# ENERGY THAT MAKES A DIFFERENCE

## INTERIM REPORT
## 30TH JUNE 2015

edp

# ENERGY THAT MAKES A DIFFERENCE

TRANSFORM, IMPROVE, MAKE THE WORLD MOVE...
THAT'S WHERE WE PUT ALL OF OUR ENERGY.
AN ENERGY THAT IS BUILT IN 14 COUNTRIES,
MADE OF PROXIMITY, OF COMMITMENT,
OF ENVOLVEMENT AND RESPONSIBILITY.

**BUT ABOVE ALL,
AN ENERGY THAT MAKES A DIFFERENCE.**

# INDEX

# AN ENERGY THAT TRANSFORMS THE ECONOMY

A commitment to an increase in the use of hydroelectric power plants, promoting the country's energy independence.

edp

# PRESENT IN 14 COUNTRIES AND HAS 9.7 MILLION ELECTRICITY CUSTOMERS

EDP – Energias de Portugal, S.A. is a listed company ("sociedade aberta"), whose ordinary shares are publicly traded in the "Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais". EDP is established in Portugal, 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.

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

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

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

EDP has a relevant presence in the world energy landscape, being present in 14 countries, with 9.7 million electricity customers, 1.4 million gas customers and more than 12 thousand employees around the world. On June 30, 2015, EDP had an installed capacity of 23.3 GW and generated 32 TWh during the first quarter of 2015, of which 65% came from renewable sources.

# edp IN THE WORLD

## PORTUGAL

| | |
|---|---|
| 6, 653 | EMPLOYEES |
| 5,460,023 | ELECTRICITY CUSTOMERS |
| 526,646 | GAS CUSTOMERS |
| 9,427 | INSTALLED CAPACITY (MW) |
| 12,143 | NET GENERATION (GWh) |
| 54% | GENERATION FROM RENEWABLE SOURCES[1] |
| 22,368 | ELECTRICITY DISTRIBUTED (GWh) |
| 3,670 | GAS DISTRIBUTED (GWh) |
| 1,368 | CAPACITY UNDER CONSTRUCTION (MW) |

## SPAIN

| | |
|---|---|
| 1,844 | EMPLOYEES |
| 987,343 | ELECTRICITY CUSTOMERS |
| 831,149 | GAS CUSTOMERS |
| 5,962 | INSTALLED CAPACITY (MW) |
| 8,325 | NET GENERATION (GWh) |
| 40% | GENERATION FROM RENEWABLE SOURCES[1] |
| 4,630 | ELECTRICITY DISTRIBUTED (GWh) |
| 15,756 | GAS DISTRIBUTED (GWh) |

## FRANCE

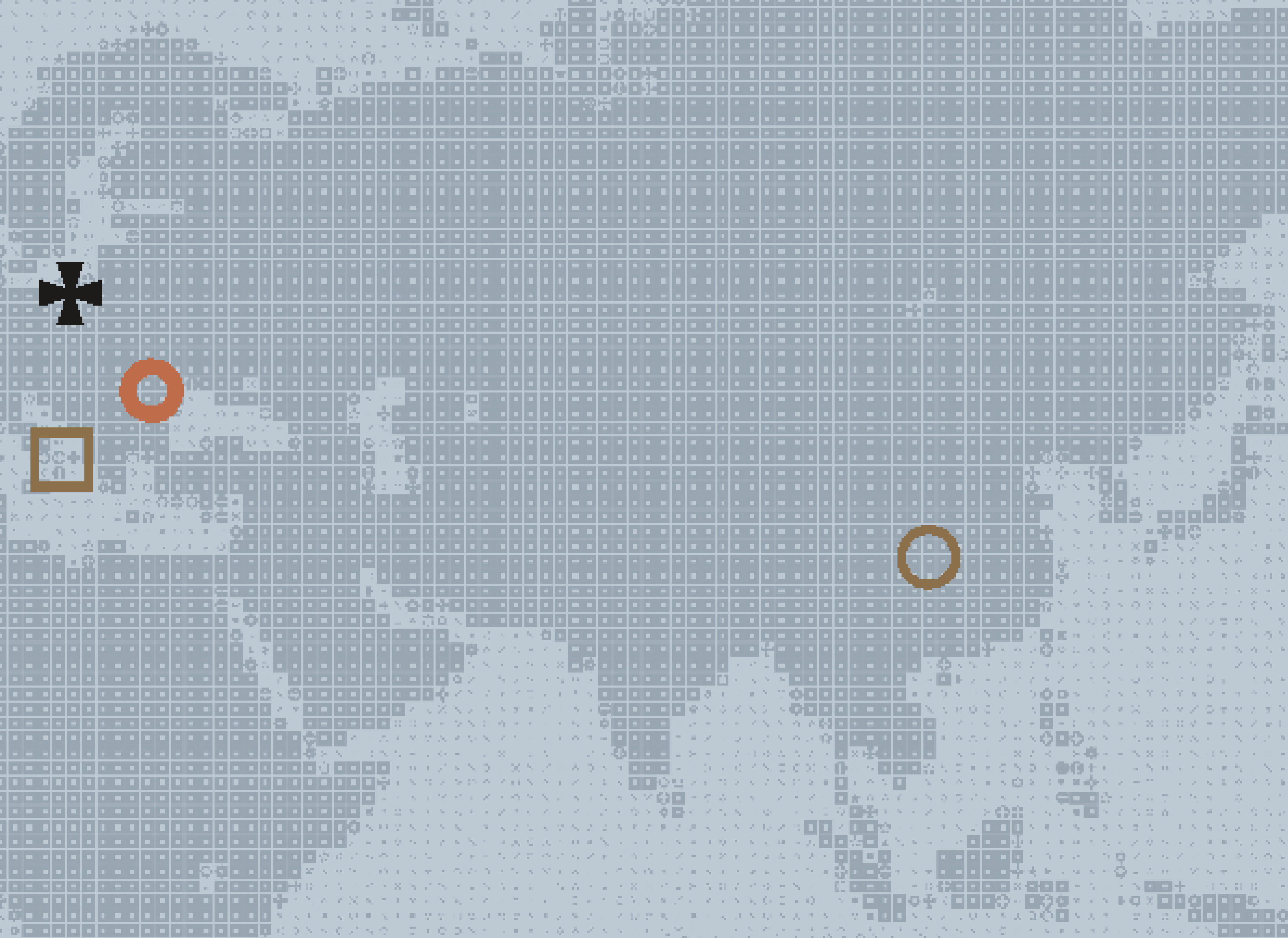
| | |
|---|---|
| 49 | EMPLOYEES |
| 340 | INSTALLED CAPACITY (MW) |
| 392 | NET GENERATION (GWh) |
| 100% | GENERATION FROM RENEWABLE SOURCES[1] |

