financial assets and investments	-	-	-	-	-
	Property, plant and equipment and intangible assets	3,524	27,053	27,053	26,314	6,718
	Investment grants	11,296	2,569	2,569	-	42,057
	Interest and similar income	44,598	31,601	30,622	82,382	91,321
	Dividends	27,494	19,411	11,648	20,604	22,932
		<b>220,914</b>	<b>336,539</b>	<b>327,797</b>	<b>387,651</b>	<b>194,255</b>
	Cash payments relating to:					
	Acquisition of assets / subsidiaries	-5,894	-165,608	-134,265	-253,185	-177,490
	Other financial assets and investments	-5,883	-5,672	-5,672	-9,987	-23,619
	Financial assets and investments	-	-	-	-	-
	Changes in cash resulting from consolidation perimeter variations	39	-21,754	-	-175,287	1,023
	Property, plant and equipment and intangible assets	-854,901	-1,087,820	-1,122,214	-2,269,316	-2,118,998
		<b>-866,639</b>	<b>-1,280,854</b>	<b>-1,262,151</b>	<b>-2,707,775</b>	<b>-2,319,084</b>
	<b>Net cash from investing activities</b>	<b>-645,725</b>	<b>-944,315</b>	<b>-934,354</b>	<b>-2,320,124</b>	<b>-2,124,829</b>
	<b>Financing activities</b>					
	Receipts / (payments) relating to loans	-856,716	-294,673	-312,575	687,121	1,530,649
	Interest and similar costs including hedge derivatives	-438,379	-380,276	-396,421	-803,402	-706,962
	Governmental grants received	-	91,549	91,549	90,539	4,817
	Share capital increases / (decreases) by non-controlling interests	-16,093	-15,869	-15,869	-96,691	-
	Receipts / (payments) relating to derivative financial instruments	8,167	-14,816	16,350	3,029	-57,967
	Dividends paid to equity holders of EDP	-671,879	-670,932	-670,932	-670,932	-670,829
	Dividends paid to non-controlling interests	-43,763	-44,586	-44,586	-158,873	-154,656
	Treasury stock sold / (purchased)	12,891	5,911	5,911	8,976	-859
	Sale of assets / subsidiaries without loss of control	28,261	257,371	257,371	292,143	175,687
	Receipts / (payments) from wind activity institutional partnerships - USA	-26,978	-22,622	-22,622	-35,579	-15,159
	<b>Net cash from financing activities</b>	<b>-2,004,489</b>	<b>-1,088,943</b>	<b>-1,091,824</b>	<b>-683,669</b>	<b>104,721</b>
	<b>Changes in cash and cash equivalents</b>	<b>-582,794</b>	<b>37,371</b>	<b>60,519</b>	<b>516,057</b>	<b>-23,573</b>
	Effect of exchange rate fluctuations on cash held	47,547	-25,583	-25,598	-31,271	-12,615
	Cash and cash equivalents at the beginning of the period	2,156,707	1,695,336	1,695,336	1,695,336	1,731,524
	<b>Cash and cash equivalents at the end of the period</b>	<b>1,621,460</b>	<b>1,707,124</b>	<b>1,730,257</b>	<b>2,180,122</b>	<b>1,695,336</b>
	* Restated financial information for comparative purposes					

Element	Title						
	In relation to EDP B.V.:						
	The table below sets out summary information extracted from EDP B.V.'s audited income statement for each of the two years ended 31 December 2012 and 31 December 2013 and EDP B.V.'s unaudited income statement for each of the six month periods ended 30 June 2013 and 30 June 2014, respectively:						
	<b>Income Statement</b>						
		<u>Unaudited</u>					
		<u>Six Months Ended 30 June</u>			<u>Year Ended 31 December</u>		
		<u>2014</u>	<u>2013*</u>	<u>2013</u>	<u>2013</u>	<u>2012*</u>	<u>2012</u>
		<small>(Thousands of Euros)</small>			<small>(Thousands of Euros)</small>		
	Interest income	393,397	323,359	324,566	704,702	633,054	636,015
	Interest expenses	<u>-377,559</u>	<u>-340,691</u>	<u>-343,351</u>	<u>-707,516</u>	<u>-608,718</u>	<u>-614,260</u>
	Net interest income / (expense)	<u>15,838</u>	<u>-17,332</u>	<u>-18,785</u>	<u>-2,814</u>	<u>24,336</u>	<u>21,755</u>
	Net other financial income and expenses	<u>-9,842</u>	<u>-4,974</u>	<u>-3,521</u>	<u>-8,448</u>	<u>-10,476</u>	<u>-7,895</u>
	Net financial income / (expense)	<u>5,996</u>	<u>-22,306</u>	<u>-22,306</u>	<u>-11,262</u>	<u>13,860</u>	<u>13,860</u>
	Other operating income / (expenses)						
	Services rendered	926	205	205	1,778	705	705
	Supplies and services	-1,805	-793	-793	-3,256	-1,577	-1,577
	Provisions	-	-	-	-	1,400	1,400
	Profit / (Loss) before income tax	<u>5,117</u>	<u>-22,894</u>	<u>-22,894</u>	<u>-12,740</u>	<u>14,388</u>	<u>14,388</u>
	Tax expense / (benefit)	<u>-1,274</u>	<u>5,705</u>	<u>5,705</u>	<u>3,245</u>	<u>-3,609</u>	<u>-3,609</u>
	<b>Profit / (Loss) for the period</b>	<u><b>3,843</b></u>	<u><b>-17,189</b></u>	<u><b>-17,189</b></u>	<u><b>-9,495</b></u>	<u><b>10,779</b></u>	<u><b>10,779</b></u>
	<b>Total comprehensive income for the period</b>	<u><b>3,843</b></u>	<u><b>-17,189</b></u>	<u><b>-17,189</b></u>	<u><b>-9,495</b></u>	<u><b>10,779</b></u>	<u><b>10,779</b></u>
	<b>Profit / (Loss) for the year attributable to owners of the company</b>	<u><b>3,843</b></u>	<u><b>-17,189</b></u>	<u><b>-17,189</b></u>	<u><b>-9,495</b></u>	<u><b>10,779</b></u>	<u><b>10,779</b></u>
	<b>Total comprehensive income for the period attributable to the owner of the company</b>	<u><b>3,843</b></u>	<u><b>-17,189</b></u>	<u><b>-17,189</b></u>	<u><b>-9,495</b></u>	<u><b>10,779</b></u>	<u><b>10,779</b></u>
	* Restated financial information for comparative purposes						

Element	Title			
	<p>The table below sets out summary information extracted from EDP B.V.'s audited statement of financial position as at 31 December 2012 and 31 December 2013 and from EDP B.V.'s unaudited statement of financial position as at 30 June 2014:</p>			
	<b>Statement of Financial Position</b>			
		<b>Unaudited</b>		
		<b>Six Months</b>		
		<b>ended 30 June</b>	<b>Year ended 31 December</b>	
		<b>2014</b>	<b>2013</b>	<b>2012</b>
		<small>(Thousands of Euros)</small>	<small>(Thousands of Euros)</small>	
	<b>Assets</b>			
	Loans to and receivables from group entities	11,658,940	11,704,152	7,959,801
	Derivative financial instruments	80,135	48,663	141,930
	Total Non-Current Assets	<u>11,739,075</u>	<u>11,752,815</u>	<u>8,101,731</u>
	Loans to and receivables from group entities	3,248,993	3,975,605	7,508,470
	Derivative financial instruments	56,761	84,039	77,256
	Debtors and other assets	2,360	2,471	711
	Tax receivable	3,175	4,971	-
	Cash and cash equivalents	231,727	238,173	343,585
	Total Current Assets	<u>3,543,016</u>	<u>4,305,259</u>	<u>7,930,022</u>
	Total Assets	<u><u>15,282,091</u></u>	<u><u>16,058,074</u></u>	<u><u>16,031,753</u></u>
	<b>Equity</b>			
	Share capital	2,000	2,000	2,000
	Share premium	11,980	11,980	11,980
	Reserves and retained earnings	114,171	123,666	112,887
	Profit / (loss) for the period	3,843	-9,495	10,779
	Total Equity	<u>131,994</u>	<u>128,151</u>	<u>137,646</u>
	<b>Liabilities</b>			
	Debt securities	8,496,561	8,728,180	8,750,028
	Loans and credit facilities from third parties	3,497,450	3,404,831	3,653,295
	Derivative financial instruments	51,517	63,937	41,654
	Total Non-Current Liabilities	<u>12,045,528</u>	<u>12,196,948</u>	<u>12,444,977</u>
	Debt securities	2,004,828	1,642,504	591,304
	Loans and credit facilities from third parties	260,679	1,675,430	2,235,300
	Loans from group entities	757,805	113,492	100,111
	Amounts owed on commercial paper	80,000	280,000	480,000
	Derivative financial instruments	-2,766	19,935	7,019
	Trade and other payables	2,655	1,614	1,510
	Tax payable	1,368	-	33,886
	Total Current Liabilities	<u>3,104,569</u>	<u>3,732,975</u>	<u>3,449,130</u>
	Total Liabilities	<u>15,150,097</u>	<u>15,929,923</u>	<u>15,894,107</u>
	Total Equity and Liabilities	<u><u>15,282,091</u></u>	<u><u>16,058,074</u></u>	<u><u>16,031,753</u></u>

Element	Title					
	<p>The table below sets out summary information extracted from EDP B.V.'s audited statement of cash flows as at 31 December 2012 and 31 December 2013 and from EDP B.V.'s unaudited statement of cash flows as at 30 June 2013 and 30 June 2014, respectively:</p>					
	<p><b>Statement of Cash Flows</b></p>					
	<p style="text-align: center;"><b>Unaudited</b></p>					
	<b>Six Months Ended 30 June</b>			<b>Year Ended 31 December</b>		
	<b>2014</b>	<b>2013 *</b>	<b>2013</b>	<b>2013</b>	<b>2012*</b>	<b>2012</b>
	(Thousands of Euros)			(Thousands of Euros)		
	<b>Operating activities</b>					
	<b>Profit/(Loss) for the period</b>	3,843	-17,189	-17,189	-9,495	10,779
	<b>Adjustments for:</b>					
	Net interest income ((expense)	-15,838	18,786	18,786	2,814	-24,336
	Net other financial income and expenses	-4,786	6,318	-	-2,712	-42,522
	Tax income	1,274	-5,706	-5,706	-3,245	3,609
	Amortisation of discounts/premiums	-	-	15,956	-	-
		-15,507	2,209	11,847	-12,638	-52,470
	<b>Changes in:</b>					
	Loans to and receivables from group entities	1,009,776	69,766	-	-6,629	-2,003,571
	Debtors and other assets	112	-205	-205	-1,759	172
	Amounts owed on commercial paper	-200,000	213,000	165,251	-200,000	480,000
	Loans from group entities	644,314	165,251	213,000	13,381	-16,725
	Trade and other payables	-387	1,031	1,031	356	-2,087
	Tax payable	-	-	-1,370	-	31,987
	Provisions	-	-	-	-	-32,481
	Change in derivative financial instruments	-	-	147,431	-	-
	Change to debt securities	-	-	169,503	-	-
	Change in loans and credit facilities from third parties	-	-	7,604	-	-
	Changes in loans to group entities	-	-	-211,665	-	-
		1,438,308	451,052	502,427	-207,289	-1,595,175
		1,438,308	451,052	502,427	-207,289	-1,595,175
	Extension of loans to group entities	-	-	-3,353,281	-	-
	Redemption of loans to group entities	-	-	3,283,150	-	-
	Interest received	126,492	179,974	179,974	273,185	400,866
	Interest paid	-324,107	-318,223	-318,223	-573,778	-517,702
	Tax paid	1,771	-33,344	-33,344	-35,611	-3,204
	<b>Net cash flow from operating activities</b>	<b>1,242,464</b>	<b>279,459</b>	<b>260,703</b>	<b>-543,493</b>	<b>-1,715,215</b>
	<b>Cash flows from financing activities</b>					
	Proceeds from issued debt securities	1,256,334	-	-	1,531,023	1,718,430
	Redemption of debt securities	-1,177,911	-	-	-350,000	-1,607,920
	Proceeds of loans and credit facilities from third parties	200,075	1,036,244	1,055,000	1,709,410	1,932,679
	Redemption of loans and credit facilities from third parties	-1,526,322	-1,205,000	-1,205,000	-2,456,000	-375,000
	<b>Net cash flow from financing activities</b>	<b>-1,247,824</b>	<b>-168,756</b>	<b>-150,000</b>	<b>434,433</b>	<b>1,668,189</b>
	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>-5,360</b>	<b>110,703</b>	<b>110,703</b>	<b>-109,060</b>	<b>-47,027</b>
	Cash and cash equivalents at the beginning of the period	238,173	343,585	343,585	343,585	403,883
	Effect of exchange rate fluctuations on cash and cash equivalents held	-1,086	-1,955	-1,955	3,648	-13,272
	<b>Cash and cash equivalents at the end of the period</b>	<b>231,727</b>	<b>452,333</b>	<b>452,333</b>	<b>238,173</b>	<b>343,585</b>
	* Restated financial information for comparative purposes					
	<b>Statements of no significant or material adverse change</b>					
	<p>There has been no significant change in the financial or trading position of EDP or the EDP Group since 30 June 2014 and there has been no material adverse change in the financial position or prospects of EDP or the EDP Group since 31 December 2013.</p> <p>There has been no significant change in the financial or trading position of EDP B.V. since 30 June 2014 and there has been no material adverse change in the financial position or prospects of EDP B.V. since 31 December 2013.</p>					
<b>B.13</b>	Events impacting the Issuers' solvency	Not Applicable; there are no recent events particular to the Issuers which are to a material extent relevant to the evaluation of the Issuers' solvency.				

Element	Title	
<b>B.14</b>	Dependence upon other group entities	<p>EDP is the parent company of EDP Group. EDP is not dependent upon other entities within the EDP Group.</p> <p>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 companies, 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. Therefore, given its sole purpose as a funding vehicle for the EDP Group, EDP B.V. relies on the ability of other companies in the EDP Group to meet their financial obligations. It does not have any other sources of revenue.</p>
<b>B.15</b>	Principal activities	<p>EDP's principal activities include the generation, distribution and supply of electricity. EDP also distributes gas and acts as wind power operator.</p> <p>The principal activity of EDP B.V. is to raise funds in the international markets and to provide financial and investment services to the EDP Group.</p>
<b>B.16</b>	Controlling shareholders	<p>EDP B.V. is directly owned and controlled by EDP.</p> <p>EDP is neither directly nor indirectly owned or controlled by any one party.</p>
<b>B.17</b>	Credit ratings	<p>Each of EDP and EDP B.V. has been rated Ba1 by Moody's Investors Service Limited ("Moody's"), BBB- by Fitch Ratings Ltd. ("Fitch") and BB+ by Standard &amp; Poor's Credit Market Services France SAS, a Division of The McGraw-Hill Companies, Inc. ("Standard &amp; Poor's"). Instruments issued under the Programme with a maturity of more than one year have been rated Ba1 by Moody's, BBB- by Fitch and BB+ by Standard &amp; Poor's. Instruments issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating agency.</p>
<b>B.18</b>	Description of the Keep Well Agreement	<p>[EDP has entered into a Keep Well Agreement with EDP B.V., pursuant to which 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. 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 of Instruments do not have any direct rights against EDP. The Keep Well Agreement is not a guarantee and EDP has no obligation to pay any amounts due under the Instruments issued by EDP B.V.] / [Not Applicable]</p>
<b>B.19/B.1</b>	Legal and commercial name of the Keep Well Provider	EDP - Energias de Portugal, S.A.
<b>B.19/B.2</b>	Domicile/ legal form/	The Keep Well Provider is a limited liability company incorporated

Element	Title	
	legislation/ country of incorporation	and domiciled in the Portuguese Republic under Portuguese Law.
<b>B.19/B.4b</b>	Trend information	Not Applicable; there are no known trends affecting EDP and the industries in which it operates.
<b>B.19/B.5</b>	Description of the Group	EDP is a vertically integrated utility company and is the parent company of the EDP Group which operates in the business areas of generation, supply and distribution of electricity and supply and distribution of gas in Portugal, Spain, France, Belgium, Italy, Poland, Romania, the United States and Brazil.
<b>B.19/B.9</b>	Profit forecast or estimate	Not Applicable; no profit estimate or forecast is made regarding EDP.
<b>B.19/B.10</b>	Audit report qualifications	Not Applicable; there are no qualifications in the audit report on the historical financial information.
<b>B.19/B.12</b>	Selected historical key financial information:	Historical key financial Information about EDP as Keep Well Provider is the same as the historical key information for EDP as Issuer and is provided in Element B.12 above.
<b>B.19/B.13</b>	Events impacting the Keep Well Provider's solvency	Not Applicable; there are no recent events particular to EDP which are to a material extent relevant to the evaluation of the Keep Well Provider's solvency.
<b>B.19/B.14</b>	Dependence upon other Group entities	EDP is not dependent upon other entities within the EDP Group.
<b>B.19/B.15</b>	The Keep Well Provider's Principal activities	EDP's principal activities include the generation, distribution and supply of electricity. EDP also distributes gas and acts as a wind power operator.
<b>B.19/B.16</b>	Controlling shareholders	EDP is neither directly nor indirectly owned or controlled by any one party.
<b>B.19/B.17</b>	Credit ratings	EDP has been rated Ba1 by Moody's, BBB- by Fitch and BB+ by Standard & Poor's.  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.

### Section C – Securities

Element	Title	
<b>C.1</b>	Description of Instruments/ISIN	<p>The Instruments to be issued under the Programme may be Fixed Rate Instruments, Floating Rate Instruments, Zero Coupon Instruments, Instalment Instruments or a combination of the foregoing.</p> <p><b><i>Issuance in Series</i></b></p> <p>Instruments will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Instruments of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Instruments of each Tranche will all be subject to identical terms</p>

Element	Title	
		<p>in all respects.</p> <p><b>Forms of Instruments</b></p> <p><u>Bearer Instruments:</u></p> <p>Instruments may be issued in bearer form.</p> <p>Instruments in bearer form may initially be in the form of a Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for definitive bearer Instruments or a registered Instrument in definitive form in certain limited circumstances.</p> <p>Temporary Global Instruments may also be issued which are exchangeable for definitive bearer Instruments or registered Instruments on or after a specified date.</p> <p>Bearer Instruments in definitive form will, if interest bearing, have Coupons attached and, where the Instruments have more than 27 coupon payments, Talons for further Coupons.</p> <p>Each Bearer Global Instrument will be issued in either "Classic Global Note" or "CGN" form or in "New Global Note" or "NGN" form. CGN Instruments will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. and NGN Instruments will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p><u>Registered Instruments:</u></p> <p>Instruments may be issued in registered form.</p> <p>Instruments may initially be in the form of Global Registered Instruments, registered in the name of (i) a common depository for Euroclear and Clearstream, Luxembourg; or (ii) a common safekeeper for Euroclear and Clearstream, Luxembourg, and such Instruments will be exchangeable for registered Instruments in definitive form in certain limited circumstances.</p> <p>Each Tranche of Instruments represented by a Global Registered Instrument may or may not be held under the new safekeeping structure ("New Safekeeping Structure" or "NSS"). Instruments that are not held under NSS will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Instrument will be deposited on or about the issue date with the common depository. Instruments that are held under the NSS, will be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Registered Instrument will be deposited on or around the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p><u>Book Entry Instruments</u></p> <p>Instruments issued by EDP may be issued in dematerialised book-entry form ("<i>forma escritural</i>").</p> <p>Such Instruments will be held through Interbolsa and will either be (i) <i>nominativas</i> (in which case Interbolsa, at the request of the Issuer, can ask for information regarding the identity of the holders of the Instruments and</p>

Element	Title	
		<p>transmit such information to the Issuer); or (ii) <i>ao portador</i> (in which case Interbolsa cannot inform the Issuer of the identity of the holders). Form and title to the Book Entry Instruments will be evidenced by book entries.</p> <p>Form of the Instruments: [        ].</p> <p>Type of Instruments: [        ] Instruments.</p> <p>ISIN: [        ].</p> <p>Common Code: [        ].</p> <p>[The Instruments will be consolidated to form a single series with [identify earlier Tranches] on [Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, which is expected to occur on or about [date].]</p>
C.2	Currency	<p>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 (the "Specified Currency"), 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.</p> <p>Specified Currency: [        ].</p>
C.5	Restrictions on transferability	<p>There are no restrictions on the free transferability of the Instruments.</p>
C.8	Rights attached to the Instruments, including ranking and limitations on those rights	<p>Instruments issued under the Programme will be subject to, amongst others, the following terms and conditions:</p> <p><b>Status (Ranking)</b></p> <p>Instruments will constitute direct, unconditional, unsubordinated and (subject to the provisions of the Issuer's negative pledge below) unsecured obligations of the 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 Issuer, from time to time outstanding.</p> <p><b>Taxation</b></p> <p>All payments in respect of Instruments will be made without deduction for or on account of withholding taxes imposed by the Issuer's country of incorporation. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.</p> <p><b>Negative pledge</b></p> <p>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 whilst the Instruments remain outstanding.</p> <p><b>Events of default</b></p>

Element	Title	
		<p>(a) default in payment of any principal or interest due in respect of the Instruments, continuing for a specified period of time;</p> <p>(b) non-performance or non-observance by the Issuer (or, if the Issuer is EDP B.V., by EDP) of any of its other obligations under the conditions of the Instruments, the Trust Deed, or, in the case of Book Entry Instruments, the Interbolsa Instrument, in certain cases continuing for a specified period of time;</p> <p>(c) any indebtedness (other than the Instruments) of EDP B.V. (if EDP B.V. is the Issuer), or EDP, or certain subsidiaries of EDP becomes due and payable prior to its stated maturity as a result of a default, such indebtedness is not paid at its maturity, a guarantee or indemnity in respect of such indebtedness given by such company is not honoured when due and called upon, or any security interest over the assets of such company becomes enforceable, in certain cases where the indebtedness amounts to at least US\$50,000,000; and</p> <p>(d) events relating to the insolvency or winding up of EDP B.V. (if EDP B.V. is the Issuer), EDP or certain subsidiaries of EDP;</p> <p>(e) 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 certain of its subsidiaries, or EDP and those certain subsidiaries (including EDP B.V.) taken as a whole cease or threaten to cease to carry on the whole or a major part of their business;</p> <p>(f) any requirements 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, for the validity or enforceability of any such obligations, 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;</p> <p>(g) in relation to certain of its subsidiaries, EDP ceases 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 or, in relation to EDP B.V. (if EDP B.V. is the Issuer), EDP ceases to own directly or indirectly 100 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership or EDP shall cease to have direct or indirect control of certain subsidiaries or EDP B.V.; and</p> <p>(h) the Keep Well Agreement ceases to be in full force and effect.</p> <p><b>Meetings</b></p> <p>The terms of the Instruments will contain provisions for calling meetings of holders of such Instruments to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p><b>Governing law</b></p> <p>English law, except that with respect to Book-Entry Instruments only, the form and transfer of the Instruments, creation of security over the</p>

Element	Title	
		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.
C.9	Interest/Redemption	<p><b>Interest</b></p> <p>The terms of the relevant Series of Instruments will be agreed between the relevant Issuer and the relevant Dealer(s) at the time of the issue of such Series of Instruments.</p> <p>Nominal interest rate: [ ].</p> <p>Interest commencement date: [ ].</p> <p>Interest Payment date(s): [ ].</p> <p>Reference rate: [ ].</p> <p>Yield: [ ].</p> <p><b>Redemption, Maturity and Redemption Price</b></p> <p>The terms under which Instruments may be redeemed will be agreed between the relevant Issuer and the relevant Dealer at the time of issue of the relevant Instruments.</p> <p>Maturity: [ ].</p> <p>Redemption price: [ ].</p> <p>Provisions relating to early redemption: [ ].</p> <p><b>Representation of holders</b></p> <p>The Trustee, who represents the holders of Instruments other than Book Entry Instruments, is: Deutsche Trustee Company Limited.</p>
C.10	Derivative component in the interest payments	Not Applicable; there is no derivative component in the interest payments.
C.11 C.21	Listing and admission to trading / distribution	<p>Application will or has been made for Instruments to be admitted to trading on the Irish Stock Exchange. 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.</p> <p>[Application has been made for the Instruments to be admitted to trading on [ ] with effect from [ ].]</p> <p>[The Instruments are neither listed nor admitted to trading on or by any competent authority or stock exchange.]</p>

## Section D – Risks

Element	Title	
D.2	Key risks regarding the Issuers	<p>The key risks that are specific to the Issuers are as follows.</p> <p><b>Regulation:</b> The EDP Group’s operating results are highly affected by laws and regulations implemented by public entities in the various jurisdictions in which it operates. Changes to such laws and regulations may have an effect on concessions, licences and permits held by the EDP Group, taxes, levies and other charges to which it may be subject and also the development and profitability of energy projects.</p> <p>In addition, changes to environmental, health and safety laws and regulations to which EDP is subject that would result in them becoming more restrictive or less favourable, or if a stricter interpretation of current regulations were to be applied, this 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.</p> <p>EDP’s cash flow is also subject to possible changes in the amounts and timings of the recovery of regulatory receivables from the energy systems.</p> <p><b>Competition and demand:</b> EDP’s profitability, in particular from its supply activities may be affected by significant changes in energy demand in each of the countries where it operates. In the Iberian Peninsula, electricity generation is subject to licensing by the competent authorities, which is carried out in a competitive environment. Consequently, new electricity generation power plants may be licensed to EDP’s competitors in the markets where it operates, affecting the profitability of certain of its power plants. Furthermore, EDP may be unsuccessful in obtaining licences for the construction or operation of new power plants, and it could therefore be unable to increase or maintain its generation capacity or market share. EDP may also face competition as a result of the transmission of electricity from regions with excess capacity or lower energy prices. With respect to the development of wind power generation, EDP primarily faces competition in relation to bidding for or acquiring available sites and grid interconnection rights, and in setting prices for energy produced.</p> <p>In addition, the increase of competition in electricity and natural gas supply in liberalised markets in the Iberian Peninsula (where customers are free to choose their supplier) may reduce EDP’s margins and reduce its ability to sell electricity and natural gas to value added final customers.</p> <p><b>Profit Margin:</b> The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration of market conditions. This may result from an adverse imbalance between supply and demand in the electricity and natural gas markets in which EDP operates, 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, higher cost of power plant construction, a change in the technological mix of installed generation capacity and administrative decisions imposed by legislative and regulatory authorities. Although EDP currently uses and may use various financial and commodity hedging instruments as well as bilateral Power Purchase Agreements and long-term fuel supply agreements in order to mitigate market risks, there is no certainty that such strategies will successfully hedge all of these risks.</p>

Element	Title	
		<p><b>Counterparty Risk:</b> EDP is exposed to counterparty risk in some of its businesses such as its 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 Power Purchasing Agreements in the United States, Italy, Belgium and Brazil. 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.</p> <p><b>Macroeconomic Climate:</b> The global economy and the financial system have 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 EU countries including Portugal and Spain where EDP has a relevant presence, also accompanied by recessionary conditions and trends in many economies throughout the EU, including Portugal and Spain. 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 further deterioration of the global, Portuguese and Spanish economic cycle.</p> <p><b>Finance:</b> EDP's financial position may be adversely affected by a number of factors including restrictions on its ability to borrow from the capital markets and other lending sources and the cost of such borrowings which may be affected by changes to EDP's credit ratings and adverse market conditions and volatility in the global credit markets. EDP operates in a capital-intensive business and in particular has significant construction and capital expenditure requirements. The recovery of its capital investment occurs over a substantial period of time. EDP expects to finance a significant part of its capital expenditure from its operating activities. If it is unable to do so it may need to finance these expenditures from outside sources. It may not be possible to raise funds from outside sources on acceptable terms or at all leading to a reduction of its planned capital expenditures.</p> <p><b>Instruments issued by EDP B.V.:</b> The Instruments issued by EDP B.V. are obligations of EDP B.V. and not of EDP. The Keep Well Agreement entered into between EDP and EDP B.V. is not a guarantee and EDP has no obligation to pay any amounts due under the Instruments issued by EDP B.V.. Although under the terms of the Keep Well Agreement the Trustee may, on behalf of holders of any Instruments issued by EDP B.V., enforce EDP B.V.'s rights under that agreement against EDP to require it in certain circumstances to make available funds sufficient to enable EDP B.V. to meet its payment obligations, holders of Instruments issued by EDP B.V. do not have any direct rights against EDP.</p>
D.3	Key risks regarding the Instruments	<p>Changes in interest rates will affect the value of Instruments which bear interest at a fixed rate – if market rates increase above the rate paid on the Instrument, the value of the Instrument will be adversely affected.</p> <p>If the Issuers have the right to redeem any Instruments at their option, this may limit the market value of the Instruments concerned. During any period when the Issuers may elect to redeem the Instruments, and potentially prior to this period, the market value of the Instruments will generally not rise above the price at which they can be redeemed. Investors may also be unable to reinvest redemption proceeds at an effective yield as</p>

Element	Title	
		<p>high as the yield on the Instruments being redeemed.</p> <p>Fixed/Floating Rate Instruments which bear interest at a rate that converts, at the option of the Issuer, from a fixed rate to a floating rate, or vice versa, may be issued under the Programme. If the Issuer elects to exercise such option, this will affect the secondary market and the market value of the Instruments, since the Issuers may be expected to convert the rate to produce a lower overall cost of borrowing. This means that where the Issuers convert from a fixed rate to a floating rate, the spread on these Instruments may be less favourable than then prevailing spreads on comparable Floating Rate Instruments tied to the same reference rate. The new floating rate may also be lower than the rates on other Instruments and where the Issuers convert from a floating rate to a fixed rate, the fixed rate may also be lower than then prevailing market rates.</p> <p>Instruments may be issued under the Programme at a substantial discount or premium to their principal amount and the market values of these Instruments tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest bearing securities. Generally, there will be greater price volatility the longer the term remaining on the Instrument.</p> <p>Inverse Floating Rate Instruments (where the interest rate is equal to a fixed rate minus a rate based on a reference rate) may be issued under the Programme and the market values of these Instruments will typically be more volatile than that of conventional Floating Rate Instruments. This is because in addition to decreasing the interest rate of the Instruments, an increase in the reference rate may reflect an increase in prevailing interest rates, which may further adversely affect the market value of these Instruments.</p> <p>An investor may not receive payment of the full amounts due in respect of Instruments as a result of amounts being withheld by the Issuer in order to comply with applicable laws.</p> <p>Investors who purchase Instruments in denominations that are not an integral multiple of the specified denomination may be adversely affected if definitive Instruments are subsequently required to be issued.</p> <p>There may be no or only a limited secondary market in the Instruments and this would adversely affect the value at which an investor could sell his Instruments.</p> <p>The value of an investor's investment may be adversely affected by exchange rate movements where the Instruments are not denominated in the investor's own currency.</p> <p>Any credit rating assigned to the Instruments may not adequately reflect all the risks associated with an investment in the Instruments.</p>

**Section E – Offer**

Element	Title	
<b>E.2b</b>	Reasons for the offer	The net proceeds from each issue of Instruments issued by EDP, will

Element	Title	
	and use of proceeds	<p>be applied by EDP for its general corporate purposes.</p> <p>The proceeds of Instruments issued by EDP B.V. will be on-lent to, or invested in, EDP Group companies.</p>
E.3	Terms and conditions of the offer	<p>Under the Programme, the Instruments may be offered to the public in a Public Offer in [Ireland or Portugal].</p> <p>The terms and conditions of each offer of Instruments will be determined by agreement between the Issuer and the relevant Dealer at the time of issue and specified in the applicable Final Terms. An Investor intending to acquire or acquiring any Instruments in a Public Offer from an Authorised Offeror will do so, and offers and sales of such Instruments to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements.</p> <p>[Not Applicable – the Instruments are not being offered to the public as part of a Public Offer.]</p> <p>[The issue of the Instruments is being offered in a Public Offer in [Ireland] [and] [Portugal].]</p> <p>Offer Price: [ ]</p> <p>Conditions to which the offer is subject: [ ]</p> <p>Offer Period: [ ]</p> <p>Description of the application process: [ ]</p> <p>Details of the minimum and/or maximum amount of application: [ ]</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [ ]</p> <p>Details of the method and time limits for paying up and delivering the Instruments: [ ]</p> <p>Manner in and date on which results of the offer are to be made public: [ ]</p>

Element	Title	
		<p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [ ]</p> <p>Whether tranche(s) have been reserved for certain countries: [ ]</p> <p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [ ]</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [ ]</p> <p>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [ ]</p>
<b>E.4</b>	Interests material to the issue/offer	<p>There are no interest(s) material to issues of the Instruments under the Programme, save for any fees payable to the Dealer(s) acting as underwriters of issues of Instruments and that any Dealer and its affiliates may also have engaged, and may in the future engage in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuers and their affiliates in the ordinary course of business.</p> <p>[The [Dealers/ Managers] will be paid aggregate commissions equal to [ ] per cent. of the nominal amount of the Instruments.]</p> <p>The following additional interest(s) are material to issues of the Instruments: [ ].</p>
<b>E.7</b>	Expenses charged to the investor by the Issuer or an offeror	<p>Not applicable. No expenses will be chargeable by the Issuer to an Investor in connection with any offer of Instruments. Any expenses chargeable by a Relevant Dealer or an Authorised Offeror to an Investor shall be charged in accordance with any contractual arrangements agreed between the Investor and such Relevant Dealer or an Authorised Offeror at the time of the relevant Public Offer.</p>

## RISK FACTORS

*An investment in the Instruments involves risks. Each of the Issuers believes that the following factors may affect its ability to fulfil its obligations under the Instruments. These factors are contingencies which 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.*

*Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with the Instruments are also described below.*

*The Issuers believe that the factors described below represent the principal risks inherent in investing in the Instruments, but the Issuers may be unable to pay interest, principal or other amounts on or in connection with any Instruments for other reasons and the Issuers do not represent that the statements below regarding the risks of holding any Instruments are exhaustive. Accordingly, the factors detailed in this section should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Prospective investors should also 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 are to EDP and its group of companies.*

### RISKS RELATED TO EDP BUSINESS

**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, distribution and supply of electricity (including the development, construction, licensing and operation of power plants and distribution grids), distribution 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, France, Belgium, Italy, Poland, Romania, Canada and the United States. The laws and regulations affecting EDP's activities in these countries may vary by jurisdiction and may be subject to modifications, including those unilaterally imposed by regulators and legislative authorities or as a result of judicial or administrative proceedings or actions, that may make such laws and regulations more restrictive or in other ways less favourable to EDP. 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. Changes to these laws and regulations, or the enactment of additional laws and regulations, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

The development and profitability of renewable energy projects is significantly dependent on policies and regulatory frameworks that support such development. Member States of the European Union, including the European countries in which EDP operates or has pipeline projects, and many states in the United States and the U.S. federal government have adopted policies and measures that actively support renewable energy projects. Support for renewable energy sources has been strong in recent years and EDP has benefited from such support in the past. Both the European Union and various U.S. federal and state bodies have regularly reaffirmed their desire to continue and strengthen such support. However, EDP cannot guarantee that such support, policies or regulatory frameworks will be maintained. Changes to these could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

Concessions, licences and permits might, in some cases, be granted for certain periods of time only or might be 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 and the loss of any of these assets may adversely affect EDP's business, financial condition, prospects or results of operations. Moreover, the expiration or termination of concessions, licences or permits might limit EDP's ability to conduct its business in an entire jurisdiction and,

consequently, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

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 from time to time. EDP cannot guarantee that current laws and regulations will not be rapidly or significantly modified in the future, whether in response to public pressure or initiated by regulatory, judicial or legislative authorities. Any such modifications could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**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 that could have a material adverse effect on its business, financial condition, prospects or results of operations. These include national, regional and local laws and regulations of the different countries in which EDP operates, as well as supra-national laws, particularly EU 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 pollution, waste disposal and electromagnetic fields.

EDP's thermal electricity generation operations, particularly coal-based power plants, are significantly affected limited and regulated by legislation aimed at reducing emissions of CO<sub>2</sub> and other greenhouse gases. EDP's thermal plants in Portugal, which are subject to the stranded costs compensation mechanism approved under Decree-Law no. 240/2004, of 27 December, subsequently amended by Decree-law no. 199/2007, of 18 May, Decree-Law no. 264/2007, of 24 July, and Decree-Law no. 32/2013, of 26 February, designated as CMEC ("CMEC") have the right to allocate costs of CO<sub>2</sub> emissions into the system tariff until the original date of termination of the Power Purchasing Agreement ("PPA") concerning each plant, which will be at the end of 2017 in the case of EDP's main coal-based power plant at Sines.

Although EDP's past and planned future investments in new generation facilities assume that there will be no allocation of CO<sub>2</sub> emission allowances from 2013 onwards and that such emission allowances will be even more restricted over time, EDP continues to operate according to its current CO<sub>2</sub> risk management practices and according to the 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. Such matters may adversely affect EDP's business, financial conditions, prospects or results of operations.

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 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.

The EU Large Combustion Plant ("LCP") Directive 2001/80/EC, of the European Parliament and of the Council of 23 October 2001, as amended by Directives 2006/105/EC of the Council, of 20 November 2006, and 2009/31/EC of the European Parliament and of the Council, of 23 April 2009 (the "LCP Directive") regulates industrial pollution and aims to reduce emissions of acidifying pollutants, particles and ozone precursors. By 2016, the LCP Directive will be repealed and replaced by Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010.

The main strategy adopted by EDP to comply with the LCP Directive and with applicable national law (notably with the recent Decree-Law no. 127/2013, of 30 August, which implements into national law the Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 and repeals the former Decree-law no. 178/2003, of 5 August which implemented the LCP Directive) involved installing desulphurisation ("DeSOx") and denitrification ("DeNOx") systems in its most efficient coal plants.

After a two-year review process, the European Commission adopted on 21 December 2007 a proposal for a Directive on industrial emissions to minimise pollution from various industrial sources throughout the European Union (the "IPPC Directive"). The proposal recasts seven existing Directives related to industrial emissions into a single clear and coherent legislative instrument. The recast includes the then-existing Directive on integrated pollution prevention and control, the Large Combustion Plants Directive, the Waste Incineration Directive, the Solvents Emissions Directive and three Directives on Titanium Dioxide.

The new IPPC Directive was codified (Directive 2008/1/EC of the European Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control), amended by Directive 2009/31/CE of the European Parliament and of the Council, of 23 April 2009) and entered into force on 18 February 2008. Decree-Law no. 127/2013, of 30 August, also repealed Decree-Law no. 173/2008, of 26 August (which implemented the IPPC Directive into national Portuguese law) and 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 protection of the environment as a whole, requiring EDP (and other market participants) to make additional investments in its thermal power plants or to reduce the operation of such thermal power plants. As part of EDP's response to such requirements, EDP invested in DeSOx and DeNOx facilities in some of its coal plants. Currently, EDP has DeSOx facilities in Sines (Portugal) and Aboño 1, Aboño 2 and Soto 3 (all in Spain). Additionally, EDP also has DeNOx facilities in its coal plant in Sines (Portugal). The remaining coal plants continue to operate with no active restriction stemming from these requirements. These (or future) investments or reductions in the operations could have a material adverse effect on EDP's business operations, financial condition, prospects and results of operations.

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, which could have a material adverse effect on its business, financial condition, prospects or results of operations.

EDP has incurred, and will continue to incur, regular capital and operating expenditures and other costs 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 assurance that such significant 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. The occurrence of any of these events could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

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 the real costs incurred. Therefore, any significant increase in or unanticipated dismantling costs could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**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 and Spain. EDP's electricity distribution activities in Brazil are also subject to regulatory receivables that, however, are not recognised for accounting purposes under International Financial Reporting Standards ("IFRS"). These regulatory receivables are to be recovered/returned to the energy system within a pre-determined time period and any changes in the amount and timings of the recovery of such receivables may have an impact on EDP's cash flow. As of June 2014, the net amount of regulatory receivables and payables recognised on EDP's statement of financial position to be recovered from the Portuguese and Spanish energy systems amounts to a regulatory receivable of € 2,262 million, which includes the tariff adjustments and the annual revision mechanism under the CMEC.