## BELGIUM

| | |
|---|---|
| 2 | EMPLOYEES |
| 71 | INSTALLED CAPACITY (MW) |
| 72 | NET GENERATION (GWh) |
| 100% | GENERATION FROM RENEWABLE SOURCES[1] |

## ITALY

| | |
|---|---|
| 21 | EMPLOYEES |
| 90 | INSTALLED CAPACITY (MW) |
| 115 | NET GENERATION (GWh) |
| 100% | GENERATION FROM RENEWABLE SOURCES[1] |



## BRAZIL

| | |
|---|---|
| 2,959 | EMPLOYEES |
| 3,209,101 | ELECTRICITY CUSTOMERS |
| 2,601 | INSTALLED CAPACITY (MW) |
| 187 | INSTALLED CAPACITY MEP[2] (MW) |
| 3,965 | NET GENERATION (GWh) |
| 85% | GENERATION FROM RENEWABLE SOURCES[1] |
| 13,142 | ELECTRICITY DISTRIBUTED (GWh) |
| 120 | CAPACITY UNDER CONSTRUCTION (MW) |
| 341 | CAPACITY UNDER CONSTRUCTION MEP[2] (MW) |

## POLAND

| | |
|---|---|
| 39 | EMPLOYEES |
| 392 | INSTALLED CAPACITY (MW) |
| 463 | NET GENERATION (GWh) |
| 100% | GENERATION FROM RENEWABLE SOURCES[1] |

## ROMANIA

| | |
|---|---|
| 33 | EMPLOYEES |
| 521 | INSTALLED CAPACITY (MW) |
| 609 | NET GENERATION (GWh) |
| 100% | GENERATION FROM RENEWABLE SOURCES[1] |

## UNITED KINGDOM

| | |
|---|---|
| 38 | EMPLOYEES |

## CHINA AND ANGOLA

OFFICES

## MEXICO

| | |
|---|---|
| 4 | EMPLOYEES |

## UNITED STATES

| | |
|---|---|
| 335 | EMPLOYEES |
| 3,904 | INSTALLED CAPACITY (MW) |
| 5,522 | NET GENERATION (GWh) |
| 100% | GENERATION FROM RENEWABLE SOURCES[1] |
| 300 | CAPACITY UNDER CONSTRUCTION (MW) |

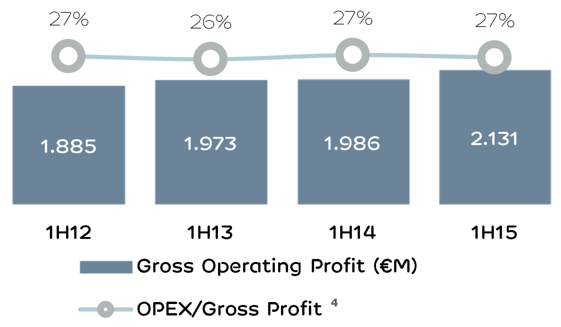
## CANADA

| | |
|---|---|
| 5 | EMPLOYEES |
| 30 | INSTALLED CAPACITY (MW) |
| 40 | NET GENERATION (GWh) |
| 100% | GENERATION FROM RENEWABLE SOURCES[1] |

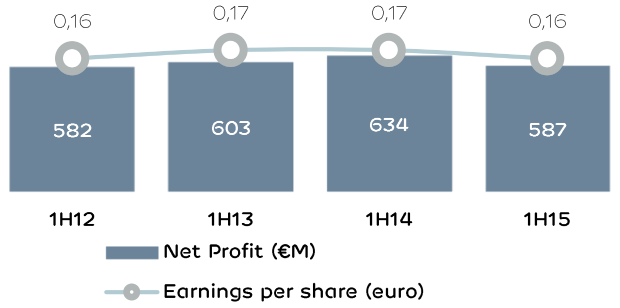
[1] Includes Hydro, Wind and Solar.
[2] Consolidated according to Equity Method.

# EDP IN NUMBERS

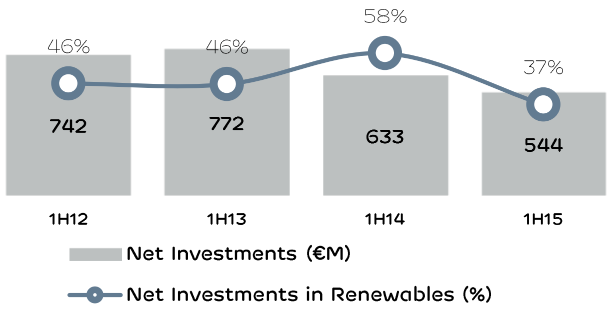
GROSS OPERATING PROFIT



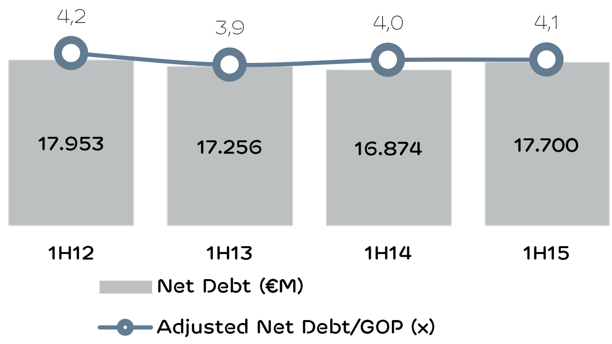

NET PROFIT [1]




NET INVESTMENTS [2]

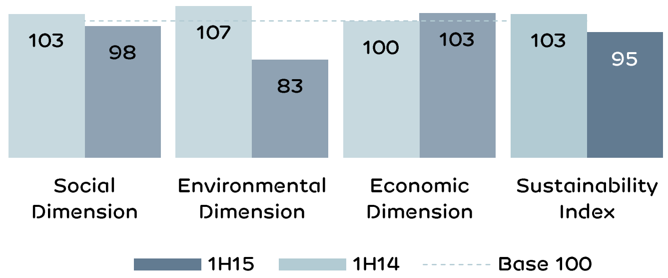



NET DEBT [3]

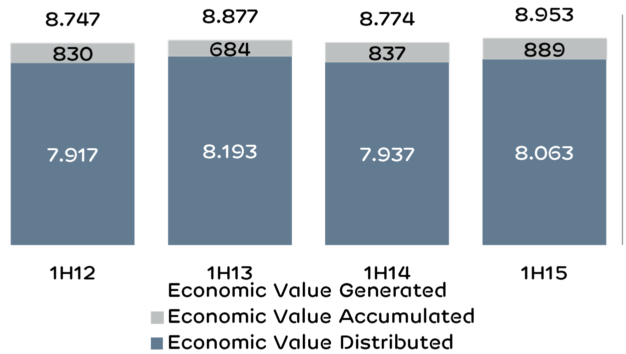



[1] Net Profit attributable to EDP Equity holders
[2] Includes Capex, Financial Investments and Divestments ("Asset Rotation")
[3] Includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, net investment and fair value hedge and collateral deposits associated to financial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

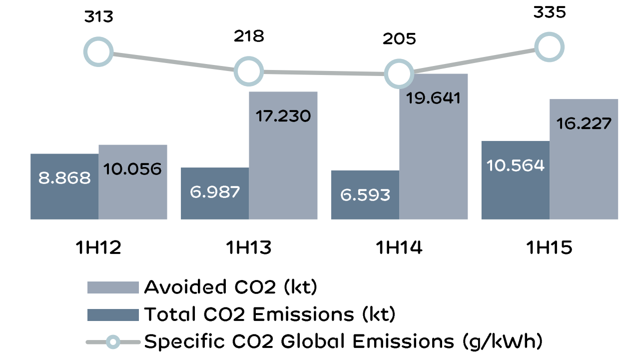
EDP SUSTAINABILITY INDEX



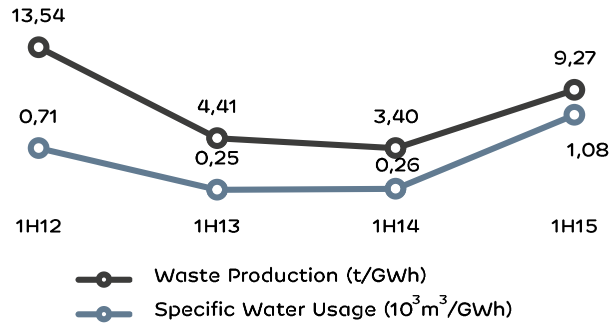

ECONOMIC VALUE GENERATED[1] (€M)




CO2 EMITED AND AVOIDED [2]

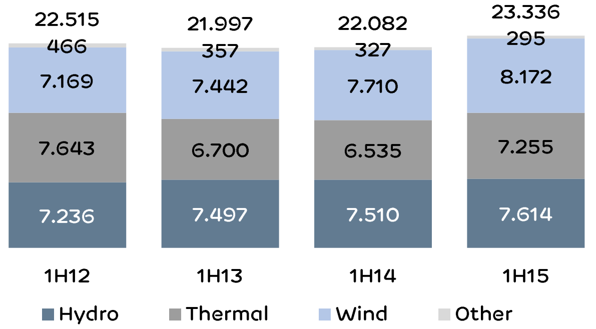



WATER USAGE AND WASTE PRODUCTION

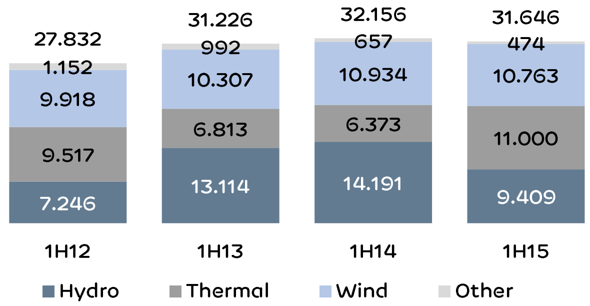



[1] Economic Value Generated: Turnover + Share of net profit in joint ventures and associates + Other operating income + Financial Income
Economic Value Distributed: Cost of energy sales and other + Operating costs + Other operating expenses + Financial expenses + Current Income tax + Dividend payments
Economic Value Accumulated: Economic Value Generated - Economic Value Distributed
[2] The figures reflect the incorporation of Pecém operational data in 1H15.