With respect to 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. This amount of tariff deficit/surplus is to be received/returned from/to the electricity system within a defined time period that is set by the relevant regulator. 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 was able to sell a significant part of its credits for these amounts without recourse while the remaining amounts are still to be received. There is no assurance that, in the future, new amounts of regulatory receivables will continue to be generated or that final amounts received will not be different from the amounts initially expected, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

Some of EDP's electricity generating power plants in Portugal are subject to the CMEC legislation, which was designed, following the early termination of the corresponding PPAs on 1 July 2007, to ensure parity between the revenues expected in a market regime based on the initial compensation value (calculated by reference to amounts expected to be received under the PPAs) and the revenues actually obtained in the market. The CMEC payment is subject to an annual revision during the first ten years of implementation, which is expected to involve financial compensation between EDP and the electricity system to be received or paid in the year after, ensuring that the company is compensated by receiving what it would have received or been paid if the power plants were still operating under PPAs. Finally, although the "true-up" system of the CMEC allows for recovery in the year following a year in which there was a failure of collections, the operation of the CMEC in any given year may also be affected by significant decreases in the level of contracted power or by a significant failure of the electricity system to collect tariffs from consumers. Since its implementation, annual revisions and the recovery periods have been broadly in line with the initial rules, with some exceptions in the last three years, when longer deferrals (up to 5 years) have been imposed on the recovery of the outstanding revisions. Failure to recover any amounts under the CMEC could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**The profitability of EDP's hydro power plants is affected by variable river flows at the sites of its operations, which are dependent on weather conditions.**

As of June 2014, hydro power plants represented approximately one-third of EDP's total installed capacity of electricity generation, amounting to 7,510 MWs out of a total 22,079 MWs. During the development phase and prior to the construction of any hydro power plant, EDP conducts a study to evaluate the potential river flows at the proposed site, which may vary as a result of seasonal fluctuations in river currents and, over the long term, as a result of more general climate changes and shifts. EDP bases its core assumptions and investment decisions on the findings of these studies. The expected levels of electricity generation output from EDP's hydro power plants in operation, under construction and under development are based essentially on historical averages of river flows at the site of each power plant, which are highly dependent on weather conditions, particularly rain, which varies substantially across the different locations of the power plants, seasons and years. Moreover, the upstream use of river flows for other purposes, restrictions imposed by legislation or the impact of climate change may also result in a reduction in the water flow available for electricity generation purposes. EDP cannot guarantee that actual weather conditions at a project site will conform to the assumptions that were made during the project development phase on the basis of such studies and, therefore, it cannot guarantee that its hydro power plants will be able to meet their anticipated generation levels. Failure by EDP's hydro power plants to meet the anticipated generation levels could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**The profitability of EDP's wind power plants is affected by variable wind speeds at the sites of its operations, which are dependent on weather conditions.**

As of June 2014, wind power plants represented 35 per cent. (or 7,710 MWs) of EDP's installed capacity of electricity generation. The expected levels of electricity generation output from EDP's wind power plants in operation, under construction and under development are based on historical averages of wind speeds at the power plants' sites, which are highly dependent on weather conditions, particularly wind levels, which vary materially across the different locations of the power plants, seasons and years. Variations in wind conditions at wind farm sites occur as a result of daily, monthly and seasonal fluctuations in wind currents and, over the longer term, as a result of more general climate changes and shifts. Because turbines will only operate when wind speeds fall within certain specific 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. During the development phase and prior to the construction of any wind power plant, EDP conducts studies to evaluate the potential wind speeds of the site. EDP bases its core assumptions and investment decisions on the findings of these studies. EDP cannot guarantee that observed weather conditions at a project site will conform to the assumptions that were made during the project development phase on the basis of such studies and, therefore, EDP cannot guarantee that its wind power plants will be able to meet their anticipated production levels. In Portugal, France and Brazil, marginal prices of wind power are inversely related to total annual generation levels, which partly limits, but does not eliminate, the impact of less favourable wind conditions on EDP's profitability. Variations and/or decreases of electricity generation output from EDP's wind power plants, or the inability of EDP to generate electricity in its wind power plants due to the lack of wind, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**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, both those in operation and under construction, 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 a variety of 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, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's thermal power plants in Portugal operating under the CMEC, and the Pecém coal plant in Brazil, which is fully operational and operates under a long-term PPA, are all able to pass through their fossil fuel costs, in accordance, respectively, with the CMEC rules and the terms of the PPA. However, the profitability of these plants could be reduced if actual levels of availability are below contracted levels, for example, due to a shortage of fossil fuels. EDP's ordinary regime thermal power plants in the Iberian Peninsula's liberalised market, which are not subject to CMEC legislation or to PPAs, are fully exposed to changes in fossil fuel costs and, therefore, variations of the fossil fuel costs could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

The gas that EDP buys for use in its combined cycle gas turbine power plants ("CCGTs") or to be supplied to its gas customers in Portugal and Spain, is currently furnished primarily through long-term contracts with Galp, Eni, Sonatrach, Gas Natural and Atlantic LNG, under which the gas is delivered both through liquified natural gas ("LNG") terminals (principally originating in Nigeria) and international pipelines (mainly originating in Algeria). The supply chain of gas to the Iberian Peninsula through foreign countries 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. Disruptions in the supply chain of natural gas and/or the enforcement of "take-or-pay clauses" could have a material adverse effect on EDP's business, financial condition, prospects or results of operations. 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. In 2013, roughly one-half of all coal purchased by EDP was bought directly from companies that produce the raw material and the other 50 per cent. was purchased from coal traders. In 2013, the main sources of coal were Colombia (79 per cent.) and the United States (12 per cent.), followed by Russia, Norway and South Africa.

EDP's Aboño thermal plant in Spain and a neighbouring steel plant have a large-volume supply contract for blast furnace gas with relatively favourable terms compared to current market prices, which significantly reduces EDP's generation costs at that plant. Nevertheless, the volume of blast furnace gas available for EDP to purchase depends on the steel plant's production levels, which can change significantly. Any gas shortage for the Aboño plant is replaced by coal purchases, and therefore changes in coal spot or forward prices could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

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

EDP's profitability from the distribution of electricity and natural gas in Portugal is primarily dependent on fixed parameters set by *Entidade Reguladora dos Serviços Energéticos* ("ERSE") for the regulatory period for electricity and on specific return levels defined for the applicable 40-year concession period for gas (starting 1 January 2008). Profitability of power plants subject to PPAs and the CMEC system are also not materially affected by changes in demand during the life of the CMEC system. However, significant changes in demand for electricity and natural gas in the markets in which EDP operates may have an impact on the profitability of EDP's other business activities, such as 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 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 the company's expectations, and thus could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's electricity generation plants that are in operation and under development may be subject to increasing competition in their respective markets or regions.**

In the Iberian Peninsula, electricity generation is subject to licensing by the competent authorities, which is carried out in a competitive environment. Consequently, new electricity generation power plants may be licensed to EDP's competitors in the markets in which it operates, affecting the profitability of its liberalised market power plants that are in operation, under construction or under development. Furthermore, EDP may be unsuccessful in obtaining licences for the construction or operation of new power plants, and it could therefore be unable to increase or maintain its generation capacity or market share.

EDP's electricity generation capacity in the Iberian Peninsula has grown significantly in recent years, particularly through the construction of new CCGTs and new wind power plants. In addition, there are still a significant number of already licensed CCGTs and wind power projects that are currently under construction or under development in the region by other companies outside the EDP Group. Conversely, demand in the Iberian Peninsula has been depressed for some years. In 2013, electricity consumption grew by 0.2 per cent. for the first time since 2010. Consumption in Portugal in 2013 was in line with 2006 consumption and is 6 per cent. below the peak consumption in 2010. In Spain, electricity consumption decreased by 2 per cent. in 2013 and is 7 per cent. below the peak consumption in 2008. The electricity and gas demand in the Iberian Peninsula, together with the increase of installed capacity described above, may lead to a situation of overcapacity in Spain, and to a lesser extent in Portugal, for an indeterminate period of time affecting the recoverability of investments made.

The improvement of electricity interconnections with markets or regions with excess capacity or lower energy prices than those in the markets or regions in which EDP operates power plants may also affect the profitability of EDP's plants. The electricity transmission grid operators in Portugal and Spain, REN – Rede Eléctrica Nacional, S.A. ("REN – Rede Eléctrica", a subsidiary of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. ("REN")) and Red Eléctrica de España, S.A. ("REE"), respectively, have been investing significantly in the improvement of transmission grid capacity in both countries and in the inter-connection grid between the two countries. REE and the French electricity grid operator have also been planning to expand the electricity inter-connection grid between Spain and France. Although the profitability of EDP's electricity generation capacity currently under the CMEC system in Portugal or under a special regime (including some wind, mini-hydro, cogeneration and biomass power) in the Iberian Peninsula is not exposed to the electricity pool price risk, in the long term, the end of the CMEC system combined with improved electricity interconnections could increase competition for EDP's power plants and could have a material adverse effect on EDP's business, financial condition, prospects or results of operations. By December 2013, three of

EDP's power plants currently under the CMEC system were transferred to the liberalised market. By December 2015, an additional eight hydro plants are expected to be operated in the liberalised market, and, from 2017 onwards, the operation of the remaining plants under the CMEC system will be subject to volume and price risk.

With respect to the development of wind power generation, EDP primarily faces competition in bidding for or acquiring available sites (particularly sites with favourable wind resources and existing or potential interconnection infrastructure), in bidding for or acquiring grid interconnection rights, and in setting prices for energy produced. In certain European countries, interconnection rights to electricity transmission and distribution grids, which are critical for the development of wind farms, may be granted through tender processes. 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 projects. In addition, not all of EDP's existing or future interconnection rights will be sufficient to allow EDP to deliver electricity to a particular market or buyer. Wind 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. Competition in the renewable energy sector could therefore have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration of market conditions.**

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 MWh 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.

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 electricity price in the market 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, which could have a material adverse effect on EDP's business, financial condition, prospects and results of operation.

Payments for electricity sold by certain of EDP's wind farms depend, at least in part, on market prices for electricity. In Spain, certain wind energy projects receive the Spanish pool price and a premium per MW, if necessary, in order to achieve a target return established as the Spanish 10-year Bond yields plus 300bps (the premium calculation is based on standard assets: standard load factor, production and costs). In the United States, EDP sells its wind power output mainly through long-term PPAs, which define the sale price of electricity for the duration of the contract. Nevertheless, where 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. A decline in market prices for energy below levels expected by EDP could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

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. 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 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, which could have a material adverse effect on its business, financial condition, prospects or 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 implementation by Portugal and Spain of EU directives that are intended to create competitive electricity and natural gas supply markets (including, for instance, the limitation of access to regulated end-user tariffs or increased competitiveness in such markets) could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

In fact, pursuant to the implementation of such EU directives, electricity consumers in Portugal have been free to choose their electricity supplier since 2006. After 2008, the size of the liberalised markets increased considerably. In June 2014, accumulated electricity consumption in the liberalised market represented about 76 per cent. of total consumption. EDP operates as the "last resort" supplier in the Portuguese electricity supply business through EDP Serviço Universal, S.A. and acts as a common supplier in the liberalised market through EDP Comercial—Comercialização de Energia S.A. ("EDP Comercial").

In addition, pursuant to Portuguese legislation, a process of phasing-out of the regulated end-user tariff, levied by the "last resort" supplier, for large clients (very high, high, medium and special low voltage) in mainland Portugal has been undergoing with a transitory regulated tariff continuing to be applied until 31 December 2014 (except for very high voltage, in respect of which the transitory regulated tariff is no longer available). The regulated end-user tariff for normal low voltage clients is also in a phasing-out process with a transitory regulated tariff being applied until 31 December 2014 (for clients with a contracted capacity between 10.35 kVA and 41.4 kVA) or 31 December 2015 (for clients with a contracted capacity below 10.35 kVA).

In the natural gas sector, regulated end-user tariffs, levied by the "last resort" suppliers, for large clients (with an annual gas consumption greater than 10,000 m<sup>3</sup>) are also in a phasing-out process with a transitory regulated tariff being applied until 30 June 2015. For clients with annual gas consumption up to 10,000 m<sup>3</sup>, a transitory regulated tariff will apply until (i) 31 December 2014, for clients with an annual consumption greater than 500 m<sup>3</sup> and (ii) 31 December 2015, for clients with an annual gas consumption up to 500 m<sup>3</sup>. EDP operates as the "last resort" supplier in determined areas of Portugal through EDP Gás Serviço Universal, S.A. and acts as a common supplier in the liberalised market through EDP Comercial.

In Spain, retail tariffs for electricity were phased out in June 2009, and substituted by a last resort tariff system. Thus, since 1 July 2009, last resort consumers (low-voltage consumers whose contracted power is less than or equal to 10 kW) have been able to choose between their last resort supplier and several common suppliers in the liberalised market. All other consumers are supplied in the liberalised market. EDP's subsidiary HC Energia is the last resort supplier of electricity in the Asturias region. Gas retail tariffs no longer exist in Spain, meaning that gas customers are able to choose between their last resort supplier and several common suppliers in the liberalised market. EDP's subsidiary Naturgas is the last resort supplier of gas in the Asturias region. In the future, more competing suppliers are expected to enter the market and engage in electricity sales. The effects of this increased competition could materially and adversely affect EDP's sales of electricity and gas.

In addition, EDP cannot anticipate the various risks and opportunities that may arise from the ongoing liberalisation in the Iberian Peninsula's electricity and natural gas markets. The complete implementation of the liberalisation process, with the end of regulated retail tariffs, the eventual end of the role of last resort suppliers, and the resulting competition could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's renewable activities in the United States may be adversely affected by changes in current renewable support schemes or the failure of such support schemes to materialise due to adverse market conditions.**

In the United States, the federal government currently supports renewable energy primarily through tax incentives and a grant programme to reimburse a portion of eligible capital costs. In addition, many state governments have implemented Renewable Portfolio Standards (“RPS”) that typically require that, by a specified date, a certain percentage of a utility’s electricity supplied to consumers within such state is to be from renewable sources. Historically, the main tax incentives have been the federal production tax credit (“PTC”) and the five-year depreciation for eligible assets under the Modified Accelerated Cost Recovery System (“MACRS”). In February 2009, a new U.S. federal law allowed renewable energy projects to elect, in lieu of the PTC, for an investment tax credit (“ITC”) or cash grant equal to 30 per cent. of the capital invested in the project. The cash grant was available only for projects that began construction before the end of 2011. In January 2013, the PTC and ITC for wind projects were extended to apply to new projects for which construction began before 1 January 2014. As of July 2014, the PTC and option to elect an ITC have not been further extended. The PTC legislation was first enacted in 1992 and has historically been extended by the U.S. Congress for one- to four-year periods. While in the past the PTC has consistently been extended, it has been allowed to expire three times before being subsequently extended, thereby creating a lapse period. In each case, the U.S. Congress applied the PTC retroactively to cover such lapse period; however the periodic expiration and uncertainty of the legislative process with respect to extensions affected industry participants. No comparable legislative history exists for the ITC or grant programme since they were not options for wind energy projects until 2009. There can be no assurance that the PTC, the ITC or the cash grant programme will be extended beyond their current expiration dates. With respect to asset depreciation under MACRS, in February 2008, a new U.S. federal law provided for a temporary 50 per cent. bonus depreciation with 5-year MACRS utilised to recover the remaining basis. This bonus depreciation applies to eligible projects placed in service before 31 December 2013. This temporary bonus depreciation has been extended four times since 2008. However, there can be no assurance that the 50 per cent. bonus depreciation will be extended beyond its current expiration. While the underlying MACRS system has been in place since 1986, and EDP expects the system to remain unchanged going forward, there can be no assurance that MACRS treatment will not be discontinued in the future.

EDP’s ability to take advantage of the benefits of the PTC, ITC and depreciation incentives (but not the cash grant programme) 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 (1) EDP will have sufficient taxable income in the United States to utilise the benefits generated by these tax incentives or (2) 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).

In addition to U.S. federal tax incentives, at the state level, RPS provide support for EDP’s business by mandating 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. A majority of states, the District of Columbia and four U.S. territories have RPS targets. While the RPS targets are mandatory in most of the states, the District of Columbia and two U.S. territories, certain states and two U.S. territories have voluntary, rather than mandatory, targets. Although additional states may consider the enactment of 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. See ‘EDP Group—Regulatory Framework—United States’ for further information.

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

EDP faces risks relating to the construction of its electricity generation 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.

Any such setbacks may result in delays in the completion of a project and other unforeseen construction costs or budget overruns, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's revenues are heavily dependent on the effective performance of the equipment it uses in the operation of its power plants and electricity and natural gas 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 and natural gas 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 and natural gas 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. Accordingly, any significant expenses incurred by failures, defects or accidents relating to EDP's operating equipment and infrastructure could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**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.

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. In particular, while EDP believes that its equipment has been well designed and manufactured and is subject to rigorous quality control tests, quality assurance tests, and is in compliance with applicable health and safety standards and regulation, 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 and employees 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.

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. Violations of environmental laws in certain jurisdictions may also result in criminal penalties, including in some cases with respect to certain violations of laws protecting migratory birds and endangered species.

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 Hidrocarburo, 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. Current 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 currently 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 Hidrocarburo'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.

The occurrence of one or more of any of these natural and man-made disasters, and any resulting civil liabilities or other losses, could have an adverse effect on EDP's business, financial condition, prospects or results of operations.

**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 for which EDP has acquired operating licences and over which it has no control. The introduction of new technologies and the development of new uses, such as social networking, expose EDP to new threats. In addition, the 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 result in breaches of confidentiality, delays or loss of data and have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**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.

While EDP seeks (in these and other areas of its activity) to mitigate counterparty risk by entering into transactions with creditworthy entities, by diversifying counterparties and by requiring credit support, there can be no assurance that EDP is sufficiently protected from counterparty risk. 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. Any significant non-compliance, insolvency or liquidation of EDP's customers or counterparties could have a material adverse effect on its business, financial condition, prospects or results of operations.

**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 and natural gas distribution 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. These events may result in increased costs and other losses which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

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. Any such legal proceedings or sanctions could, in turn, have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

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. If EDP were to incur a substantial uninsured loss or a loss that significantly exceeded the limits of its insurance policies, or if reviews of EDP's insurance policies led to less favourable terms, such additional costs could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP may not be able to sufficiently keep pace with technological changes in the rapidly evolving energy sector in order to maintain and increase its business operations competitiveness.**

The technologies used in the energy sector have changed and may change and evolve rapidly in the future, and 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 changes in technology. In particular, technologies related to power generation and electricity transmission 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 on account of an insufficient integration of new technologies in its operations. As a result, EDP's failure to respond to current and future technological changes in the energy sector in an effective and timely manner could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**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: (1) economic volatility; (2) exchange rate fluctuations and exchange controls; (3) differing levels of inflationary pressures; (4) differing levels of government involvement in the domestic economy; (5) political uncertainty; and (6) 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 exposed to currency translation risk when the accounts of its Brazilian, U.S. and non-Eurozone (e.g. Poland and Romania) businesses, denominated in the respective local currencies, are translated into its consolidated accounts, denominated in Euros. EDP cannot predict movements in such non-Euro currencies, particularly the Brazilian Real and the U.S. dollar, and a major devaluation of such currencies could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

Certain of EDP's operating subsidiaries (particularly in the United States, Brazil, Romania and Poland) 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 the currency of its costs and revenues 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. The occurrence of any of these events could materially adversely affect EDP's business, financial condition, prospects or results of operations.

**EDP is exposed to the uncertainty of the macroeconomic climate.**

The global economy and the global financial system have 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 EU countries including Portugal and Spain where EDP has a relevant presence. This market dislocation has been accompanied by recessionary conditions and trends in many economies throughout the EU, including Portugal and Spain.

In this respect, in 2011, the Portuguese Republic announced that it had entered into a memorandum of understanding with the European Commission, the International Monetary Fund and the European Central Bank, in

relation to a stabilisation programme. The programme provided for significant financial assistance to Portugal, with up to €78 billion available for the period from 2011 to 2014, conditional on Portugal's compliance with a series of budgetary targets and structural measures. The stabilisation programme has been terminated on 17 May 2014 with most of the budgetary targets and structural measures having been implemented by the Portuguese Government. However, there is no guarantee that adverse macroeconomic conditions will not be experienced again in the near future by the Portuguese economy. Should this be the case, it could lead to a need for additional external assistance or additional measures being taken by the Portuguese Government in respect of the energy sector which could in turn have a material adverse effect on EDP's business, financial conditions, results of operations and future prospects.

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 further deterioration of the global, Portuguese and Spanish economic cycle. Any further deterioration of the current economic situation in Portugal, Spain or any other country where EDP is present could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP operates in a capital-intensive business and a significant increase in capital costs could have a material adverse effect on its business, financial condition, prospects or results of operations.**

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 equipment for the power plants and civil construction services. The price of such equipment or civil construction services may increase, or continue to increase, if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities and raw materials used to build such equipment increase. 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. A significant increase in the costs of developing and constructing EDP's power plants or associated energy facilities could have a material adverse effect on EDP's ability to achieve its growth targets and its business, financial condition, prospects or results of operations.

**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 out of the cash flows from its operating activities. If these sources are not sufficient, however, EDP may have to finance certain of its planned capital expenditures from outside sources, including bank borrowing, sales of minority interests, offerings in the capital markets, institutional equity partnerships and state grants. 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. Any such reduction could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's financial position may be adversely affected by a number of factors, including restrictions in borrowing and debt arrangements, changes to EDP's credit ratings and adverse changes and volatility in the global credit markets.**

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. Accordingly, 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 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 (approximately 52 per cent. of EDP's debt as of 30 June 2014). In addition, 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's sources of liquidity include short term deposits, revolving credit facilities and underwritten commercial paper programmes with a diversified group of creditworthy financial institutions. Should the creditworthiness of these financial institutions significantly change, EDP's liquidity position could be negatively affected.

If EDP is unable to access capital at competitive rates or at all, its ability to finance its operations and implement its strategy will be affected, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

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

EDP grants some of its employees a supplementary retirement and survival plan (the "pension plan"). The liabilities and corresponding annual costs of the 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 becomes underfunded according to local regulations, EDP or its relevant subsidiary may be required to make additional contributions to the fund, which could have an adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP may be exposed to additional risks if it performs M&A activities.**

EDP may seek opportunities to expand its operations in the future through strategic acquisitions. EDP plans to assess each investment based on extensive financial and market analysis, which may include certain assumptions. Additional investments could have a material adverse effect on EDP's business, financial condition, prospects or results of operations, 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 acquired businesses;
- (ii) EDP may not be able to identify, acquire or profitably manage additional businesses;
- (iii) acquisitions may adversely affect EDP's operating results;
- (iv) acquisitions 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 businesses;
- (vi) EDP may encounter unanticipated events, circumstances or legal liabilities; and
- (vii) EDP may have difficulties in obtaining the required financing or the required financing may only be available on unfavourable terms.

EDP may also seek opportunities to divest from non-core assets or to sell minority stakes in existing assets. There can be no assurance that such divestments will be done in a timely and efficient manner or that EDP will not incur in losses when disposing of such assets or that EDP's business, financial condition, prospects or results of operations will not be adversely affected by any such divestment.

**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, which could have an adverse effect on its business, financial condition, prospects or results of operations.

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

Although EDP believes that it maintains satisfactory working relationships with its employees, it is still subject to the risk of labour disputes and adverse employee relations and these disputes and adverse relations could disrupt EDP's business operations and adversely affect its business, financial condition, prospects or results of operations. 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. Any such strike or work stoppage could have a material and adverse effect on EDP's business, financial condition, prospects or results of operations.

**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, and therefore an adverse decision could have a material adverse effect on EDP's reputation, business, financial condition, prospects or results of operations.

#### **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 S.A.*" 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 of the Instruments could limit their market value. 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.***

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 and the market value of the Instruments, since the Issuers may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. 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.

**Inverse Floating Rate Instruments will have more volatile market values than conventional Floating Rate Instruments.**

Inverse Floating Rate Instruments have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Instruments typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Instruments are more volatile because an increase in the reference rate not only decreases the interest rate of the Instruments, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these 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) in an international clearing system operated by a managing entity established in a member state of the EU other than Portugal (e.g. Euroclear or Clearstream, Luxembourg) or (iii) 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 (iv) integrated in other centralised systems not covered above provided that, in this last case, the Portuguese Government authorises the application of the Decree-Law 193/2005 held by non-resident investors (both individual and corporate) are eligible for the debt securities special tax exemption regime which was approved by Decree-Law no. 193/2005, of 7 November, as amended (“Decree-Law no. 193/2005”) may benefit from 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 purchase Instruments in denominations that are not an integral multiple of the Specified Denomination 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 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 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 of 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 Instruments may be subject to withholding taxes in circumstances where the Issuers are not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Instruments.**

***Withholding under the EU Savings Directive.***

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of, an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when

they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the relevant Issuer nor any Paying Agent (as defined in the Conditions of the Instruments) nor any other person would be obliged to pay additional amounts with respect to any Instrument as a result of the imposition of such withholding tax. The Issuers are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

#### **U.S. Foreign Account Tax Compliance Act Withholding**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Instruments are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "ICSDs") or cleared through Interbolsa, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs or Interbolsa (see "*Taxation – Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The relevant Issuer's obligations under the Instruments are discharged once it has paid the common depository or common safekeeper for the ICSDs (as bearer or registered holder (as applicable) of the Instruments) or Interbolsa and the relevant Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs or Interbolsa and custodians or intermediaries.

#### **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 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.

**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 EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. 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).

## **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, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. 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 BE ENDED 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 for the financial year ended 31 December 2013 and auditor's report thereon which appear on pages 171-300 and 320-325, respectively, of EDP's annual report for the year ended 31 December 2013;
  - (ii) the audited consolidated annual financial statements for the financial year ended 31 December 2012 and auditor's report thereon which appear on pages 159-269 and 285-290, respectively, of EDP's annual report for the year ended 31 December 2012;
  - (iii) the consolidated condensed financial statements for the six month period ended 30 June 2014 and the auditor's limited review report thereon which appear on pages 49-147 of EDP's first half 2014 report; and
  - (iv) the consolidated condensed financial statements for the six month period ended 30 June 2013 and the auditor's limited review report thereon which appear on pages 57-134 of EDP's first half 2013 report,

each of which is available at

<http://www.edp.pt/en/Investidores/publicacoes/relatorioecontas/Pages/RelatorioeContas.aspx>

- (b) in respect of EDP B.V.:
  - (i) the audited annual financial statements for the financial year ended 31 December 2013 and auditor's report thereon which appear on pages 7-31 of EDP B.V.'s annual report for the year ended 31 December 2013;
  - (ii) the audited annual financial statements for the year ended 31 December 2012 and auditor's report thereon which appear on pages 7-32 of EDP B.V.'s annual report for the year ended 31 December 2012;
  - (iii) the unaudited interim financial statements for the six months ended 30 June 2014 which appear on pages 7-13 of EDP B.V.'s 2014 interim report; and
  - (iv) the unaudited interim financial statements for the six months ended 30 June 2013 which appear on pages 7-12 of EDP B.V.'s 2013 interim report,

each of which is available at

<http://www.edp.pt/en/Investidores/publicacoes/relatorioecontas/Pages/RelatorioeContas.aspx>

- (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) and 3 September 2013, pages 72 to 98 (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)

available at

<http://www.edp.pt/en/Investidores/financiamento/emissoesdedivida/programas/Pages/EMTN.aspx>

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 Programme 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 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 2013 and for the year ended 31 December 2012 have consented to the incorporation by reference of their auditors' reports for 2013 and 2012 in this Base Prospectus.

## FORM OF FINAL TERMS

INSTRUMENTS WITH A DENOMINATION OF LESS THAN €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY)

*Set out below is the form of Final Terms, which will be completed for each Tranche of Instruments which have denomination of less than EUR 100,000 (or its equivalent in any other currency) issued under the Programme.*

[Date]

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

Issue of

[            ]  
[            ]

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

**under the €12,500,000,000  
Programme for Issuance of Debt Instruments**

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (i) below, any offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly, any person making or intending to make an offer of the Instruments may only do so:

- (i) in those Public Offer Jurisdictions mentioned in Paragraph 8 of Part B below, provided such person is a Dealer or an Authorised Offeror (as such term is defined in the Base Prospectus) and that the offer is made during the Offer Period specified in that paragraph and that any conditions relevant to the use of the Base Prospectus are complied with; or
- (ii) otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances.]

The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Instruments may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the

Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances.]

## 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 2 September 2014 [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. 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. 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 (www.ise.ie) and Central Bank (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]*

[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 [original date] which are incorporated by reference in the base prospectus dated 2 September 2014. 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 2 September 2014 [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 (www.ise.ie) and Central Bank (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.]*

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 [*identify earlier Tranches*] on [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 [date]]
3. Specified Currency or Currencies: [ ]  
*(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)*

4. Aggregate Nominal Amount:
- Tranche: [ ]
  - Series: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*]
6. (i) Specified Denominations: [ ]  
[ ]
- (ii) Calculation Amount: [ ]
- (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: *[Fixed rate – specify date/Floating rate/ Interest Payment Date falling in or nearest to [specify month]]*
- [(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]*  
*[[ ] month [LIBOR / EURIBOR] +/- [ ] per cent. Floating Rate]*  
*[Zero Coupon]*
- (see paragraph [14/15/16] below)*
10. Redemption 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]*  
*[Investor Put on Change of Control]*  
*[Issuer Call]*  
*[ [(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):  
 [ ] per Calculation Amount
- (iv) Broken Amount(s):  
 [[ ] 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 other 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: [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  
*[Set out appropriate variable details in this pro forma, for example reference obligation]*
- (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 each Instrument: [ ] per Calculation Amount
19. Investor Put on Change of Control: [Applicable/Not Applicable]
20. Final Redemption Amount of each Instrument: [ ] per Calculation Amount
21. Early Redemption Amount of each Instrument payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

**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 depository 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: *nominativas*/Book Entry Instruments: *ao portador*]
- (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.)*

- (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 subparagraphs 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 for the Instruments to be admitted to the Official List and to trading on its regulated market.]/[Not Applicable]/[Application to alternative market]
- (ii) Date from which admission is expected to be effective: [ ]
- (iii) Fungible instruments of the same Series admitted to trading on: [ ]

### 2. RATINGS

- (i) 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: [ ]]
- [(ii) Brief explanation of the meaning of the rating as published by the rating provider: [ ]]

### 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. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer: [ ]  
*(See "Use of Proceeds" wording in the Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*
- (ii) Estimated net proceeds: [ ]  
*(If proceeds are intended for more than one use, will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses, state amount and sources of other funding.)*

(iii) Estimated total expenses: [ ]  
[Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".]

5. **YIELD** (*Fixed Rate Instruments only*)

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.

6. **HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].

7. **OPERATIONAL INFORMATION**

(i) ISIN: [ ]

(ii) Common Code: [ ]

(iii) 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 Central de Valores Mobiliários [Not Applicable] *[give name(s)]*

(iv) Names and addresses of additional Paying Agent(s) (if any): [ ]

(v) 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 notes] 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 recognized 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. Whilst 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 notes]. 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.]*

## 8. DISTRIBUTION

- |       |   |  |
|-------|---|--|
| (i)   | Names and addresses of entities agreeing to underwrite the issue on a firm commitment basis:                                | [Not Applicable] <i>[give names and addresses]</i>   |
|       |   | <i>(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)</i> |
| (ii)  | Names and addresses of entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements: | [Not Applicable] <i>[give names and addresses]</i>   |
| (iii) | Material features of the underwriting agreement:  | [       ]  |
| (iv)  | Portion of the issue which is not underwritten:   | [Not Applicable] [[   ] per cent.]   |
| (v)   | Indication of the overall amount underwriting commission and placing commission:  | [       ]  |

- (vi) Date of the [Subscription] Agreement: [ ]
- [(vii) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]
- (viii) Public Offer [Applicable] [Not Applicable] *Specify relevant Member State(s) where the issuer intends to make Public Offers (where the Base Prospectus lists the Public Offer Jurisdictions, select from that list), which must therefore be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)] (the "Public Offer Jurisdictions") during the period from [specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"] (the "Offer Period")*
- Offer Period: [Specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [ ] Business Days thereafter"]
- Financial intermediaries granted specific consent to use the Base Prospectus in accordance with the conditions in it: *[Insert names and addresses of financial intermediaries receiving consent (specific consent)]*
- General Consent: [Not Applicable][Applicable]
- Other Authorised Offeror Terms: [Not Applicable][ *Add here any other Authorised Offeror Terms*
- (Authorised Offeror Terms should only be included here where General Consent is applicable)*
- (N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a public offer [where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus] in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Public offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)*

## 9. TERMS AND CONDITIONS OF THE OFFER

- Offer Price:** [Issue Price/Not applicable] *[specify]*
- Conditions to which the offer is subject:** [Not applicable] *[give details]*
- Description of the application process:** [Not applicable] *[give details]*
- Details of the minimum and/or maximum amount of application:** [Not applicable] *[give details]*

<b>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:</b>	[Not applicable] [give details]
<b>Details of the method and time limits for paying up and delivering the Instruments:</b>	[Not applicable] [give details]
<b>Manner in and date on which results of the offer are to be made public:</b>	[Not applicable] [give details]
<b>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:</b>	[Not applicable] [give details]
<b>Whether tranche(s) have been reserved for certain countries:</b>	[Not applicable] [give details]
<b>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:</b>	[Not applicable] [give details]
<b>Amount of any expenses and taxes specifically charged to the subscriber or purchaser:</b>	[Not applicable] [give details]
<b>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.</b>	[The Authorised Offerors identified in paragraph 8 above and identifiable from the Base Prospectus] [None] [give details]

## FORM OF FINAL TERMS

INSTRUMENTS WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE

*Set out below is the form of Final Terms, which will be completed for each Tranche of Instruments which have a denomination of €100,000 (or its equivalent in any other currency) or more issued under the programme.*

[Date]

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

Issue of

[Aggregate Nominal Amount of Tranche]

[Title of Instruments]

**under the €12,500,000,000  
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 2 September 2014 [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 ([www.ise.ie](http://www.ise.ie)) and Central Bank ([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]*

[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 [original date] [and the supplement to it dated [date]] which are incorporated by reference in the Base Prospectus dated 2 September 2014. 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 2 September 2014 [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 ([www.ise.ie](http://www.ise.ie)) and Central Bank ([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*

<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.

*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 [*identify earlier Tranches*] on [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 [*date*]]
3. Specified Currency or Currencies: [ ]
- (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.)*
4. Aggregate Nominal Amount:
- Tranche: [ ]
- Series: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)
6. (i) Specified Denominations: [ ]
- (N.B. Instruments must have a minimum denomination of EUR 100,000 (or equivalent))*
- (N.B. Book-Entry Instruments cannot be issued in integral multiples of a lesser amount than the nominal amount.)*
- (Note – where multiple denominations above [€100,000] or equivalent are being used, the following 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: [ ]
- (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 [specify /Issue Date/Not Applicable] different from the Issue Date):

*(N.B. An Interest Commencement Date will not be relevant for certain Instruments, for example Zero Coupon Instruments.)*

8. Maturity Date: [Interest Payment Date falling in or nearest to [ ]]

*[(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]  
[Investor Put on Change of Control]  
[Issuer Call]  
[(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): [ ] per Calculation Amount

(iv) Broken Amount(s): [ ] 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 each Instrument: [ ] per Calculation Amount

19. Investor Put on Change of Control: [Applicable/Not Applicable]
20. Final Redemption Amount of each Instrument: [ ] per Calculation Amount
21. Early Redemption Amount of each Instrument payable on redemption for taxation reasons or on event of default [ ] per Calculation Amount

#### 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 depository 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: *nominativas*/Book Entry Instruments: *ao portador*]
- (Ensure that this is consistent with the wording in the Provisions relating to the Instruments (other than Book Entry Instruments) while in the 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 to Definitive Instrument.)*
- (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 subparagraphs 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 for the Instruments to be admitted to the Official List and to trading on its regulated market.]/[Not Applicable]/[Application to alternative market]
- (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) 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 Central de Valores Mobiliários [Not Applicable] [give name(s)]
- (iv) Names and addresses of additional Paying Agent(s) (if any): [ ]

- (v) 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 notes] 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 recognized 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. Whilst 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 notes]. 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]]

## 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 whilst in global form, and certain modifications of these Terms and Conditions applicable to Instruments whilst in global form, are described in the section entitled "Provisions relating to the Instruments whilst 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 2 September 2014 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 2 September 2014 (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 3 September 2013 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 S.A./N.V. ("Euroclear Bank") and/or Clearstream Banking, société anonyme ("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 2 September 2014 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 can either 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) or *ao portador* (in which case Interbolsa cannot inform the Issuer of the identity of the Holders).
- 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.

**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 (A), "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.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph. 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.

**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, 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 (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, or, at the option of the payee, by a cheque in such Specified Currency drawn on, 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 or, at the option of the payee, by a euro cheque.

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 opening 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 below together (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 7.4 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 7.4 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 (or, if payment is required to be made by cheque, an address) 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 (or, if payment is required to be made by cheque, an address) 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 7.5 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 7.6.

**7.8** *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.

**7.9** *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.

**7.10** *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, 7.4 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 and is required to be made pursuant to 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) 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, and any implementing legislation, is not received prior to the Relevant Date;
- (viii) 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 150/2004, of 13 February 2004 (Portaria do Ministro das Finanças e da Administração Pública n. 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;

- (ix) 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 an exemption of Portuguese withholding tax 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) 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.

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 10 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 US\$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 7.6), 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 7.6 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. (5%) 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. (5%) 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. (50%) 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 a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (d) there will at all times be a Paying Agent in jurisdiction within Europe other than the relevant Tax Jurisdiction; and
- (e) 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 10 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 2 September 2014 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. 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 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 whilst 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 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 on 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 account holders 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 fourth weekday after the date on which it is given 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 can either 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) or ao portador (in which case Interbolsa cannot inform the Issuer of the identity of the Holders). 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

Whilst 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 “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais”. 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 Praça Marquês de Pombal, no. 12, 1250-162 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 nine 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.) are, as at 30 June 2014: China Three Gorges (“CTG”), owning 21.35 per cent.; Capital Group Companies, Inc., owning 10.13 per cent.; Oppidum, owning 7.19 per cent.; Senfora, SARL owning 4.06 per cent.; Banco Comercial Português, S.A. (“BCP”) and BCP Group Pension Fund, owning 2.44 per cent.; Sonatrach owning 2.38 per cent.; Qatar Holding LLC, owning 2.27 per cent.; Norges Bank owning 2.09 per cent.; José de Mello SGPS, S.A., owning 2.00 per cent. and BlackRock, Inc owning 2.00 per cent. 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.

EDP is a vertically integrated utility company. Based on publicly available information, EDP believes it is the largest generator, distributor and supplier of electricity in Portugal, the third largest electricity generation company in the Iberian Peninsula, and one of the largest gas distributors in the Iberian Peninsula. EDP maintains significant electricity and gas operations in Spain, and, based on publicly available information, EDP believes it is one of the largest wind power operators worldwide in terms of electricity generation, with facilities for renewable energy generation in the Iberian Peninsula, the United States, Brazil, Canada, France, Belgium, Italy, Poland and Romania, and is developing wind farms in the United Kingdom and Mexico. It also has electricity distribution, generation and supply activities in Brazil and generates solar photovoltaic energy in Romania and Portugal.

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 energy business. As at the date of this Base Prospectus, EDP’s principal subsidiaries in Portugal include its electrical generation company, EDP – Gestão da Produção de Energia, S.A. (formerly known as CPPE – Companhia Portuguesa de Produção de Electricidade, S.A.) (“EDP Produção”), its distribution company, EDP Distribuição – Energia, S.A. (“EDP Distribuição”), and its two supply companies EDP Serviço Universal, S.A. (“EDP SU”) and EDP Comercial, S.A. (“EDP Comercial”). In Spain, EDP’s main subsidiary (of which it holds 99.6 per cent.) is HC Energia, S.A. (“Hidrocantábrico”), which operates electricity generation plants and distributes and supplies electricity and gas, mainly in the Asturias region of Spain.

In the gas market, EDP holds significant interests in both Portugal and Spain. In Portugal, EDP holds 72.0 per cent. of Portgás – Sociedade de Produção e Distribuição de Gás, S.A. (“Portgás”), the natural gas distribution company for the northern region of Portugal. In Spain, EDP holds indirectly (through Hidrocantábrico) 95 per cent. of Naturgas Energia (“Naturgas”), one of the largest gas distribution companies in the Spanish market in terms of points of supply, mainly in the Asturias and Basque regions. The holding in Naturgas increased from 63.5 per cent. to 95.0 per cent. following the exercise by Ente Vasco De La Energia (“EVE”), in July 2010, of a put option for part of EVE’s stake in Naturgas.

EDP has leveraged its strong Iberian renewable energy platform and, following the acquisition of EDPR NA in 2007, and based on publicly available information, EDP believes it has become one of the largest wind power

operators worldwide in terms of electricity generation. Its wind power assets are held through its subsidiary EDP Renováveis, of which it holds a 77.5 per cent. stake (62.0 per cent. directly and 15.5 per cent. through Hidrocantábrico). EDP Renováveis has been listed on the “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais” since its IPO on 4 June 2008. EDP Renováveis has built significant growth platforms in the European and U.S. markets for the development and operation of power plants that generate electricity using renewable resources, mainly wind. EDP Renováveis currently operates 7.8 GW of generation assets, comprising on-shore wind farms in Spain, Portugal, the United States, Canada, France, Belgium, Italy, Romania and Poland. Through a joint venture with EDP – Energias do Brasil, S.A. (“EDP Brasil”), the company is also present in the Brazilian market. EDP Renováveis has various wind projects in different stages of construction and development in these countries as well as in Mexico and the United Kingdom. At present, EDP Renováveis is seeking to expand its activities into other countries.

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 51.1 per cent. stake in EDP Brasil, a company listed on the São Paulo Stock Exchange. In July 2011, EDP sold 21.9 million shares of EDP Brasil in a secondary distribution offer (reducing its stake from 64.8 per cent. to 51.0 per cent.), at a price per share of R\$37.00, resulting in receipt of gross proceeds of approximately R\$811 million. EDP Brasil holds the majority of EDP’s investments in the Brazilian electricity industry, including its distribution subsidiaries Empresa Bandeirante de Energias, S.A. (“Bandeirante”) and Espírito Santo Centrais Eléctricas (“Escelsa”), its generation subsidiaries Energest S.A. (“Energest”), EDP Lajeado Energia S.A. (“EDP Lajeado”), Enerpeixe S.A. (“Enerpeixe”), its investments in Porto do Pecém Geração de Energia S.A. (“Pecém”), Companhia Energética de Jari-Ceja (“Jari”) and Empresa de Energia Cachoeira Caldeirão, S.A. (“Cachoeira Caldeirão”), and its supply subsidiary EDP – Comercializadora de Energia S.A. (“EDP Comercializadora”). EDP Brasil holds 100.0 per cent. of each of these companies apart from EDP Lajeado and Enerpeixe, in which it holds 55.9 per cent. and 60.0 per cent., respectively, and Pecém, Jari and Cachoeira Caldeirão, in which it holds 50.0 per cent. Additionally, EDP Lajeado holds a 73.0 per cent. stake in Investco S.A. (“Investco”). Investco owns the Lajeado hydroelectric plant in Tocantins, Brazil.

## **STRATEGY**

### **Overview**

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

### **Growth**

EDP wants to increase installed capacity by 18 per cent. between 2013 and 2017, mainly driven by the hydro projects in Portugal and Brazil and wind in United States of America and Latin America. Organic growth will be focused on CO<sub>2</sub> free technologies, which should lead to a position where clean energies (wind and hydro) will represent 75 per cent. of the portfolio by 2017.

In Portugal, EDP is currently building three new hydroelectric power plants (two of which with pumping) and repowering two hydroelectric plants (all with pumping) with a total capacity of 1,468 MW, that are expected to be completed in 2014-2016, and which already have 73 per cent. of capital expenditure incurred. The increased share of wind power in the Iberian Peninsula’s power generation mix and more uncertainty as to annual hydroelectric output (depending on weather conditions) result in an increasingly volatile market where pumping has an extremely important value added feature. By 2017, 40 per cent. of EDP’s overall hydro capacity will have pumping. This new hydro capacity prompts a 5-year extension of residual life on our overall hydro portfolio, to 35 years in 2017.

In Brazil, EDP’s main investments in Brazilian electricity generation are (i) the 373 MW Santo Antônio do Jari hydropower plant, concession rights to which were acquired in June 2011 and operations are planned to start up in 2015 and (ii) the 219 MW Cachoeira Caldeirão hydropower plant, concession rights to which were acquired in the A-5 auction of 14 December 2012. EDP Brasil holds a 50 per cent. share of both hydro plants and the remaining 50 per cent is owned by China Three Gorges. In December 2013, EDP Brasil obtained the concession for the 700 MW São Manoel hydropower plant, where EDP Brasil will hold a 33 per cent. share, down from a 66 per cent. share, after approval from regulatory bodies of the sale by EDP Brasil to China Three Gorges of a 33 per cent. share (the remaining 33 per cent. is owned by Furnas).

EDP plans to continue developing new wind power capacity as part of its targeted growth plan. EDP believes, based on publicly available information, that it is one of the largest wind power operator worldwide with 7.7 GW of wind power capacity installed by June 2014. This growth was not based on just executing, but on strong competitive advantage in terms of the core competence that we have in terms of all the operational variables: availability, costs and load factor. EDP expects to grow about 500MW/year and 85 per cent. of this additional capacity has already been awarded PPAs. The United States of America will be the key market with 60 per cent. of new capacity, emerging markets (Brazil and Mexico) will represent 20 per cent. and Europe will represent 20 per cent.

### **Maintaining Financial Deleveraging**

In Portugal, hydropower plants under PPA/CMEC will be gradually transferred from long term contracted generation to a liberalised market and will be exposed to price and volumes volatility from 2017 onwards. This will imply a decrease of our exposure to regulated activities from around 85 per cent. in 2013 to 70 per cent. in 2017. Since EDP continues to be strongly committed to its financial deleverage process, an improvement of credit ratios will mitigate increase of business risk. Thus, the ratios that EDP is committing to are to reach at least by 2017, net debt adjusted by regulatory receivables/EBITDA of 3x.

A key element in our deleveraging process is fulfilling the partnership with China Three Gorges. In the wake of the privatisation process, EDP and CTG established a strategic partnership based on three main pillars: (i) CTG commits to invest €2.0 billion in the acquisition of minority stakes and co-investment in some of EDP's renewable projects, of which EDP has already agreed on €1 billion (€0.6 billion pending financial closing in 2014-15); (ii) a Chinese financial institution has committed to provide a credit facility of up to €2 billion to EDP for up to 20 years, of which €1.0 billion was signed on 20 August 2012 and drawn on 27 August 2012; and (iii) EDP and CTG will jointly develop new growth opportunities worldwide.

Another important element will be EDP Renováveis' asset rotation in which the expected risk/return combination in new projects has to be more attractive than in the deals of disposal of minority stakes in existing projects. EDP expects to reach €700 million of asset rotation in 2015-2017.

The reduction of capital expenditures plan is supporting the deleverage process since all of the hydro projects in Portugal will be finished by the end of 2016, triggering a major reduction of capital expenditure mainly in 2016 and 2017.

### **Preserving Low Risk Business Profile**

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

EDP aims to limit the risk exposure of its cash flows by proactively managing the major risks that affect its operations, in particular, regulatory, commodity, market and financial risk. 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 and ensure that it receives accurate and appropriate regulatory treatment, namely 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 runs an integrated generation and supply model and maintains a hedging strategy that allows it to lock in 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 weights of hydro and wind portfolios in Europe and will 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 at maintaining access to diversified sources and assuring 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 extending the OPEX programme which focuses on reducing the operating costs of its activities worldwide, up to €180 million/year by 2017, and to go down from the 28 per cent. net OPEX over gross margins to 26 per cent. The savings will primarily result from headcount reduction in Iberia mostly driven by retirements, corporate and support functions optimisation and an OPEX evolution below inflation in Brazil. EDP wants to maintain a leading position in efficiency and lean operations.

### **Profitability and Shareholder Returns**

EDP maintains an attractive and stable dividend policy, committed to the maintenance of a €0.185 dividend per share per year as a floor.

Basically, EDP's strategy should lead to growth, financial deleverage, keeping the low risk profile and attractive returns allowing it to have a distinctive profile amongst European utilities.

### **INVESTMENTS/DIVESTMENTS**

EDP Group's total capital expenditure increased 10 per cent. year-on-year to €659 million in the first six months of 2014. In January 2013, EDP Renováveis cashed in a €92 million cash-grant related to Marble River wind farm in the US (concluded in the fourth quarter of 2012), which explains EDP Renováveis' unusually low capital expenditure during the first half of 2013. Excluding this impact, consolidated capital expenditure in the first half of 2014 was 5 per cent. lower year-on-year i.e. a decrease of €33 million in consolidated capital expenditure. Maintenance capital expenditure was 2 per cent. higher year-on-year, at €272 million in the first half of 2014. Expansion capital expenditure totalled €387 million in the first half of 2014, devoted to the construction of new hydro and wind capacity.

The capital expenditure in new hydro capacity in Portugal totalled €274 million in the first half of 2014, devoted to hydro capacity under construction in Portugal, comprising 3 new plants and 2 repowering: 253MW due by the end of 2014, 963MW due in the third quarter of 2015 and 252MW due in the second half of 2016.

The capital expenditure relating to new wind and solar capacity, at EDP Renováveis level, totalled €113 million in the first half of 2014, mostly allocated to capacity additions in the first half of 2014 (+6MW in Europe) and to 405MW of capacity under construction, the bulk of which was in the US (329MW).

In Brazil, capital expenditure totalled €54 million in the first half of 2014 and was mostly devoted to maintenance capital expenditure at our distribution business. Even though EDP Brasil has 2 new hydro projects under construction (Jari hydro plant with 373MW, due in January 2015 and Cachoeira Caldeirão hydro plant with 219MW due in January 2017), these investments became accounted for in accordance with the equity method following the conclusion of the sale to CWEI Investment Corporation ("CWEI"), a 100 per cent. owned China Three Gorges subsidiary, of 50 per cent. equity stakes in Jari and Cachoeira Caldeirão hydro projects.

Overall, EDP continues to execute its low-cost, CO<sub>2</sub>-free pipeline, having so far spent €2.2 billion on 1.9GW of new generation capacity under construction.

Net financial divestments totalled €150 million in the first half of 2014. Financial divestments include: i) +€134 million from the conclusion of the sale to CWEI of 50 per cent. equity stakes in Jari and Cachoeira Caldeirão hydro projects and ii) +€28 million from EDP Renováveis' disposal of a 49 per cent. equity stake in a wind farm portfolio of 100MW located in France to Axpo Group. Financial investments in the first half of 2014 essentially comprise success fees related to the development of EDP's wind business and EDP Brasil's equity contributions to the Jari hydro project.

### **EDP'S KEY BUSINESSES**

Historically, electricity has been EDP's core business. Its operations encompass significant electricity generation, distribution and supply activities in the Iberian Peninsula, along with facilities for renewable energy generation in Europe, North America and Brazil. It also has electricity generation, distribution and supply activities in Brazil.

Additionally, EDP believes, based on publicly available information, that it is one of the largest companies in the natural gas distribution market in the Iberian Peninsula.

New accounting standards and interpretations have been issued which require restatement of operational data previously presented. Pursuant to the adoption of IFRS 10 and IFRS 11, 2013 data was restated. Joint ventures previously consolidated through proportional methods are from 2014 onwards accounted for in accordance with the equity method.

### ***Electricity generation in the Iberian Peninsula***

As the largest generator, distributor and supplier of electricity in Portugal, EDP currently holds the leading position in the Portuguese domestic electricity market, according to *Entidade Reguladora dos Serviços Energéticos* ("ERSE"). As at 30 June 2014, the Group accounted for approximately 53 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.

In mainland Portugal, total electricity consumption in the six month period ended 30 June 2014 reached 24.4 TWh, representing a year-on-year increase of 0.4 per cent. The increase reflects some consumption recovery in the residential segment, offsetting the impact of a temporary outage at some large clients in the second quarter of 2014.

Portugal's public electricity system is powered by a number of different forms of ordinary regime and special regime generation. In the six month period ended 30 June 2014, the most significant sources of ordinary regime power generation in Portugal were hydroelectric (9,815 GWh) and coal (4,064 GWh), representing 40.2 per cent. and 16.6 per cent of Portugal's total electricity demand, respectively, while electricity generation from CCGT plants accounted for only 1.0 per cent. (260 GWh) in the same period. The contribution made by special regime generation reached 48.6 per cent. in the six month period ended 30 June 2014, totalling 11,879 GWh, due to strong wind production in the first half of 2014 which compensated for the shutdown of some cogeneration capacity.

In the first six months of 2014, Portugal's energy trade balance with Spain favoured exportation, totalling 1,081 GWh for that period, versus 699 GWh of electricity exported in the same period in the previous year.

Based on Red Eléctrica de España S.A. ("REE") reports, total electricity consumption in mainland Spain reached 121.0 TWh in the six months ended 30 June 2014, representing a year-on-year decrease of 1.2 per cent., though it was up 0.1 per cent. adjusted for temperature and working days.

In terms of sources of electricity generation in mainland Spain, hydroelectric power generation totalled 23,562 GWh in the six month period ended 30 June 2014, representing 19.5 per cent. of Spain's total electricity demand in the period. Nuclear power generation in Spain reached 28,594 GWh, contributing to 23.6 per cent. of Spain's total electricity consumption. Coal generation totalled 14,363 GWh while generation from CCGT plants reached 8,817 GWh in the first six months of 2014, representing 11.9 per cent. and 7.3 per cent. of total electricity consumption in the country, respectively.

Special regime generation in Spain totalled 54,165 GWh in the six month period ended 30 June 2014, a 8.5 per cent. decrease compared to the same period in the previous year, and represented 44.8 per cent. of Spain's total electricity demand. Of this amount, 28,828 GWh came from wind power, a decrease of 2.4 per cent. year-on-year, representing 23.8 per cent. of total electricity demand.

In the six month period ended 30 June 2014, Spain's cross-border energy trade favoured exportation totalling 2,454 GWh for that period, which reflected a decrease of 15.6 per cent. compared to the same period in the previous year.

### ***Ordinary generation***

#### **Portugal**

Through its subsidiary EDP Produção, the Group has a strong presence in ordinary regime electricity generation. In addition, EDP holds an 11.1 per cent. interest in Tejo Energia, S.A., a company that holds the Pego power plant in Portugal, which also participates in ordinary regime generation.

As at 30 June 2014, EDP Produção's generating facilities in Portugal, excluding special regime generation, had a total maximum capacity of 8,505 MW, 62.2 per cent. of which was represented by hydroelectric facilities, 24.0 per cent. by natural gas facilities and 13.9 per cent. by coal-fired facilities. EDP does not own or operate any nuclear-powered facilities in Portugal.

EDP's current hydroelectric portfolio in Portugal includes over 39 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 97 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 Peso da Régua, Portugal.

In April 2008, EDP paid €759 million for concession rights after the end of PPAs/CMECs for the 4,094 MW hydroelectric power plants currently under this regime, extending the concessions, on average, to 2047. On 18 September 2013 the European Commission issued a press release stating that it has opened an in-depth State Aid inquiry into water resources concessions granted by Portugal to EDP for electricity generation and will also inquire into the situation in other Member States. As with any State Aid investigation, such proceedings are solely conducted between the European Commission and the Member State concerned (in this case, Portugal). The decision to initiate the procedure and the invitation for 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.

In 2008, EDP won the international tender for the concession in relation to the Foz Tua (252 MW), and Fridão & Alvito (466 MW) hydroelectric power plants in Portugal, against a payment of €53 million for a 75-year term and €231.7 million for a 65-year term, respectively. In 2007, EDP Produção formalised the sub-concession to operate the hydroelectric power stations at Alqueva (256 MW under ordinary regime generation) for a period of 35 years, thereby implementing a right granted in the 1970s and compensating EDIA, the manager of the Alqueva water system, in an upfront amount of €195 million. At the end of 2011, the repowerings of Picote (246 MW) and Bemposta (191 MW) were commissioned, and, at the end of 2012, the repowering of Alqueva (256 MW) was commissioned. EDP is currently building five hydroelectric power plants: Baixo Sabor (173 MW) and Ribeiradio/Ermida (81 MW) new hydro plants, with commissioning expected by end 2014; Venda Nova (756 MW) and Salamonde (207 MW) hydro plant repowerings, expected to become operational during 2015; and Foz-Tua (252 MW) new hydro plant, with commissioning currently expected during 2016.

EDP's thermal infrastructure and operations are located in southern Portugal and consist of four power plants, the largest being the coal-fired power station in Sines with an installed capacity of 1,180 MW contracted under PPA until 2017. The remaining power plants are natural gas facilities located in Carregado (Ribatejo CCGT) and in Figueira da Foz (Lares CCGT). Lares CCGT entered into service with its two generating units in October and November of 2009 with an installed capacity of 863 MW. In 2010 EDP started the decommissioning of its oil-fired power stations, with the first, the Barreiro oil-fired power station (56 MW) in that year, the Carregado oil-fired power station (710 MW) in 2012 and the oil-fired power plant in Setúbal in 2013. The Tunes oil-fired power station (165 MW) was shut down in December 2013.

To reduce the emissions from its existing thermal plants, EDP installed DeSOx and DeNOx equipment in Sines. EDP is also currently evaluating new CO2 sequestration technologies.

Performance in the Iberian Peninsula's electricity market is managed centrally by the 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 CMECs, both in terms of managing sales of energy generated in the market and supplying fuel to these power stations.

## Spain

In the six month period ended 30 June 2014, net electricity generation from HC Energía reached 3,752 GWh under the ordinary regime, which represented a year-on-year decrease of 7 per cent. The total net ordinary generation in the Spanish mainland market in the six month period ended 30 June 2014 was 69.276 GWh.

In terms of sources of electricity generation in the six month period ended 30 June 2014 by the Group in Spain, hydroelectric power generation totalled 681 GWh (a 18.8 per cent. decrease versus the same period in the previous year), coal generation totalled 2,383 GWh (a 0.1 per cent. decrease versus the same period in the previous year), gas combined cycle reached 159 GWh (a 44.8 per cent. decrease versus the same period in the previous year)

and nuclear power generation reached 529 GWh (a 2.8 per cent. increase versus the same period in the previous year).

As at 30 June 2014 HC Energía had a total installed capacity of 3,740 MW under the ordinary regime, with approximately 39.0 per cent. corresponding to coal-fired facilities, 45.4 per cent. to CCGT facilities and 11.4 per cent. to hydroelectric facilities. HC Energía 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. HC Energía's installed capacity represents 6 per cent. of Spain's mainland electricity generation capacity under the ordinary regime (special regime facilities are excluded).

To reduce the emissions from its existing thermal plants, approximately 72 per cent. of EDP's coal portfolio will have DeSOX/DeNOX equipment as of 2017. The Soto 2 coal plant will be decommissioned in December 2015.

#### *Special regime generation – excluding wind power*

##### Portugal

EDP's special regime generation (excluding wind power) in Portugal is carried out by EDP Produção, which operates the mini hydro power plants of Pebble Hydro and the cogeneration power plant of Fisigen. As at 30 June 2014, the Group had special regime generation installed capacity of 181 MW, 86.6 per cent. of which was represented by mini hydroelectric power plants and 13.4 per cent. by Fisigen, plus 32 MW accounted for in accordance with the equity method through its 50 per cent. interest in EDP Produção – Bioelétrica S.A. ("EDP Bioelétrica"), which is responsible for biomass power plant development.

In January 2013, EDP Produção sold the cogeneration assets, representing 82 per cent. of Soporgen, S.A., to the other shareholder, Soporcel, S.A., for €5 million, as a result of the exercise of a call option by Soporcel on the terms set forth in the shareholders' agreement. In January 2014, Energin's cogeneration plant ceased its operations following the shutdown of the plant of its main client (Solvay).

The current special regime generation hydroelectric portfolio is made up of 67 generating groups, across 39 power plants.

##### Spain

In Spain, net generation under the special regime (excluding wind power) amounted to 25,337 GWh for the six month period ended 30 June 2014, representing a year-on-year decrease of 14.5 per cent.

As at 30 June 2014, HC Energía had holdings in 7 thermal power stations in Spain, which together represent 93 MW of installed capacity, 80.1 per cent. of which was represented by waste to energy facilities and 19.9 per cent. by cogeneration facilities.

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

EDP Group engages in electricity and natural gas distribution activity through EDP Distribuição and EDP Gás Distribuição in Portugal and HC Energía and Naturgas Energía in Spain.

In the Iberian Peninsula's natural gas market, consumption decreased 11.3 per cent. year-on-year to 174,529 GWh as at 30 June 2014, due to a 14.0 per cent. drop in consumption from CCGTs, as a result of lower utilisation rates, and a 10.9 per cent. decrease in conventional demand. In Portugal the demand for electricity generation fell by 44.7 per cent. year-on-year to 689 GWh while the conventional demand decreased 6.1 per cent. year-on-year to 20,653 GWh. Natural gas demand in Portugal as at 30 June 2014 totalled 21,342 GWh (a 8.2 per cent. decrease year-on-year). As for Spain, natural gas demand in the first half of 2014 amounted to 153,187 GWh, representing a 11.7 per cent. year-on-year decrease. The conventional market reached 131,979 GWh (representing a 11.6 per cent. decrease) and consumption of natural gas for the power sector reached 21,211 GWh (representing a 12.4 per cent. decrease).

#### *Portugal – electricity distribution*

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 226 thousand kilometres of grid and in the six month period ended 30 June 2014, EDP Distribuição distributed 21,904 GWh of electricity to a total of 6.1 million supply points.

#### Service quality

The quality of EDP's technical service is measured by the indicator "Interruption Time Equivalent to Installed Capacity" ("TIEPI"), which measures the specific amount of interruption time within the company's control. In the six month period ended 30 June 2014, TIEPI increased by 5 minutes year-on-year to 35 minutes reflecting unfavourable weather conditions during the first half of the year.

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 specifically targeting Portuguese regions that recorded comparatively lower service quality levels with specific improvement plans that include maintenance, restructuring and reinforcement of the grids.

#### InovGrid

EDP Distribuição's strategy to meet future challenges and become a European reference in electricity distribution is focused on the implementation of smart grids and related services. InovGrid, EDP's umbrella project for the development of smart electricity grids, has taken on a high profile in recent years, gaining recognition as a benchmark European project in this area. The project was selected by the European Commission from more than 260 projects Europe-wide as a case study for analysis of a cost-benefit assessment methodology for smart energy network projects. The year 2011 was an important milestone for InovGrid, with the completion of the InovCity pilot, comprising the deployment of smart meters in 30,000 customers in the municipality of Évora and the demonstration of several smart grids functionalities and benefits, including a positive impact of 3.9 per cent. on energy efficiency. EDP Distribuição is currently deploying second generation smart meters in 100,000 customers throughout the country, with the objective of developing the supply chain and improving integration with existing business processes, in preparation for a future rollout (currently pending government decision).

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 (around 10,000 sites).

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 935 in June 2004 to 1,816 as at 30 June 2014. At the same time, the indicator for energy distributed per employee more than doubled between the first half of 2004 (3 GWh) and the first half of 2014 (6.5 GWh).

#### *Portugal – natural gas distribution*

In Portugal, EDP operates in the natural gas distribution market through its ownership of 72.0 per cent. of Portgás, acquired in 2004. Portgás services 29 municipalities in the northern coastal region of Portugal.

In addition, EDP holds a 19.8 per cent. stake in Setgás – Sociedade de Produção e Distribuição de Gás S.A. ("Setgás"), the natural gas distribution company for the Setúbal region in Portugal.

As at 30 June 2014, Portgás had 313,174 supply points and 4,543 kilometres of distribution grid. Notwithstanding the 5.7 per cent. growth in the number of supply points, prompted by the systematic effort to achieve client connection to existing grid in the region operated by EDP, gas volumes distributed decreased by 0.7 per cent. year-on-year to 3,631 GWh.

### *Spain – electricity distribution*

HC Energía has an electricity network infrastructure that covers the regions of Asturias (accounting for the large majority of its network), Madrid, Valencia, Catalonia and Aragon, totalling 23,343 kilometres. Electricity distributed in the six months ended 30 June 2014 through HC Energía's own network amounted to 4,621 GWh, a 0.3 per cent. increase.

Distribution in the high and medium-voltage sector amounted to 3,381 GWh, a 1.7 per cent. year-on-year increase, while in the low-voltage sector the total amount distributed reached 1,240 GWh, representing a 3.1 per cent. year-on-year decrease.

As at 30 June 2014, HC Energía's distribution business had 658,872 supply points, a 0.1 per cent. year-on-year increase, out of a total of circa 27.7 million customers in mainland Spain, according to CNMC.

#### 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, HC Energía continues to lead the quality of service in Spanish electricity system. In the six months ended 30 June 2014, TIEPI decreased by 9 minutes year-on-year to 13 minutes.

#### Efficiency of operations

The results of HC Energía's distribution network show the company's continuous efforts to maintain a high level of efficiency. In the electricity distribution area, staff productivity in the first half of 2014 remained high, with 15.8 GWh distributed per employee, and 2,256 supply points per employee. Furthermore, HC Energía has maintained high network availability levels, as shown by the above mentioned TIEPI.

### *Spain – natural gas distribution*

In Spain, EDP operates in the natural gas market through its ownership of Naturgas, held through Hidrocarburo. Naturgas activities include the distribution of gas over eight regions: the Basque Country, Asturias, Catalonia, Castile and León, Extremadura, Madrid, Murcia and Navarre, being one of the largest gas distribution companies in Spain, with 1,022,315 supply points and 10,096 kilometres of grid as at 30 June 2014.

In July 2012, Naturgas agreed to sell its gas transmission assets, approximately 450 kilometres of pipeline mainly located in the Basque Country, to Enagas (90 per cent.) and EVE (10 per cent.). The completion of the transaction occurred in February 2013 with an agreed transaction price that represented an enterprise value of €258 million.

Gas volumes distributed in the six months ended 30 June 2014 amounted to 24,895 GWh, a 11.7 per cent. year-on-year decrease, due to lower consumption for electricity generation purposes, the shutdown of a pulp & paper plant in the Cantabria region and milder weather conditions in the second quarter of 2014.

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

In the Iberian activity of electricity and natural gas supply, EDP Group is present in the regulated and liberalised market in both geographies. In Portugal, EDP supplies electricity and natural gas to customers both in the liberalised market through EDP Comercial and EDP Gás.com and in the regulated market through EDP Serviço Universal ("EDP SU") and EDP Gás Serviço Universal. In Spain, the liberalised market supply is done through HC Energía and Naturgas Energía, whilst last resort customers are supplied by EDP Comercializadora de Último Recurso ("HC CUR").

#### Supply in the regulated market

##### *Portugal*

The Portuguese government has enacted Decree-Law no. 104/2010, of 29 September 2010, establishing the end of last resort supply tariffs for large clients (very high, high, medium and special low voltage) from 2011 onwards, and a transitory last resort supply tariff for these clients has been in place since then. This transitory last resort tariff (all segments except normal low voltage) is intended to encourage Portuguese customers to switch to the liberalised

electricity market, a process that was also applied to low voltage customers, starting from the second half of 2012 (Decree-Law no. 75/2012, of 26 March 2012).

Electricity supplied by the regulated market fell from 7.6 TWh, in the first six months of 2013, to 5.2 TWh in the first six months of 2014 essentially due to clients switching to liberalised suppliers.

Total clients supplied by EDP SU declined 26.2 per cent. year-on-year to 3,172,242, and its market share in Portuguese electricity supply fell from 35 per cent. in the first six months of 2013 to 24 per cent. in the first six months of 2014.

EDP Gás Serviço Universal is a company 100 per cent. owned by Portgás and is the last resort supplier for the concession area, being responsible for the supply of natural gas in the regulated market. As at 30 June 2014 it had 117,520 customers and supplied 406 GWh (minus 34.3 per cent. year-on-year).

### *Spain*

As a result of the process of liberalising the 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, which includes HC CUR, at a tariff determined by the Spanish Government called the Voluntary Price for the Small Consumer ("VPSC").

As at 30 June 2014, HC CUR had 252,129 customers. These customers consumed 278 GWh for the six months ended 30 June 2014, representing a 12.3 per cent. year-on-year decrease. The figure is continuously decreasing as more customers migrate to the liberalised market.

As for the gas supply activity, EDP's efforts to move customers from the regulated to the liberalised market were effective (only a small percentage still maintained on the last resort tariff system in the liberalised market) when gas retail tariffs ended in Spain in June 2008. Hence, in the first six months of 2014 volumes supplied by HC CUR decreased 19.3 per cent. year-on-year to 179 GWh.

Supply in the liberalised market

### *Portugal*

EDP Comercial retained its liberalised market leadership in Portugal both by number of clients and volume of electricity supplied, despite a strong increase in competition. Currently, the company is divided into three business units: one focused on companies and institutions (B2B business unit), one targeting residential and small business customers (B2C business unit), and one aimed at the energy services business - Group company EDP Serviços. EDP Serviços was merged with EDP Comercial in June 2012, following a spin-off that occurred at the end of the year 2010, primarily intended to increase the focus on the development of the services business.

The 16.7 TWh of electricity supplied during the six months ended 30 June 2014 in the liberalised market represented 76.2 per cent. of the total electric energy supplied in Portugal during this period, which compares to 65.0 per cent. for the same period in the previous year. The electricity sold by EDP Comercial in the six months ended 30 June 2014 amounted to 7,555 GWh, representing 45.3 per cent. of the total electricity sold in the liberalised market in Portugal in the period, while in the six months ended 30 June 2013 this figure totalled 6,044 GWh, representing then 43.2 per cent. of the liberalised supply. Despite the tough competition in the liberalised market, especially in the industrial segment, and the unattractive market conditions in the residential segment compared to regulated tariffs, this increase in the market share reflects EDP's strategy to focus on more attractive segments.

By 30 June 2014, EDP Comercial supplied about 2,509 thousand customers (or approximately 86 per cent. of total customers in the liberalised market, 99 per cent. of whom were connected at standard low voltage). This represents a strong 67 per cent. year-on-year increase (1,505 thousand customers by the end of June 2013), on the back of residential clients switching from the last resort supply. The pace of growth accelerated significantly in late 2012 (which mainly resulted from some B2C mass marketing campaigns – EDP Continente, Home/Business dual offer – together with the phase out process of the B2C regulated tariffs scheduled for 31 December 2012), leading to significant net additions in client portfolio during the first halves of 2013 (652 thousand customers) and 2014 (598 thousand customers). This is in contrast to what happened in previous years when customer inflow from the regulated market was steady but slow paced.

The natural gas marketed by EDP in Portugal in the six months ended 30 June 2014 was 2,038 GWh, representing a 32.0 per cent. year-on-year decrease, caused by the shutdown of some cogeneration plants. The strong pace of gas supply liberalisation, along with EDP's successful dual offer (electricity and gas) to B2C clients prompted a jump in the number of clients from 150,708 in June 2013 to 315,966 in June 2014, maintaining EDP as a major player in the liberalised market with a market share by number of clients of 48 per cent. as at 30 June 2014.

#### Companies and institutions (B2B business unit)

Since the beginning of the deregulation process in Portugal, the liberalised market has been competing with the tariffs in the regulated market. This resulted in periods of steady market growth, but also other periods of strong market retraction. This was the case in 2008, when prices in the liberalised market were unable to compete against the regulator defined tariffs. This resulted in the massive switching of almost all B2B liberalised customers back to the regulated market. In contrast, in 2009 and 2010, due to more favourable tariff and market price conditions, supply in the liberalised market became competitive once again, namely in the B2B segment. On 29 September 2010, the Portuguese government enacted Decree-Law no. 104/2010 extinguishing with effect from 1 January 2011 the regulated tariffs for B2B clients and introducing a transitory last resort tariff that includes a premium component to allow for these clients to gradually switch to the liberalised market. In addition, as of the enactment of this Decree-Law, any client who opts out of the regulated market cannot return to it and is bound to be permanently supplied in the liberalised market by one of the existing supply companies. However, because the regulator has been delaying increases in the premium component, the incentive for the remaining consumers to switch to the liberalised market has, so far, been limited. As at June 2014, there still remain approximately 11,100 B2B electricity clients supplied under this transition tariff.

At the end of June 2014, the B2B business unit of EDP Comercial had a client portfolio amounting to 25,193 facilities, compared to 22,940 one year earlier, to which it had supplied 4,280 GWh by the end of June 2014, which compares to 4,050 GWh for the same period in the previous year. EDP Comercial has a 50 per cent. market share in terms of clients and a 33 per cent. market share in terms of volumes supplied at the end of June 2014.

In its approach to the B2B customer segment, EDP Comercial follows a strategy designed for sustainability. EDP Comercial has secured leadership in the B2B customer segment and was the market leader, both in terms of volume supplied and number of customers, at 30 June 2014.

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

The standard low voltage segment was fully opened to the liberalised market on 4 September 2006, marking the final stage in the liberalisation of the Portuguese electricity market. Since then, around 6 million customers have been free to choose their electricity supplier.

Pursuant to the Memorandum of Understanding entered into by the Portuguese Government, the European Union, the International Monetary Fund and the European Central Bank, the Resolution of the Council of Ministers no. 31/2011, dated 23 July 2011, approved the calendar for the elimination of regulated tariffs and the introduction of transitory tariffs for standard low voltage electricity consumers. Subsequent legislation enacted in 2012 to enforce this measure establishes the end of regulated tariffs for electricity supplied to low voltage consumers with contracted power equal to or under 41.4 kVA and equal to or higher than 10.35 kVA by 1 July 2012 and to consumers with contracted power under 10.35 kVA by 1 January 2013. After these dates, a transitory last resort tariff with a gradually increasing premium component will be introduced to promote full switching to the liberalised market by 31 December 2015.

By the end of June 2014, the B2C business unit of EDP Comercial had a client portfolio amounting to more than 2,484 thousand residential and small business customers ("B2C"), compared to approximately 1,482 thousand by the end of June 2013 (a 68 per cent. increase) to which it supplied 3,275 GWh in the six months ended 30 June 2014, which accounts for a 64.2 per cent. year-on-year increase. Since 2006, EDP Comercial has remained the most active B2C supplier in the liberalised market, with market shares in this segment by June 2014 of 87 per cent. in terms of number of clients and 83 per cent. in terms of energy supplied.

#### Energy services

Management of EDP consider that its energy services business unit will play an increasingly important role in retaining customers and strengthening their long term partnership bond with EDP.

This unit'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 unit that EDP deploys its initiatives under the Plan for Promoting Consumption Efficiency ("PPEC"), an ambitious energy efficiency plan promoted by the regulator.

#### *Spain*

For the six months ended 30 June 2014, the total number of electricity customers in the liberalised market supplied by HC Energía and Naturgas was 684,813 (excluding reference suppliers) and these customers were invoiced for 8,680 GWh of electricity supplied for the six months ended 30 June 2014, a 7.3 per cent. increase from the previous year. The energy sold represents 10 per cent. of the total energy sold in the liberalised market in Spain for this period.

The B2B segment recorded sales of 7,742 GWh as at 30 June 2014, an increase of 7.3 per cent. from the previous year.

Within the B2C operation, sales of 937 GWh were achieved, representing an increase of 7.6 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, resulting in 421,289 contracts as at 30 June 2014 and 398,742 contracts with electronic invoicing.

The natural gas marketed by Naturgas in the six months period ended 30 June 2014 was 16,823 GWh, representing a 15.9 per cent. year-on-year increase, to a total of 748,956 clients. The gas sold in the B2B segment amounted to 14,582 GWh, and the remaining 2,240 GWh were sold in the B2C segment.

#### **EDP Renováveis**

EDP Renováveis is a global leader in renewable energy, with its revenue mostly derived from wind energy activities. It develops, builds and operates renewable energy assets in Europe (Portugal, Spain, France, Belgium, Poland, Romania, Italy and UK), North America (United States and Canada), Mexico and Brazil.

EDP Renováveis is a publicly traded company, listed on "Eurolist by NYSE Euronext Lisbon", following its successful IPO in June 2008.

EDP Renováveis' turbine procurement strategy focuses on maintaining long-term and flexible relationships with leading turbine suppliers, which generally have, among other qualities, access to key supply chain components, significant production capabilities, leading performance track records and strong local execution teams. EDP Renováveis believes that its global scale provides important competitive advantages in turbine procurement, including more attractive pricing, higher volumes and more flexible delivery terms in turbine supply contracts.

#### *Business Overview*

As at June 2014, EDP Renováveis managed a global portfolio of 8,599 MW spread over 10 countries, of which 7,762 MW fully consolidated and with an additional 837 MW accounted for in accordance with the equity method (483 MW through its 35.96 per cent. interest in the ENEOP Eólicas de Portugal, S.A. ("ENEOP") consortium and 353 MW related to EDP Renováveis equity stakes in Spain and in the United States). ENEOP's consortium includes, besides EDP Renováveis, the wind power operators Enel Green Power, Generg Group and Enercon, which signed a contract in 2006 for the development of 1,200 MW (in the meantime expanded to 1,335 MW) following a competitive public tender by the Portuguese Government. In 2012, EDP Renováveis successfully executed a series of landmark projects. In Romania, it entered the solar photovoltaic ("PV") segment with the commissioning of a 39 MW solar farm. It also completed its first wind farm (40 MW) in Italy and opened its largest wind farm to date, the 215 MW Marble River wind farm, in the state of New York. In the end of 2013, EDP Renováveis started-up its first wind project in Canada with an installed capacity of 30 MW. In April 2014, EDPR entered in the Mexican wind energy market establishing an agreement with Industrias Peñoles, a leading Mexican mining company, for an Electricity Supply Agreement under self-supply regime for the energy produced by a wind farm currently designed for 180 MW, expected to be installed in 2016. From the total 7,762 MW of its fully consolidated capacity, 90 per cent. are remunerated in accordance with

long-term contracts and regulated frameworks, and only 10 per cent. are exposed to US spot wholesale electricity markets (although partly covered by short-term hedges) and Spanish installed capacity without incentive.

By the end of June 2014, the overall installed capacity of EDP Renováveis was spread between Europe (4,830 MW), North America (3,685 MW) and Brazil (84 MW), reflecting a total of 373 MW of new capacity added to its portfolio since June 2013. EDP Renováveis continued to focus its growth strategy on obtaining contracts with more flexible delivery terms. As of June 2014, EDP Renováveis had 449 MW under construction and approximately 15,981 MW under development across different geographies. These figures not only suggest that EDP Renováveis will be able to benefit from a stable source of future growth opportunities but also highlight the company's positive outlook on the future of the global renewable energy market.

Regarding the efficiency of its global wind assets, in the first six months of 2014, EDP Renováveis delivered a 33.7 per cent. load factor (33.0 per cent. in the first six months of 2013). EDP Renováveis continues to leverage on its diversified portfolio to mitigate wind volatility. In Europe, EDP Renováveis obtained a 30.5 per cent. load factor (30.3 per cent in the first six months of 2013) reflecting the strong wind resource throughout the period across all the regions and higher production towards rest of Europe. In the United States, average load factor increased 1 p.p. year-on-year to 37.3 per cent. in the first half of 2014. In Brazil, the average load factor was 28.3 per cent. versus 26.9 per cent. in the same period of the previous year due to the stronger wind resource in the second quarter of 2014.

As a result of increased capacity and positive load factor performance, electricity output in the first six months of 2014 increased 6 per cent. year-on-year, totalling 10,965 GWh. In North America, electricity output in the first six months of 2014 increased by 4 per cent. year-on-year to 5,658 GWh as a result of a higher load factor in the United States. In Europe, in the first half of 2014, electricity generation improved by 8 per cent. to 5,205 GWh when compared with the same period of previous year (this performance was driven by an output growth across all European regions). In Brazil energy output increased by 5 per cent. year-on-year to 103 GWh due to higher load factors.

As part of EDP Renováveis' ("EDPR") growth strategy, asset rotation will allow it to crystallise the value of its projects' future cash-flow streams and maintain a self-funding strategy allowing it to take advantage of additional market opportunities with higher returns. The first transaction occurred in November 2012 with the sale of a 49% equity shareholding in a portfolio of 599MW wind farm assets in the United States to Borealis Infrastructure. In September 2013, EDPR reached an agreement with Fiera Axium Infrastructure US L.P. ("Fiera Axium") to sell a 49% equity shareholding in the 97 MW Wheat Field wind farm in the United States. In October 2013, EDPR reached an agreement with Axpo Power AG and Centralschweizerische Kraftwerke AG, both subsidiaries of Axpo Group ("Axpo"), to sell a 49% equity shareholding and outstanding shareholders loans in a wind farm portfolio of 100 MW located in France. In August 2014, EDPR executed a new asset rotation transaction with Fiera Axium, selling a minority cash equity interest in a United States wind portfolio with a total production capacity of 1,101 MW (Fiera Axium's interest in the portfolio will represent 394.5 MW). This transaction is still subject to the customary regulatory approvals.

#### *Europe*

In the twelve months ended 30 June 2014, EDP Renewables Europe ("EDPR EU") increased its installed capacity by 343 MW (92 MW relating to ENEOP), ending the period with 4,830 MW (483 MW relating to ENEOP and 174 MW related to other farms accounted for in accordance with the equity method), spread over seven countries: Spain, Portugal, France, Belgium, Italy, Poland and Romania.

Electricity generation in the first six months of 2014 increased by 8 per cent. year-on-year to 5,205 GWh due to a capacity increase, mostly in rest of Europe, coupled with a higher average load factor. The increase in average load factor in the first six months of 2014 was driven by higher load factors all across Europe: in Portugal 34 per cent. versus 33 per cent. in the first half of 2013; in Spain 32 per cent. versus 31 per cent. in the first half of 2013; and in the rest of Europe 26 per cent. versus 25 per cent. in the first half of 2013.