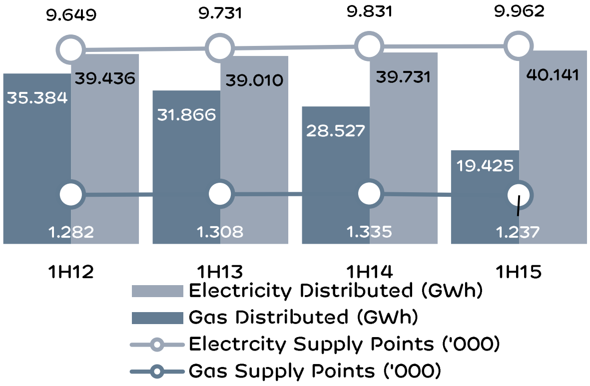
ELECTRICITY GENERATION
**INSTALLED CAPACITY (MW)**



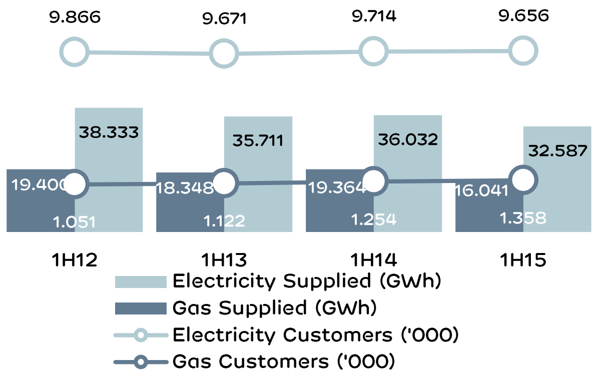

ELECTRICITY GENERATION
**NET GENERATION (GWh)**




**ELECTRICITY AND GAS DISTRIBUTION**




**ELECTRICITY AND GAS SUPPLY**



VALUE CHAIN


ELECTRICITY
SUPPLY
DISTRIBUTION
TRANSMISSION
GENERATION
GAS
SUPPLY
DISTRIBUTION
TRANSMISSION
EXPLOITATION AND GENERATION

# VISION

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

# VALUES

- **INITIATIVE**
  Demonstrated through the behaviour and attitude of our people.
- **TRUST**
  Of shareholders, customers, suppliers and other stakeholders.
- **EXCELLENCE**
  In the way we perform.
- **SUSTAINABILITY**
  Aimed at improving the quality of life for present and future generations.
- **INNOVATION**
  With the objective of creating value within the various areas in which we operate.

# COMMITMENTS

## SUSTAINABILITY

We assume the social and environmental responsibilities that result from our performance thus contributing toward the development of the regions in which we are operating.

We avoid specific greenhouse gas emissions with the energy we produce.

We ensure the participatory, competent and honest governance of our business.

## PEOPLE

We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work.

We promote the development of skills and merit.

We believe that the balance between private and professional life is fundamental in order to be successful.

## RESULTS

We fulfil the commitments that we embraced in the presence of our shareholders.

We are leaders due to our capacity of anticipating and implementing.

We demand excellence in everything that we do.

## CLIENTS

We place ourselves in our clients' shoes whenever a decision has to be made.

We listen to our clients and answer in a simple and clear manner.

We surprise our clients by anticipating their needs.

# EDP GROUP BUSINESS STRUCTURE

edp

| IBERIA | | EDP RENOVÁVEIS | | EDP BRASIL | |
|---|---|---|---|---|---|
| Portugal | Spain | | | | |

## ELECTRICITY GENERATION

| Portugal | Spain | EDP Renováveis | | EDP Brasil | |
|---|---|---|---|---|---|
| EDP Produção | HC Cogeneración | EDP Renováveis Portugal | EDP Renewables España | Energest | Porto do Pecém |
| EDP Produção Bioeléctrica* | Bioastur | EDP Renewables France | EDP Renewables Belgium | Lajeado Energia | CEJA (Jari)* |
| | HC Energía | EDP Renewables Polska | EDP Renewables Romania | Enerpeixe | Cachoeira Caldeirão* |
| | | EDP Renewables North America | EDP Renewables Canada | São Manoel* | |
| | | EDP Renewables Italia | EDP Renováveis Brasil | | |
| | | EDPR UK | | | |

## ELECTRICITY AND GAS DISTRIBUTION

| Portugal | Spain | EDP Renováveis | | EDP Brasil | |
|---|---|---|---|---|---|
| EDP Distribuição | HC Distribución | | | Bandeirante | Escelsa |
| EDP Gás Distribuição | Naturgas Distribución | | | | |

## ELECTRICITY AND GAS SUPPLY AND TRADING

| Portugal | Spain | EDP Renováveis | | EDP Brasil | |
|---|---|---|---|---|---|
| EDP Serviço Universal | HC Energía | | | EDP Comercializadora | EDP Grid |
| EDP Comercial | CIDE HC Energia* | | | | |
| EDP Gás Serviço Universal | NE Comercializ. | | | | |
| EDP Gás.Com | HC Gas | | | | |

* Equity Consolidated Method

# RECOGNITION

## CORPORATE

**February - Moody's raises EDP's rating.**

Moody's raised its rating of EDP and its subsidiaries EDP Finance B.V. and Hidroelectrica del Cantabrico in Spain from "Ba1" to "Baa3". It also improved the short-term rating of EDP, EDP Finance B.V. and HC Energia from "Not-Prime" to "Prime-3". All the ratings were given a stable outlook. Moody's also considers that the tariff deficit borne by the electricity system in Portugal is gradually stabilising, thereby reducing the likelihood of new regulatory cuts being necessary.

**March - António Mexia voted the best Utilities CEO in Europe**

A group of analysts at Buy Side voted António Mexia the best CEO in Europe in the Utilities sector in an annual survey by Institutional Investor magazine. Nuno Alves, the EDP Group's Chief Financial Officer and Miguel Viana, Director of Investor Relations, were also recognised. EDP went up 71 places against last year in the overall assessment of listed European companies in all sectors and is now in 20th place.

**March – EDP in the Ethisphere Institute 2015 rankings**

For the fourth year running, EDP is part of the international rankings of The World's Most Ethical Companies – WME, voted by the Ethisphere Institute, which is the world leader in promoting ethical business standards. EDP was considered a benchmark in Energy and Utilities: Electric, along with four other companies worldwide.