As at 30 June 2014 EDP Renováveis had 120 MW under construction in Europe of which 45 MW are attributable to ENEOP.

#### *Spain*

In Spain, EDP Renováveis' wind installed capacity as at June 2014 amounted to 2,194 MW fully consolidated plus 174 MW accounted for in accordance with the equity method, stable year-on-year.

EDP Renováveis' load factor in Spain increased from 31.5 per cent. in the first six months of 2013 to 31.7 per cent. in the first half of 2014, delivering once again a premium over the Spanish market average (+2 p.p.). Electricity output grew by 1 per cent. year-on-year during the six months ended 30 June 2014, amounting to 2,943 GWh.

As at June 2014 EDP Renováveis had 2 MW of wind onshore under construction in Spain.

#### *Portugal*

In Portugal, EDP Renováveis' installed capacity as at June 2014 totalled 621 MW of consolidated capacity plus 483 MW accounted for in accordance with the equity method through its interest in the ENEOP consortium, which will increase to 534 MW at the completion of the project. In the twelve months ended 30 June 2014 EDP Renováveis added 94 MW of installed capacity in Portugal (92 MW attributable to ENEOP and 2 MW related to solar PV).

EDP Renováveis' load factor in Portugal in the first six months of 2014 reached 34.4 per cent., an increase from 33.3 per cent. in the first half of 2013, following a very strong wind resource in the first quarter of 2014 (43.4 per cent.). In this period, the electricity output increased 4 per cent. year-on-year to 926 GWh.

In June 2013, EDP Renováveis completed the sale of a 49 per cent. equity shareholding and 25 per cent. of the outstanding shareholders' loans in EDP Renováveis Portugal, S.A. to China Three Gorges International (Hong Kong) Company Limited, a fully owned subsidiary of CTG, for a total consideration of €368 million. This transaction was agreed in the context of the EDP/CTG strategic partnership established in December 2011 and that entered into force on May 2012.

As at June 2014 EDP Renováveis had 2 MW under construction related to overpowering of existing wind farms.

#### *Rest of Europe*

At the end of June 2014, EDP Renováveis had 1,357 MW of capacity installed in the rest of Europe, installed as follows: Romania 521 MW (of which 50 MW are solar PV), Poland 374 MW, France 322 MW, Belgium 71 MW and Italy 70 MW. 238 MW of wind energy capacity were added in the twelve months ended 30 June 2014, and 12 MW of solar PV power plants were installed in the fourth quarter of 2013. By June 2014, a total of 72 MW were under construction in the rest of Europe: 30 MW in Italy, 24 MW in Poland and 18 MW in France.

The average load factor in the six months ended 30 June 2014 increased to 26 per cent. year-on-year, despite the decrease of 4 P.P. registered in Romania.

The electricity output increased by 33 per cent. year-on-year to 1,335 GWh in the first half of 2014, driven by higher capacity and higher load factors.

#### *North America*

In North America, EDP Renováveis' installed wind capacity as at June 2014 totalled 3,685 MW (of which 179 MW accounted for in accordance with the equity method) spread across 11 different states. In the fourth quarter of 2013, EDP Renováveis installed its first wind project in Canada with a 30 MW installed capacity. As of June 2014, EDP Renováveis had under construction 329 MW: the Headwaters wind farm project (200 MW in the state of Indiana); the Rising Tree wind farm project (99 MW in the state of California); and two solar PV power plants (30 MW in the state of California).

The average load factor in the first six months of 2014 was 37.3 per cent. versus 35.9 per cent. in the same period of the previous year which implied a year-on-year electricity output increase of 4 per cent. (5,658 GWh in the six months period ended 30 June 2014 versus 5,416 in the homologous period).

#### *Brazil*

EDP Renováveis' installed wind capacity in Brazil totalled 84 MW by June 2014. All of the company's installed capacity in Brazil benefits fully from incentive programmes for renewable energy development. This provides long-term visibility through long-term contracts to sell the electricity produced for 20 years, which translates into stable and visible cash flow generation throughout the projects' life.

The average load factor in Brazil for the first six months of 2014 improved from 26.9 per cent. to 28.3 per cent.

Electricity output increased 5.5 per cent. year-on-year to 103 GWh in the first six months of 2014, benefiting from stronger wind resources.

EDP Renováveis has currently 236 MW under development in Brazil awarded at the energy A-5 auctions with PPA's for a period of 20 years from which 120 MW will start in January 2016 with a price set at R\$97/MWh, indexed to the Brazilian inflation rate and 116 MW will start in January 2018 with the price set at R\$109/MWh (prices to be inflation updated over the PPA period), which clearly reinforces EDP Renováveis presence in a market with low risk profile, attractive wind resources and strong growth prospects.

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

##### *Generation – excluding wind power*

EDP Brasil generation activities include the management of hydroelectric power stations and mini-hydro power stations located in the states of Espírito Santo, Mato Grosso do Sul, Tocantins, Santa Catarina, Rio Grande do Sul and Ceará. As at 30 June 2014, EDP Brasil's generating facilities, excluding wind, had a total installed capacity of 1,797 MW fully consolidated and an additional 360 MW accounted for in accordance with the equity method through its 50 per cent. interest in Pecém I coal thermal plant. 615 MW of the 720 MW installed capacity in Pecém I was sold in the A-5 auction held by the Electric Energy Trading Chamber ("CCEE"), in October 2007. The price reached at the auction was R\$ 125.95 per MWh, for a 15-year contract.

The total volume of energy sold by EDP's fully consolidated plants in Brazil in the first six months ended 30 June 2014 reached 4,130 GWh, a 4.5 per cent. decrease versus the same period of the previous year reflecting the seasonal allocation of volumes.

The entire installed capacity of EDP Brasil is contracted under PPAs with prices adjusted for inflation and an average maturity of 15 years.

##### *Generation projects under construction*

As announced in June 2011, EDP Brasil acquired the Santo Antônio do Jari Hydro Power Plant ("HPP"), located on the border of Pará and Amapá states. Santo Antônio do Jari HPP has an installed capacity of 373 MW with an average contracted capacity of 210.9 MW, of which 190 average MW were sold in the A-5 auction of December 2010 for a period of 30 years ending 31 December 2044 (expiration date of the concession), and 20.9 MW were sold in the A-5 auction of December 2012 for a period of 28 years ending 31 December 2044. Santo Antônio do Jari HPP is expected to start-up in January 2015.

In December 2012, EDP Brasil acquired Cachoeira Caldeirão HPP, located at Amapá state, in Araguari river, with an installed capacity of 219 MW, of which 129.7 average MW were sold in the A-5 auction for a period of 30 years. Cachoeira Caldeirão HPP is expected to start-up in January 2017.

In December 2013, within the scope of the Brazilian A-5, The Terra Nova Consortium, constituted by EDP Brasil (66 per cent.) and Companhia Furnas Centrais Elétricas S.A. (33 per cent.), obtained the concession for the São Manoel hydro plant. This hydro plant, with an installed capacity of 700 MW, will be built on the border of the Mato Grosso and Pará states, in the Teles Pires river. The conditions of the contracted Power Purchase Agreement ("PPA") in the electricity auction include the sale of 409.5 average MW for a 30-year term starting in May 2018.

In December 2013, EDP Brasil announced that it has signed with CWE Investment Corporation ("CWEI"), a fully owned subsidiary of China Three Gorges ("CTG"), a Memorandum of Understanding which establishes the key guidelines of a partnership aiming at future co-investments between EDP Brasil and CWEI and governs the participation of the parties thereto in joint energy projects in Brazil.

In the context of this partnership, CWEI (Brasil) Participações Ltda (CWEI Brasil), a subsidiary of CWEI, signed the agreement to: (i) acquire a 50 per cent. stake in the company holding the rights to develop the Cachoeira Caldeirão HPP project (219 MW) and to (ii) acquire 50 per cent. in the company holding the rights to develop the Jari HPP project (373 MW). These transactions were concluded in June 2014 and from this date these investments, now jointly controlled by EDP and CWEI Brasil, are accounted for in accordance with the equity method.

In February 2014, EDP Brasil signed a Purchase and Sale Agreement with CWEI Brasil to sell 33.3 per cent. of the company holding the rights to develop São Manoel HPP to CWEI Brasil.

### *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 are currently developed by two concessionaires, which secure approximately 3.1 million customers, in regions where the total population is approximately 8 million people:

- EDP Bandeirante – Supplies energy to approximately 1.7 million customers in 28 municipalities in the regions of Alto Tietê, Vale do Paraíba and Litoral 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, paper and pulp manufacture.
- EDP Escelsa – Delivers 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 approximately 1.4 million customers. The main economic activities of the region are metallurgy, iron mining, production of paper, oil and gas.

The volume of electricity sold to final customers increased by 3.9 per cent. in the first half of 2014 compared to the same period in the previous year. In the residential, commercial and other segments, the volume sold in the first half of 2014 rose 5.6 per cent. year-on-year, justified by a wider client base, higher consumption per capita, particularly in EDP Escelsa due to the higher temperatures registered in the concession area in the second quarter of 2014, and a lower average unemployment rate. In the industrial segment, the volume of electricity sold fell by 1.4 per cent. in the first half of 2014 compared to the same period of the previous year due to the migration of clients to the free market.

The volume of electricity distributed totalled 13.2 TWh in the first half of 2014, representing a 2.7 per cent. year-on-year increase, supported by higher demand from residential and commercial segments on wider client base and higher temperatures. The growth in volume distributed to large industrial clients in the free market decelerated significantly to +0.7 per cent. in the first half of 2014, reflecting lower industrial production, higher industrial own-consumption and the closure of one plant in the electronic sector.

### *Supply*

EDP Comercializadora is responsible for energy commercialisation activities and rendering services to the liberalised market, both inside and outside the concession areas of the two distributors of EDP Brasil that operate in the regulated market.

EDP Comercializadora showed growth in the volume of energy supplied in the first half of 2014, trading 6,330 GWh, which was 4.9 per cent. higher than the volume traded in the first half of 2013 reflecting a favourable long position and higher volumes supplied to clients, benefiting from higher spot prices, thus, based on publicly available information, ranking it as the third largest private sector electricity energy commercialisation company in Brazil.

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

EDP also has financial interests in other energy and non-energy related assets, namely a 3.5 per cent. stake in REN the electricity transmission company in Portugal, and a 21.2 per cent. interest in Companhia de Electricidade de Macau, located in Macau, China.

### **REGULATORY FRAMEWORK**

#### **Iberian Peninsula**

##### ***MIBEL Overview***

Since 1 July 2007, the electricity wholesale market in the Iberian Peninsula has been operated as a single and integrated electricity market for Portugal and Spain within the wider context of the European single electricity market, which is provided for in EU directives. This integrated market for Portugal and Spain is known as Mercado

Ibérico de Electricidade ("MIBEL") and is the result of the successive international agreements entered into by the governments of Portugal and Spain since 1998 ("MIBEL Agreements").

Under the MIBEL Agreements, MIBEL's purpose is to be the common electricity trading platform in Portugal and Spain. The MIBEL Agreements set out a framework that creates: (1) organised and non-organised markets in which transactions or electricity agreements are entered into; and (2) markets in which financial instruments relating to such energy are traded. 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 have to 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., ("OMEL") and an electricity forward market that is managed by Operador do Mercado Ibérico de Energia – Pólo Português, S.A. ("OMIP"). In addition, electricity transactions may also be negotiated through bilateral contracts with terms of at least one year. The MIBEL Agreements also specify that the existence of two market operators, OMEL and OMIP, is temporary and that OMEL and OMIP will eventually merge into a single market operator, the Iberian Market Operator ("OMI").

Pursuant to the provisions of the MIBEL agreements, which entered into force on 1 July 2011, the segregation process affecting OMEL has been completed. This has involved the transfer of a section of OMEL's business, which involved the operation of the electricity market and other energy-based products, to OMI Polo español, S.A. ("OMIE").

Further to this transfer, as from 1 July 2011, OMIE assumed the management of the bidding system for the purchase and sale of electricity on the spot market within the sphere of MIBEL, whilst OMEL has become a holding company, owning 50 per cent. of each of OMIE and OMIP and 10 per cent. of the Portuguese parent company, OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP, SGPS"). OMIP SGPS also holds 50 per cent. of each of OMIE and OMIP and has diversified its shareholder base in October 2011, by reduction of the Portuguese Transmission System Operator ("TSO") stake from 90 per cent. to 35 per cent. by sale to several market agents.

The Iberian electricity forward market managed by OMIP began operations on 3 July 2006 and, since 1 July 2007, electricity operators in Portugal and Spain have used a common trading platform for spot energy that is managed by OMIE, with the purpose of creating a fully integrated electricity market for the Iberian Peninsula. The MIBEL spot market currently operates in a market split system pursuant to which electricity market prices in each country depend on (1) supply and demand in each country and (2) the available interconnection capacity between each country. It is expected that as interconnection capacity between Portugal and Spain increases, the MIBEL spot market will evolve to a single market system.

On 1 July 2007, EDP began to sell electricity generated under the ordinary regime in Portugal through the spot market managed by OMIE, as a result of the early termination of its PPAs, as further described below.

### ***Managing Emissions***

The allocation of emissions allowances for the 2013-2020 period is being partially made by auction, in accordance with Directive 2009/29/EC, which regulates the third phase of the EU ETS – European Emission Trading System.

Decree-Law no. 38/2013, of 15 March, establishes a new approach for licensing, harmonised at the EU level, that sets up a transitional regime for allocation of free allowances. The free allocation will initially be 80 per cent. of the quantity determined by applying a harmonised methodology. It will decrease annually, to a 30 per cent. free allocation in 2020, until the free allocation is eliminated in 2027. The methodology allocation was set by Commission Decision no. 2011/278/EU of 27 April 2011.

From 1 January 2013, emission allowances that are not allocated free of charge are subject to an auction. 80 per cent. of the revenues from the auction in each year must be used to promote renewable energy by offsetting part of the special regime generation overcosts. Additionally, if unused emission allowances allocated for 2008 to 2012 are auctioned, 70 per cent. of the proceeds will revert to the electricity system. At the level of the EU ETS, the European Commission produced an impact assessment report on the measures previously designed to prevent the surplus of emission allowances on the market and the consequent reduction in the price of CO<sub>2</sub> per ton. The purpose of the report was to analyse the functioning of the market and to identify the need for regulatory action in this field.

The Ministerial Order no. 3-A/2014, January 7 2014, established a set of procedures governing the determination of the amount of revenues to be used in the promotion of renewable energies, including the annual plan for the use of revenues and the collaboration of the Portuguese Carbon Fund with other agencies in the allocation and use of revenues from the auctioning of allowances for greenhouse gas emissions, as well as the amounts to be deducted from the global use tariff of the National Electric System (NES).

### ***Renewable Energy***

The promotion of electricity from renewable sources is a priority in the EU for purposes of security and diversification of energy supply, environmental protection and social and economic development. The EU's renewable energy strategy was set forth in a general regulation that supports all forms of renewable energy generation and in specific regulations that support specific renewable energy technologies. These regulations target the generation of certain percentages of EU electricity and energy from renewable sources in order, among other objectives, to achieve the greenhouse gas emission reductions required by the Kyoto Protocol, to which the EU (and its Member States) became a signatory on 31 May 2002.

The European Council Meeting of March 2007 reaffirmed the EU's commitment to the EU-wide development of energy from renewable sources beyond 2010. It endorsed a mandatory target, including two requirements, which are that by 2020: (1) 20 per cent. of EU-wide energy consumption will be generated from renewable sources and (2) at least 10 per cent. of transport petrol and diesel consumption in each Member State will be originated from bio fuels.

Furthermore, in January 2008, the EU proposed specific binding targets for each Member State. On 23 January 2008, the European Commission established a framework (COM (2008) 30 final) to ensure a sufficient level of investments and support in order to achieve an 11.5 per cent. increase in the share of renewable energy as a proportion of total energy consumption in the EU, which will in turn ensure that the European Council's target of 20 per cent. by 2020 is met. The European Commission further highlighted the projected decrease in the relative cost of renewable energy due to the cost of EU ETS allowances (a scheme that allows companies to trade allowances for the right to produce CO<sub>2</sub> emissions) and rising prices for oil and gas. Furthermore, the European Commission reinforced the strong renewable energy allocation and flexibility methodology adopted by the European Council.

In light of the positions taken by the EU, the European Parliament and the European Council adopted a new Directive, Directive 2009/28/EC of the European Parliament and the Council of 23 April 2009, which amended and subsequently repealed Directives 2001/77/EC and 2003/30/EC (the "Renewable Energy Directive"). The Renewable Energy Directive was designed to promote the use of renewable energy with the general objectives set out at the European Council Meeting of March 2007, as described above. The Renewable Energy Directive was recently amended by Directive 2013/18/EU of the European Parliament and the Council of 13 May 2013.

To ensure those objectives are achieved, the Renewable Energy Directive established a common framework for the promotion of energy from renewable sources. It also set mandatory national targets for the overall share of energy and for the share of transport energy from renewable sources. In addition, it lays down rules relating to statistical transfers between Member States, joint projects between Member States and with third countries, guarantees of origin, administrative procedures, information and training and access to the electricity network for energy from renewable sources. Finally, the Renewable Energy Directive establishes sustainability criteria for biofuels and bioliquids.

As part of International commitments to reducing greenhouse gases emissions, the 2012 United Nations Climate Change Conference held a meeting in Doha (Qatar) that concluded with an extension of the Kyoto Protocol (set to expire in 2012) until 2020, with 37 countries (representing around 15 per cent. of worldwide emissions) agreeing to binding greenhouse gas reduction targets. In 2015, a new treaty with binding obligations for all parties should be ready so it can be operational by 2020. Negotiations will proceed to reach a comprehensive and binding treaty for a larger number of countries, including, perhaps, the United States (which never ratified the Kyoto Protocol) and developing countries such as China, India and Brazil. With respect to the EU's renewable energy policy, on March 2012, the European Parliament voted in favour of setting a binding renewable energy target for 2030. In December 2012, European energy ministers gave a mandate to the Commission to start working on a post-2020 renewable energy policy framework. Energy Commissioner Oettinger had called for a target to be set by 2014. The European Renewable Energy Council is calling for a binding 45 per cent. renewable energy target for 2030.

## Portugal

### ***Evolution of the Portuguese Electricity System***

The Portuguese electricity system ("Portuguese Electricity System") has changed significantly in recent years. Until 1999, the generation, transmission, distribution and supply components of the electricity industry in Portugal were united in the EDP Group. Since 2000, the regulation of the electricity industry in Portugal has been subject to significant changes, such as the unbundling of the power transmission network and the liberalisation of power generation and supply. The current organisation of the Portuguese energy sector is mostly the result of a significant restructuring initiated with the National Strategy for the Energy sector (the "NSE") established firstly by Resolution of the Council of Ministers no. 169/2005, of 24 October 2005, as later amended and updated by Resolution of the Council of Ministers no. 29/2010, of 19 March 2010, which also formally repealed Resolution of the Council of Ministers no. 169/2005, of 24 October 2005. Currently, the NSE is established by Resolution of the Council of Ministers no. 20/2013, of 10 April 2013, which repealed the Resolution of the Council of Ministers no. 29/2010, of 19 March 2010, and set two main policy plans regarding the energy sector: the National Plan of Action for Energy Efficiency 2013-2016 ('PNAEE 2016') and the National Plan of Action for Renewable Energies 2013-2020 ('PNAER 2020'). These plans of action are intended to be tools for a better energy planning by establishing the means of achieving international goals and commitments assumed by Portugal in matters of energy efficiency and the use of renewable resources, without losing sight of economic rationality and the need to ensure adequate levels of energy prices, which do not prejudice the competitiveness of Portuguese companies or the minimum living standards of the general population. The said plans focus primarily on the reduction of the country's energy dependence, the increase of energy generation using renewable resources 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 economic rationality, which provides sustainable energy costs, (ii) ensuring a substantial improvement of the country's energy efficiency, and (iii) maintaining the reinforcement to diversify primary energy sources, revaluating the investments made in renewable technologies and presenting a new remuneration model for more efficient and prominent technologies. The PNAEE 2016 and PNAER 2020 have the following five major objectives:

- (a) To comply with the commitments assumed by Portugal with greater economical rationality;
- (b) To significantly reduce greenhouse gas emissions;
- (c) To reinforce primary energy sources diversification, thus contributing to the enhancement of Portugal's safety of supply;
- (d) To improve the energy efficiency of Portugal's economy, particularly in the public sector, thus reducing public spending and promoting an efficient use of available resources;
- (e) To improve economic competitiveness by reducing consumption and costs related to the companies functioning and household economy management, freeing resources to boost internal demand and new investments.

EU Directive no. 2003/54/CE of the European Parliament and of the Council of 26 June 2003 (the "Electricity Directive"), which defined new strategic objectives, principles and general guidelines, was transposed into Portuguese national law by Decree-Law no. 29/2006, of 15 February 2006 ("Decree-Law no. 29/2006"). The Electricity Directive established common rules for the generation, transmission and distribution of electricity in Member States, and it instituted rules relating to the organisation and functioning of the electricity sector, access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems.

The national law followed the Electricity Directive and established the new legal framework for the Portuguese electricity sector. Decree-Law no. 172/2006, of 23 August 2006 ("Decree-Law no. 172/2006"), as amended, further developed this legal framework (together with Decree-Law no. 29/2006 the "Electricity Framework") and established rules for activities in the electricity sector.

Following implementation of this new Electricity Framework, the former organisation of the Portuguese Electricity System was replaced by a single market system, and the generation and supply of electricity and

management of the organised electricity markets 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 electricity industry continue to be provided through the award of public concessions.

Decree-Law no. 319/2009, of 3 November 2009, while transposing Directive no. 2006/32/EC of the European Parliament and of the Council, of 5 April 2006, established the 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, and creates the conditions for the development and promotion of an energy services market and of other measures of improvement of energy efficiency. This legislation, applicable, among others, to electricity distributors, suppliers and consumers, also sets out a general indicative objective for energy economy of 9 per cent. to be achieved by 2016, such energy economy to be reached through the use of energy services and through the improvement of energy efficiency.

Notwithstanding all the efforts at European level to create an energy common market, there are still obstacles to the sale of electricity on equal terms and without discrimination or disadvantages in the EU. Therefore a third legislative package was proposed in 2007 by the European Commission, and adopted in 2009 by the European Parliament and European Council. This legislative package includes Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009, concerning common rules for the internal market in electricity, which repealed Directive 2003/54/EC ("Directive 2009/72/EC"), Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators ("Regulation (EC) 713/2009"), and Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009, on conditions for access to the network for cross-border exchanges in electricity, which repeals Regulation (EC) No 1228/2003 ("Regulation (EC) 714/2009"). Both Regulation (EC) 713/2009 and Regulation (EC) No 714/2009 were last amended by Regulation (EC) 713/2009, of 17 April 2013

Directive 2009/72/EC focuses on common rules relating to the organisation and functioning of the electricity sector, open access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems, along with rules concerning universal service obligations and the rights of electricity consumers.

Regulation (EC) 713/2009 establishes an Agency for the Cooperation of Energy Regulators with the general purpose of assisting the national regulatory authorities and, where necessary, coordinating their actions.

Regulation (EC) 714/2009 aims at: (1) setting fair rules for cross-border exchanges in electricity, thus enhancing competition within the internal market in electricity, taking into account the particular characteristics of national and regional markets, and (2) facilitating the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in electricity, providing mechanisms to harmonise the rules for cross-border exchanges in electricity.

Directive 2009/72/EC was partially transposed into Portuguese national law by Decree-Law no. 78/2011, of 20 June ("Decree-Law no. 78/2011"), which amended Decree-Law no. 29/2006 and introduced changes in the Electricity Framework.

Following the amendments introduced by Decree-Law no. 78/2011, the Electricity Framework now adopts 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 the Directive 2009/72/EC. Decree-Laws no. 215-A/2012 and 215-B/2012, of 8 October 2012, were published, introducing new modifications to Decree-Law no. 29/2006 and to Decree-Law no. 172/2006, respectively. Important modifications introduced included: (i) special regime generation can now also be remunerated through market schemes, and is no longer distinguished from ordinary regime generation exclusively by the fact that it has special remuneration schemes under pro-investment policies; (ii) requirements related to the independence and legal separation and ownership unbundling of the transmission network operator were reinforced (in consequence, also, of the challenges created by the privatisation process); (iii) regarding the distribution network operator, the legal separation requirements were also clarified, with the aim of assuring the independence and eliminating the network access discrimination risk; (iv) concerning the supply activity, they provided that the supplier of last resort maintains the

obligation of acquiring the special regime generated power, but only when the generation benefits from a guaranteed feed-in-tariff, and the creation of the figure of the Market Facilitator Aggregator, to which will be attributed the responsibility of acquiring special regime generation without a guaranteed feed-in-tariff. ERSE has incorporated the above changes into the applicable regulations.

### ***The Current Portuguese Electricity System***

Under the Electricity Framework, the Portuguese Electricity System is divided into six major functions: (i) generation, (ii) transmission, (iii) distribution, (iv) supply, (v) operation of the electricity market and (vi) the logistical operations that facilitate switching electricity suppliers for consumers. Subject to certain exceptions, each of these functions must be operated independently, from a legal, organisational and/or decision-making standpoint.

The electricity sector activities are required to be developed in accordance with the principles of rationality and efficiency in the use of necessary resources and in accordance with the principles of competition, environmental sustainability and consumer protection, with the purpose of increasing competition and efficiency in the Portuguese Electricity System, in the context of the creation of the internal energy market.

### ***Electricity generation***

Electricity generation is subject to licensing and is carried out in a competitive environment. Electricity generation is divided in two regimes: an ordinary regime and a special regime. The special regime generation governs the generation activity subject to special legal regimes, such as electricity generation through cogeneration and endogenous resources, renewable or non-renewable, small generation (e.g. microgeneration and minigeneration) and generation without network injection, as well as generation of electricity using endogenous resources, renewable or non-renewable, which is not subject to a special legal regime. Generation which falls outside the scope of these criteria is included in the ordinary regime generation.

Ministerial Order no. 243/2013 of 2 August 2013, which establishes the terms, conditions and criteria applicable for the obtaining of the generation licence and operation licence, was recently enacted.

Decree-Law no. 141/2010, of 31 December 2010, which transposes the Renewable Energy Directive, established that, as an indicative objective, the use of renewable energy sources must represent at least 31 per cent. of end-use electricity consumption by 2020.

Decree-Law no. 39/2013 of 18 March 2013, amending Decree-Law no. 141/2010, established national targets for renewable energy in gross final consumption of energy and for the share of energy from renewable sources in transport, defining the methods of calculating the share of energy from renewable energy sources and establishing mechanism for issuing guarantees of origin for electricity from renewable energy sources. The main changes introduced by this Decree-Law are: i) the possibility of achieving the national targets for use of renewable energy through statistical transfers between Member States, and joint projects with public authorities or private operators from other Member States or third countries; ii) the obligations of developing actions to disseminate the advantages of using renewable energy sources.

### ***Ordinary Regime***

On 30 June 2007, all of the long term PPAs that had been previously executed by EDP during the 1990s were terminated early pursuant to Decree-Law no. 240/2004, and accordingly, the power facilities that generated electricity for those agreements are now operated under market conditions.

In addition, EDP has regularised the status of the water concessions for its hydropower plants in accordance with Decree-Law no. 226-A/2007, of 31 May 2007, last amended by Law no.44/2012, of 7 August 2012. As a result, EDP has retained the rights to operate 26 hydropower plants under market conditions (with 4.094 MW of installed capacity), whose average term of operation is until 2047.

Ministerial Order no. 765/2010, of 20 August 2010 ("Ministerial Order no. 765/2010"), established a new regime applicable to generators operating in the liberalised market, which provided that remuneration may be awarded to generators that provide generation capacity to be used in connection with the technical management of the national electricity transmission network, under similar conditions to those that, since 2007, have been available for generation companies in Spain. In addition, the provision of an investment incentive for a period of ten years,

amounting to €20,000 per MW installed was established, to be used in generation capacity in the ordinary regime (not less than 50 MW). Power plants that used to benefit from PPAs early terminated in 1 July 2007 and that are currently subject to a stranded costs compensation mechanism, designated as the CMEC mechanism, had been excluded from such incentive benefits. New capacity increases of hydro power plants with reversible systems were also covered by this measure. The availability incentive provided for a payment for the availability of certain generation capacity in a predetermined timeframe equal to or less than one year, in an amount to be defined by the member of the Portuguese government responsible for the energy sector. These capacity payments to generators were to be made and managed by the system operator and supported by the electricity tariffs as set in the Tariff Regulation enacted by the Portuguese Energy Services Regulatory Authority (Entidade Reguladora dos Serviços Energéticos, "ERSE"), an autonomous public entity.

Following the Memorandum of Understanding on Specific Economic Policy Conditionality entered into by the Portuguese State with the International Monetary Fund, the European Union and the European Central Bank (the "Financial Assistance Programme"), the Portuguese capacity remuneration mechanism was reviewed. In fact, Ministerial Order no. 139/2012, of 14 May 2012, revoked Ministerial Order no. 765/2010 and terminated, with effect as from 1 June 2012, the capacity remuneration mechanism as described above, establishing the new guiding principles of the substitute regulatory regime. Consequently, the availability incentive and the investment incentive previously established by Ministerial Order no. 765/2010 ceased to be applicable. In the meantime, Ministerial Order no. 251/2012 of 20 August introduced new availability and investment incentives applicable to thermal and hydro power plants, respectively. However, in accordance with the new legal framework, payment of the availability incentive is conditional upon termination of the Financial Assistance Programme and shall only take effect, if granted, upon the beginning of the calendar year immediately after such termination, or as from the month which follows the request for eligibility, whichever occurs later. The annual reference value of the availability incentive for thermal power plants shall correspond to € 6,000/MW per year. On the other hand, the investment incentive for new hydro power plants shall take effect, if granted, as from the month which follows the request for eligibility and shall be attributed for a period of 10 years, in an amount calculated on the basis of the current criteria for national supply coverage set out in Ministerial Order no. 251/2012 and regulations. The annual reference values of the investment incentive shall correspond to the amounts set out in the Annex to Ministerial Order no. 251/2012.

### ***Special Regime***

The Portuguese legal provisions applicable to the special regime generation are primarily governed by Decree-Law no. 172/2006 of 23 August 2006 ("Decree-Law no. 172/2006"), amended by Decree-Law no. 215-B/2012, of 8 October 2012. Special regime generation is also governed by Decree-Law no. 29/2006, as this sets out the principles for the organisation and functioning of the Portuguese Electricity System.

The statutory and regulatory regime applicable to special regime generation differs from that applicable to the ordinary regime generation in relation to licences, tariffs and electricity sale rights. In addition, Decree-Law no. 23/2010, of 25 March 2010 ("Decree-Law no. 23/2010"), as amended by Law no. 19/2010, of 23 August 2010 ("Law no. 19/2010"), provides for a new cogeneration regime in respect of, among others, licensing and tariffs. The specific terms of the reference tariff remuneration regime were recently defined by the Ministerial Order no. 140/2012, as amended by Ministerial Order 325-A/2012.

### **Licences**

The licensing regime applicable to power plants included in the special regime generation is governed by Decree-Law no. 172/2006, Ministerial Order no. 237/2013, of 27 July 2013 and Ministerial Order no. 243/2013, of 2 August 2013. The construction and operation of a power plant included in the special regime generation requires a network interconnection point to be allocated by the Portuguese State Energy Department (Direcção Geral de Energia e Geologia, "DGEG"), on the request of the promoter selected upon the conclusion of a public tender procedure, which may be determined by the Ministry responsible for the energy sector. The licensing process begins with a request to DGEG to assess the capacity of the network to receive the electricity generated at a determined network interconnection point. If such capacity exists, DGEG may allocate a network interconnection point to the requesting party upon conclusion of a public tender procedure. The competing entities must comply with certain requirements in order to be granted the right to a network interconnection point. The entities to which the interconnection point has been allocated must then obtain a generation licence from DGEG before beginning construction of the power plant. Once construction is completed, an exploration licence must also be obtained. The DGEG licensing process operates in

parallel with a local licensing process administered by the municipalities in which the power plant is to be located. In particular, the requesting party must obtain local construction and operating licences for the power plant. In some instances, an environmental impact evaluation may be required, and a favourable environmental impact declaration must be issued by the Environmental Impact Authority. This favourable environmental impact declaration, when applicable, is a condition precedent for the issuance of the generation licence. Also, in cases where installations are to be located within the National Ecologic Reserve territory, depending on the specific circumstances, additional permits or a special Ministerial Order recognising the public interest of the project may be required.

Ministerial Order no. 237/2013 establishes the regime for the prior communication procedure regarding the installation of power plants under the special regime, which do not require a generation license.

### **Tariffs**

Decree-Law no. 189/88 of 27 May 1988 ("Decree-Law no. 189/88"), and the amendments thereto, including Decree-Law no. 168/99, of 18 May 1999, Decree-Law no. 312/2001, of 10 December 2001, Decree-Law no. 339-C/2001, of 29 December 2001, Decree-Law no. 33-A/2005, of 16 February 2005 ("Decree-Law no. 33-A/2005") and Decree-Law no. 35/2013, of 28 February 2013, ("Decree-Law no. 35/2013"), 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 hydropower plants). With the publication of Decree-Law no. 35/2013, as previously envisaged in Decree-Law no. 215-B/2012, a new remuneration regime came into force. However, generators licensed before the entry into force of Decree-Law no. 33-A/2005 and, in general terms, generators which were licensed before entry into force of Decree-Law no. 215-B/2012, maintain their right to have their electricity remunerated in accordance with the formula set out in accordance with Schedule II of Decree-Law no. 189/88.

Decree-law no. 35/2013, also established the possibility of special regime generators to adhere to certain alternative remuneration mechanisms which, generally, allow for the extension of the period by which such special regime generators receive a special tariff or guarantee remuneration. It also sets a deadline for the maintenance of the remuneration conditions applied to small hydro plants (PCH) subjected to a special remuneration regime.

Regarding wind farms, upon entry into force of Decree-Law no. 35/2013, wind farms that were already in operation as of February 2006 sell their electricity at a set price, dependent on generation hours, for a period of 15 years after entry into force of Decree-Law no. 33-A/2005; all other wind farms sell their electricity at a set price, dependent on generation, for period of fifteen years as of the date of attribution of the exploration licence. After such period, the wind farms that benefit from a remuneration regime prior to entry into force of Decree-Law no. 33-A/2005 may choose (i) to benefit, for an additional five years, from a tariff which shall be determined by the member of the Government responsible for the energy area, or (ii) to adhere, to an alternative remuneration regime, against payment of annual compensation to the SEN of €5,000 or €5,800 per MW of installed capacity for a period of eight years between 2013 and 2020.

The alternative remuneration regime (ii) above offers generators the possibility of receiving the amount corresponding to the set market price, with the advantage that a floor (of €74 MWh) and a cap (of €98 MWh), or just a floor (of €60 MWh), is established. This means that, if market prices fall below or rise above such amounts (in the first case), or fall below such amount (in the second case), the generators shall receive the cap or the floor value, irrespective of the set market price.

If generators choose to pay the compensation of €5,000 per MW of installed capacity to the SEN, they shall be entitled to benefit from the alternative remuneration regime they choose for a period of five years, upon the conclusion of the initial fifteen year term. If generators choose to pay the compensation of €5,800 per MW of installed capacity to SEN, they shall be entitled to benefit from the alternative remuneration regime for a period of seven years, upon the conclusion of the initial fifteen year term.

Wind farms licensed after February 2006 sell their first 33 GWh of electricity at a price based on a formula set out in Decree-Law no. 33-A/2005, for a period of 15 years counting from the date of the first supply of electricity to the network. After the 33 GWh limit is exceeded, electricity in excess of 33 GWh and, in any case, after the 15 years as from the entering into force of Decree-Law no. 33-A/2005 have elapsed, all electricity generated on those wind farms will be sold at the then-existing market price, plus the price received from the sale of green certificates, if any. The cost of providing such remuneration to the generators is allocated in accordance with Decree-Law no.

90/2006, of 24 May 2006. Additionally, Decree-Law no. 172/2006, of 23 August 2006, establishes the obligation of the operators of the public service electricity network, such as REN—Rede Eléctrica Nacional, S.A., in its capacity as operator of the national transmission network and EDP Distribuição, in its capacity as operator of the national distribution network, to receive in first place the electricity generated using renewable energy sources except for hydroelectric power plants with an installed capacity greater than 30 MW.

Regarding PCH, Decree-Law no. 35/2013 imposes a term of 25 years after the allocation of the operating license, subject to the limits imposed by the licence of water resources' usage, for the maintenance of remuneration conditions established under the Decree-Law no. 33-A/2005, February 16 2005. Before this date, the remuneration scheme would be valid during the period foreseen in the licence of water resources' usage.

The legal regime of the generation of electricity through microgeneration units and "mini" generation has changed with the publication of Decree-Law no. 25/2013, of February 19 2013, establishing that the supplier of last resort is required to purchase electricity from these units, regardless of the remuneration arrangements (subsidized or general scheme).

It should also be noted that, under DGEG Order of December 26, 2013, it was determined that the value of the reference tariff for all photovoltaic solar generation technologies in 2014 is € 218/MWh during the first 8-year period and € 115/MWh during the second period of 7 years. In the case of micro generation units using solar photovoltaic technology, the reference tariff in 2014 is € 66/MWh during the first period of 8 years and € 145/MWh during the second period of 7 years. Regarding "mini" generation, it was determined that the value of the reference rate to be applied in 2014 is €159/MWh for all technologies other than solar PV. For units of "mini" generation using solar photovoltaic technology, the reference rate to be applied is € 106/MWh.

### ***Electricity sale***

The Portuguese special generation regime provides that generators who benefit from a guaranteed remuneration under law may sell electricity to last resort suppliers who are required to purchase electricity under the special regime pursuant to article 55 of Decree-Law no. 172/2006. However, neither the right of the special regime generator, nor the correspondent obligation of the last resort supplier, limits the ability of the special regime generator to sell electricity to other suppliers of electricity operating in the market. When the special regime generator sells the electricity to the last resort supplier, it will receive an amount corresponding to the tariff applicable to the respective generation technology.

### ***Cogeneration***

Decree-Law no. 23/2010, as amended by Law no. 19/2010, which transposes Directive 2004/8/EC of the European Parliament and Council of 11 February 2004, amended by Regulation (EC) no. 219/2009 of the European Parliament and of the Council of 11 March 2009 establishes a legal framework applicable to the generation of electricity through cogeneration. This framework sets out a more expeditious regime for obtaining a licence for generation of electricity through cogeneration and a new form of calculation of the tariff payable to cogenerators. The new remuneration mechanism is based on two methods subject to the choice of the cogeneration generator: a general regime whose compensation is defined by market value plus a transitory market participation premium and a special regime that is only available for generators with installed capacity less than or equal to 100 MW, defined by a temporary reference tariff plus an efficiency premium. During a transitory period, generators with a 15-year operation period or less are able to choose between the previous and the new regime.

The terms of calculation of the new reference tariff and the specific characterization of the transitory remuneration scheme were enacted by the Ministerial Order no. 140/2012, of 14 May 2012, as amended by Ministerial Order no. 325-A/2012, of 15 October 2012.

### ***Early termination of the PPAs***

Until 1 July 2007, electricity generated by EDP Produção's power plants and other power plants was sold under PPAs to REN—Rede Eléctrica Nacional, S.A. (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 generation facilities' operations 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. These laws provide for changing the single buyer status of REN—Rede Eléctrica Nacional, S.A. and defining compensatory measures 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 revised in 2007 from €36/MWh to €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—Rede Eléctrica Nacional, S.A. 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 is €833.5 million. The amount of compensation is capped at a maximum set for each generator and is subject to an annual review during the first ten years of the CMEC, during which such compensation amounts are paid, along with a final review at the end of the 10-year period. The purpose of these adjustments is to ensure parity between the revenues expected in a market regime based on their initial compensation value and the revenues effectively obtained in the market, thereby protecting generators from market risk during the 10-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 over a period of 20 years. 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").

On 27 February 2013, the Ministerial Order no. 85-A/2013 was published, approving the interest rate applicable to the yearly fixed amount of the costs for maintenance of the contractual balance (through the CMEC), setting the rate at 4.72 per cent. This rate is applicable between 1 January 2013 and 31 December 2027 and reflects a costs reduction for the system of approximately €13 million per year, which corresponds to a present value of €120 million.

### ***Electricity Transmission***

Electricity transmission is carried out through the national transmission network, under an exclusive concession granted by the Portuguese government. Presently, the exclusive concession for electricity transmission is awarded to REN - Rede Eléctrica Nacional, S.A. under article 69 of Decree-Law no. 29/2006, following the concession already awarded to REN - Rede Eléctrica Nacional, S.A. 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.

Under the concession, REN - Rede Eléctrica Nacional, S.A. is responsible for the planning, implementation, and operation of the national transmission network and the related infrastructure, as well as all of the relevant interconnections and other facilities necessary to operate the national transmission network. The concession also provides that REN - Rede Eléctrica Nacional, S.A. must coordinate the Portuguese Electricity System infrastructures to ensure the integrated and efficient operation of the system, as well as the continuity and security of electricity supply.

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. The minimum criteria for ensuring this independence are set out in the New Electricity Framework and include, among others, restrictions on the possibility of exercising control over the transmission system operator or by the transmission system operator in other companies operating in the generation or supply of electricity, including restrictions in the appointment of corporate bodies in or by the transmission system operator and restrictions on the ownership of the transmission system operator's share capital. No person or entity may directly or indirectly hold more than 25 per cent. of the concessionaire's share capital. The limitations are not applicable to the Portuguese State, or entities controlled by the Portuguese State, nor does it prevent the development of a dominant position with respect to the company group in which the concessionaire is integrated as of May 2012.

EDP holds 3.5 per cent. and EDP Pension Fund holds an additional 1.5 per cent. of the share capital of REN, which is the holding company that controls REN - Rede Eléctrica Nacional, S.A. and the concessionaires of regulated assets in the Portuguese gas business (REN – Gasodutos, S.A., REN Armazenagem, S.A. and REN Atlântico, S.A.).

The Electricity Framework also establishes a certification procedure for the transmission system operator, which shall be carried out by ERSE and which has the objective of evaluating whether independence criteria is met.

### ***Electricity Distribution***

Electricity distribution under the Electricity Framework occurs 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 through an exclusive concession granted by the Portuguese State. This exclusive concession for the activity of electricity distribution in high and medium voltage levels is held by EDP's subsidiary EDP Distribuição, pursuant to article 70 of Decree-Law no. 29/2006, as a result of converting the licence held by EDP Distribuição under the former regime into a concession agreement, which was signed on 25 February 2009, for a 35-year term. The terms of the concession are set forth in Decree-Law no. 172/2006.

The low voltage distribution networks continue to be operated under concession agreements. Although the existing concession agreements were maintained pursuant to Decree-Law no. 172/2006, the new concessions will have to be entered into after a competitive procedure to be implemented by the relevant municipalities.

Entities carrying out electricity distribution activities must be independent from entities carrying out activities unrelated to the distribution of electricity, from a legal, organisational and decision-making standpoint. The minimum criteria for ensuring this independence are set out in the Electricity Framework and include, among others, restrictions aimed at ensuring that the entities carrying out electricity distribution activities have an independent and effective decision making power and obligations ensuring that their respective trademark and communications are distinct from the trademark and communications of all the other entities acting in the energy sector. Operators of distribution networks at low voltage who supply less than 100,000 customers are obliged to have separate accounts for such network but are not subject to a full ownership or legal unbundling obligation. Also, they must ensure that their respective trademarks and communications are distinct from the trademark and communications of all the other entities acting in the energy sector.

Entities carrying out electricity distribution activities which supply more than 100,000 customers and who are vertically integrated as a company or a group shall be legally independent from the rest of the company and must establish and implement a compliance programme, subject to prior approval by ERSE, which sets out the measures taken in order to ensure that discriminatory conduct is excluded and that compliance with the programme is adequately monitored.

### ***Electricity Supply***

Electricity supply is open to competition, subject only to a prior registration regime. Suppliers may freely buy and sell electricity. For this purpose, they have the right of access to the national transmission and distribution networks upon payment of the access tariffs set by ERSE.

The Electricity Framework sets out 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.

EDP's supplier of electricity for the liberalised market is its subsidiary EDP Comercial.

As required by the Electricity Directive, the Electricity Framework also establishes a last resort supplier that is subject to licensing by DGEG and regulation by ERSE. The last resort supplier is responsible for the purchasing of all electricity generated by special regime generators which benefit from a guaranteed remuneration scheme and for the supply of electricity to customers who purchase electricity under regulated tariffs and is subject to universal service obligations. The last resort supplier is expected to exist until the free market is fully competitive, as provided for in the Electricity Directive.

Since 1 January 2007, the role of last resort supplier has been undertaken by an independent entity, from an organisational and legal standpoint, EDP Serviço Universal, created for this purpose by EDP's subsidiary EDP

Distribuição, and also by local low voltage distribution concessionaires with less than 100,000 clients, and is expected to continue to be undertaken by these entities until the free market is fully efficient and until the respective concession contracts have expired.

Pursuant to amendments introduced by Decree-Law no. 264/2007, the last resort supplier is further required to buy forward energy in the markets managed by OMIP and OMI Clear in the quantities and at auctions defined by DGEG. Purchases of energy in the market managed by OMIP include listed annual, quarterly and monthly electricity futures contracts, at base-load and with physical delivery. 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.

Electricity supply activities are required to be separate from an organisational and legal perspective in relation to all other activities in the electricity sector.

### ***Operation of the Electricity Markets***

The organised market corresponds to a system with different methods of contracting that allow supply and demand orders of electricity to be met, and encompasses the forward, daily (comprising bulk energy transactions to be delivered on the day after the contract date that must be physically settled) and intra-daily markets (comprising transactions that must be physically settled).

The operation of organised forward markets for electricity is subject to joint authorisation from the Minister of Finance and the Minister responsible for the energy sector. The entity managing such organised markets is also subject to authorisation from the Minister responsible for the energy sector and, when required by law, from the Minister of Finance. Organised electricity markets should be integrated into any organised electricity markets established between Portugal and other EU Member States. Generators operating under the ordinary regime and suppliers, among others, can become market members.

Since 1 July 2007, MIBEL has been fully operational, with daily transactions from both Portugal and Spain, including a forward market that has operated since July 2006. MIBEL has at present two market operators: (1) OMIE, which is the current market operator of the Spanish market, manages MIBEL's spot transactions market; and (2) OMIP, which is presently managed from Portugal, manages MIBEL's forward transactions market.

The Portuguese operators OMIP and OMI Clear are the Portuguese entities responsible for the functioning of the MIBEL forward market. Specifically, this covers transactions of bulk energy to be delivered on the day after the contract date, settled either by physical delivery or by differences. In order to allow the physical delivery of electricity inherent to positions held on the forward market and to allow the exchange of information between markets, an interconnection agreement between OMIP and OMIE was signed in April 2006. The non-organised markets consist of bilateral contracts between the entities of MIBEL, settled either by physical delivery or by differences and are subject to approval by ERSE in Portugal.

### ***Logistics for Switching Suppliers***

Under market conditions, consumers are free to choose their electricity supplier and are exempt from any payment when switching suppliers, which process should not take more than three weeks, and without limit for the number of switches.

Although a logistic operator for switching suppliers has not yet been set up, Decree - Law no. 172/2006, allows for a new entity, whose activity would be regulated by ERSE, to be created with the purpose of overseeing the logistical operations that facilitate switching suppliers for consumers.

Accordingly, ERSE has determined that until a switching operator is created, management of the logistics for switching suppliers shall be conducted by the operator of the medium and high voltage distribution network, which currently is EDP Distribuição.

### ***Electricity Tariffs***

The prices that EDP charges for electricity and access to the networks are subject to extensive regulation. In February 1997, ERSE was appointed as the electricity regulator (ERSE came to stand for Entidade Reguladora dos

Serviços Energéticos, as its scope had widened to the energy sector in general, including gas and electricity). ERSE sets tariffs for the electricity supplied to customers remaining in the regulated market and access tariffs for all consumers, whether in the regulated or the liberalised market. Final customer tariffs applicable to the regulated market are differentiated by voltage level, tariff option and the period of electricity consumption, and access tariffs are differentiated by voltage level and the period of electricity consumption. These tariffs, when set, should be uniform throughout mainland Portugal within each level of voltage, subject to specified exceptions based on volume.

Currently, the overall electricity tariff applicable to the regulated market comprises charges for energy, transmission, distribution, commercialisation and policy costs. In the regulatory period 2002 to 2004, ERSE applied a four-rate tariff price structure related to the time of day applicable to medium, high and very high voltage consumers. ERSE also introduced some adjustments on the structure of tariffs, both for the published tariffs to final customers and access tariffs paid by market agents, with the intention of introducing more transparency in the system and reducing cross-subsidies between customers. In light of the expected revision of the legal framework of the Portuguese electricity system, the termination of the PPAs and the commencement of MIBEL, ERSE determined that the subsequent regulatory period should be transitory and have a one-year duration (2005), during which the system used in the previous regulatory period continued to apply.

The regulatory period of 2006 to 2008 brought little change in the method of tariff calculation. However, further legislation was published in 2006 and in the first half of 2007 to establish a framework in line with the enactment of MIBEL, which has been delayed from the original starting date due to technical and regulatory issues. New regulation was also published to comply with EU open market requirements. During this period, the decree-law defining the basis for the new energy sector organisation was published, as well as the decree-law determining a new reference price for the calculation of the compensation due to the termination of the PPAs, and the decree-law setting the full separation of distribution and regulated commercialisation (the last resort supplier), which had been combined in a single company until then. This change formally took effect on 1 January 2007.

In 2006 and 2007, a "tariff deficit" was generated, which meant that the final customer tariffs charged by the last resort supplier (EDP Serviço Universal in 2007 and EDP Distribuição in 2006) 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: Decree-Law no. 187/95, of 27 July 1995, amended by Decree-Law no. 157/96, of 31 August 1996, and Decree-Law no. 44/97, of 20 February 1997, which provided that the low voltage tariffs could not rise above the expected rate of inflation in 2006; and Decree-Law no. 237- B/2006, of 18 December 2006, which set a maximum 6 per cent. rise in tariffs for residential customers (normal low voltage) in 2007. These deficits are expected to be fully recovered in ten years, beginning in 2008, through annual rises in access tariffs.

On 1 September 2007 and as a result of the early termination of EDP's PPA's, ERSE also adjusted the last resort supplier's tariffs to final customers and access tariffs.

When ERSE established the tariffs for 2009, another, and significantly larger, tariff deficit was generated, mainly due to increasing electricity costs in wholesale markets. 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 2008 ("Decree-Law no. 165/2008") defined the rules applicable to tariff adjustments referring to electric energy acquired by the last resort supplier in exceptional cost situations, as well as to tariff repercussions 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 these conditions, such as the case of the deficit generated in 2009, must be recovered over a 15 year period, which means that an instalment worth 1/15 of the total deficit plus the corresponding interest would be added to the tariffs each year, beginning in 2010.

Towards the end of 2010, two relevant pieces of legislation were enacted with respect to tariffs: Decree-Law no. 110/2010, of 14 October 2010 ("Decree-Law no. 110/2010"), which determined the termination of hydraulicity correction mechanism; and Decree-Law no. 138-A/2010, of 28 December 2010 ("Decree-Law no. 138-A/2010"), which created the social tariff and its respective legal framework. In order to protect vulnerable electricity clients, the Portuguese Government through the Decree-Law no. 138-A/2010, regulated by Ministerial Orders no. 1334/2010, of 31 December 2010, has established the electricity social tariff, providing a percentage discount applied to the low voltage access tariff. Another support mechanism was implemented through Decree-Law no. 102/2011, of 30 September 2011, regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September 2011, establishing an extraordinary social support mechanism for energy clients ("ASECE"), corresponding to a percentage discount applied to the invoice without VAT or other taxes.

For the present regulatory period 2012-2014, ERSE has made some important improvements to the regulatory framework regarding distribution activities and last resort supply of electricity. In respect of the electricity distribution activities, CAPEX is no longer contained in the price cap mechanism, but is now valued autonomously and adjusted at real values two years after it has been incurred. The stability afforded to permitted revenues as a result of this improvement was also seen in OPEX, where only 40 per cent. of the variable component of the price cap is now dependent on electricity consumption, compared with 100 per cent. in previous years. In respect of last resort supply activity, and based on a cost incentive form of regulation, ERSE has reviewed the structure of OPEX in terms of fixed and variable components (now calculated on a 50 per cent./50 per cent. basis, rather than the previous 20 per cent./80 per cent. split) and introduced a new factor for this component, the number of services, in addition to the existing factor, number of customers.

For the purposes of the calculation of the tariffs for 2012, the overcosts resulting from the generation under the special regime, including the adjustments which result from the two prior years, will be reflected in the profits to be recovered by the regulated companies in a 5 year period provided for in Decree-Law no. 29/2006, of 15 February 2006, as amended by Decree-Law no. 78/2011, of 20 June 2011 ("Decree-Law no. 78/2011"). Moreover, Decree-Law no. 109/2011, of 18 November 2011 (Decree-Law no. 109/2011), defers to 2013 the variable charge of the costs for the maintenance of the contractual balance ("CMEC") from 2010. The mechanism established in Decree-Law no. 78/2011 was also applied by ERSE 2013 tariffs, taking into account the tariff stability necessities. Additionally, for the purposes of the calculation of the tariffs for 2013, Decree-Law no. 256/2012 established measures that: (i) defer the annual adjustments of the compensation amount due, on the year of 2011, for the early termination of the PPAs, in accordance with Decree-Law no. 240/2004; (ii) defer the provisional adjustment of the PPA's electricity energy acquisition costs incurred in 2012; (iii) put into operation the deduction, in respect of the allowed revenue amounts related to the overcosts associated with electricity energy acquisition of special regime generation, of the revenues generated by the sales of the CO2 allowances. Ministerial Order no. 145/2013 of 9 April 2013 approved an annual rate of return of 5 per cent. applied to the deferral of additional costs with CMEC and CAE ("*Contratos de Aquisição de Energia*").

The Ministerial Order no. 146/2013 of 11 April 2013 established the methodology for calculating the rate of return applied to the intertemporal transfer of allowed revenues related with the additional costs associated with the purchase of special regime electricity, subject to five yearly revisions. Also, this statute defines the remuneration factor applied to the smoothing of allowed revenues for a period of five years in the year 2013 (the final values of the parameters were set by ERSE through Directive no. 7/2013 of 8 May 2013). The ERSE Directive no. 7/2014, of 10 February 2014, set the remuneration factor applicable to the five-years smoothing of allowed revenues associated with the purchase of special regime electricity in the year 2014.

In order to move forward in ensuring the sustainability of the national electricity system and the need to block the continued increase of the tariff deficit, Decree-Law no. 32/2014 of 28 February 2014 proceeded to the deferral in the electricity tariffs for 2014 of the annual adjustment of the year 2012 related to the compensation paid for the early termination of the PPAs. Thus, it was determined that the amount in debt will be reflected in equal parts in the allowed revenues for 2017 and 2018 of the distribution network operator. The Decree-Law also foresees the payment of a compensation for this deferral, according to a remuneration fixed by Ministerial Order no. 500/2014, of 16 June 2014.

Decree-Law no. 74/2013, of 4 June 2013 provides for the establishment of a mechanism designed at ensuring a balance on the competition of the wholesale electricity market in Portugal, in particular by allocating the general

economic interest costs ("*Custos de Interesse Económico Geral*" or "CIEG") between participants in the electricity system.

This Decree-Law was further complemented with the publication of the Ministerial Order no. 288/2013, of 20 September 2013, which establishes the procedures to study the impacts of extra market measures and events registered within the European Union and its redistributive effects impacting on electricity tariffs, complementing the definition of Decree-Law no. 74/2013. It also establishes the partitioning of CIEG payable by generators of electricity in the ordinary regime and other generators that are not included in the guaranteed return system, and the deduction of these amounts in CIEG to pass each year in the overall system usage rate.

The Government Budget for 2014, approved by Law no. 83-C/2013, December 31 2013, created an extraordinary contribution to the energy sector ("*CESE*"), with the aim of, first, funding mechanisms that promote systemic sustainability in the energy sector, and on the other, contribute to the reduction of the tariff debt of the National power System. CESE focuses on the assets' value by reference to the first day of financial year 2014 (1 January 2014) with respect, cumulatively, to tangible assets, intangible assets with the exception of elements of industrial property and financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets (i.e. the amount recognised by ERSE for the calculation of allowed revenues as at 1 January 2014) if it is higher than the value of those assets as calculated above.

Consequently, Decree-Law no. 55/2014, of 9 April 2014, created the Systemic Sustainability Fund for the Energy Sector (FSSSE), with the goal of creating policies in the energy sector of a social and environmental nature related to energy efficiency measures, and the reduction of tariff debt by deducting the revenues to the costs of general economic interest to reflect each year in the overall system usage rate.

#### **Phasing out of end-user regulated tariffs**

Through Decree-Law no. 104/2010, of 29 September 2010 ("*Decree-Law 104/2010*"), the Portuguese Government determined the termination procedures in relation to the regulated end-user tariff for large clients (very high, high, medium and special low voltage) starting at the beginning of 2011. During 2011, a transitory regulated end-user tariff for large clients was available. The end of this transitory regulated end-user tariff (for all segments except normal low-voltage) was scheduled to occur on 1 January 2012, but, nevertheless, a transitory regulated tariff continued to be applied in 2012 and Decree-Law no. 256/2012, of 29 November 2012, extended its application until 31 December 2013. More recently, Decree-Law no. 13/2014, of 22 January 2014, extended the period of application of the regulated transitory end-user tariff for large clients until such date to be defined through Order of the member of the government responsible for the energy sector. This extension is only applicable to clients supplied in high, medium and special low voltage, thus excluding the clients supplied in very high voltage. Order no. 27/2014, of 4 February 2014, established 31 December 2014 as being the date until which the regulated transitory end-user tariff for large clients shall continue to apply.

As regards the regulated tariffs applicable to clients supplied in normal low-voltage, Decree-law no. 75/2012, of 26 March 2012, states that they terminated on 1 July 2012 (for clients with a contracted capacity from 10.35 kVA) and for 1 January 2013 (for clients with a contracted capacity below 10.35 kVA). In both cases, clients that have not opted to be supplied in the liberalised market by the relevant dates shall still be subject to the regulated tariffs, under a transitory regime, until 31 December 2014 (for clients with a contracted capacity between 10.35 kVA and 41.4 kVA) or 31 December 2015 (for clients with a contracted capacity below 10.35 kVA).

#### ***The current Natural Gas System***

The general basis, principles and model of organisation of the Portuguese natural gas system (the "Portuguese Natural Gas System") were established through Decree-Law no. 30/2006, of 15 February 2006 ("*Decree-Law no. 30/2006*"), and Decree-Law no. 140/2006, of 26 July 2006 ("*Decree-Law no. 140/2006*", together, the "Natural

Gas Framework"), both amended by Decree-Law no. 66/2010, of 11 June 2010 ("Decree-Law no. 66/2010") and the former amended by Decree-Law no. 77/2011, of 20 June 2011.

The Portuguese Natural Gas System is now divided into seven major components: reception, storage and regasification of LNG; underground storage of natural gas; transportation of natural gas; distribution of natural gas; supply of natural gas; operation of the natural gas market; and logistic operations for switching suppliers of natural gas.

The Natural Gas Framework establishes an integrated Portuguese Natural Gas System, in which the supply of natural gas and the management of the organised markets are competitive and only require compliance with a licensing or authorisation process for the start-up of operations. The liberalisation of the supply of natural gas commenced on 1 January 2007 (with respect to power generators) and was extended to consumers of over one million cubic metres of natural gas per year on 1 January 2008, and to consumers of over 10,000 cubic metres of natural gas per year in 2009. By 1 January 2010, the supply of natural gas was fully open to all natural gas clients, following which Decree-Law no. 66/2010 abolished the tariffs applicable to final clients with an annual consumption greater than ten thousand cubic metres of natural gas per year and mandated that all such consumers be supplied by the natural gas suppliers other than the last resort suppliers.

The sector's framework laws were amended, completing the transposition of the Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 ("Directive 2009/73/EC"). Thereafter, Decree-Laws no. 230/2012 and 231/2012, of 26 October 2012 ("Decree-Law no. 230/2012" and "Decree-Law no. 231/2012", respectively), were published, introducing new modifications to Decree-Law no. 30/2006, of 15 February 2006, and to Decree-Law no. 140/2006, of 26 July 2006 respectively. These acts introduced important modifications: (i) the requirements related to the independence and legal separation and ownership unbundling of the transmission network operator were reinforced; (ii) with the aim of assuring the independence and eliminating the network access discrimination risk, 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); (iii) the statutes of the supplying players were clarified, with particular reference to the suppliers of last resort playing in the Natural Gas National System.

Activities relating to the reception, storage and regasification of natural gas; underground storage of natural gas; and natural gas transportation, continue to be provided through the award of public service concessions. Natural gas distribution is carried out through the award of public service concessions or licences.

#### ***Natural Gas Transportation***

Natural gas transportation activities are carried out under an exclusive 40-year concession granted by the Portuguese government to the system operator REN Gasodutos. The granting of the natural gas transportation network ("RNTGN") concession to REN Gasodutos followed the decision to separate the activity of natural gas distribution from that of transportation. The terms of the concession contract were established by the Council of Ministers Resolution no. 105/2006, of 23 August 2006, and REN Gasodutos was awarded the concession in September 2006.

#### ***Natural Gas Distribution***

Natural gas distribution is carried out through concessions or licences granted by the Portuguese government and involves the distribution of natural gas through medium and low-pressure pipelines. The entities operating the natural gas distribution network at the date of enactment of Decree-Law no. 30/2006 will continue operating the natural gas distribution network as concessionaires or licensed entities under an exclusive territorial public service regime pursuant to article 66 of Decree-Law no. 30/2006. Natural gas distribution activities are required to be independent, from a legal, organisational and decision-making standpoint, from other activities unrelated to the distribution activity, unless the concessionaires or licensed distributors serve fewer than 100,000 customers. The relevant concessionaires are required to ensure third party access to the natural gas distribution networks at tariffs applicable to all eligible customers, including supply companies, which are required to be applied objectively and without discrimination between users.

The distribution network is composed of medium and low pressure pipelines and serves the residential, commercial and small and medium-sized industrial sectors. The natural gas supply activities formerly developed by

these companies migrated to last resort supply companies, fully detained by the distribution concessionaires and responsible for the supply of natural gas to non-eligible customers and to customers who decided to continue to be supplied under regulated tariffs. Regulated supply tariffs are defined and published by the regulator, ERSE.

EDP is the concessionaire for the distribution of natural gas in the North Coastal region of Portugal, through its subsidiary Portgás, and EDP also has a minority stake in Setgás, which is the concessionaire for the distribution of natural gas in the South of Lisbon region.

### ***Natural Gas Supply***

Under the Natural Gas Framework, natural gas supply is open to competition, subject only to prior registration addressed to DGEG. Suppliers may openly buy and sell natural gas. For this purpose, they have the right of access to the natural gas transportation and distribution networks upon payment of the access tariffs set by ERSE.

Under market conditions, consumers are free to choose their supplier, without any additional fees for switching suppliers. Although a specific logistic operator for switching suppliers has not yet been set up, Decree-Law no. 140/2006 allows for a new entity, whose activity would be regulated by ERSE, to be created with the purpose of overseeing the logistical operations that facilitate switching suppliers for consumers and determines that this logistic operator for switching suppliers should be the same entity for the Portuguese Electricity System and for the Portuguese Natural Gas System. Currently, the logistic activities for switching suppliers are attributed to REN Gasodutos by ERSE, on a transitional basis.

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.

Natural gas supply activities are required to be legally separated from all other activities in the Portuguese Natural Gas System.

EDP's licensed suppliers of natural gas for the liberalised market are its subsidiaries, EDP Comercial and EDP Gás.Com.

The Natural Gas Legal Framework also establishes the existence of a gross last resort supplier and of retail last resort suppliers, subject to regulation by ERSE and to a licensing process. Under article 40 of Decree-Law no. 140/2006, this role of retail last resort suppliers is undertaken by natural gas distributors, within their respective concessioned or licensed areas.

Last resort suppliers are required to be legally separated from all other activities in the Portuguese Natural Gas System, unless they serve fewer than 100,000 clients. EDP's last resort supplier activity is undertaken by its subsidiary EDP Gás Serviço Universal in the concession areas of its gas distribution companies EDP Gás Distribuição/Portgás.

The role of the retail last resort suppliers has been revised by Decree-Law no. 231/2012, which updates Decree-Law no. 140/2006, so these suppliers can serve consumers with a consumption equal or under 10,000 m<sup>3</sup> per year during a transitional period up to 2015. From that moment on, they can only supply economically vulnerable consumers, as they are defined in Decree-Law no. 231/2012.

### ***Natural Gas Tariffs***

Since 2007, ERSE has set natural gas tariffs according to ERSE's Tariff Regulations, on the activities of reception, storage and regasification of liquefied natural gas ("LNG"), underground storage, global technical management system and transportation of natural gas. From 2008, in addition to access to high pressure infrastructure, ERSE also sets distribution networks' access tariffs and end-user tariffs.

### ***Phasing out of end-user regulated tariffs***

Through Decree-Law no. 66/2010, of 11 June 2010, ("Decree-Law 66/2010"), the Portuguese Government determined the termination procedures in relation to the regulated end-user tariff for large clients (with an annual gas consumption greater than 10.000 m<sup>3</sup>) starting 1 July 2010. A transitory regulated end-user tariff for large clients was

available until 31 March 2011. Although the end of this transitory regulated end-user tariff was scheduled to occur on 2011, a transitory regulated tariff continued to be applied in 2012 and Decree-Law no. 15/2013, of 29 January 2013, extended its application until a date to be defined through Order of the member of the government responsible for the energy sector. Through Ministerial Order no. 59/2013, of 11 February 2013, the Government determined that the end-user tariffs termination for large clients shall be due on 30 June 2014, or before, if the number of clients in the liberalised market rises above 90 per cent. Having achieved this date with a considerable number of customers still in the regulated market, Ministerial Order no. 127/2014, of 25 June 2014, amended Ministerial Order no. 59/2013, of 11 February 2013 and determined that the end-user tariffs termination for large clients shall be due on 30 June 2015.

Through Decree-Law no. 74/2012, of 26 March 2012, ("Decree-Law 74/2012"), the Portuguese Government determined the termination procedures in relation to the regulated end-user tariff for clients with annual gas consumption smaller than 10.000 m<sup>3</sup> as of (i) 1 July 2012, regarding clients with an annual consumption greater than 500 m<sup>3</sup> and (ii) 1 January 2013, regarding clients with an annual gas consumption equal to or smaller than 500 m<sup>3</sup>. Without prejudice to the termination of the end-user tariffs on 1 July 2012 and on 1 January 2013, the Government defined a transitory period during which clients that did migrate to the free market may still benefit from regulated tariffs, until 31 December 2014 and until 31 December 2015 respectively.

In order to protect economically vulnerable natural gas clients, the Portuguese Government, through Decree-Law no. 101/2011, of 30 September 2011, established the gas social tariff, providing a percentage discount applied to the low pressure access tariff. Another support mechanism was implemented through Decree-Law no. 102/2011, of 30 September 2011, regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011 of 30 September 2011, which established an extraordinary social support mechanism for energy clients ("ASECE"), corresponding to a percentage discount applied to the invoice without VAT or other taxes.

Exceptionally, clients which are economically vulnerable were granted the right to choose whether they continue to be supplied by the "last resource" supplier or by a regular supplier, in any case, maintaining the right to benefit the legally established tariff discounts for these cases.

The third regulatory period of natural gas started in July 2013. This new regulatory period has been preceded by a general revision of all the applicable regulation that was published on 16 April 2013: the Quality of Service Regulation was updated by Regulation no. 139-A/2013, the Infrastructure Operation Regulation was updated by Regulation no. 139-B/2013, the Access to the Networks, Infrastructure and Interconnections Regulation was updated by Regulation no. 139-C/2013, the Commercial Relations Regulation was updated by Regulation no. 139-D/2013 and the Tariff Regulation was updated by Regulation no. 139-E/2013, and amended by ERSE Directive 10/2014, of 12 June 2014.

For the present regulatory period 2013-2016, ERSE has made some important changes to the regulatory framework regarding distribution activities and last resort supply of electricity.

In respect of the electricity distribution activities, ERSE increased the efficiency factor from the 0.5 per cent. considered in the previous regulatory period to 1.5 per cent. The structure of OPEX was kept in 40 per cent. fixed and 60 per cent. variable, but the weight of the component consumption was reduced to 25 per cent, while the number of supply points increased its weight to 75 per cent.

The regulated asset base remuneration is outside the price cap mechanism, being valued autonomously according to a rate of return defined by the regulator: a pre-tax nominal rate of 9 per cent, to be adjusted each year based on the evolution of Treasury Bonds for Portuguese debt with an average maturity of 10 years, limited to a floor of 7.83 per cent. and to a cap of 11 per cent.

In respect of last resort supply activity, and based on a cost incentive form of regulation, ERSE kept the efficiency factor in 3 per cent. and the structure of OPEX in 20 per cent. fixed and 80 per cent. variable components, being the variable component of the price cap now dependent only on the number of costumers (in the previous regulatory period, consumption was also considered).

### **Market regulators**

Responsibility for the 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. In particular DGEG is responsible for: (1) assisting in defining, enacting, evaluating and implementing energy policies; (2) identifying geological resources in order to ensure that their potential uses are properly evaluated; (3) promoting and preparing the legal and regulatory framework underlying the development of the generation, transmission, distribution and consumption of electricity; (4) promoting and preparing the legal and regulatory framework necessary for the promulgation of policies relating to research, usage, protection and assessment of geological resources; (5) supporting the Ministry of the Economy at international and European level; (6) supervising compliance with the legal and regulatory framework that underpins the Portuguese energy sector (particularly in connection with the electricity transmission network, the electricity distribution network and the quality of service provided to energy consumers); (7) providing sector-based support to the Portuguese government in crisis and emergency situations; (8) approving the issuance, modification and revocation of electricity generation licences; and (9) conducting the public tender procedure for the attribution of network interconnection points in the renewable energy sector. While carrying out its responsibilities, the DGEG must consider the following national objectives: (1) safety of supply; (2) energy diversification; (3) energy efficiency; and (4) the preservation of the environment.

DGEG is also responsible for the approval of regulations applicable to the Portuguese Electricity System, such as:

- **The Distribution Network Regulation**

The Distribution Network Regulation identifies the assets of the distribution network and sets out the conditions for its operation, in particular regarding the control and management of the network, maintenance of the network, technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. The Distribution Network Regulation was approved by Ministerial Order no. 596/2010.

- **The Transmission Network Regulation**

The Transmission Network Regulation identifies the assets of the transmission network and sets out the conditions for its operation. In particular, it lays out standards for: the control and management of the network, its maintenance, the technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. The Transmission Network Regulation also establishes the means and the legal support for the codification of the technical and safety rules to be observed by entities that intend to connect to the transmission grid. The Transmission Network Regulation was approved by Ministerial Order no. 596/2010.

## **ERSE**

ERSE was appointed as the independent regulator of electricity services in February 1997. On 25 March 2002, ERSE's authority with respect to the electricity sector was extended to the autonomous regions of Madeira and Azores. On 12 April 2002, ERSE became the regulatory entity of energy services, and its authority was extended to cover natural gas regulation.

According to Decree-Law no. 29/2006 and Decree-Law no. 172/2006, ERSE is responsible for regulating the transmission, distribution and supply of electricity, the logistical operations for switching electricity suppliers, and the operation of the electricity markets. In 2012, Decree-Law no. 212/2012, of 25 September ("Decree-Law no. 212/2012"), revised ERSE's statutes with an emphasis on the reinforcement of the regulator's independence and powers, namely those applicable to sanctions, in accordance with the Directives 2009/72/EC, and 2009/73/EC.

Law no. 9/2013, of 28 January 2013, pursuant to Directives 2009/72/EC and 2009/73/EC, established the sanctioning regime applicable to the SEN and has formally granted ERSE powers to initiate legal proceedings and apply sanctions to the entities operating in the SEN.

ERSE's statutes were updated by Decree-Law no. 84/2013 of 25 June 2013, in order to be adjusted to the legal framework defined for the regulatory bodies through the Law no. 67/2013, of 28 August 2013. This revision introduced provisions aimed explicitly at establishing the autonomy and functional independence of this entity, without prejudice to the powers constitutionally assigned by the Government. It was still intended to ensure greater representation of stakeholders in the advisory and tariff boards of ERSE.

Decree-Law no. 212/2012, confirming Decree-Law no. 29/2006 and Decree-Law no. 172/2006 assigned to ERSE the responsibility of approving the principal regulations applicable to the Portuguese Electricity System as set forth below:

- The Tariff Regulation

The Tariff Regulation sets out the criteria and methods for determining the tariffs and prices applicable to the electricity sector and for other services rendered by the concessionaire to the national electricity transmission network and by electricity distributors to other licence holders or end consumers. The first Tariff Regulation was issued in December 1998 and, since then, it has been subject to several amendments.

The Tariff Regulation was amended in December 2010, in order to incorporate changes introduced by legislation issued during 2010, namely, (i) Ministerial Order no. 765/2010 that establishes the capacity payment regime for the generators belonging to the Electricity National System; (ii) Decree-Law no. 104/2010 that imposes the termination of the regulated tariffs for final clients with contracted power above 41.4 kW, beginning on 1 January 2011; (iii) Decree-Law no. 110/2010, which determines the termination of the hydraulicity correction mechanism; and (iv) Decree-Law no. 138-A/2010, which creates the social tariffs and the respective legal framework.

In July 2011, with the approach of a new regulatory period (2012-2014), the Tariff Regulation was again updated and aims at three major objectives, namely: (1) amending the Tariff Regulation in accordance with the changes introduced by Decree-Law no. 78/2011, which transposed Directive 2009/72/EC; (2) the introduction of improvements to the applicable regulatory methodologies from the perspective of the regulated activity; and (3) the achievement of greater levels of efficiency by the companies. The Tariff Regulation was finally amended in December 2011 by ERSE Directive 6/2011 to reflect the enactment of Ministerial Order no. 279/2011, of 17 October 2011, and Decree-Law no. 109/2011.

- The Commercial Relations Regulation

The Commercial Relations Regulation governs commercial relations between entities within the electricity sector. The first Commercial Relations Regulation was issued in December 1998 and has since then been subject to several amendments.

Major amendments were implemented in August 2008, in order to improve the full liberalisation of the electricity market, notably by ensuring that the network operator allows other entities to supply their clients through the distribution network, since customers are entitled to choose their supplier but not the network operator, and further in August 2009 to incorporate the new rules regarding tariff adjustments established by Decree-Law no. 165/2008.

In July 2011, the Commercial Relations Regulation was further amended in order to accommodate the changes arising out of Decree-Law no. 78/2011 and other legislation enacted during 2010 and 2011.

In 2012, Regulation no. 468/2012, of 12 November 2012, introduced new commercial conditions of connections to networks of generation facilities and consumer installations and required amendments to reflect the enactment of Decree-Law no. 75/2012.

- The Quality of Service Regulation

The Quality of Service Regulation governs the quality of service provided by electricity companies to their customers. The Quality of Service Regulation was first issued on 1 January 2001 by DGEG and has been subject to several amendments since then. In March 2006, DGEG published, through Decision no. 5255/2006, a new version of the Quality of Service Regulation, applicable as of 1 January 2006. This Quality of Service Regulation seeks to liberalise the electricity market by revoking the quality of service regulations under the previous regime and instituting a new scheme to promote the quality of service in the liberalised electricity market. Under the new Quality of Service Regulation, a violation of individual standards of service quality or of commercial and technical quality entitles the customer to compensation, which is required to be automatically paid on predetermined terms, unless such a violation can be justified by public interest, or service or safety reasons. According to ERSE's new statutes, defined in the Decree-Law no. 212/2012, the approval of this regulation is now ERSE's responsibility.

The Quality of Service Regulation was last updated in November 2013, by Regulation no. 455/2013.

- The Access to the Network and Interconnections Regulation

The Access to the Network and Interconnections Regulation governs the technical and commercial conditions on which third parties may access the electricity networks and interconnections. The Access to the Network and Interconnections Regulation was first issued in December 1998 and has since then been subject to several amendments. The most recent amendment occurred in July 2011 following the enactment of legislation during 2010 and 2011.

- The Networks Operation Regulation

The Networks Operation Regulation sets out, among other things, the conditions that must be met to permit the management of electricity flow on the RNT and aims to ensure interoperability between RNT and other networks. The Networks Operation Regulation was enacted in June 2007, and published by ERSE in December 2010.

- The Conflict Resolution Regulation

The Conflict Resolution Regulation established the rules and procedures relating to the resolution of commercial conflicts arising between operators in the electricity and natural gas sectors and between such entities and their customers. The Conflict Resolution Regulation was issued by ERSE in October 2002.

ERSE also regulates the natural gas transmission network, the underground storage of natural gas, the reception, storage, and regasification of LNG, the last resort distribution and supply of natural gas, and the logistical operations for switching natural gas suppliers. ERSE is required to submit a periodic report on these regulatory areas to the Portuguese government.

As specified in Decree-Law no. 30/2006 and Decree-Law no. 140/2006, reinforced by Decree-Law no. 212/2012, ERSE's responsibilities in the Portuguese Natural Gas System (SNGN) includes approving the principal applicable regulations. The last revision of the regulations was published on 10 April 2013. This revision was done in order to: (i) accommodate and harmonise them with the regulatory procedures established at European and Iberian levels, issued by the Third Package; (ii) create a better regulatory framework, to match the development of the natural gas market; (iii) improve the capacity allocation mechanism and the pricing model applicable to high pressure infrastructure; (iv) increase efficiency in regulation through consolidation/implementation of incentive regulation and adoption of mechanisms mitigating the impact of demand volatility, and (v) improve tools for pricing flexibility, adapting the tariff model to intermittent and seasonal uses of natural gas.

- The Tariff Regulation

The Tariff Regulation establishes the criteria and methods for determining natural gas tariffs and prices applicable to the natural gas sector. It sets out, among other things, the criteria and processes for: defining the regulated tariffs and determining the respective tariff structures, calculation and determination of the tariffs, calculation and determination of allowed revenues and the processes applicable to the calculation and amendments to tariffs and its respective publication. The first Tariff Regulation was issued in September 2006 and has since been subject to several amendments. In 2011, with the changes introduced by Decree-Law no. 101/2011, which created the social tariff for the supply of natural gas for vulnerable natural gas clients, and Decree-Law no. 102/2011, which has

established an extraordinary social support mechanism for energy clients ("ASECE"), corresponding to a discount over electricity and natural gas prices. Additionally in 2012, the changes in the Regulation reflecting the enactment of Decree-Law no. 74/2012 included a new tariff option for the Use of the Distribution Network Tariff, and the implementation of a joint mechanism in the attribution of capacity in the Portugal Spain interconnections.

The most recent amendments were published in the previously mentioned revision on 10 April 2013. These revisions implemented: (i) a new rate of return methodology; (ii) a new contract capacity regime (annual, monthly and daily); (iii) the extinction of the regulated tariffs, replaced by the transitional quarterly tariffs, and the related duties of the regulated suppliers; (iv) the updating of the interest rate for the tariff adjustments; (v) the extension of the incentive regulation of OPEX to all activities with a tight control over the shared costs; (vi) the introduction of incentives in CAPEX; and (vii) a simplification of the "year gas".

- The Commercial Relations Regulation

The Commercial Relations Regulation governs commercial relations between entities within the natural gas sector and the mechanism of compensation to ensure tariff uniformity, metering rules and conflict resolution rules. The first Commercial Regulation was issued in September 2006 and has since been subject to several amendments. The last major amendments occurred in March 2010, in order to adapt the Commercial Relations Regulation to the full liberalisation of the Portuguese Natural Gas System.

Subsequently, ERSE issued some other amendments to the complementary regulatory legislation, such as the commercial conditions for the connections to natural gas grids and the general conditions of the supply agreements.

More recently, with the last update of April 2013, some other major improvements occurred: (i) deeper rules in image differentiation; (ii) the adoption of a compliance programme, even for the suppliers in the liberalised market; (iii) confirmation that the supplier of last resort will be able to acquire the necessary gas in organised markets or through bilateral contracts; (iv) the introduction of rules designed to improve system sustainability and consumer protection; (v) updating of the procedures of switching; (vi) new duties for the suppliers; and (vii) the introduction of market supervision rules pursuant to REMIT regulations and the Third Package.

- The Quality of Service Regulation

The Quality of Service Regulation establishes the standards for the quality of service that, from a technical and commercial nature, should be observed in all services rendered in the Portuguese Natural Gas System. The first Quality of Service Regulation was issued in September 2006 and has since been subject to several amendments. The last major amendments occurred in March 2010 in order to adapt the Quality of Service Regulation to the full liberalisation of the Portuguese Natural Gas System.