**June – EDP is the best company in Europe for Investor Relations**

The Group was recognized at the 2015 IR Magazine Awards, winning important prizes in the field of Investor Relations in Europe, and being named the "Best investor relations by a senior management team (large cap)". EDP Group had the second place in the "Regional Awards - Southern Europe" and "Utilities" categories, and was fifth in the "Best financial reporting" category.
EDP Renováveis was also in the headlines at these awards. The company won the award for "Best investor relations by a senior management team (small and mid-cap). Rui Antunes also won the award for "Best investor relations officer (small and mid-cap)".

## PORTUGAL

**January, 22 - Re:dy distinguished in the Green Project Awards**

The Re:dy service was recognised in the Information Technology category. Re:dy allows customers to monitor the consumption of electrical devices at home from wherever they are using an internet portal and smartphone.

**January, 29 - EDP receives the Green Fleet Award**

From Fleet Magazine, which goes to the company that has demonstrated the greatest commitment to reducing CO2 when buying vehicles. It measures the percentage of electric and hybrid vehicles in the fleets of different Portuguese companies.

**February, 4 - EDP wins first place in 2014 Excellence at Work Awards**

An award has been given by Heidrick & Struggles in partnership with Diário Económico and INDEG-IUL to EDP in the category of large companies with more than 1,000 employees. It was also distinguished in the Industry and Energy category.

**May – EDP leads the way in gas and electricity customer satisfaction**

EDP Comercial's quality of service was recognized by the ECSI Portugal research – National Customer Satisfaction Index. The market research periodically carried out by ECSI Portugal covers the energy sector, which is split into four categories: natural gas, electricity, dual fuel and bottled gas. EDP Comercial came top in the dual fuel category.

**June – EDP Labelec receives waste management certification**

EDP Labelec received 3R6 certification for its Ponto Verde Services, proof of the company's efforts in adopting responsible environmental practices that meet and maximize the amounts sent for recycling and the recovery of urban waste, packaging and other waste.

## SPAIN

**April – Castejón Combined Cycle Thermoelectric Power Station receives FM Global award**

The international insurance company, FM Global, has awarded its HPR (Highly Protected Risk) prize to the power station. This award highlights the risk prevention work carried out.

**May – EDP in Spain recognized as an organization that employs young people.**

This recognition is part of the Spanish Strategy for Social Responsibility, which recognizes all public and private organizations taking part in this strategy and which take positive steps contributing to its goals as "bodies responsible for youth employment".

## EDP RENOVÁVEIS

**February - EDPR awarded at Euronext Lisbon Awards 2015**

With the best stock market performance in 2014, EDP Renováveis saw a rise of 40% in its market capitalisation. The awards recognise institutions with excellent performance in Portugal's capital markets.

**April – EDP Renováveis is one of the 10 best large companies to work for in Spain**

For the fourth consecutive year, EDP Renováveis has maintained its position as one of the best companies to work for. EDP continues to be the only energy sector company on the list, coming in eighth in the category of companies with 250-500 employees.

**April – Meridian Way Wind Farm receives Employer Engagement Initiative Champion Level Award**

The Cloud County Community College (CCCC) and the Kansas Board of Regents (KBOR) have recognized Meridian Way wind farm for its significant contribution to the college's Wind Energy Technology (WET) program and for the development of wind farm students, to whom EDP offers paid traineeships.