In the last revisions of April 2013, among the changes made were the following: (i) the calendar year becomes the reference for report; and (ii) the suppliers in liberalised market have reporting duties in respect of the quality of commercial service, as well as new targets for some quality of service indicators

- The Access to the Networks, Infrastructure and Interconnections Regulation

The Access to Networks, Infrastructure and Interconnections Regulation establishes the conditions and obligations governing the right of access to all infrastructure of the RNTGN, which must be complied with by the regulated companies operating in the natural gas sector and by eligible customers. The Access to the Networks, Infrastructure and Interconnections Regulation also established the conditions under which the operator may refuse access to the networks, interconnections and storage facilities. The first Access to Networks, Infrastructure and Interconnections Regulation was issued in September 2006. The last major amendments occurred in March 2010 in order to adapt the Access to Networks, Infrastructure and Interconnections Regulation to the full liberalisation of the Portuguese Natural Gas System. In April 2013, the review focused on matters concerning contracting capacity and investments.

- The Infrastructure Operation Regulation

The Infrastructure Operation Regulation defines the criteria and procedures for managing natural gas flows, the provision of system services and the technical conditions enabling the operators of the natural gas transportation network, of underground storage facilities and of LNG terminals to manage such flows, while ensuring interoperability with the networks to which they are connected. The first Infrastructure Operation Regulation was issued in June 2007.

The last major amendments occurred in March 2010 in order to adapt the Infrastructure Operation Regulation to the full liberalisation of the Portuguese Natural Gas System.

Issued in April 2011, and revised in July 2012 the Manual of Logistics Management Supply of LNG Autonomous Units ("UAG"), which is part of the Procedural Manual of Management and Operation of Networks for Local Distribution, foreseen in the Infrastructure Operation Regulation, aims to establish the criteria and procedures for managing the logistics of the supply of LNG to the UAG.

On the same date, ERSE approved the Procedural Manual of the Global Technical Management of the SNGN, also contemplated by the Infrastructure Operation Regulation, which establishes the procedures for the functioning of the SNGN and the operation of the respective infrastructure. In October 2012, pursuant to the aforementioned manual, ERSE approved the values of the parameters needed to determine the commercial margins to be achieved by the market agents. The major amendments adopted in the last revision of April 2013 related to contracting capacity procedures, to loss factors and to auto-consumptions.

### ***Portuguese Competition Authority***

From 8 July 2012, Portugal has in place a new competition act, approved by Law no. 19/2012, of 8 May 2012, which repealed former Law no. 18/2003, of 11 June 2003.

The new competition act 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, enacted in 2003 by Decree-Law no. 10/2003, of 18 January 2003, last amended by Decree-Law no. 166/2013, of 27 December 2013. The Authority is empowered to fully apply those rules in respect of the economic principle of market economy and free competition, and in view of an efficient functioning of the markets, an effective distribution of resources and the interests of consumers.

To that end, the Portuguese Competition Authority enjoys 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.

Since 1 May 2004, all national competition authorities within the EU, including the Portuguese Competition Authority, are empowered to apply fully the anti-trust provisions of the Treaty on the Functioning of the European Union (Articles 101 and 102) in order to ensure that competition is not distorted or restricted. National courts may also apply these provisions so as to protect the individual rights conferred on citizens (companies and individuals) by the Treaty.

## **Spain**

### ***Electricity Regulation Overview***

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 any consumer has been free to choose its 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 the forward markets.

The market operator and agency responsible for the market's economic management and bidding process is OMIE (see "*Iberian Peninsula – MIBEL Overview*"), while REE is operator and manager of the transmission grid and sole transmission agent. REE as transmission company, together with 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 liberalised 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 no longer been permitted to supply electricity. In January 2014, the last resort tariff has been replaced by the "precio voluntario para el pequeño consumidor" (meaning "voluntary price for small customer").

Royal Decree-Law no. 6/2010, created a new player which, as specified in the Royal Decree no. 647/2011, of 9 May 2011, is responsible for developing the activity of energy supply for recharging electric vehicles.

As part of the unbundling of the transmission system operator, the distributors sold their remaining transmission assets to REE in 2011, completing the process required by Law 17/2007 which established REE as the sole transmission agent.

Through Royal Decree-Law no. 13/2012 the Directive 2009/72/EC has been partially included in Spanish regulation.

Royal Decree-Law no. 9/2013, of 13 July 2013, included a set of regulatory modifications applicable to the Spanish electricity sector and affecting the return ratio of energy assets. These modifications were confirmed by enactment of new Law 24/2013 of the Electricity Sector, of 26 December 2013 and were mainly aimed at eliminating tariff deficit. Some of these modifications were directly implemented by Royal Decree-Law no. 9/2013, such as (i) the return ratio pre-tax of regulated activities was indexed to the ten-year Spanish Bonds yield plus a spread, and (ii) a decrease in capacity payments for combined cycle gas turbines from €26/kW to €10/kW, although doubling the remaining payment period and (iii) the funding of the social tariff discounts by vertically integrated companies. The above mentioned spread in distribution and transmission activities was 100 basis points for the second half of 2013 and will be 200 basis points from 2014 onwards. The spread in renewable and "CHP" (combined heat and power) generation is 300 basis points from the enactment of the Royal Decree-Law. Following such enactment, a set of implementation Royal Decrees was prepared by the Spanish Government that include modifications to regulations governing all activities, including renewables, electricity and gas distribution and transmission activities, as further detailed in the following sections.

### ***Electricity Sector Act***

The enactment of the Electricity Sector Act in 1997 (Law 54/1997) 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 was 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 referred Act settles:

- 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 suppliers 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;
- from 1 January 2003, all consumers can select their electricity supplier and their method of supply;
- all operators and consumers have the right to access the transmission and distribution grid by paying access tariffs approved by the Spanish government; and
- the protection of the environment.

Law 17/2007 amended the Electricity Sector Act, bringing it into conformity with Directive 2003/54 EC of the European Parliament and Council, 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 has built upon the achievement of that target by including Directive 2009/72/CE in the Spanish regulation.

The failure to ensure financial stability of the system and the regulatory dispersion of the old law have led the government to publish a new electricity sector law, Law 24/2013. This new fundamental law keeps all principles established in the old regulations but focussed on the economic and financial balance of the system thus avoiding new tariff deficit.

### **Generation**

All 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 the daily and intra-day market sessions.
- *Bilateral contracts.* Bilateral contracts are private contracts between market agents, whose terms and conditions are freely negotiated and agreed. Information about these contracts has to be given to the energy market in order to keep the security of the electricity system.
- *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 certain specified period. Nevertheless, these options are currently not enacted in Spain.

Power plants also participate in ancillary services markets managed by the system operator REE, some of them being mandatory for certain kind of power plants. Until December 2013, power plants using renewable, waste and CHP energy sources belonged to the so called "special regime" but the distinction between the ordinary and the special regime ended with the enactment of Law 24/2013.

Order no. ITC 2794/2007 established a new regime of fixed payments applicable to generators not operating in the special regime. This regime established the attribution, for a period of ten years, of an investment incentive, in an initial amount of €20,000 per MW installed, increased up to €26,000 per MW installed by Order ITC/3127/2011 and finally lowered to €10,000 per MW installed by Royal Decree-Law 9/2013. Referred Order ITC/3127/2011 has also regulated an incentive regarding the availability of the certain facilities in the short term.

In February 2010, Royal Decree no. 134/2010, modified by Royal Decree no. 1221/2010, laid down the procedure for resolution of supply security restrictions as a means to promote consumption of indigenous coal. This procedure was approved by EU competition authorities under Article 108.3 of the Treaty of Lisbon in September 2010. Costs recovery is guaranteed for power plants working under this regime. Soto de Ribera 3 power plant, owned by EDP/, belongs to this regime. This regime will end in December 2014.

Royal Decree-Law no. 14/2010 has obliged generators to pay a toll for the use of the networks of €0.5 per MWh.

New Law no. 24/2013 allows temporary closure of generation facilities which is subject to a prior administrative authorisation scheme.

### **Specific remuneration regime for renewables, CHP and waste generation**

Until July 2013 the electricity system had to acquire all electricity offered by special regime generators at tariffs fixed by Royal Decree or Order that varied depending on the type of generation and were generally higher than Spanish market prices. The 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 use cogeneration (CHP), waste or any renewable energy source as their primary energy.

However, since January 2012 (Royal Decree-Law 1/2012) special tariffs applied to special regime generators have been suspended for new projects and as from December 2013 (Law 24/2013) the special regime has been

replaced by a specific remuneration regime for those facilities that belonged to the special regime prior to July 2013. From July 2013 any new such facilities no longer have a different treatment from those belonging to the ordinary regime.

Royal Decree no. 661/2007, established the previous regulation of the Spanish special regime. This decree introduced a stable framework and sets the basis for development of renewable energy in terms of competition and profitability. It was framed within the commitment of the Spanish government to encourage investments in renewable energy in Spain.

Under that regulation, Spanish special regime power facilities were able to select a fixed tariffs or to participate in the market. If the Spanish special regime generator sold electricity in the market, it received the market price plus a premium, subject to a cap and floor on final prices for each type of technology.

In 4 February 2013, the Spanish Government published Royal Decree-Law no. 2/2013, which encompassed a set of regulatory modifications applicable to the Spanish electricity sector and affecting wind and other renewable energy assets. The main regulatory modifications were (i) all facilities under the special regime had to be remunerated according to the current feed-in tariff schemes thus eliminating the premium, cap and floor scheme, (ii) the power plant could operate under the market option for the remaining useful life of the asset but without the premium, the cap or the floor; and (iii) the index used to annually update all the regulated activities in the electricity sector was annual inflation, excluding energy products and food prices and any impact of tax changes.

In July 2013, the Government passed Royal Decree-Law 9/2013, which changed the remuneration scheme for facilities under the special regime. As from July 2013 the return ratio pre-tax during the whole life of the assets under the special regime had to be equal to the Spanish government's ten year bonds plus a spread of 300 basis points during the first regulatory period from July 2013 to December 2019. The new return ratio pre-tax has been set at 7.4 per cent during the regulatory life of the power plant (20 years wind, 25 years CHP and generation from waste, 30 years photovoltaic).

The specific remuneration additional to market revenues shall consist of (i) a capacity complement in €/MW to cover the investment not recovered by the market, and (ii) if applicable, an operation complement in €/MWh when operating costs cannot be recovered in the market. This specific remuneration is calculated taking into account a standard installation and throughout its regulatory life, referring to an efficient and well-managed company. The granting of this specific scheme to new facilities shall be established on a competitive basis.

This new scheme was later confirmed by Law 24/2013, which also replaced the concept "special regime" by the "specific remuneration regime". Royal Decree 413/2014, published in June 2014, settled the detailed regulation of these principles. The retribution values for the first half of the 6-year regulatory period are set out in Ministerial Order no 1045/2014.

The amount of capacity complement will vary depending on the year the power plant entered into operation and will be paid until completion 20 years after commissioning. There will be interim revisions (every 3 years) to correct deviations from the expected pool price. EDP Renováveis installed capacity in Spain, according to start-up date, is 9 per cent. up to 2003, 39 per cent. between 2004-07 and 52 per cent. from 2008 onwards.

Although the authorisation of these plants is by regional Governments due to their small size, since 2009 (Royal Decree-Law no. 6/2009) all facilities had to enter in a register managed by the Ministry of Industry in order to benefit from the premiums and tariffs Spanish special regime (Royal Decree 661/2007), and now the specific remuneration scheme created by Royal Decree-Law 9/2013.

### ***Electricity tariffs, supply and distribution***

Since January 2003, all consumers have become qualified consumers. All of them may now 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 coming into force of the Last Resort Supply (*Suministro de Último Recurso*) on 1 July 2009 (Law 17/2007 that amended the Electricity Sector Act in order to adapt it to Directive 2003/54/EC), the regulated tariff system has been replaced by a last resort tariff system. Last resort tariffs (now called "*precio voluntario para el pequeño consumidor*") are set by the Spanish government on an additive basis, meaning that the final tariffs are equal

to the sum of access tariffs, plus energy tariff and commercialisation tariff, 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: (1) costs of the electricity generation (which is indexed to the Spanish pool), (2) access tariffs and (3) costs of supply management. Last resort consumers can choose between being supplied at last resort tariffs or being supplied in the liberalised market.

Electricity transmission and distribution activities will continue to be regulated since 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 transporters and distributors is contained in Royal Decree-Law 9/2013, Law 24/2013 and Royal Decree no 1048/2013 and the settlement system is 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 13/2012 which already had established that the capital costs would be only paid for net assets and delayed the start of remuneration for new asset from years  $n+1$  to  $n+2$ .

The main changes introduced by the current regime were the substitution of a return ratio based on the WACC by the 10-year Spanish bonds plus a differential set in 100 bps for second half of 2013 and 200 bps for 2014 onwards. Royal Decree 1048/2013 approved in December 2013 establishes that the regulatory asset base is determined through the use of unitary costs on the audited facilities. However this regulation cannot entry fully into force until approval for definite rules (foreseen in 2015). Until then Royal Decree-Law 9/2013 established a transitory phase.

In accordance with the provisions of Law no. 24/2013, the supply of energy is paid from tolls and prices applicable to consumers; and from specific items from the National Budget (Law 15/2012); from 1 January 2011, all facilities are obliged to pay tolls for the energy they generate (Royal Decree-Law no. 14/2010). These regulated incomes have to be designed to be sufficient to cover all regulated costs, including transmission and distribution costs, specific remuneration schemes costs, and other costs.

Access tariffs are set by the Minister of Industry, Energy and Tourism. However, the part of access tariffs destined to cover transmission and distribution costs had to be fixed by the national regulatory authority CNMC. Access tariffs and regulated prices are uniform throughout the entire country although regional extra costs if approved can be added to tariffs by the Ministry of Industry.

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 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 hired 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 supply activity electricity, suppliers are obliged to provide a statement to the Ministry of Industry or to the respective regional authority where they wish to engage in supply activity (who will transfer the information to CNMC) which includes a confirmation of (a) the dates for commencing (and ending) their activity, (b) proof of their capacity for the development of the activity, 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 exercising of their activities.

As a consequence of the disappearance of The Change of Supplier Office (*Oficina de Cambio de Suministrador* or "OCSUM"), the "Comisión Nacional de los Mercados y la Competencia" (CNMC) supervises the process for consumers to change their gas supplier under principles of transparency, objectivity and independence.

Last resort suppliers in the Iberian Peninsula can acquire electricity in the spot or forward markets to meet last resort demand. In Spain, these last resort suppliers had also been permitted to hold energy auctions to purchase electricity but this possibility ended in December 2013 (Royal Decree-Law 17/2013).

### **Tariff Deficit**

The main regulatory developments in Spain in 2012 and 2013 were aimed at eliminating tariff deficit. The total tariff deficit amounted to € 29,000 million at 31 December 2013, with €3,200 million financed by electric companies corresponding to the 2013 deficit, so previous deficits were already securitized.

According to Law 24/2013, access tariffs, regulated prices and other regulated incomes must be sufficient to recover the full costs of the regulated activities without any foreseen deficit. Although some deficit was permitted until 2013 (Royal Decree-Law no. 6/2009 and Royal Decree-Law no. 14/2010), new Law 24/2013 ensures that from 2014 onwards new tariff deficits are limited by a 2 per cent. yearly cap.

The deficit produced up to 2012 was fully transferred from the electricity companies to a securitisation fund (FADE), which is guaranteed by the Spanish Government.

Since the beginning of 2012, the Spanish Government has taken important steps in order to address the key aspects of the problem of the tariff deficit:

- (a) Royal Decree-Law no. 1/2012 suspended temporarily all new renewable premiums.
- (b) 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.
- (c) Access tariffs were updated as from April 2012 to all customers resulting in a revenue increase for the system of €1,600 million through (i) ordinary increases of 5.1 per cent. on average and (ii) re-invoicing of tariffs in the last quarter of 2011 and the first quarter of 2012. This re-invoicing is a consequence of several orders of the Supreme Court that tariffs should have been higher to cover all regulated costs.
- (d) Due to the insufficiency of previous measures for containing the tariff deficit, the Government considered it necessary to approve in December 2012 Law 15/2012, which includes new taxes on generators and natural gas customers in order to cover costs of the electricity system: (i) 7 per cent. generation tax on the incomes of electricity output, (ii) 22 per cent. charge on the use of inland water for electricity generation, (iii) tax on production of nuclear waste and a tax on storage of this waste (iv) tax on natural gas €0.65/GJ applying to all natural gas consumers (v) tax on coal of €0.65/GJ applying to generators. Additionally the Ministry allocates up to €450mm of the revenues from the emission allowances sale to cover regulated electricity system costs. The implementation of the above measures was estimated to increase the system revenues by €3,300 million annually.
- (e) Royal Decree-Law no. 2/2013 described above.
- (f) Royal Decree-Law no. 9/2013 with an estimated yearly impact of €4,500 million, held by customers (€900 million), National Budget (€900 million) and companies (€2,700 million).

### **Last Resource Tariff to vulnerable customers**

Royal Decree-Law no. 6/2009, had created the "Social Bono" for some consumers who comply with the social, consumer and economic conditions determined by the Ministry of Industry, Energy and Tourism. Currently, according to Royal Decree 216/2014 this tariff for vulnerable customers consists of a discount of 25 per cent. of the regulated tariff PVPC ("*precio voluntario para el pequeño consumidor*"). 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 shall be entitled to this last resource tariff (Royal Decree-Law 6/2009).

Royal Decree-Law no. 13/2012 and Law 24/2013 had also linked the consumers benefiting from this tariff to household income but the conditions for benefiting from the "Social Bono" settled in Royal Decree-Law no. 6/2009

remain until the thresholds of incomes are defined.

### **Authorisations and Administrative Procedures**

All power plants require certain permits and licences from public authorities at local, regional and national levels before construction and operation can commence.

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 included in the special regime must receive prior approval of the relevant autonomous community authorities and be registered on the "specific remuneration" register managed by the Minister of Industry, Energy and Tourism before the power plant is entitled to have the specific remuneration regime.

Facilities must also be authorised for their interconnection to the relevant transmission and distribution networks. If the interconnection authorisation is not granted, the 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 1.000 kW) to the electricity grid.

### **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 2001 and Royal Decree no. 1434/2002, of 27 December 2002.

The approval of Act no. 12/2007, of 2 July 2007, which modifies the Hydrocarbons Act, in order to adapt it to EU Directive 2003/55/EC 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 including Directive 2009/73/CE 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 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).

Following the same criteria as in the electricity sector, the government has amended the Hydrocarbons Act, through Royal Decree-Law no. 8/2014, of 4 July 2014, in order to ensure financial stability of the gas system. The amendments to Law 34/1998 are focussed on the economic and financial balance of the system thus avoiding new tariff deficit.

In what concerns the supplier of last resort, firstly Royal Decree no. 485/2009 and now Royal Decree 216/2014 allow 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, the merger of EDP/HC Naturgas Energia Comercializadora de Último Recurso was approved, starting from 1 January 2010. Accordingly, from that date onwards, Naturgas Energia Comercializadora no longer holds the qualification of supplier of last resort. However, the name of the merged company was changed in October 2013, and it is now called "EDP Comercializadora de Último Recurso, S.A."

Spanish law distinguishes between: (1) regulated activities, which include transportation (regasification of LNG, underground storage and transportation of natural gas) and distribution; and (2) non-regulated activities, which include supply and generation.

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 in respect of other activities not relating to transmission, distribution and storage (Laws 34/1998 and 12/2007). Royal Decree-Law no. 13/2012 incorporated new rules from Directive 2009/73/CE 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 transmissions 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 choose between an ownership unbundling model or the ISO model.

The Spanish gas market structure is involved in market changes due to several mergers and acquisitions. As a consequence of these changes, EDP bought from Gas Natural its low-pressure network in the regions of Cantabria and Murcia, together with its supply activities relating to domestic and small businesses. Additionally, the agreement included the purchase of high-pressure networks in the Basque Country, Cantabria and Asturias. The Spanish gas market has developed significantly in recent years with an increase of 2.7 million customers (68.9 per cent.) from 2000 to 2009. Over the same period, gas demand has grown even more, recording an increase of 198 TWh (105 per cent.), mainly due to the demand of CCGTs. In 2013, pursuant to Royal Decree-Law no. 13/2012, Naturgas completed the sale of its gas transmission business to Enagas, activity which was developed by its subsidiary Naturgas Energia Transporte.

#### *Natural Gas Transportation*

The construction, expansion, operation and closure of gas pipelines, storage facilities and regasification plants require 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 Industry, Energy and Tourism 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 Industry, Tourism and Trade 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*

EDP, through its subsidiaries Naturgas Energia Distribucion, Gas Energia Murcia and Tolosa Gasa, is involved in the distribution of natural gas in eight regions (Asturias, Cantabria, Basque Country, Madrid, Castilla – León, Murcia, Extremadura and Catalonia) through medium and low-pressure pipelines (less than 16 bar).

An administrative authorisation is required for the conduct of distribution activities. Any legal entity with Spanish nationality or any member of the EU may apply for an administrative authorisation. Applicants must evidence their legal, financial and technical capacity for distribution.

Distribution companies are under the 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 Naturgás Energía Comercializadora, and in the last resort market through its subsidiary EDP Comercializadora Último Recurso, S.A., 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 6/2009 has appointed the companies that can supply consumers under the last resort supply system.

As a consequence of the disappearance of The Change of Supplier Office (*Oficina de Cambio de Suministrador* or "OCSUM"), the CNMC supervises the process for consumers to change their gas supplier under

principles of transparency, objectivity and independence.

Following the approval of Act 25/2009, prior to commencing supply activity gas suppliers are obliged to provide a statement to the Ministry of Industry 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 2010 and Royal Decree-Law no. 13/2012 which has partially included Directive 2009/73/EC in the Spanish regulation.

## **Brazil**

The MME is the Brazilian government's primary regulator of the power industry, acting as the granting authority on behalf of the Brazilian government and empowered with policymaking regulatory and supervisory capacity. Following the adoption of the Law no. 10.848/2004 ("the New Electricity Law"), the Brazilian government, acting primarily through MME, undertook certain duties that were previously the responsibility of the National Electric Energy Agency (ANEEL), including granting concessions and issuing directives governing the bidding process for concessions relating to public services.

The Brazilian power industry is directly regulated by ANEEL. Since the enactment of the New Electricity Law, ANEEL's primary responsibility has been to regulate and supervise the power industry in Brazil pursuant to the policies adopted by the MME.

The 2004 Electricity Law introduced significant changes to the regulation of the Brazilian power industry to provide incentives to private and public entities to build and maintain the country's generation capacity and to assure the supply of electricity within Brazil at as low as possible tariffs through competitive electricity public auctions. The key features of the New Electricity Law include:

- Creation of two markets for the trading of electricity:
  - o the regulated contracting market for the sale and purchase of electricity destined for distribution companies, which is operated through electricity purchase auctions; and
  - o the unregulated market or free contracting market for the sale and purchase of electricity destined 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 they focus only on their core business to 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 Law in order to provide stability to transactions carried out before its enactment.
- Prohibition on power distribution concessionaires 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 electric sector occurred during 2012, such as the Provisional Measure no. 579/2012, in which the Federal Government presented measures to reduce electric energy bill. The expected average reduction for Brazil amounts to 20.2 per cent. due to government actions: Concession Renewals (13 per cent.) and Sector charges (7 per cent.).

Regarding concessions renewal, the generation concessionaires whose contracts expire between 2015 and 2017 may renew their concessions and shall make available their physical energy guarantee for the quotas system to be distributed proportionally to the size of each distributor, affecting the energy acquisition.

On 23 January 2013 the Provisional Measure no. 605 was published, whose objective is to increase the scope of application of the resources of the CDE (Energy Development Account - Conta de Desenvolvimento Energético), which began promoting resources to cover the discounts applied to the tariffs and involuntary exposure of distributors resulting from the non-adherence to the extension of the generation concessions, this measure amended the Law no. 10,438/2002 which establishes the application of CDE resources.

On 6 March 2013, the National Energy Policy Council (CNPE) issued the Resolution CNPE 3/2013 which determined a new methodology for sharing the costs incurred for the dispatch of thermoelectric power plants out of the order of merit, due to mechanisms of risk aversion (safety of the system), following the hydrological crisis in Brazil.

On 7 March 2013, the Decree no. 9,745 increased the costs that can be met with funds from the Energy Development Account – CDE. CDE is responsible for monthly transfer to the distribution utilities of the costs related to: generation allocated under the Energy Relocation Mechanism – ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), which occurred from January to December 2013.

On 7 May 2013 a new regulation (Resolução Normativa no. 549/2013) was published, determining that the incremental costs to the acquisition of energy and other system charges (ESS) which occurred in 2013, would be funded by the CDE (positive balances in "Conta de Compensação de Variação de Valores da Parcela A - CVA"). This new regulation establishes the compensation criteria and determines that ANEEL will publish in each ordinary tariff revision the amounts that should be paid by Eletrobras to the distribution companies (through CDE) and referring to the costs and "CVA" charges mentioned above.

Since distribution network operators (DNOs) had cash flow difficulties due to Involuntary Exposure and high energy costs due to lack of rain during the beginning of 2014, the federal government established by Decree no. 8,221/2014 the creation of an account in the Regulated Contracting Environment (ACR-Account) to cover the additional costs of electricity distributors by involuntary exposure in the spot market and the thermoelectric order. The Commercialisation Chamber (CCEE) will manage the account, and will be responsible for contracting loans, as well as ensuring the transfer of costs incurred in the operations of the Energy Development Account (CDE). Such operations shall defray the expenses of February until 31 December 2014. The monthly amount to be transferred to each DNO must be ratified by the ANEEL, which will consider the prevailing tariff coverage. The balance of the ACR -Account may be pledged in favor of banks (creditors), and its operation is regulated by the agency. All the amount of the loans will be paid by consumers in two years through energy tariffs. On 25 April 2014, the CCEE entered into agreements with a number of banks to finance 11.2 billion Reais for the ACR-Account, to cover the additional costs of electricity distributors with exposure to the spot market and the dispatch of the energy power plants. The Energy Development Account - CDE will be in charge of collecting the funds for the loan repayments, from the higher energy tariffs charged to consumers from February 2015. The loan repayments will be made from November 2015.

### ***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 revision (i.e., revisions that can be made by the regulator if some unexpected exogenous factor that affects the financial or economic equilibrium of the concession occurs).

#### *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 taxes rate of return on Regulatory Asset Base ("RAB") in this regulatory period (2011 – 2015) 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 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 Espírito Santo Centrais Elétricas S.A. (Escelsa) and every four years for Bandeirante Energia, S.A.

#### *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 Factor X. The main objective of Factor X 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. Factor X has 3 components: (i) expected productivity gains, (ii) quality of service and (iii) cost efficiency.

In August 2013, ANEEL approved EDP Escelsa's Tariff Review which set a 4.12 per cent. tariff adjustment index. In October 2013, ANEEL approved a 10.36 per cent tariff readjustment index for EDP Bandeirante for the period from 23 October 2013 to 22 October 2014. The Factor X component applied was 1.08 per cent.

In August 2014, ANEEL approved a 26.54 per cent. annual tariff readjustment index for EDP Escelsa, for the period from 7 August 2014 to 6 August 2015. The Factor X component applied was 2.34 per cent.

#### **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 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 its generating facility 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 that analysis changes or if certain other conditions of market-based rate authority are not met, FERC has the authority to 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 \$1 million 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 markets have the right to require an electric utility to purchase the power generated by such QFs. 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. 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.

Energy 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 or regional transmission organisations ("ISOs"), such as the Midcontinent, California, New York, PJM Interconnection, and New England ISOs.

Our project companies typically sell power and the associated renewable energy credits ("RECs") from our 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,

our project companies may sell RECs under long-term or short-term bilateral agreements. All of our 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 our projects and electric sales from our projects are dependent on the performance of our 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 \$1 million per day per violation. All of our project companies in the United States that meet the relevant materiality thresholds have registered with NERC as Generation Owners and/or Generation Operators and Purchasing and Selling Entities, 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 our 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. wind energy industry has been driven primarily by federal and state government policies designed to promote the growth of renewable energy, including wind power. The primary U.S. federal renewable energy incentive programmes are the production tax credits or PTCs, or ITC and the cash grant programme in lieu of tax credits. In addition, most renewable energy projects qualify for the 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 states have encouraged renewable generation development is through the implementation of RPS programmes, 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 programmes, a utility may demonstrate its compliance through its ownership of Renewable Energy Certificates ("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 two U.S. territories have implemented mandatory RPS targets and a number of other states and two U.S. territories have implemented voluntary, rather than mandatory, goals. Additionally, some states and localities encourage the development of renewable resources through reduced property taxes, state tax exemptions and state grants.

#### ***Renewable Portfolio Standards ("RPS")***

In the United States, the federal government currently supports renewable energy primarily through tax incentives and a grant programme to reimburse a portion of eligible capital costs. In addition, many state

governments have implemented Renewable Portfolio Standards (“RPS”) that typically require that, by a specified date, a certain percentage of a utility’s electricity supplied to consumers within such state is to be from renewable sources. Historically, the main tax incentives have been the federal production tax credit (“PTC”) and the five-year depreciation for eligible assets under the Modified Accelerated Cost Recovery System (“MACRS”). In February 2009, a new U.S. federal law allowed renewable energy projects to elect, in lieu of the PTC, an investment tax credit (“ITC”) or cash grant equal to 30 per cent. of the capital invested in the project. The cash grant was available only for projects that began construction before the end of 2011. In January 2013, the PTC and ITC for wind projects were extended to apply to new projects that began construction before 1 January 2014. As of July 2014, the PTC and option to elect an ITC have not been further extended. The PTC legislation was first enacted in 1992 and has historically been extended by the U.S. Congress for one- to four-year periods. While in the past the PTC has consistently been extended, it has been allowed to expire three times before being subsequently extended, thereby creating a lapse period. In each case, the U.S. Congress applied the PTC retroactively to cover such lapse period; however the periodic expiration and uncertainty of the legislative process with respect to extensions affected industry participants.

No comparable legislative history exists for the ITC or grant programme since they were not options for wind energy projects until 2009. There can be no assurance that the PTC, the ITC or the cash grant programme will be extended beyond their current expiration dates. With respect to asset depreciation under MACRS, in February 2008, a new U.S. federal law provided for a temporary 50 per cent. bonus depreciation with 5-year MACRS utilised to recover the remaining basis. This bonus depreciation applies to eligible projects placed in service before 31 December 2013. This temporary bonus depreciation has been extended four times since 2008; however, there can be no assurance that the 50 per cent. bonus depreciation will be extended beyond its current expiration. While the underlying MACRS system has been in place since 1986, and EDP expects the system to remain unchanged going forward, there can be no assurance that MACRS treatment will not be discontinued in the future. EDP’s ability to take advantage of the benefits of the PTC, ITC and depreciation incentives (but not the cash grant program) 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 (1) EDP will have sufficient taxable income in the United States to utilise the benefits generated by these tax incentives or (2) 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).

In addition to U.S. federal tax incentives, at the state level, RPS provide support for EDP’s business by mandating 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 (“DSIRE”) as of March 2013, 37 U.S. states, the District of Columbia and four U.S. territories have RPS targets. While a majority of states, the District of Columbia and two U.S. territories have mandatory RPS targets, certain states and two U.S. territories have voluntary, rather than mandatory, targets. Although additional states may consider the enactment of 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 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 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. 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 USFWS has issued guidelines for land-based wind energy projects, which outline the USFWS regulatory requirements under the Endangered Species Act, Migratory Bird Treaty Act and Bald and Golden Eagle Protection Act and provide project developers with guidance as to how to assess potential impacts and avoid or minimize 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.

In addition, federal reviews, permits, or authorisations from other federal agencies may be required if federal lands, federally regulated natural resources, or other areas of federal authority are involved or may be impacted by the construction or operation of a renewable energy facility. 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 projects must comply with 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 and endangered and other species.

Various states have also implemented environmental laws and regulations that impact renewable energy projects. 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.

## **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. The Executive Board of Directors must be composed of at least five and no more than seven directors, all of whom undertake executive positions. For the current mandate of 2012-2014, the Executive Board of Directors is composed of seven directors who were elected at the Annual General Shareholders Meeting held on 20 February 2012. The General and Supervisory Board is a supervisory and consulting body and is responsible for, among other things, supervising the Group’s activities and reviewing and approving important transactions involving the 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. For the current mandate of 2012-2014, the General and Supervisory Board is composed of 23 members who were elected by the shareholders at the Annual General Shareholders Meeting held on 20 February 2012 and at the Annual General Shareholders Meeting held on 6 May 2013, after two members resigned. 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 two following recommendations:

(a) Companies shall ensure proportionality between voting rights and shareholder participation, preferably through a statutory provision ensuring one vote per share. The companies which do not meet the proportionality requirements are those which, in particular: (1) have shares without voting rights; (2) establish that, above a certain threshold, voting rights cast by one single shareholder or related to him/her, should not be accounted for.

(b) Measures adopted to prevent the success of takeover bids shall respect the interests of the company and its shareholders. Companies Articles of Association which, while respecting the principle set forth in the previous paragraph, limit the number of votes that can be held or exercised by a single shareholder, individually or jointly with

other shareholders, shall also set forth that, at least every five years, the maintenance or not of that statutory provision shall be put to deliberation by the General Meeting – without the need for a quorum greater than the legal quorum – and that, all the votes cast shall count in this deliberation without that limitation.

Even though it is EDP's understanding that adequate shareholder participation is ensured through the statutory principle of one vote per share, EDP did not fully adopt recommendation (a) above in the sense that there may be limits on the number of shares with which each shareholder can vote in a General Meeting. However, the principle of proportionality between the number of shares held and the corresponding voting rights must be assessed in relative terms rather than in absolute terms. The limit specified in Article 14(3) of EDP's Articles of Association reflects the shareholders' choice to protect specific interests of the company.

On the basis of the foregoing considerations:

a) At the General Meeting held on 25 August 2011, the shareholders resolved to maintain such restriction on the counting of voting rights but increased its threshold from 5 per cent. to 20 per cent. Such General Meeting also resolved to remove the special rights granted to B shares, which are subject to privatisation and may only be held by the Portuguese state or Government-related entities. Holders of 72.25 per cent. of the share capital participated in such General Meeting, and 94 per cent. of votes cast approved the motion. Further to the removal of the special rights granted to B shares, both ordinary shares and B shares were subject to the 20 per cent. limitation.

b) The current Articles of Association of EDP were amended by the General Meeting held on 20 February 2012, which maintained the restriction on the counting of the voting rights but increased its threshold from 20 per cent. to 25 per cent. (article 14, no. 3 of the Articles of Association). Holders of 71.5245 per cent. of the share capital were present or represented – including votes by correspondence – representing 66.0318 per cent. of the voting rights, and 89.6523 per cent. of votes cast approved the motion. Such General Meeting also resolved to amend article 10 of EDP's By-Laws through the inclusion of a new number 10, which establishes that a shareholder that individually holds at least 20 per cent. of the share capital of EDP, and that, directly or through a legal person which is in a domain relationship with it, enters into and maintains a medium or long term strategic partnership of business cooperation in the activities of generation, distribution or supply of electricity or natural gas, approved in accordance with legal and corporate provisions, with prior favourable opinion of the General and Supervisory Board shall not be deemed to be a legal person that is a competitor of EDP. Holders of 71.5247 per cent. of the share capital were present or represented – adding the correspondence votes – representing 66.0319 per cent. of the voting rights, and 89.6869 per cent. of votes cast approved the motion.

EDP did not adopt recommendation (b) above on the basis that it does not seem reasonable to link the principle reflected in this recommendation to the existence of limitation mechanisms in respect of the exercise of voting rights (which is, in fact, dealt with in recommendation (a) above). Therefore, the interests of EDP's shareholders, reflected in the limitation set out in article 14 of the Articles of Association, justify the non-adoption of such recommendation. In addition, in terms of EDP's control measures, the Executive Board of Directors and the General and Supervisory Board of EDP understand that: (1) in the face of a takeover bid, the Executive Board of Directors and the General and Supervisory Board shall assess the referred proposal in the light of EDP's interests; (2) the position to be taken by the Executive Board of Directors will be subject to favourable prior opinion from the General and Supervisory Board and (3) the Executive Board of Directors and the General and Supervisory Board shall avoid taking any measure or position that may unfairly constitute an obstacle to the proper weighting of the takeover bid.

### **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>
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Name	Year of Birth	Position	Year Originally Elected	Last Election
António Luís Guerra Nunes Mexia	1957	Chief Executive Officer	2006	2012
Nuno Maria Pestana de Almeida Alves	1958	Chief Financial Officer	2006	2012
João Manuel Manso Neto	1958	Executive Director	2006	2012
António Manuel Barreto Pita de Abreu	1950	Executive Director	2006	2012
António Fernando Melo Martins da Costa	1954	Executive Director	2006	2012
João Manuel Verísssimo Marques da Cruz	1961	Executive Director	2012	2012
Miguel Stilwell de Andrade	1976	Executive Director	2012	2012

**António Luís Guerra Nunes Mexia, Chairman.** He was born on 12 July 1957. He received a degree in Economics from Université de Genève (Switzerland) in 1980, where he was also Assistant Lecturer in the Department of Economics. He was a postgraduate lecturer in European Studies at Universidade Católica. He was a lecturer at Universidade Nova de Lisboa and at Universidade Católica from 1982 to 1995. He served as Assistant to the Secretary of State for Foreign Trade from 1986 until 1988. From 1988 to 1990 he served as Vice-Chairman of the Board of Directors of ICEP (Portuguese Institute for Foreign Trade). From 1990 to 1998 he was a Director of Banco Espírito Santo de Investimentos and, in 1998, he was appointed Chairman of the Board of Directors of Gás de Portugal and Transgás. In 2000 he joined Galp Energia as Vice-Chairman of the Board of Directors. From 2001 to 2004 he was the Executive Chairman of Galp Energia and Chairman of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico. In 2004, he was appointed Minister of Public Works, Transport and Communication for Portugal's 16th Constitutional Government. He also served as Chairman of the Portuguese Energy Association (APE) from 1999 to 2002, as a member of the Trilateral Commission from 1992 to 1998, as Vice-Chairman of the Portuguese Industrial Association (AIP) and as Chairman of the General Supervisory Board of Ambelis. He was also a Government representative to the EU working group for trans-European network development. On January 2008 he was appointed as a member of the General and Supervisory Board of Banco Comercial Português, S.A., having been previously a member of the Superior Board of this bank. He is Chairman of the Board of Directors of EDP – Energias do Brasil, Chairman and Counselor-Delegate of EDP – Renováveis and Vice-Chairman of The Union of the Electricity Industry – EURELECTRIC. He was appointed on 30 March 2006 as Chairman of the Executive Board of Directors, and began his term of office on 30 June 2006, and was reappointed on 15 April 2009 and 20 February 2012.

**Nuno Maria Pestana de Almeida Alves** He was born on 1 April 1958. He holds a degree in Naval Architecture and Marine Engineering (1980) and a Master in Business Administration (1985) from the University of Michigan. In 1988, he joined the Planning and Strategy Department of Millennium BCP and in 1990 became an associate director of the bank's Financial Investments Division. In 1991, he was appointed as the Investor Relations Officer for the group and in 1994 he joined the Retail network as Coordinating Manager. In 1996, he became Head of the Capital Markets Division of Banco CIFS, currently Millennium BCP Investimento, and, in 1997, Co Head of the bank's Investment Banking Division. In 1999, he was appointed Chairman and CEO of CIFS Dealer, the brokerage arm of Banco CIFS. Before his appointment as EDP's Chief Financial Officer in March 2006, Mr. Nuno Alves acted as an Executive Board Member of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets. He is a member of the Board of Directors of EDP - Energias do Brasil and Hidroeléctrica del Cantábrico and CEO of EDP - Estudos e Consultoria, EDP - Imobiliária e Participações and Sãvida. He was appointed on 30 March 2006 as a member of the Executive Board of Directors, and began his term of office on 30 June 2006, and was reappointed on 15 April 2009 and 20 February 2012.

**João Manuel Manso Neto** He was born on April 2 1958. He graduated in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed a professional education course through the American Bankers Association (1982), the academic component of the Master's Degree programme in Economics at the Faculty of Economics, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the

Wharton School in Philadelphia. From 1981 to 1995 he worked at Banco Português do Atlântico, occupying several positions, including Head of the International Credit Division, and General Manager responsible for Financial and South Retail areas. From 1995 to 2002 he worked at the Banco Comercial Português, where he held the posts of General Manager of Financial Management, General Manager of Large Corporates and Institutional Businesses, General Manager of the Treasury, member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank Gdansk in Poland. From 2002 to 2003, he was a member of the Board of Banco Português de Negócios. From 2003 to 2005 he worked at EDP as General Manager and Member of the Board of EDP Produção. In 2005 he was elected CEO at HC Energia, Chairman of Genesa and Member of the Board of Naturgas Energia and OMEL. Currently he is CEO of EDP Renováveis and responsible for Regulation and Energy Management (Gas and electricity) for Portugal and Spain. He was appointed on 30 March 2006 as a member of the Executive Board of Directors, and began his term of office on 30 June 2006, and was reappointed on 15 April 2009 and 20 February 2012.

**António Manuel Barreto Pita de Abreu** He was born on 17 March 1950. He received his degree in Electrotechnical Engineering from Instituto Superior Técnico (Lisbon) in 1972, where he worked as a guest lecturer in the Department of Electrotechnical Engineering and Computers. He began working in the electricity sector in 1977. Between 1977 and 2006 he occupied, among others, the following positions: Executive member of the EDP Board of Directors; Chairman of the Board of Directors of REN (Portuguese National Electricity Grid), Chairman of EDP Produção, EDP Cogeração and of Termoelectrica do Ribatejo; Vice-Chairman of the Board of Directors of EDP Distribuição - Energia, member of the Board of Directors of EDP Energia, non-executive director of EDP Brasil. He was, also, Chairman of the Board of OniTelecom and Edinfor; Vice-Chairman of the Board of Turbogás and non-executive director of EDA (Electricidade dos Açores). Later he was CEO of EDP - Energias do Brasil, member of Conselho de Infra-estruturas da Federação das Indústrias do Estado de S. Paulo (Brazil) and a Director of CEM (Companhia de Electricidade de Macau). He was appointed on 30 March 2006 as a member of the Executive Board of Directors, and began his term of office on 30 June 2006, and reappointed on 15 April 2009 and 20 February 2012.

**António Fernando Melo Martins da Costa** He was born on 13 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 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 an executive board member of several Insurance, Pensions and Assets Management companies of BCP Group. Between 1999 and 2002 he was Executive Director of Eureko BV (The Netherlands), President of Eureko Polska (Poland) and Vice-President of PZU. He was the CEO and Vice-Chairman of the Board of Directors of EDP – Energias do Brasil between 2003 and 2007. During this period, he also held positions as Vice-President of the Portuguese Chamber of Commerce in Brazil and President of the Brazilian Association of Electricity Distribution companies. In 2007, he assumed functions as Chairman and CEO of Horizon Wind Energy in the USA, being also a Member of the Executive Board of EDP Renováveis from its incorporation in 2008 until 2012. He was CEO of EDP Internacional between 2009 and 2012 and is Chairman of EDP Gás since 2012 and Chairman of EDP Soluções Comerciais since 2009. He maintains responsibilities for EDP Distribuição at EDP's Executive Board level. He is a Founding Member of the Portuguese Institute for Corporate Governance. He was appointed on 30 March 2006 as a member of the Executive Board of Directors, and began his term of office on 30 June 2006, and was reappointed on 15 April 2009 and 20 February 2012.

**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 the Technical University of Lisbon - Instituto Superior de Economia da Universidade Técnica de Lisboa, an MBA (1989) from the Technical University of Lisbon - Universidade Técnica de Lisboa and a post-graduate qualification in Marketing and Management of Airlines (1992) from the Bath University /International Air Travel Association, UK. He began his career at the TAP Group in 1984 (*Transportes Aéreos de Portugal*) and held several positions before becoming General Director. Between 1997 and 1999 he was a Board Member of TAPGER. Between 2000 and 2002, he was a member of the Board of several companies within CP – Portuguese Railways, including 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 on 20 February 2012.

**Miguel Stilwell de Andrade.** He was born on 6 August 1976. He graduated with an M.Eng with Distinction in Mechanical Engineering from the University of Strathclyde (Glasgow, Scotland) and an MBA from MIT Sloan (Boston, USA). He began 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 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 IPO in 2005 and EDP Renewables IPO in 2008. He was a member of the Board of EDP Distribuição Energia from January 2009 to February 2012. Miguel was also a non-executive Member of the Board of Directors of EDP Inovação, EDP Ventures, EDP Gas Distribution and Chairman of InovGrid ACE. He is currently a Director of FAE – Fórum de Administradores de Empresas, CEO of EDP Comercial as well as CEO and Vice-President of Hidroeléctrica del Cantábrico and Naturgás Energia. He was appointed as a Member of the Executive Board of EDP on 20 February 2012.

### General and Supervisory Board

The General and Supervisory Board is responsible for continuous oversight of the Group's management and for 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 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:

Name	Year of Birth	Position	Year Originally Elected	Last Election
Eduardo de Almeida Catroga	1942	Chairman	2006 (as a Member)	2012
China Three Gorges Corporation (represented by Dingming Zhang)	1963	Vice-Chairman	2012	----
China International Water & Electric Corp. (represented by Guojun Lu)	1956	Member	2012	----
China Three Gorges New Energy Co., Ltd. (represented by Ya Yang)	1962	Member	2012	----
CWEI (Europe) S.A. (represented by Shengliang Wu)	1972	Member	2012	----
Fernando Masaveu Herrero	1966	Member	2012	----
Cajastur Inversiones, S.A. (represented by Felipe Fernández Fernández)	1952	Member	2008	2012
José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira)	1944	Member	2011	2012
Senfora, SARL (represented by Mohamed Al Fahim)	1976	Member	2010	2012
Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (Sonatrach) (represented by Harkat Abderezak)	1972	Member	2007	2012

Name	Year of Birth	Position	Year Originally Elected	Last Election
Alberto João Coraceiro de Castro	1952	Member	2006 (as Vice-Chairman)	2012
António Sarmiento Gomes Mota	1958	Member	2009	2012
Augusto Carlos Serra Ventura Mateus	1950	Member	2013	----
Ilídio da Costa Leite de Pinho	1938	Member	2012	----
Jorge Braga de Macedo	1946	Member	2012	----
Manuel Fernando de Macedo Alves Monteiro	1957	Member	2006	2012
Maria Celeste Ferreira Lopes Cardona	1951	Member	2012	----
Nuno Manuel da Silva Amado	1957	Member	2013	----
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	1960	Member	2012	----
Chairman of the General Meeting (Rui Eduardo Ferreira Rodrigues Pena)	1939	Member	2007	2012
Vasco Joaquim Rocha Vieira	1939	Member	2012	----
Vítor Fernando da Conceição Gonçalves	1955	Member	2006	2012

**Eduardo de Almeida Catroga, Chairman** 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 non-executive Chairman of the Board of Directors of the SAPEC Group, a member of the Board of Nutrinveste, a member of the Board of Banco Finantia and a member of the Investments Committee of Portugal Venture Capital Initiative, an equity fund promoted by the European Investment Bank. He was appointed as a member of the EDP General and Supervisory Board for the first time 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.

**Dingming Zhang, Vice-President** He was born on 1st December 1963 . He has a Bachelor's degree in Power System and Automation from Huazhong University of Science and Technology (1984) and a Master's degree in Management from Huazhong University of Science and Technology (2001). He served as an associate and then as 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 the Capital Planning Department of the Three Gorges Construction Committee under the State Council (1994-2002), before he became Deputy Director of the Power Production Department of China Three Gorges Corporation (2002). He then worked as Executive Vice President of China Yangtze Power Company (2002-2011) and President of Beijing Yangtze Power Capital Co. Ltd. (2008-2011). His past experience also includes acting as Director of the Board of Guangzhou Development Industry (Holding) Co. Ltd. and Director of the Board of Yangtze Three Gorges Technology and Economy Development. In 2011, he began to serve as Board Secretary, Director of Strategic Development Department and Director of Marketing Department in China Three Gorges Corporation. He was appointed Vice-Chairman of the General and Supervisory Board of EDP, representing China Three Gorges Corporation, on 20 February 2012 and began his term of office on 11 May 2012.

**Guojun Lu**, He was born on 12 July 1956. He has a Bachelor's degree in Engineering from East China Institute of Water Resources Engineering and a PhD in Economics from Central University of Finance and Economics , China. He worked for China International Water and Electric Corporation from 1982 to 2010, starting as Deputy Chief of the Sri Lanka Office, Manager of the Pakistan Project Department and Deputy Chief of the Hydropower Department 1. He

then served as Vice President and President of China International Water and Electric Corporation and Executive Vice President of China Water Investment Group Corporation. Currently, he is Assistant President of China Three Gorges Corporation, President/CEO of CWE Investment Corporation and Director of International Department of China Three Gorges Corporation. He was appointed as a member of the General and Supervisory Board of EDP, representing China International Water & Electric Corp, on 20 February 2012 and began his term of office on 11 May 2012.

**Ya Yang**, He was born on 27 August 1962. He has a Bachelor's degree in Finance from Changsha University of Electricity. He later got his "Diplôme d'Etudes Supérieures Spécialisées" from the Business School of the University of Montreal, Canada and EMBA from HEC Paris. He worked in a series of posts before focusing on the China Three Gorges Project. He was Project Officer of the Bureau of Hydropower Construction of Ministry of Water Resources & Hydropower and Auditor of the Beijing Office of PricewaterhouseCoopers. Currently, he is the Chief Accountant & Corporate Controller of China Three Gorges Corporation and Chairman of the Supervisory Committee of China Yangtze Power Company. He was appointed as a member of the General and Supervisory Board of EDP, representing China Three Gorges New Energy Co. Ltd, on 20 February 2012 and began his term of office on 11 May 2012.

**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 worked as a technician and later as an engineer in Gezhouba Hydropower Plant (1992-1998). He then held a number of roles, including Secretary of Corporate Affairs Department in Gezhouba Hydropower Plant (1998-2002), Financial Manager of Capital Operating Department of China Yangtze Power Company (2002-2003), Information manager and then Deputy Director of Office of the Board of China Yangtze Power Company (2004-2006). Deputy Director and then Director of Capital Operating Department of China Yangtze Power Company (2006-2011). His past experience includes acting as 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). Since 2011, he is Deputy Director of Strategic Planning Department in China Three Gorges Corporation. He was appointed as a member of the General and Supervisory Board of EDP, representing China Three Gorges International - Europe, on 20 February 2012 and began his term of office on 11 May 2012.

**Fernando Maria Masaveu Herrero**, He was born on 21 May 1966. 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; Chairman of Cementos Anónima Tudela Veguín; Chairman of Masaveu International, Advisor at Hidrocantábrico, Chairman of the Audit Committee at Hidrocantábrico; Advisor at Naturgas Energía; Advisor at Bankinter; Member of the Executive Committee of Bankinter; Member of the Audit Commission of Bankinter; Member of International Advisory Board of the Santander Group; Adviser at EGEO, S.G.P.S.; Chairman of Masaveu Medicina; Advisor at OLMEA; Chairman of Beluga Holding Limited; Chairman of the Maria Cristina Masaveu Foundation; Chairman of the Foundation San Ignacio de Loyola; patron and member of the Executive Committee of the Príncipe de Asturias foundation; patron and member of the heritage of Príncipe de Asturias Foundation; Patron of the Príncipe de Asturias Awards; International patron of Asociación Amigos Museo del Prado; and Patron of Sociedad Internacional de Bioética (S.I.B.I.). Additionally, he is a director of several companies in the Masaveu group. Previously, he also made relevant contributions in several sectors, particularly in the R&D sector, the beverage sector, the health sector, the financial sector, the transportation sector, the environmental sector, the press sector and the real estate sector, as well as significant contributions to several foundations focused on social responsibility. He was appointed as a member of the General and Supervisory Board of EDP on 20 February 2012.

**Felipe Fernández 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, SINAE, 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 and a 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 as a member of the General and Supervisory Board of EDP, representing Cajastur Inversiones SA, on 20 February 2012.

**Luís Filipe da Conceição Pereira**, He has born on 29 October 1944. He has a degree in Economics from Instituto Superior de Economia (1973). He was an Assistant Professor at ISCTE (1979/2005). In terms of public office, he was Health Minister (2002/2005); Energy State Secretary (1991/1995) and Social Security State Secretary (1987/1989). He was Chairman of the Board of the Portuguese Association of Industrial Electricity Consumers (1996/2001 and 2005), Member of the Steering Committee of the International Federation of Industrial Energy Consumers (1996/2002). In terms of business positions, he was Vice President of EDP (1989/1991), Chairman of the Transport Institute (1996/2001), Vice-President of Quimigal (1996/1997), CEO of ADP (1997/2002); non-executive director of Banco Mello, CEO of CUF (2005) and CEO of EFACEC (2006/2011). In April 2013, he was appointed Chairman of the Board of FAE - Fórum de Administradores de Empresas for the mandate 2013/2015. He was awarded in 2006 the Honorific Order “Grã-Cruz da Ordem de Mérito” by the President of the Republic of Portugal. He was appointed as a member of the General and Supervisory Board of EDP, representing José de Mello Energia SA, on 20 February 2012.

**Mohamed Ali Al-Fahin**, He was born on 4 March 1976. He has a degree in Finance from the University of Suffolk, Boston (1999). He started his professional career at Abu Dhabi National Oil Company (ADNOC), where he worked from 2000 to 2008. His activity was focused on the identification and the definition of investment strategies for a balanced investment portfolio of ADNOC, to meet the Group's requirements for cash flow and returns. During that time, he also worked as a Corporate Finance Consultant for KPMG-Dubai (2001-2002) and for HSBC Bank at the Project and Export Finance Division-London (2006). Since September 2008, he has been Finance Division Manager in the Finance & Accounts Department of International Petroleum Investment Company (IPIC). He is a member of the board of directors of several companies as an IPIC representative: AABAR Investment PJS (since May 2010), Arabtec Holdings PJSC (since April 2012), First Energy Bank (since July 2009), Unicredit Spa (since October 2012), Al Izz Islamic Bank (since November 2012), Depa Interiors (since May 2013) and Oasis Capital Bank (since June 2009). He was appointed member of the General and Supervisory Board of EDP, representing Senfora Sarl, on 16 April 2010 and 20 February 2012.

**Harkat Abderezak**, He was born on 2 February 1972. He has a Bachelor's degree in Mathematics, a degree in Industrial Engineering from the Polytechnic School of Algiers and a Master's degree (Post Graduation) in Finance-banking from the Institute of Finance and Development of Tunis. From 1998 to 2009, his work comprised project financing and investment budgeting, in particular putting in place project financing (Development Oil & Gas project, Petrochemical Projects, fertilization project, Pipelines, liquefaction facilities (LNG trains), etc). In addition, he was in charge of transactions related to the acquisition of assets or companies and development of new business areas. He was a board member of “Entreprise de Gestion de la Zone Industrielle Skikda – Algeria” (management of the industrial activities zone) from 2007 to 2009 and President of the Board of “Sonatrach International Finance & Development – Luxembourg” (December 2008 to November 2009). Since 2006 he is President of the Board of “Sonatrach Gas Commercializadora “(Madrid-Spain). Since 2013, he is Chairman of the Board of Directors of “Sonatrach Raffinage et Chimie” Algeria. He was appointed as a member of the General and Supervisory Board of EDP, representing Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (“Sonatrach”), on 20 February 2012.

**Alberto João Coraceiro de Castro**, He was born on 15 June 1952. He has a degree in Economics from the School of Economics of Porto and a PhD in Economics from the University of South Carolina. He has published papers in different areas of expertise, including industrial economics, business economics and strategy, labor and international economics. He lectures at Universidade Católica Portuguesa, where he is head of the Centre for Applied Research in Economics and Management. He serves as President of the Audit Committee of Mota-Engil and Unicer and is a consultant to the Portuguese Footwear Industry Association (APICCAPS). He is also a member of the General Board of Associação Empresarial de Portugal and of the Board of Associação Comercial do Porto. He chairs the Comissão Justiça e Paz of the Diocese of Oporto. He is Chairman of the Remuneration Committee of the General and

Supervisory Board since July 2006. He was appointed Vice-President of the General and Supervisory Board of EDP on 30 June 2006 and reappointed on 15 April 2009, being the Vice-chairman until 20 February 2012. He was appointed as a member of the General and Supervisory Board of EDP on 20 February 2012.

**António Sarmiento Gomes Mota**, He was born on 10 June 1958. He has a degree in Management from ISCTE, (1981), an MBA from the School of Economics of Universidade Nova de Lisboa (1984) and a PhD in Management from ISCTE. He is a Full Professor and the head of ISCTE Business School (since 2003). He is also the head of INDEG/ISCTE (since 2005), Chairman of the General Board of the Fundo de Contragarantia Mútua (since 1999) a non-executive member of the Board of CIMPOR (since 2009), and a Member of the Direction Board of the Portuguese Corporate Governance Institute (since 2010). Previously, he was also head of the Finance and Accountancy Department of ISCTE Business School (2001-2003); Chairman of the Board of CEMAF – Centro de Investigação de Mercados e Activos Financeiros of ISCTE (1995-2003); member of the Investment Committee of FINPRO-SGPS (2002-2004); Chairman of the Board of Directors of SIEMCA – Sociedade Mediadora de Capitais (1990-1997) and Consultant for PME Investimentos 1998-2000). Co-founder and first director of the “Management Revue”, he is also author of a number of books and papers on areas such as corporate governance, financial markets and instruments, strategy and business restructuring. He was appointed as a member of the General and Supervisory Board of EDP on 15 April 2009 and reappointed on 20 February 2012.

**Augusto Carlos Serra Ventura Mateus**, He was born on 27 August 1950. He has a degree in Economics from the Superior Institute of Economics and Finance (ISCEF), of Technical University of Lisbon. He is a Guest Professor at ISEG with current teaching responsibilities in the areas of European Economy, Economic Policy and Industrial and Competitiveness Policy at the level of degrees and masters’ degrees. He is a researcher and consultant in the areas of macroeconomics, economic policy, industrial competitiveness, business strategy, program evaluation and policy development. He is responsible for the coordination of several studies 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), being responsible for the launching of a debt to State settlement plan known as Plano Mateus. He was appointed as a member of the General and Supervisory Board of EDP on 6 May 2013.

**Ilídio da Costa Leite de Pinho**, He was born on 19 December 1938. He has a degree in Electronics and Machinery Engineering, received the Grã-Cruz” Order of Merit and is a Honorary member of the Industrial Order of Merit. He was a member of the “Ordens Honoríficas Portuguesas” from 1996 to 1999. He was granted a Gold Medal and “Honorary citizen” award by the city of Vale de Cambra, in 1999, a Gold medal and “University Benefactor” award 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 member of the Board of Directors of “ICEP” 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, University Counsel of “Universidade de Aveiro” and Senate Member of “Universidade do Porto”. He was a member of the board of several business associations. He was a member of the “Trilateral Commission” between 1988 and 1996. He was the founder and Chairman of the Board of Directors of COLEP. He was the founder of NacionalGás, S.A., LusitâniaGás, EGA, EMPORGÁS, EDISOFT, S.A. and MEGASIS. He was the main shareholder of Transinsular. He was a non-executive Member of the Board of Directors of “Banco Espírito Santo, S.A.” between 2000 and 2005. He was a shareholder of “CEM - Companhia de Electricidade de Macau, SARL”, Chairman of the Strategy Committee of “Fomentinvest, S.A.”, Founder and Chairman of the Board of Directors and the Board of Trustees of Fundação Ilídio Pinho and 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.

**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 an 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. Since 1999 to 2004 he belonged to the Organisation for Economic Cooperation and Development (OECD) and the European Commission in Brussels between 1988 and 1991. At a national level, he was President of the Parliamentary Commission for European Affairs (1994-1995), and Minister of Finance (1991-1993). He has taught at the Centre Européen d'Education Permanente in Fontainebleau, and at the Catholic University of Lisbon, at Princeton University, among others. He has been a consultant at the European Bank for Reconstruction and Development, the United Nations, the World Bank and the International Monetary Fund. Currently, he is a Professor of Economics at Universidade Nova de Lisboa,

teaches at the Institut d'Etudes Politiques (SciencesPo) in Paris, is Director of the Center Globalization and Governance (CG & G) at the Nova School of Business and Economics of the Universidade Nova de Lisboa, President of Institute of Tropical Research (IICT) and Member of the Board of Governors of the International Centre for International Governance Innovation in Waterloo, Canada. He was appointed as a member of the General and Supervisory Board of EDP on 20 February 2012.

**Manuel Fernando de Macedo Alves Monteiro**, He was born on 12 April 1957. He has a degree in Law and is a Board Director of CIN, SGPS, Novabase, SGPS and Grupo Soares da Costa, S.A. He was a non-executive board member of Jerónimo Martins, SGPS and AICEP, SGPS; served as Chairman of Euronext Lisbon and was a member of the Board of Directors of the Paris, Brussels and Amsterdam stock exchanges, Euronext NV and Clearnet. He was Director of the Portuguese Corporate Governance Institute; Chairman of the Portuguese Association of Financial Analysts; member of the CMVM Advisory Board and Chairman of Casa da Música/Porto 2001, S.A. He has also held executive positions in international organisations related to capital markets: Executive Board of the Ibero-American Stock Exchange Federation (FIABV); the European Committee of Futures and Options Exchanges (ECOFEX); the International Finance and Commodities Institute (IFCI) and the European Capital Markets Institute (ECMI). He was awarded the title of *Chevalier de L'Ordre Nationale de la Légion d'Honneur* by recommendation of the President of the French Republic. He was appointed as a member of the General and Supervisory Board of EDP on 30 June 2006 and reappointed on 15 April 2009 and 20 February 2012.

**Maria Celeste Ferreira Lopes Cardona**, She was born on 30 June 1951. She holds a Doctorate degree in law from the Faculdade de Direito da Universidade de Lisboa, having been an Assistant Professor in the same university. Within the Ministry of Finance, she was a member of the Fiscal Study Center and a Portuguese representative on the OECD. She was Minister of Justice of the XV Constitutional Government. She was awarded the degree of Grande Oficial da Ordem do Infante D. Henrique, attributed in 1998, by his Excellency the President of the Portuguese Republic. She was also a non-executive Board Member of Caixa Geral de Depósitos. Mrs. Celeste Cardona published articles and opinions in specialty magazines, namely in "Ciência e Técnica Fiscal". She is also author of several monographs and varied studies, such as "As agências de regulação no Direito Comunitário", "O problema da retroactividade na lei fiscal e na Constituição", "A prescrição da obrigação tributária e a caducidade da liquidação de impostos", and "A natureza e o regime das empresas de serviço público". She is currently a lawyer and a consultant in M. Cardona Consulting, Unipessoal, 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 as a member of the General and Supervisory Board of EDP on 20 February 2012.

**Nuno Manuel da Silva Amado**, He was born on 14 August 1957. He has a degree in Companies Organisation and Management from ISCTE – Instituto Superior das Ciências do Trabalho e da Empresa. He has also an executive degree from INSEAD, Fontainebleau (Advanced Management Programme). From 1980 to 1985 he was an 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 a 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 Commission 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 was 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.

**Paulo Jorge de Assunção Rodrigues Teixeira Pinto**, He was born on 10 October 1960. He has a Law degree from Universidade de Lisboa (1983) and he was accepted for a Ph.D. in History of Law from Universidade Complutense de Madrid, having also attended a Program for Corporate Strategy at INSEAD in Fontainebleau and a Program for Senior Management Officer from AESE. He served as Secretary of State for the Presidency of the Council of Ministers and was a Speaker for the Portuguese Government. He represented the Portuguese Government at the Program of Public Management at the OECD. From 2005 to 2007, he was Chairman of the Board of Directors of BCP, having held also several roles within the Group, and Vice-President of the Portuguese Banking Association. He was also Member of the National Council of the IPC, Chairman of the Audit Centralcer, Vice-President of the General Assembly TagusPark and Advisory Board Member of the Brazilian cement company, Cimentos Liz. From 2006 to 2007 he was a member of

the Board of Directors and Supervisory Board of EDP. Currently, he is Chairman of the Board of Directors of BABEL, SGPS, SA, Vice Chairman of Abreu Advogados, member of the Board of Directors of LENA, SGPS, SA, Member of the General Council of the University of Coimbra, member of the Advisory Board of the Faculty of Arts, University of Coimbra and Chairman of the General Meeting of the Portuguese Association of Publishers and Booksellers. He is a member of the *Academia de Artes e Letras*, author of several books and articles on law, history, political science, economics, poetry and painting. He was appointed as a member of the General and Supervisory Board of EDP on 20 February 2012.

**Rui Eduardo Ferreira Rodrigues Pena**, He was born on 25 December 1939. He has a degree in Law from the Universidade de Lisboa. He works as a lawyer and his professional activity focuses on areas of administrative, trade, financial and business law, with a particular emphasis on the so-called regulated markets. He is a founding member and senior partner at the law firm Rui Pena, Arnaut & Associados. From 1973 to 2007, he was Chairman of the Board of Directors, Executive Director and Non-Executive Director of various Portuguese and international companies. He served as Minister of National Defense from 2001 to 2002 and was a member of the General Council of the Portuguese Bar Association from 1987 to 1989. He was a lecturer in Administrative Law at Universidade Autónoma de Lisboa (1983-1987) and a member of the Lisbon Municipal Assembly (1986). He is part of the arbitration and reconciliation body of the International Centre for Settlement of Investment Disputes (ICSID). He served as President of the Inter-Parliamentary Union's Portuguese group (1980-1982) and was an assistant lecturer at the School of Law at Universidade de Lisboa (1977-1980), professor of Administrative Law at Universidade Livre de Lisboa from 1978-1981) and a member of the governing board at the Universidade de Lisboa (1977-1980). In 1978 he served as Minister of Administrative Reform and was also a Member of Parliament (1976-83). From 1964 to 1975 he was a legal consultant and director of various companies within the SACOR Group. He was appointed as a member of the General and Supervisory Board of EDP on 12th April 2007 and reappointed on 15 April 2009 and 20 February 2012.

**Vasco Joaquim Rocha Vieira**, He was born on 16 August 1939. He has a degree in Civil Engineering. He took several courses, 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 later, in 1987, he was promoted to General. In 1956 he joined the Military College having received the Alcazar of Toledo Award, given to the highest rated finalist of all students from the Military Academy, and the Marechal Hermes Award in Brazil. From 1969 to 1973 he collaborated with Lisbon's City Hall. He taught at the Military Academy and at the Institute for Advanced Military Studies. He was Deputy Secretary for Communications and Public Works of the Macau Government (1974-1975). He joined the original core of officers of the Portuguese Armed Forces, promoting the installation of a democratic regime in Portugal. Attributing great importance to his military career, he was Chief of Staff of the Army and a member of the Revolution Council (1976-1978), National Military Representative at NATO Supreme Headquarters Allied Powers in Europe - SHAPE, in Belgium, and Honorary Director of Weapons and Engineering. He was Minister of the Republic for the Azores (1986-1991), and Governor of Macau, where he served from 1991 until 1999. Currently, he is Member of the Board of Engineers, Member of the Academy of Engineering, Chancellor of the Former Military Orders, Member of the Supreme Council of Associations of the Former Students of the Military College, member of the Supreme Council of SHIP (Historical Society for the Independence of Portugal), member of the Honorary Council of the ISCSP (Instituto Superior de Ciências Sociais e Políticas) and Member of the Advisory Board of the Nova School of Business and Economics at Universidade Nova de Lisboa. He is an honorary associate of Lisbon Geography Society. He was appointed as a member of the General and Supervisory Board of EDP on 20 February 2012.

**Vítor Fernando da Conceição Gonçalves**, He was born on 16 April 1955. He has a degree in Business Administration and Management from ISEG (1978) and a PhD in Business Sciences from FCEE at Universidad de Sevilla (1987). He has the title of "Agregado" in Management from Universidade Técnica de Lisboa (1993) and is currently a Full Professor in Management at ISEG (since 1994) as well as Vice-Rector and Pro-Rector at Universidade Técnica de Lisboa (since 2007). He is a Member of the Economic and Social Council (since 2007) and Member of the Panel of Experts on World Competitiveness at the IMD World Competitiveness Centre (since 2005). He served as Chairman of the ISEG Directive Council (2003-06) and Chairman of the ISEG Management Department (1992-2000). He has led several postgraduate and advanced training programs for executives and was a guest lecturer at several universities in Portugal and abroad. He is a Member of the Assessment Committee for doctoral, post-doctoral and research candidates at the Fundação para a Ciência e Tecnologia (since 1997). He is Chairman of the Management and Business Administration Degrees Evaluation Committee (2001-02), Member of the Executive Council of Economics and Business

Management Specialisation at the Portuguese Economists' Association (1999-2001) and member of the Professional Council. He is a non-executive Director of ZON Multimedia and was Chairman of its Audit Committee (2007-2013). He is currently Chairman of the Gaptec and was Director of Promindústria – Sociedade de Investimento SA (1994-96). He was President of the Instituto para o Desenvolvimento e Estudos Económicos, Financeiros e Empresariais (2003-07). From 2001 to 2002, he chaired the group of “high-level experts” at the European Commission that evaluated the program on European competitiveness – European Research Area. He is the author of several articles on management for national and international publications. He was appointed as a member of the General and Supervisory Board of EDP on 30 June 2006 and reappointed on 15 April 2009 and 20 February 2012.

#### **SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD**

Without prejudice to the maintenance of its responsibility for the carrying out of its competencies as a corporate body, the internal regulation of the General and Supervisory Board sets out the possibility of establishing permanent and temporary specialised committees composed of some of its members, whenever it considers necessary, in which the board can delegate the exercise of certain specific functions.

Both the permanent and temporary committees have as their main mission the specific and permanent monitoring of the matters entrusted to them to ensure processes of decision-making informed by the General and Supervisory Board or information about certain subjects.

The committees' activities are coordinated by the Chairman of the General and Supervisory Board, who ensures an adequate coordination of such activities with that of the Board, through their respective Chairmen, who shall keep him informed, namely by disclosing to him the convening of their meetings and their respective minutes.

The current specialised committees of the General and Supervisory Board were set up at the meetings of 21 February, 18 April 2012 and 9 May 2013.

The General and Supervisory Board considers that its specialised committees are relevant to the regular functioning of the company as they allow the delegation of the carrying out of certain activities, including the monitoring of the company financial information, the reflection on the governance system it has adopted, the assessment of the performance of the company directors as well as that of the company's overall performance.

#### **COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE**

The Committee on Financial Matters/Audit Committee consists of at least three independent members with the appropriate qualifications and experience, including at least one member with a higher education degree in the area of the committee's functions and with specific knowledge of auditing and accounting.

Currently, the Committee on Financial Matters/Audit Committee comprises the following members:

- Eduardo de Almeida Catroga (Chairman)
- Vítor Fernando da Conceição Gonçalves (Vice-Chairman)
- António Sarmento Gomes Mota
- Manuel Fernando de Macedo Alves Monteiro
- Maria Celeste Ferreira Lopes Cardona

In accordance with the EDP Articles of Association and by means of a delegation from the General and Supervisory Board, the Committee on Financial Matters/Audit Committee has the following responsibilities:

- To issue an opinion on the annual report and accounts;
- To oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, to issue an opinion on its respective election or appointment, removal from office, conditions of independence and other relations with the company;
- To oversee, on a permanent basis, and evaluate internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;

- To monitor, when and how it deems appropriate, the bookkeeping, accounts and supporting documents, as well as the situation in relation to any assets or securities held by the company; and
- To exercise any other powers that may be conferred upon it by law or as expressly conferred by the General and Supervisory Board.

As a specialised committee of the General and Supervisory Board, the Committee on Financial Matters/Audit Committee supports the former in the process of selecting and replacing the external auditor.

The work of the Committee on Financial Matters/Audit Committee is governed by an internal regulation approved by the General and Supervisory Board.

The members of the Committee on Financial Matters/Audit Committee meet the legal requirements in terms of independence and qualification for holding their office, given that they have no work relationship or contractual bond with EDP and its subsidiaries, shareholders with a stake of 2 per cent. or more in the company or entities in a group or control relationship with such shareholders and their spouses, relatives and kin in a direct line to the third degree.

The General and Supervisory Board carries out an annual assessment of the compliance with the above mentioned requirements.

The composition, competence and functioning of the Committee on Financial Matters/Audit Committee are in line with the European Commission Recommendation of 15 February 2005.

#### **REMUNERATION COMMITTEE**

Pursuant to Article 27 of the EDP Articles of Association, the Remuneration Committee designated by the General and Supervisory Board is the body that determines the remuneration of the members of the Executive Board of Directors, as well as other benefits such as old age or invalidity pensions.

In accordance with the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit to the annual General Meeting a statement on the remuneration policy for the members of the Executive Board of Directors which it has adopted. Taking into account the publication of Law 28/2009 of 19 June, the work of the Remuneration Committee shall abide by the applicable legal rules.

The work of the Remuneration Committee is governed by an internal regulation approved by the General and Supervisory Board.

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, the majority of whom are independent of the members of the Executive Board of Directors. A member of this committee is always present at the Annual General meetings. Currently the Remuneration Committee of the General and Supervisory Board is composed of:

- Alberto João Coraceiro de Castro (Chairman)
- Ilídio da Costa Leite de Pinho
- Guojon Lu
- Paulo Jorge de Assunção Rodrigues Teixeira Pinto

In the Annual General Meeting held on 12 May 2014 in accordance with Law no. 28/2009 of 19 June 2009 and EDP's by-laws, the Chairman of this Committee attended the meeting and submitted for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the current three-year period term and was approved by shareholders.

#### **CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE**

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to monitor and supervise, on a permanent basis, all matters related with the following:

- Corporate governance;
- Strategic sustainability;
- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Defining appropriate criteria and competences to serve as standards for the EDP structures and internal bodies and their impact on the composition thereof; and
- Drawing up succession plans.

In the scope of its responsibilities, the Corporate Governance and Sustainability Committee supports the activity of the General and Supervisory Board in the continuous assessment of the management, as well as of the performance of the General and Supervisory Board itself. Based on the work of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually carries out the above mentioned assessments, which are the object of a report. The conclusions of these assessments are included in the annual report of the General and Supervisory Board and presented to the shareholders in the annual General Meeting.

Another two very important activities carried out by the Corporate Governance and Sustainability Committee are the monitoring of the corporate governance practices adopted by the Company and the human resources and succession plans management.

The functioning of the Corporate Governance and Sustainability Committee is governed by an internal regulation approved by the General and Supervisory Board.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience.

The committee currently consists of the following members:

- Manuel Fernando de Macedo Alves Monteiro (Chairman)
- Maria Celeste Ferreira Lopes Cardona
- Vasco Joaquim Rocha Vieira
- Shengliang Wu
- Ilídio da Costa Leite de Pinho

## **STRATEGY COMMITTEE**

The Strategy Committee is a specialised committee of the General and Supervisory Board with powers defined in terms of strategy, particularly in terms of investment, financing and strategic partnerships. The work of the Strategy Committee is governed by an internal regulation approved by the General and Supervisory Board. The committee currently consists of the following members:

- Eduardo de Almeida Catroga (Chairman)
- Dingming Zhang (Vice-Chairman)
- Augusto Carlos Serra Ventura Mateus
- Felipe Fernández Fernández
- Harkat Abderezak
- Jorge Braga de Macedo
- Mohamed Ali Al-Fahim
- Nuno Manuel da Silva Amado
- Shengliang Wu

## **PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE**

The Performance Analysis and Competitiveness Committee is a specialised committee of the General and Supervisory Board with powers defined in the analysis of performance and competitiveness of EDP in the context of markets where it operates. The work of the Performance Analysis and Competitiveness Committee is governed by an internal regulation approved by the General and Supervisory Board. The Committee currently consists of the following members:

- Luís Filipe da Conceição Pereira (Chairman)
- Yang Ya
- Alberto João Coraceiro de Castro
- António Sarmento Gomes Mota
- Fernando Masaveu Herrero
- Nuno Manuel da Silva Amado
- Shengliang Wu

## **EXECUTIVE OFFICERS**

EDP has 21 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>			
Maria Teresa Pereira	1965	2005	Company Secretary and Head of Legal Department
Martim Fortuny Martorell Salgado	1984	2013	Chief of Staff of the Chairman of the Executive Board
Azucena Viñuela Hernández	1965	2006	Head of Internal Audit Department
<b>STRATEGIC AREA</b>			
Pedro Neves Ferreira	1975	2007	Head of Energy Planning Department and Head of Risk Management Department
Duarte Castro Bello	1979	2011	Head of Mergers and Acquisitions Department
Joana Simões	1961	2004	Head of Regulation and Competition Department
<b>FINANCIAL AREA</b>			
Paula Cristina Santos Guerra	1973	2008	Head of Financial Management Department
Nuno Miguel Chung	1976	2007	Head of Planning and Control Department
Miguel Ribeiro Ferreira	1967	2004	Head of Consolidation, Accounting and Tax Department
Miguel Henriques Viana	1972	2006	Head of Investor Relations Department
<b>SYSTEMS AND ORGANISATIONAL AREA</b>			
José Filipe Esteves Saraiva Santos	1967	2012	Head of Organisational Development Department
Vergílio Domingues Rocha	1952	2010	Head of Information Systems Department
<b>HUMAN RESOURCES AREA</b>			
Paula Maria Pinto Eusébio Carneiro	1967	2013	Head of Human Resources Department
Eugénio Purificação Carvalho	1954	2007	Head of Labour Relations Coordination Office
Vasco Coucello	1951	2011	EDP University
<b>MARKETING AND COMMUNICATION AREA</b>			
José Manuel Ferrari Bigares Careto	1962	2014	Head of Customer Relations and Marketing Department
Paulo Campos Costa	1965	2006/2012	Head of Brand and Communication Department (since 2006) and Head of Global Coordination of the Trademark and Communication Area (since 2012)
Miguel Coutinho	1965	2012	Head of Institutional Relations and Stakeholders Management Department
<b>SUSTAINABILITY, ENVIRONMENT AND ETHICS AREA</b>			
António Neves de Carvalho	1950	2004	Head of Sustainability and Environment Department
José Eduardo Figueiredo Soares	1951	2012	Ethics Ombudsman
<b>BUSINESS UNITS</b>			

Name	Year of Birth	Year of Appointment	Position
Carlos Manuel Sola Pereira da 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 Praça Marquês de Pombal, 12, 1250-162 Lisbon, Portugal. The business address of each member of the General and Supervisory Board and each member of the Specialised Committees of the General Supervisory Board described above is Avenida José Malhoa, Lote A-13, 1070-157 Lisbon, Portugal.

**CONFLICTS OF INTEREST**

The members of the Executive Board of Directors, the General and Supervisory Board, the Specialised Committees of the General Supervisory Board described above 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.]

## FINANCIAL STATEMENTS OF THE EDP GROUP

The following financial information is extracted without material adjustment from the audited consolidated financial statements of EDP as at 31 December 2013 and 31 December 2012, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and from the unaudited consolidated financial statements of EDP as at 30 June 2014 and 30 June 2013, prepared in accordance with recognition and measurement requirements of International Financial Reporting Standards as adopted by the European Union (EU).

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements. Nevertheless, the first time adoption of IFRS 10 and 11 with effective date of 1 January 2014, required the Group to apply this standard for comparative purposes for the annual period immediately preceding, that is 1 January 2013.

### *Adoption of IFRS 10 and 11*

The Group has adopted IFRS 10 and 11 for the first time when preparing the condensed consolidated financial statements as at 31 March 2014 and applicable for the following periods.

Therefore, the statement of financial position as of 31 December 2013, the income statement as of 30 June 2013 and the statement of cash flows as of 30 June 2013, were restated for comparative purposes, as included in the condensed consolidated financial statements of EDP for the six months period ended 30 June 2014, as incorporated by reference in this Base Prospectus.

IFRS 10 – Consolidated Financial Statements gives a new guidance about which entities must be consolidated in the consolidated financial statements, by establishing a unique control model, by which an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 – Joint Arrangements brings a couple of changes in accounting for jointly controlled entities. According to this standard, a joint arrangement structure is no longer the main feature in determining the accounting model to apply. IFRS 11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. This assessment is made by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances.

IFRS 11 requires a joint operator to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable and a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with IAS 28 - Investments in Associates and Joint Ventures.

### *Segregation of current and non-current provisions and employee benefits liabilities*

In 2013, the Group began to present segregated current and non-current provisions and employee benefits liabilities in its accounts. Current provisions correspond to estimates of reimbursements that will occur within twelve months. Employee benefits current liabilities include the contributions to be made to the pension and health care plans, and the respective payments of employee benefits expected over the next twelve months. In accordance with IAS 1, the Group retrospectively restated the comparative 2012 figures, as included in the audited consolidated financial statements of EDP for the year ended 31 December 2013 incorporated by reference in this Base Prospectus.