# TARGETS AND GOALS

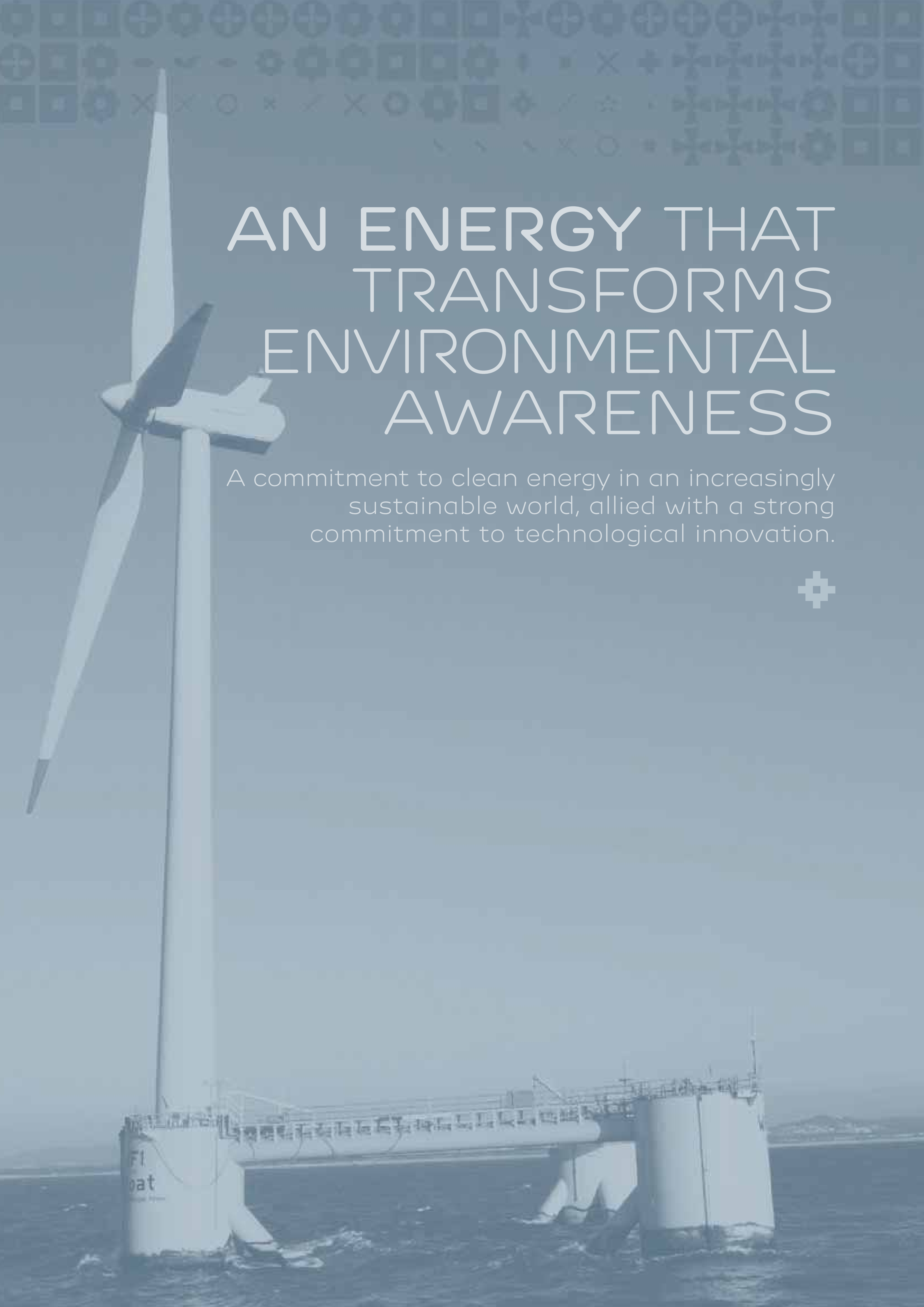
| Targets | Goals | Date |
|---|---|---|
| **1. ECONOMIC AND SOCIAL VALUE** | | |
| To focus on growth maintaining the financial deleveraging | EBITDA Average Annual Growth Rate: ~5% per year * | 2014-2017 |
| | Net Profit Average Annual Growth Rate: ~5% per year * | 2014-2017 |
| | Installed capacity of 26,7 GW ** | 2017 |
| | Average Annual Net Investments of ~€1.6bn per year | 2014-2015 |
| | Average Annual Net Investments of ~€1.2bn per year | 2016-2017 |
| | Adjusted Net Debt/EBITDA: ~3.0x | 2017 |
| To preserve a low risk business profile | Regulated & LT Contracted EBITDA > 70% of total EBITDA | 2017 |
| | Renewable installed capacity > 75% of total installed capacity | 2017 |
| To promote internal efficiency | OPEX III cost savings of €180M/year by 2017 | 2017 |
| To keep an attractive dividend policy | Payout ratio between 55% and 65% of recurrent net profit, with a minimum of €0.185 per share | 2014-2017 |
| To improve the integration of sustainability practices in the internal management systems | Keep the SAM Gold Class | 2017 |
| **2. ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION** | | |
| To focus growth on a cleaner production | Until 2020, reduce $CO_2$ emissions by 70% in comparison with 2008 values | 2020 |
| To strenghten an appropriate environmental management of EDP's activities | Achieve 100% of certified installed capacity according to ISO 14001 | 2020 |
| To contribute actively to the preservation of the environment and biodiversity | Globally extend environmental externalities evaluation | 2017 |
| **3. INNOVATION** | | |
| To promote competitiveness and productivity through innovation | Maintain a financing budget of €20M/year for Research & Development projects | 2017 |
| | Extend Inovgrid project to more 100 thousand clients in seven new places in Portugal | 2015 |
| **4. INTEGRITY AND GOOD GOVERNANCE** | | |
| To strenghten the ethics in all EDP's employees' culture | Maintain the incorporation in the World Most Ethical Companies list by the Ethisphere Institute | 2017 |
| | Identify and assess ethical risks of EDP Group | 2015 |
| | Exceed 80 points in the corporate index Ethicis | 2020 |
| Extend Sustainability to the supply chain | Develop new supply chain Indicators and comply with G4 | 2015 |
| **5. TRANSPARENCY AND DIALOGUE** | | |
| Transparency and dialogue | Complete the report of GHG emissions, scope 3 | 2015 |
| To report transparently and ensure na open and trusting relationship with stakeholders | Report in accordance to the new Global Reporting Initiative Standards - G4 | 2015 |
| **6. HUMAN CAPITAL AND DIVERSITY** | | |
| To work towards "Zero accidents, no personal harm" | Reduce the frequency of on-duty accidents with EDP employees and service providers by 5% compared with 2013 | 2013-2015 |
| To implement an action plan for the Diversity Policy | Between 10 and 15 initiatives | 2015 |
| Extend EDP's training model to the Group | Implement EDP's University in Brazil | 2015 |
| To keep a high level of employee satisfaction | Maintain employees' Global Satisfaction above 80% | 2013-2015 |
| **7. ACCESS TO ENERGY** | | |
| To keep or improve the quality levels of technical and commercial services provided to our clients | Ensure an overall customer satisfaction above 80% in different segments | 2020 |
| | Ensure that ICEIT and DEC are above the levels set by Regulators | 2014-2015 |
| **8. SOCIAL DEVELOPMENT AND CITIZENSHIP** | | |
| To enhance a close relationship between the company and the society | Guarantee an allocated budget to "Fundação EDP" up to 0.1% of the Group's turnover | 2012-2015 |
| | Increase the number of volunteering partnerships by 50% until 2015, compared to 2012 | 2012-2015 |
| | Relaunch the Social Stock Exchange, reaching €2.5M and 10 client companies | 2015 |

* Based in 2014 forecast of Investor's Day presentation
** Includes equity consolidated capacity

# PERFORMANCE

# AN ENERGY THAT TRANSFORMS ENVIRONMENTAL AWARENESS

A commitment to clean energy in an increasingly sustainable world, allied with a strong commitment to technological innovation.



# EDP GROUP'S BUSINESS EVOLUTION

## EDP GROUP

In the first half of 2015, the EDP Group's net profit attributable to EDP Shareholders reached EUR 587 million, compared with EUR 634 million in the first half of 2014, decreasing 7% year-on-year.

### INCOME STATEMENT – EDP GROUP

| EUR Million | 1H15 | 1H14 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Gross Profit | 2,750 | 2,699 | 2% | 51 |
| Net Operating costs | 619 | 712 | -13% | -93 |
| EBITDA | 2,131 | 1,986 | 7% | 145 |
| EBIT | 1,438 | 1,288 | 12% | 150 |
| Net Profit for the period | 796 | 751 | 6% | 45 |
| Net Profit attributable to EDP shareholders | 587 | 634 | -7% | -47 |
| Non-controlling interests | 209 | 117 | 79% | 92 |

Consolidated EBITDA amounted to EUR 2,131 million in the first half of 2015, 7% higher year-on-year. Note that EBITDA includes non-recurring events: (i) in the first half of 2015, EUR 295 million gain booked in the wake of the bargain purchase of Eneva's 50% stake in Pecém (Brazil), of which EUR 267 million at EDP Brasil level and EUR 28 million concerning the recognition in results of exchange rate differences at EDP group level, and EUR 89 million gain derived from the sale of gas distribution assets to Redexis (Spain); (ii) In the first half of 2014, EUR 129 million gain on the sale of a 50% equity stake in Jari/Cachoeira-Caldeirão and EUR 129 million gain booked in the wake of new Collective Labour Agreements established in Portugal. Excluding these impacts, adjusted EBITDA rose 1% year-on-year to EUR 1,747 million, reflecting below-the-average hydro and wind production in the first half of 2015 versus very strong hydro and wind volumes in the first half of 2014. In Brazil the drought situation deteriorated year-on-year, though it was offset by the recognition of the tariff adjustment in the first half of 2015, which did not occur in the first half of 2014. In Portugal, hydro resources in the first half of 2015 fell 25% short of long-term average, compared to a 37% premium over long-term average in the first half of 2014. At EDP Renováveis ('EDP Renováveis') level, the average load factor was 3% lower than the average expected scenario in the first half of 2015, versus +7% in the first half of 2014, which was partly offset by the appreciation of the US dollar against the Euro.

### EBITDA

| EUR Million | 1H15 | 1H14 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Long Term Contracted Generation in Iberia | 322 | 356 | -10% | -34 |
| Liberalised Activities Iberia | 183 | 311 | -41% | -128 |
| Regulated Networks Iberia | 569 | 559 | 2% | 10 |
| Wind Power | 548 | 495 | 11% | 53 |
| Brazil | 501 | 266 | 88% | 235 |
| Other | 8 | -1 | - | 9 |
| **Consolidated** | **2,131** | **1,986** | **7%** | **145** |

The performance at our operations in Iberia (EBITDA: -12% year-on-year to EUR 1,082 million in the first half of 2015) mainly reflected a very strong comparison basis (namely outstanding hydro resources and price volatility, appealing context in wholesale gas market and higher contribution from non-operating income. The performance from EDP Renováveis (EBITDA +11% year-on-year to EUR 548 million) was propelled by higher average capacity on stream (+6% year-on-year), higher realised average prices in Spain and US; and by a 23% appreciation of the US dollar versus Euro. The performance of EDP Brasil, (EBITDA: +88% year-on-year to EUR 501 million) was significantly impacted by non-operating income in the first half of 2015 on the one hand, by the gain booked in the wake of the acquisition of Pecém I's remaining 50% stake to Eneva; on the other hand, by a 20% hydro deficit in the first half of 2015, which resulted in a reduction of EUR 73 million on a year-on-year basis, translated into -EUR 88 million impact in the first half of 2015's EBITDA, partially offset by the recognition of tariff deviation in the first semester of 2015.

EDP Group operating costs amounted to EUR 758 million in the first half of 2015. On a year-on-year basis, excluding the EUR 129 million gain booked in the first half of 2014, on the back of the new CLA signed in Portugal, operating costs: (i) fell 2% year-on-year in Iberia, driven by headcount reduction; (ii) rose 2% year-on-year at EDP Renováveis (excluding ForEx impact) derived from tight cost control and larger portfolio; (iii) and increased 5% in Brazil (excluding ForEx impact), in line with inflation and reflecting the full consolidation of Pecém I as from 15 May 2015. Other net operating costs/(revenues) amounted to -EUR 140 million in the first half of 2015 (versus EUR 89 million cost in the first half of 2014), reflecting: (i) the aforementioned gains in Pecém I, the sale of gas assets to Redexis (both in the first half of 2015) and 50% of Jari/Cachoeira (first half of 2014); and (ii) higher generation taxes in Iberia (+EUR 18 million year-on-year in the first half of 2015), prompted by higher generation output and revenues.

Amortisation and impairment (net of compensation from depreciation and amortisation of subsidised assets) rose 1% year-on-year to EUR 689 million in the first half of 2015, reflecting: (i) in the first half of 2015, higher depreciation charges at EDP Renováveis, derived from the new capacity installed over the last 12 months and the USD appreciation against the EUR; (ii) the full consolidation of Pecém; and (iii) in the first half of 2014, a EUR 27 million impairment at our hydroelectric project of Alvito, booked in the second quarter of 2014.

Net financial costs advanced 49% year-on-year to EUR 364 million in the first half of 2015. Net interest expenses rose 5% year-on-year reflecting a 0.1pp increase in the average cost of debt to 4.7%, prompted by USD appreciation versus Euro and its impact on interest paid on USD-denominated debt. Net ForEx differences and derivatives totalled -EUR 14 million in the first half of 2015 (-EUR 47 million year-on-year in the first half of 2015) and are mostly related to ForEx and hedging in energy markets and commodities. Capitalised financial costs were down by EUR 36 million year-on-year, to EUR 47 million in the first half of 2015, backed by the new hydro projects in Portugal (Baixo Sabor downstream dam and Ribeiradio came online) and by the equity-method booking of Jari/Cachoeira-Caldeirão (as from June 2014). Other financials totalled EUR 69 million in the first half of 2015, including a EUR 46 million gain with the tariff securitisation deal (versus EUR 67 million in the first half of 2014).