## Consolidated Income Statement

	Unaudited				
	Six Months Ended 30 June			Year Ended 31 December	
	2014	2013*	2013	2013	2012
	(Thousands of Euros)			(Thousands of Euros)	
Revenues from energy sales and services and other	8,019,423	8,182,702	-	-	-
Cost of energy sales and other	-5,320,641	-5,292,285	-	-	-
Turnover	-	-	8,120,755	16,103,190	16,339,854
Cost of electricity	-	-	-4,088,700	-8,235,491	-8,392,199
Cost of gas	-	-	-659,898	-1,264,745	-1,375,841
Changes in inventories and cost of raw materials and consumables used	-	-	-457,604	-1,051,924	-1,143,647
	<u>2,698,782</u>	<u>2,890,417</u>	<u>2,914,553</u>	<u>5,551,030</u>	<u>5,428,167</u>
Revenue from assets assigned to concessions	-	-	167,436	424,105	433,661
Expenditure with assets assigned to concessions	-	-	-167,436	-424,105	-433,661
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other operating income / (expenses)					
Other income	254,941	190,513	-	-	-
Other operating income	-	-	190,963	360,003	389,967
Supplies and services	-422,407	-441,327	-451,178	-934,903	-928,287
Personnel costs and employee benefits	-200,571	-335,227	-337,747	-638,516	-671,536
Other expenses	-328,598	-331,641	-	-	-
Other operating expenses	-	-	-359,883	-720,646	-589,853
	<u>-696,635</u>	<u>-917,682</u>	<u>-957,845</u>	<u>-1,934,062</u>	<u>-1,799,709</u>
	<u>2,002,147</u>	<u>1,972,735</u>	<u>1,956,708</u>	<u>3,616,968</u>	<u>3,628,458</u>
Provisions	-17,775	-36,850	-36,850	-54,877	-16,055
Amortisation and impairment	-680,533	-685,537	-719,060	-1,503,616	-1,493,889
Compensation of amortisation and depreciation	-	-	13,536	26,369	24,901
	<u>1,303,839</u>	<u>1,250,348</u>	<u>1,214,334</u>	<u>2,084,844</u>	<u>2,143,415</u>
Gains / (losses) on the sale of financial assets	-	-	12	-16	2,766
Financial income	491,143	518,259	529,456	904,910	731,658
Financial expenses	-736,402	-835,435	-862,345	-1,642,350	-1,436,924
Share of net profit in joint ventures and associates	8,133	-14,860	-	-	-
Share of profit in associates	-	-	18,793	34,132	23,777
	<u>1,066,713</u>	<u>918,312</u>	<u>900,250</u>	<u>1,381,520</u>	<u>1,464,692</u>
Profit before income tax and CESE					
Income tax expense	-242,368	-208,130	-190,060	-187,997	-282,537
Extraordinary contribution to the energy sector (CESE)	-30,629	-	-	-	-
	<u>-272,997</u>	<u>-208,130</u>	<u>-190,060</u>	<u>-187,997</u>	<u>-282,537</u>
<b>Net profit for the period</b>	<u>793,716</u>	<u>710,182</u>	<u>710,190</u>	<u>1,193,523</u>	<u>1,182,155</u>
<b>Attributable to:</b>					
Equity holders of EDP	673,163	603,219	603,219	1,005,091	1,012,483
Non-controlling Interests	120,553	106,963	106,971	188,432	169,672
	<u>793,716</u>	<u>710,182</u>	<u>710,190</u>	<u>1,193,523</u>	<u>1,182,155</u>
Earnings per share (Basic and Diluted) - Euros	<b>0.19</b>	<b>0.17</b>	<b>0.17</b>	<b>0.28</b>	<b>0.28</b>

\* Restated financial information for comparative purposes

Consolidated Statement of Financial Position

	Unaudited				
	Six Months ended 30 June		Year ended 31 December		
	2014	31 December 2013*	2013	2012*	2012
	(Thousands of Euros)		(Thousands of Euros)		
<b>Assets</b>					
Property, plant and equipment	19,634,769	19,454,099	20,316,306	20,905,340	20,905,340
Intangible assets	5,942,555	6,017,802	6,028,307	6,541,862	6,541,862
Goodwill	3,259,336	3,253,144	3,295,874	3,318,457	3,318,457
Investments in joint ventures and associates	789,473	645,421	-	-	-
Investments in associates	-	-	182,562	163,881	163,881
Available for sale investments	232,138	212,483	212,483	181,298	181,298
Deferred tax assets	243,034	320,590	388,813	340,816	340,816
Trade receivables	118,139	98,994	99,005	97,099	97,099
Debtors and other assets from commercial activities	3,124,313	3,188,179	3,188,586	2,736,902	2,736,902
Other debtors and other assets	645,106	552,032	525,077	534,573	534,573
Collateral deposits associated to financial debt	400,930	420,081	430,607	415,045	415,045
<b>Total Non-Current Assets</b>	<b>34,389,793</b>	<b>34,162,825</b>	<b>34,667,620</b>	<b>35,235,273</b>	<b>35,235,273</b>
Inventories	211,073	264,788	280,009	377,618	377,618
Trade receivables	1,935,731	2,181,903	2,208,287	2,280,104	2,280,104
Debtors and other assets from commercial activities	1,459,238	1,820,900	1,827,815	2,051,519	2,051,519
Other debtors and other assets	308,936	306,579	308,155	296,674	296,674
Current tax assets	323,136	433,052	439,109	435,628	435,628
Financial assets at fair value through profit or loss	9,089	4,217	4,217	390	390
Collateral deposits associated to financial debt	31,007	18,729	18,729	13,451	13,451
Cash and cash equivalents	1,621,460	2,156,707	2,180,122	1,695,336	1,695,336
Assets held for sale	-	715,837	715,837	241,851	241,851
<b>Total Current Assets</b>	<b>5,899,670</b>	<b>7,902,712</b>	<b>7,982,280</b>	<b>7,392,571</b>	<b>7,392,571</b>
<b>Total Assets</b>	<b>40,289,463</b>	<b>42,065,537</b>	<b>42,649,900</b>	<b>42,627,844</b>	<b>42,627,844</b>
<b>Equity</b>					
Share capital	3,656,538	3,656,538	3,656,538	3,656,538	3,656,538
Treasury stock	-69,100	-85,573	-85,573	-103,706	-103,706
Share premium	503,923	503,923	503,923	503,923	503,923
Reserves and retained earnings	3,711,899	3,365,777	3,365,777	3,123,116	3,123,116
Consolidated net profit attributable to equity holders of EDP	673,163	1,005,091	1,005,091	1,012,483	1,012,483
<b>Total Equity attributable to equity holders of EDP</b>	<b>8,476,423</b>	<b>8,445,756</b>	<b>8,445,756</b>	<b>8,192,354</b>	<b>8,192,354</b>
Non-controlling Interests	3,203,518	3,082,146	3,082,805	3,239,314	3,239,314
<b>Total Equity</b>	<b>11,679,941</b>	<b>11,527,902</b>	<b>11,528,561</b>	<b>11,431,668</b>	<b>11,431,668</b>
<b>Liabilities</b>					
Financial debt	15,376,806	15,600,723	15,968,756	16,715,725	16,715,725
Employee benefits	1,702,611	1,751,066	1,751,066	1,750,838	1,933,425
Provisions	367,639	354,233	360,203	340,068	382,866
Hydrological correction account	-	-	-	33,644	33,644
Deferred tax liabilities	670,424	759,092	775,269	852,054	852,054
Institutional partnerships in USA wind farms	1,458,758	1,508,495	1,508,495	1,679,753	1,679,753
Trade and other payables from commercial activities	1,350,041	1,251,192	1,252,337	1,262,771	1,262,771
Other liabilities and other payables	364,910	326,570	375,846	409,737	409,737
<b>Total Non-Current Liabilities</b>	<b>21,291,189</b>	<b>21,551,371</b>	<b>21,991,972</b>	<b>23,044,590</b>	<b>23,269,975</b>
Financial debt	3,681,823	4,158,086	4,192,168	3,807,503	3,807,503
Employee benefits	180,503	183,469	183,469	182,587	-
Provisions	22,451	27,437	28,003	42,798	-
Hydrological correction account	18,463	35,641	35,641	22,832	22,832
Trade and other payables from commercial activities	2,566,353	3,219,936	3,289,002	3,220,599	3,220,599
Other liabilities and other payables	256,505	209,651	238,086	368,143	368,143
Current tax liabilities	592,235	574,080	585,034	467,738	467,738
Liabilities held for sale	-	577,964	577,964	39,386	39,386
<b>Total Current Liabilities</b>	<b>7,318,333</b>	<b>8,986,264</b>	<b>9,129,367</b>	<b>8,151,586</b>	<b>7,926,201</b>
<b>Total Liabilities</b>	<b>28,609,522</b>	<b>30,537,635</b>	<b>31,121,339</b>	<b>31,196,176</b>	<b>31,196,176</b>
<b>Total Equity and Liabilities</b>	<b>40,289,463</b>	<b>42,065,537</b>	<b>42,649,900</b>	<b>42,627,844</b>	<b>42,627,844</b>

\* Restated financial information for comparative purposes

Consolidated Statement of Cash Flows

	Unaudited					
	Six Months Ended 30 June			Year Ended 31 December		
	2014	2013*	2013	2013	2012*	2012
	(Thousands of Euros)			(Thousands of Euros)		
<b>Operating activities</b>						
Cash receipts from customers	7,635,070	7,433,139	7,580,020	14,551,137	14,709,734	14,709,734
Proceeds from tariff adjustments sales	1,113,313	1,007,823	1,007,823	1,559,978	442,340	442,340
Payments to suppliers	-5,821,474	-5,583,829	-5,690,709	-10,946,648	-11,665,153	-11,665,153
Payments to personnel	-312,584	-420,489	-423,028	-655,391	-654,672	-654,672
Concession rents paid	-143,180	-142,703	-142,784	-267,499	-266,570	-266,570
Other receipts / (payments) relating to operating activities	-290,069	-150,638	-171,951	-463,808	-441,352	-441,352
<b>Net cash from operations</b>	<b>2,181,076</b>	<b>2,143,303</b>	<b>2,159,371</b>	<b>3,777,769</b>	<b>2,124,327</b>	<b>2,124,327</b>
Income tax received / (paid)	-113,656	-72,674	-72,674	-257,919	-127,792	-127,792
<b>Net cash from operating activities</b>	<b>2,067,420</b>	<b>2,070,629</b>	<b>2,086,697</b>	<b>3,519,850</b>	<b>1,996,535</b>	<b>1,996,535</b>
<b>Investing activities</b>						
Cash receipts relating to:						
Sale of assets / subsidiaries with loss of control	133,508	255,556	255,556	256,173	26,322	-
Other financial assets and investments	494	349	349	2,178	4,905	-
Financial assets and investments	-	-	-	-	-	31,227
Property, plant and equipment and intangible assets	3,524	27,053	27,053	26,314	6,718	6,718
Investment grants	11,296	2,569	2,569	-	42,057	42,057
Interest and similar income	44,598	31,601	30,622	82,382	91,321	91,321
Dividends	27,494	19,411	11,648	20,604	22,932	22,932
	<b>220,914</b>	<b>336,539</b>	<b>327,797</b>	<b>387,651</b>	<b>194,255</b>	<b>194,255</b>
Cash payments relating to:						
Acquisition of assets / subsidiaries	-5,894	-165,608	-134,265	-253,185	-177,490	-
Other financial assets and investments	-5,883	-5,672	-5,672	-9,987	-23,619	-
Financial assets and investments	-	-	-	-	-	-201,109
Changes in cash resulting from consolidation perimeter variations	39	-21,754	-	-175,287	1,023	1,023
Property, plant and equipment and intangible assets	-854,901	-1,087,820	-1,122,214	-2,269,316	-2,118,998	-2,118,998
	<b>-866,639</b>	<b>-1,280,854</b>	<b>-1,262,151</b>	<b>-2,707,775</b>	<b>-2,319,084</b>	<b>-2,319,084</b>
<b>Net cash from investing activities</b>	<b>-645,725</b>	<b>-944,315</b>	<b>-934,354</b>	<b>-2,320,124</b>	<b>-2,124,829</b>	<b>-2,124,829</b>
<b>Financing activities</b>						
Receipts / (payments) relating to loans	-856,716	-294,673	-312,575	687,121	1,530,649	1,530,649
Interest and similar costs including hedge derivatives	-438,379	-380,276	-396,421	-803,402	-706,962	-706,962
Governmental grants received	-	91,549	91,549	90,539	4,817	4,817
Share capital increases / (decreases) by non-controlling interests	-16,093	-15,869	-15,869	-96,691	-	-
Receipts / (payments) relating to derivative financial instruments	8,167	-14,816	16,350	3,029	-57,967	-57,967
Dividends paid to equity holders of EDP	-671,879	-670,932	-670,932	-670,932	-670,829	-670,829
Dividends paid to non-controlling interests	-43,763	-44,586	-44,586	-158,873	-154,656	-154,656
Treasury stock sold / (purchased)	12,891	5,911	5,911	8,976	-859	-859
Sale of assets / subsidiaries without loss of control	28,261	257,371	257,371	292,143	175,687	175,687
Receipts / (payments) from wind activity institutional partnerships - USA	-26,978	-22,622	-22,622	-35,579	-15,159	-15,159
<b>Net cash from financing activities</b>	<b>-2,004,489</b>	<b>-1,088,943</b>	<b>-1,091,824</b>	<b>-683,669</b>	<b>104,721</b>	<b>104,721</b>
<b>Changes in cash and cash equivalents</b>	<b>-582,794</b>	<b>37,371</b>	<b>60,519</b>	<b>516,057</b>	<b>-23,573</b>	<b>-23,573</b>
Effect of exchange rate fluctuations on cash held	47,547	-25,583	-25,598	-31,271	-12,615	-12,615
Cash and cash equivalents at the beginning of the period	2,156,707	1,695,336	1,695,336	1,695,336	1,731,524	1,731,524
<b>Cash and cash equivalents at the end of the period</b>	<b>1,621,460</b>	<b>1,707,124</b>	<b>1,730,257</b>	<b>2,180,122</b>	<b>1,695,336</b>	<b>1,695,336</b>

\* Restated financial information for comparative purposes

## 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 238, 1101 CM Amsterdam, The Netherlands (telephone number +31 20 575 5600) 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 Euros 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 the 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, Jacob Cornelis Willem van Burg, Myrthe Marie Louise Görtzen 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:

Name	Year of Birth	Position	Elected
Jacob Cornelis Willem van Burg	1959	Director	2007
Myrthe Marie Louise Görtzen	1974	Director	2012

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 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 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: +31 020 575 56 00).

EDP B.V. may be legally represented by the entire management board being: EDP, Mr. J.C.W. van Burg, TMF Netherlands B.V. and Mrs. M.M.L. Görtzen, acting jointly, or by two members of the management board acting jointly.

The principal outside activities of Mr. Van Burg and Mrs. Görtzen 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 interest or other duties.

#### **ANNUAL GENERAL MEETING OF THE SHAREHOLDERS**

The 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.

#### **BOARD PRACTICES**

The Audit Committee of EDP acts as audit committee for EDP B.V., EDP B.V. does not comply with the corporate governance code of The Netherlands as such code is not applicable to Dutch entities such as EDP B.V. who do not have shares or depositary receipts for shares admitted to trading on a regulated market or multilateral trading facility.

#### **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. as at 31 December 2012 and 31 December 2013, prepared in accordance with International Financial Reporting Standards as adopted by the EU and from the unaudited financial statements of EDP B.V. as at 30 June 2013 and 30 June 2014, prepared in accordance with recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU.

## Income Statement

	Unaudited					
	Six Months Ended 30 June			Year Ended 31 December		
	2014	2013*	2013	2013	2012*	2012
	(Thousands of Euros)			(Thousands of Euros)		
Interest income	393,397	323,359	324,566	704,702	633,054	636,015
Interest expenses	-377,559	-340,691	-343,351	-707,516	-608,718	-614,260
Net interest income / (expense)	15,838	-17,332	-18,785	-2,814	24,336	21,755
Net other financial income and expenses	-9,842	-4,974	-3,521	-8,448	-10,476	-7,895
Net financial income / (expense)	5,996	-22,306	-22,306	-11,262	13,860	13,860
Other operating income / (expenses)						
Services rendered	926	205	205	1,778	705	705
Supplies and services	-1,805	-793	-793	-3,256	-1,577	-1,577
Provisions	-	-	-	-	1,400	1,400
Profit / (Loss) before income tax	5,117	-22,894	-22,894	-12,740	14,388	14,388
Tax expense / (benefit)	-1,274	5,705	5,705	3,245	-3,609	-3,609
<b>Profit / (Loss) for the period</b>	<b>3,843</b>	<b>-17,189</b>	<b>-17,189</b>	<b>-9,495</b>	<b>10,779</b>	<b>10,779</b>
<b>Total comprehensive income for the period</b>	<b>3,843</b>	<b>-17,189</b>	<b>-17,189</b>	<b>-9,495</b>	<b>10,779</b>	<b>10,779</b>
<b>Profit / (Loss) for the year attributable to owners of the company</b>	<b>3,843</b>	<b>-17,189</b>	<b>-17,189</b>	<b>-9,495</b>	<b>10,779</b>	<b>10,779</b>
<b>Total comprehensive income for the period attributable to the owner of the company</b>	<b>3,843</b>	<b>-17,189</b>	<b>-17,189</b>	<b>-9,495</b>	<b>10,779</b>	<b>10,779</b>

\* Restated financial information for comparative purposes

## Statement of Financial Position

	<b>Unaudited</b>	<b>Year ended 31 December</b>	
	<b>Six Months ended 30 June 2014</b>	<b>2013</b>	<b>2012</b>
	(Thousands of Euros)	(Thousands of Euros)	
<b>Assets</b>			
Loans to and receivables from group entities	11,658,940	11,704,152	7,959,801
Derivative financial instruments	80,135	48,663	141,930
<b>Total Non-Current Assets</b>	<b>11,739,075</b>	<b>11,752,815</b>	<b>8,101,731</b>
Loans to and receivables from group entities	3,248,993	3,975,605	7,508,470
Derivative financial instruments	56,761	84,039	77,256
Debtors and other assets	2,360	2,471	711
Tax receivable	3,175	4,971	-
Cash and cash equivalents	231,727	238,173	343,585
<b>Total Current Assets</b>	<b>3,543,016</b>	<b>4,305,259</b>	<b>7,930,022</b>
<b>Total Assets</b>	<b>15,282,091</b>	<b>16,058,074</b>	<b>16,031,753</b>
<b>Equity</b>			
Share capital	2,000	2,000	2,000
Share premium	11,980	11,980	11,980
Reserves and retained earnings	114,171	123,666	112,887
Profit / (loss) for the period	3,843	-9,495	10,779
<b>Total Equity</b>	<b>131,994</b>	<b>128,151</b>	<b>137,646</b>
<b>Liabilities</b>			
Debt securities	8,496,561	8,728,180	8,750,028
Loans and credit facilities from third parties	3,497,450	3,404,831	3,653,295
Derivative financial instruments	51,517	63,937	41,654
<b>Total Non-Current Liabilities</b>	<b>12,045,528</b>	<b>12,196,948</b>	<b>12,444,977</b>
Debt securities	2,004,828	1,642,504	591,304
Loans and credit facilities from third parties	260,679	1,675,430	2,235,300
Loans from group entities	757,805	113,492	100,111
Amounts owed on commercial paper	80,000	280,000	480,000
Derivative financial instruments	-2,766	19,935	7,019
Trade and other payables	2,655	1,614	1,510
Tax payable	1,368	-	33,886
<b>Total Current Liabilities</b>	<b>3,104,569</b>	<b>3,732,975</b>	<b>3,449,130</b>
<b>Total Liabilities</b>	<b>15,150,097</b>	<b>15,929,923</b>	<b>15,894,107</b>
<b>Total Equity and Liabilities</b>	<b>15,282,091</b>	<b>16,058,074</b>	<b>16,031,753</b>

Statement of Cash Flows

	Unaudited					
	Six Months Ended 30 June			Year Ended 31 December		
	2014	2013 *	2013	2013	2012*	2012
	(Thousands of Euros)			(Thousands of Euros)		
<b>Operating activities</b>						
<b>Profit/(Loss) for the period</b>	3,843	-17,189	-17,189	-9,495	10,779	10,779
<b>Adjustments for:</b>						
Net interest income ((expense)	-15,838	18,786	18,786	2,814	-24,336	-21,755
Net other financial income and expenses	-4,786	6,318	-	-2,712	-42,522	-
Tax income	1,274	-5,706	-5,706	-3,245	3,609	3,609
Amortisation of discounts/premiums	-	-	15,956	-	-	3,934
	-15,507	2,209	11,847	-12,638	-52,470	-3,433
<b>Changes in:</b>						
Loans to and receivables from group entities	1,009,776	69,766	-	-6,629	-2,003,571	-
Debtors and other assets	112	-205	-205	-1,759	172	172
Amounts owed on commercial paper	-200,000	213,000	165,251	-200,000	480,000	480,000
Loans from group entities	644,314	165,251	213,000	13,381	-16,725	-16,725
Trade and other payables	-387	1,031	1,031	356	-2,087	-2,087
Tax payable	-	-	-1,370	-	31,987	31,987
Provisions	-	-	-	-	-32,481	-32,481
Change in derivative financial instruments	-	-	147,431	-	-	-42,522
Change to debt securities	-	-	169,503	-	-	510,950
Change in loans and credit facilities from third parties	-	-	7,604	-	-	-12,834
Changes in loans to group entities	-	-	-211,665	-	-	318,907
	1,438,308	451,052	502,427	-207,289	-1,595,175	1,231,934
Extension of loans to group entities	-	-	-3,353,281	-	-	-2,420,255
Redemption of loans to group entities	-	-	3,283,150	-	-	95,196
Interest received	126,492	179,974	179,974	273,185	400,866	400,866
Interest paid	-324,107	-318,223	-318,223	-573,778	-517,702	-517,702
Tax paid	1,771	-33,344	-33,344	-35,611	-3,204	-3,204
<b>Net cash flow from operating activities</b>	1,242,464	279,459	260,703	-543,493	-1,715,215	-1,213,165
<b>Cash flows from financing activities</b>						
Proceeds from issued debt securities	1,256,334	-	-	1,531,023	1,718,430	1,203,545
Redemption of debt securities	-1,177,911	-	-	-350,000	-1,607,920	-1,607,920
Proceeds of loans and credit facilities from third parties	200,075	1,036,244	1,055,000	1,709,410	1,932,679	1,945,513
Redemption of loans and credit facilities from third parties	-1,526,322	-1,205,000	-1,205,000	-2,456,000	-375,000	-375,000
<b>Net cash flow from financing activities</b>	-1,247,824	-168,756	-150,000	434,433	1,668,189	1,166,138
<b>Net increase / (decrease) in cash and cash equivalents</b>	-5,360	110,703	110,703	-109,060	-47,026	-47,027
Cash and cash equivalents at the beginning of the period	238,173	343,585	343,585	343,585	403,883	403,883
Effect of exchange rate fluctuations on cash and cash equivalents held	-1,086	-1,955	-1,955	3,648	-13,272	-13,271
<b>Cash and cash equivalents at the end of the period</b>	231,727	452,333	452,333	238,173	343,585	343,585

\* Restated financial information for comparative purposes

**TREND INFORMATION**

There has been no material adverse change in EDP B.V.'s prospects since 31 December 2013.

## TAXATION

The following is a general description of certain Netherlands and Portuguese 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 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 to Portuguese taxation of the Instruments 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 residents, or are deemed to be residents.

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 any account of 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 would 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. is 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 for aggregation to his taxable income, subject to tax at progressive rates of up to 53 per cent. to which a 3.5 per cent. surtax is to be added. In this case, 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. 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 surtax.

Capital gains obtained by Portuguese resident individuals on the 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 for aggregation to his taxable income, subject to tax at progressive rates of up to 53 per cent. to which a 3.5 per cent. surtax is to be added. 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 23 per cent. tax rate or at 17 per cent. tax rate on the first €15,000 in the case of small or medium-sized enterprises, to which may be added a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. of its taxable income. 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 7 per cent. on taxable profits in excess of €35,000,000.

No Stamp Duty applies to the acquisition through gift or inheritance of Instruments by an individual.

The acquisition of Instruments through gift or inheritance by a Portuguese resident legal person or non-resident acting through a Portuguese permanent establishment is subject to Corporate Income Tax at a 23 per cent. tax rate or at a 17 per cent. tax rate on the first €15,000 in the case of small or medium-sized enterprises, to which may be added a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. of its taxable income. 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 7 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 is 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 for aggregation to his taxable income, subject to tax at progressive rates of up to 53 per cent. to which a 3.5 per cent. surtax is to be added. In this case, 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 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.

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.

Capital gains obtained by Portuguese resident individuals on the 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 for aggregation to his taxable income, subject to tax at progressive rates of up to 53 per cent. to which a 3.5 per cent. surtax is to be added. Accrued interest qualifies as interest for tax purposes.

Interest and other investment income derived from Instruments and capital gains obtained with the 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 23 per cent. tax rate or at a 17 per cent. tax rate on the first €15,000 in the case of small or medium-sized enterprises, to which may be added a municipal surcharge ("*derrama*

*municipal*") of up to 1.5 per cent. of its taxable income. 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 7 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 and venture capital funds 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 included in the "tax havens" list approved by Ministerial order no. 150/2004 of 13 February (as amended by Ministerial order no. 292/2011 of 8 November). 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.

Under the tax treaties entered into by Portugal which are in full force and effect as at 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*") n. 4743-A/2008 (2nd series), of 8 February 2008, published in the Portuguese official gazette, second series, n. 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 who 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 Community; and
- (ii) which holds a minimum direct holding of 25 per cent. of the capital of the Issuer, or is directly held by the Issuer at least by 25 per cent. or which is directly held at least by 25 per cent. by a company which holds at least 25 per cent. of the capital of the Issuer; 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 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 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 by Ministerial order (“*Portaria*”) no. 292/2011 of 8 November. 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.

Gains obtained on the 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*”) amended by Ministerial order (“*Portaria*”) no. 292/2011 of 8 November. 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 domiciled 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 acting through a Portuguese permanent establishment is subject to Corporate Income Tax at a 23 per cent. tax rate or at a 17 per cent. tax rate on the first €15,000 in the case of small or medium-sized enterprises, to which may be added a municipal surcharge (“*derrama municipal*”) of up to 1.5 per cent. of its taxable income. 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 7 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 domiciled 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.

Further to the amendments introduced by Law 83/2013, of 9 December 2013, the description of Decree-Law 193/2005 in the below paragraphs applies to Instruments issued on or after 1 January 2014 or, if the Instruments were issued before, to the income obtained after the first interest payment date falling after 31 December 2013.

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 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 EU other than Portugal 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 193/2005, and the beneficiaries are:

- (i) central banks or governmental agencies; or
- (ii) international bodies recognised by the Portuguese State; 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, as amended by Ministerial order no. 292/2011 of 8 November.

For purposes of application at source of this tax exemption regime, Decree-Law 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 as at 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; 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 3 months after the date on which the withholding tax would have been applied and will be valid for a 3 year period starting on the date such document is issued.

In 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 income and, when applicable, the tax withheld, itemised by type of beneficial owner, as follows:

- (i) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are not exempt from tax and are subject to withholding tax;
- (ii) entities domiciled 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 which are not exempt from tax and are subject to withholding tax;
- (iii) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are exempt from tax and are not subject to withholding tax;
- (iv) other non-Portuguese resident entities.

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 6 months from the date the withholding took place. A special form for these purposes is yet to be approved.

The refund of withholding tax after the above 6 months period is to be claimed to the Portuguese tax authorities through an official form available at <http://www.portaldasfinancas.gov.pt>, within 2 years from the end of the year in which tax was withheld. The refund is to be made within 3 months, after which interest is due.

### **EU Savings Directive**

Portugal has implemented EC Council Directive 2003/48/EC, of 3 June 2003, on taxation of savings income into the Portuguese law through Decree-Law no. 62/2005, of 11 March 2005, as amended by Law no. 39-A/2005, of 29 July 2005. The forms currently applicable to comply with the reporting obligations arising from the implementation of the EU Savings Directive were approved by Ministerial Order (*portaria*) no. 563-A/2005, of 28 June 2005, available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

In this respect it should be noted that EC Council Directive 2014/48/EC, of 24 March 2014, amends the above mentioned Directive, although Portugal has not yet implemented it into Portuguese Law (EU Member States are required to implement EC Council Directive 2014/48/EC by 1 January 2016).

### **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 in relation thereto. 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 of 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 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 (statutory 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 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*) and the Netherlands Gift and Inheritance Tax Act (*Successiewet 1956*);

- (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*).

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 (at up to a maximum rate of 25 per cent.).

If an individual is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual who has opted to be taxed as a resident of the Netherlands), 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 52 per cent.) under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 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 rate of 4 per cent. 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 certain threshold. 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 4 per cent. deemed return on income from savings and investments is taxed at a rate of 30 per cent.

#### **(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 (nor has opted to be taxed as a resident of the Netherlands for 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 the performance of 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 up to a maximum rate of 52 per cent. Income derived from a share in the profits 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**

- (a) Residents of the Netherlands

Generally, gift or inheritance tax will be due in the Netherlands in respect of the acquisition of the Instruments by way of a gift by, or on behalf of, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*) at the time of the gift or his or her death. A gift made under a condition precedent is deemed to be a made at the time the condition precedent is fulfilled and is subject to Netherlands gift and inheritance tax if the donor is, or is deemed to be a resident of the Netherlands at that time.

A holder of Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a gift within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a gift within a twelve months period after leaving the Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

- (b) Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Instruments by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax, unless in the case of a gift of the Instruments by, or on behalf of, a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

#### **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 source withholding taxes on interest income 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 does 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 and premium paid on the Instruments may be treated as having an Irish source if:

- (a) the Issuers are resident in Ireland for tax purposes; or
- (b) the Issuers are not resident in Ireland for tax purposes but the register for the Instruments is maintained in Ireland or if the Instruments are in bearer form and 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) the Issuers will not have a branch or permanent establishment in Ireland; (iii) bearer Instruments will not be physically located in Ireland; and (iv) the Issuers will not maintain a register of any registered Instruments in Ireland.

#### **Encashment Tax**

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any interest paid on Instruments issued by a company not resident in Ireland, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Instrument holder who is Irish resident.

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.

#### **EU Savings Directive**

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to

payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

### **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").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Instruments (including secondary market transactions) in certain circumstances. The issuance and subscription of Instruments should, however, 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.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. 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**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of an Issuer (a "Recalcitrant Holder"). The Issuer may be classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Instruments characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Instruments characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued, if Instruments are issued on or before the grandfathering date, and additional Instruments of the same series are issued after that date, the additional Instruments may not be treated as

grandfathered, which may have negative consequences for the existing Instruments, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "FATCA Withholding") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States has entered into an agreement with the Netherlands (the "U.S.-Netherlands IGA") based largely on the Model 1 IGA and Portugal is treated as having an agreement with the United States in effect based on the Model 1 IGA (the "**US-Portugal IGA**").

If the Issuers are treated as Reporting FIs pursuant to the U.S.-Portugal IGA or the U.S.-Netherlands IGA (as applicable) they do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuers will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuers and financial institutions through which payments on the Instruments are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Instruments is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Instruments are in global form and held within Euroclear or Clearstream, Luxembourg (together, the "ICSDs") or cleared through Interbolsa, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Instruments by the Issuers, any paying agent and the common depositary or common safekeeper, given that each of the entities in the payment chain between the Issuers and the participants in the ICSDs or Interbolsa is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the Instruments other than Book Entry Instruments may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Instruments will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model intergovernmental agreements, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuers and to payments they may receive in connection with the Instruments.**

## 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 BPI, S.A., Banco Comercial Português, S.A., Banco Espírito Santo de Investimento, 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, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Mitsubishi UFJ Securities International plc, Mizuho International plc, Morgan Stanley & Co. International plc, , Société Générale, The Royal Bank of Scotland plc and UBS Limited (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 2 September 2014 (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. 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 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") 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, 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 procedure with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, "CMVM") is 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 Instrument to the public in Portugal; and that (3) 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 whilst 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 tenure 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.

### **Kingdom of Spain**

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 and will not be offered, sold or distributed to the public in the Kingdom of Spain under circumstances which are deemed to be a public offer under Law 24/1988, of 28 July, on the Securities Market (Ley 24/1988, de 28 de julio, del Mercado de Valores) (the "LMV") as amended and restated. Additionally, the Instruments may only be offered, sold or distributed in accordance with the requirements of the LMV and Royal Decree 1310/2005, of 4 November 2005, partially developing Law 24/1988, of 28 July, on the Securities Market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos), as amended and restated, and the decrees and regulations made thereunder and by institutions authorised under the LMV and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies (Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión y por el que se modifica parcialmente el Reglamento de la Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva, aprobado por el Real Decreto 1309/2005, de 4 de noviembre) to provide investment services in Spain.

### **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.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Instruments to the public in that Relevant Member State:

- (a) if the final terms in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Public Offer"), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Instruments referred to in paragraph (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Instruments to the public” in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **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 Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Instruments, otherwise than in conformity with the provisions of the Companies Acts 1963 to 2013 (as amended), the Central Bank Acts 1942 to 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989; 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 provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

### **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 the Irish Stock Exchange 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 will be granted on or about 2 September 2014 by the Central Bank of Ireland.
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 increase in the amount of the Programme to EUR 5,000,000,000 and the entering into of the Trust Deed and the Keep Well Agreement was authorised by the Board of Directors of EDP at a meeting held on 13 March 2001 and by the management board of EDP B.V. at a meeting held on 8 March 2001. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 2 February 2004 and by the management board of EDP B.V. at a meeting held on 17 December 2004. The update of the Programme and the increase of the nominal amount of the Programme to EUR 7,000,000,000 was authorised by the Board of Directors of EDP at a meeting held on 22 November 2005 and by the management board of EDP B.V. at a meeting held on 23 November 2005. The update of the Programme and the increase of the nominal amount of the Programme to EUR 12,500,000,000 was authorised by the Board of Directors of EDP at meetings held on 19 June 2007 and 9 October 2007 and by the management board of EDP B.V. at a meeting held on 18 October 2007. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 16 September 2008 and by the management board of EDP B.V. at a meeting held on 9 October 2008. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 8 September 2009 and by the management board of EDP B.V. at a meeting held on 17 September 2009. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 31 August 2010 and by written resolutions of the management board of EDP B.V. on 20 September 2010. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 26 July 2011 and by written resolutions of the management board of EDP B.V. on 12 August 2011. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 30 July 2012 and by written resolutions of the management board of EDP B.V. on 5 September 2012. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 30 July 2013 and by the written resolutions of the management of the board of EDP B.V. on 2 September 2013. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 25 July 2014 and by written resolutions of the management board of EDP B.V. on 31 July 2014. 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 the Irish Stock Exchange 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 euros 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, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of Interbolsa is Avenida da Boavista, 343314100-138 Porto, Portugal.

4. 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.”*
5. 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 2012 and 31 December 2013 and the audited financial statements of EDP B.V. in respect of the financial years ended 31 December 2012 and 31 December 2013, 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 the Irish Stock Exchange ([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.

6. There has been no significant change in the financial or trading position of EDP, EDP B.V. or the EDP Group since 30 June 2014, 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 2013.
7. Save as described below, 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.

The EDP Group is currently engaged in judicial proceedings contesting a potential tax liability assessed in connection with the tax treatment applied by the EDP Group to capital losses arising as a result of the liquidation of one of its subsidiaries, EDP International SGPS, S.A.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding its 2005 and 2006 taxable income which included an adjustment of €591 million in respect of a capital loss

generated by the liquidation of EDP International SGPS, S.A. (whose main assets consisted of investments in operating subsidiaries Escelsa and Enersul). As at 30 June 2014, the contingent tax liability resulting from those assessments is €240 million.

The EDP Group has previously received a favourable opinion from the Portuguese tax authorities in relation to the nature of the liquidation which supports the view that such capital loss was tax deductible for income tax purposes in accordance with the relevant law in force at that date. As a result of this and further analysis carried out by the EDP Group and its advisers, the EDP Group considers it unlikely that it will be required as a result of such judicial proceedings to make any additional payments to the relevant tax authorities in connection with the liquidation and therefore no provision for the payment of any such additional amounts has been made in its accounts. Notwithstanding this, should the EDP Group be unsuccessful in contesting the tax assessment and be required to meet all, or a substantial part, of the liability, this could have a significant effect on the EDP Group's financial position.

For further information on these proceedings please see note 36 (*Provisions for liabilities and charges*) of the notes to the financial statements of the EDP Group for the six months ended 30 June 2014 which are incorporated by reference in this Base Prospectus.

8. The auditors of EDP are KPMG & Associados, SROC, SA, independent certified public accountants, who have audited (i) the consolidated financial statements of the EDP Group as of and for the year ended on 31 December 2012, without qualification, prepared in accordance with International Financial Reporting Standards ("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 2013, without qualification, prepared in accordance with IFRS, as adopted by the European Union. The auditors of EDP have no material interest in EDP. KPMG & Associados, SROC, S.A. is part of the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*").

The current auditors of EDP B.V. are KPMG Accountants N.V. who audited EDP B.V.'s financial statements, for the financial year ended on 31 December 2012 and for the financial year ended on 31 December 2013, prepared in accordance with IFRS as adopted by the European Union, as stated in their reports incorporated by reference herein. The auditors of EDP B.V. have no material interest in EDP B.V. KPMG Accountants N.V. are chartered accountants ("*registeraccountants*") in The Netherlands. The auditors of EDP B.V. are members of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

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.

9. Instruments issued under this Programme will have a minimum denomination of €1,000 (or its equivalent in any other currency).
10. 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.
11. 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.
12. 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.

13. 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.
14. The Issuers do not intend to provide any post-issuance information in relation to any issues of Instruments.
15. 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 to, the Issuers and their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions.
16. 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 – Ba1

Moody's issuer ratings are opinions of the ability of entities to honour senior unsecured financial obligations and contracts. Obligations issued by issuers rated Ba1 are judged to have speculative elements and are subject to substantial credit risk. The modifier 1 indicates that the obligation ranks in the higher end of this generic rating category.
  - (ii) Standard and Poor's – BB+

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 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments. The addition of the plus (+) sign shows the obligor's relative standing within the major rating category BB.
  - (ii) 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.
17. The information at paragraph 16(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 it is aware and is 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.

## ISSUERS

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Luna Arena, Herikerbergweg 238  
1101 CM Amsterdam  
The Netherlands

### REGISTERED AND HEAD OFFICE OF EDP

Praça Marquês de Pombal, 12  
1250-162 Lisbon  
Portugal

## DEALERS

### **Banco Bilbao Vizcaya Argentaria, S.A.**

Cuidad Madrid  
C/ Suaceda 28  
28050 Madrid  
Spain

### **Banco BPI, S.A.**

Largo Jean Monnet, 1-4th Floor  
1269-067 Lisbon  
Portugal

### **Banco Comercial Português, S.A.**

Av. Prof. Dr. Cavaco Silva (Tagus Park)  
Edifício 2, Piso 2A  
2744-002 Porto Salvo  
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### **Banco Espírito Santo de Investimento, S.A.**

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1269-161 Lisbon  
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### **Banco Santander Totta, S.A.**

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### **Barclays Bank PLC**

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London E14 4BB  
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### **BNP PARIBAS**

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### **Caixa - Banco de Investimento, S.A.**

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1269-057 Lisbon  
Portugal

### **CaixaBank, S.A.**

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Spain

### **Citigroup Global Markets Limited**

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Canary Wharf  
London E14 5LB  
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### **Deutsche Bank AG, London Branch**

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1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

### **HSBC Bank plc**

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### **ING Bank N.V.**

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### **J.P. Morgan Securities plc**

25 Bank Street  
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The Netherlands

**Mitsubishi UFJ Securities International plc**

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**Morgan Stanley & Co. International plc**

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United Kingdom

**The Royal Bank of Scotland plc**

135 Bishopsgate  
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*To EDP*

**KPMG**

KPMG & Associados – Sociedade de Revisores  
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France

**UBS Limited**

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United Kingdom

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*To EDP B.V.*

**KPMG Accountants N.V.**

Laan van Langerhuize 1,  
1186 DS Amstelveen  
Amsterdam  
The Netherlands

**TRUSTEE**

**Deutsche Trustee Company Limited**

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1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**ISSUE AND PAYING AGENT**

**Deutsche Bank AG, London Branch**

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1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**REGISTRAR AND PAYING AGENT**

**Deutsche Bank Luxembourg S.A.**

2 Boulevard Konrad Adenauer  
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**PORTUGUESE PAYING AGENT**

**Deutsche Bank Aktiengesellschaft – Sucursal em Portugal**

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1250-069 Lisbon  
Portugal

**LISTING AGENT**

**Arthur Cox Listing Services Limited**

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Earlsfort Terrace  
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Ireland

**LEGAL ADVISERS**

*To EDP as to English law*

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*To EDP as to Portuguese law*

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