Results from associated companies amounted to -EUR 23 million in the first half of 2015, with the following main contributors: i) EDP Renováveis' 40% equity stake in ENEOP Portugal (EUR 7 million in the first half of 2015, -EUR 3 million year-on-year); ii) our 50% equity stake in Pecém I (-EUR 25 million in the first half of 2015, -EUR 13 million year-on-year; and iii) this investment was fully consolidated after 15 May 2015); and our 50% share in Jari/Cachoeira-Caldeirão (-EUR 7 million in the first half of 2015).

Non-controlling interests reached EUR 209 million in the first half of 2015, reflecting the 49% share of minorities at EDP Brasil's higher net profit, partly on the back of the acquisition of Pecém I by EDP Brasil.

## NET INVESTMENTS

| EUR Million | 1H15 | 1H14 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Long-Term Contracted Generation Iberia | 10 | 10 | - | - |
| Liberalised Activities Iberia | 189 | 295 | -36% | -106 |
| Regulated Networks Iberia | 147 | 163 | -10% | -16 |
| Wind & Solar Power | -12 | 79 | - | -91 |
| Brazil | 179 | 56 | 220% | 123 |
| Other | 31 | 30 | 3% | 1 |
| **EDP Group** | **544** | **633** | **-14%** | -89 |

Net investments amounted to EUR 544 million in the first half of 2015 (versus EUR 633 million in the first half of 2014), including EUR 741 million of capex, EUR 142 million of financial investments and EUR 339 million of proceeds from asset rotation deals by EDP Renováveis.

Consolidated capex amounted to EUR 741 million in the first half of 2015, mainly devoted to the construction of new hydro & wind capacity (68%). Maintenance capex stood at EUR 237 million in the first half of 2015, mostly concentrated in regulated networks in Iberia and Brazil.

Capex in hydro capacity under construction in Portugal totalled EUR 156 million, including the capital spending on the construction of Baixo Sabor downstream dam (30MW) and Ribeiradio/Ermida hydro plant (81MW) which started up operations in the first half of 2015. EDP has 4 hydro projects under construction: (i) Venda Nova III (756MW) and the upstream plant of Baixo Sabor (142MW), expected to start when hydro conditions are sufficient; (ii) Salamonde II (207MW), expected to start up in the second half of 2015; and (iii) Foz-Tua (252 MW) due in 2H16. Capex in new wind & solar capacity (EDP Renováveis) amounted to EUR 322 million in the first half of 2015 (of which EUR 40 million derived from USD appreciation versus Euro), mostly allocated to the 556MW of capacity under construction (54% in US, 22% in Brazil, 24% in Europe), capacity recently commissioned and enhancements in capacity already in operation. In Brazil, capex totalled EUR 45 million in the first half of 2015 and was mostly devoted to our distribution business.

Net financial divestments totalled EUR 520 million in the first half of 2015. Financial divestments amounted to EUR 662 million in the first half of 2015. Divestments include i) EUR 241 million from the sale to Redexis of our gas distribution assets in Murcia and other regions in Spain, including the intra-group debt of EUR 64 million, (comprising proceeds of EUR 51 million mostly attributable to the sale of the remaining asset perimeter in the second quarter of 2015); ii) EUR 27 million (USD 30 million) from EDP Renováveis disposal of a minority stake in a 30MW-solar PV park in the United States of America; iii) EUR 312 million (USD 348 million) from the sale by EDP Renováveis of a minority stake in a wind farm of 1,101MW located in the US to Fiera Axium; and iv) EUR 79 million (BRL 261 million) from the conclusion of EDP Renováveis' sale of minority stakes in wind farms in Brazil to CWEI Brasil, a CTG subsidiary. Financial investments in the first half of 2015 amounted to EUR 142 millions, the bulk of which referring to the acquisition for EUR 91 million of Eneva's 50% stake in Pecém I coal facility (BRL 300 million) and to EDP Brasil's equity contributions of EUR 43 million to Cachoeira-Caldeirão and São Manoel hydro projects (BRL 143 million).

## NET DEBT

EDP Group's consolidated net debt as at June 2015 amounted to EUR 17,700 million, resulting from a gross nominal debt of EUR 19,039 million deducted mainly by (i) an amount of cash and equivalents and financial assets at fair value through profit or loss of EUR 1,381 million, which was held, mainly, by EDP S.A. and EDP Finance BV (EUR 334 million), Group's Brazilian subsidiaries (EUR 471 million), and EDP Renováveis (EUR 403 million), and (ii) collateral deposits in the amount of EUR 279 million.

In terms of maturity, EDP Group's consolidated nominal gross debt breaks down into 15% in short-term and 85% in medium and long-term, with an average maturity of 4.6 years.

EDP maintained its policy of centralizing funding at EDP, S.A. and EDP Finance BV, which represented 86% of the Group's consolidated debt as at June 2015. The remainder consists essentially of debt contracted by the Brazilian holdings (9%) and project finance debt contracted by subsidiaries of the EDP Renováveis Group (4%) as well as EDP Produção Group (1%).

In February, EDP signed a five-year credit facility in the amount of EUR 2,000 million. This facility is composed of two tranches: tranche A (corresponding to 75% of the total) is a Term Loan and Tranche B (corresponding to 25% of the total) is a Revolving Credit Facility (RCF). The new facility was mainly used to refinance a EUR 1,600 million syndicated loan signed in January 2013 which matured in January 2017 (50%) and January 2018 (50%) and which was therefore early repaid and cancelled.

In April, EDP Finance B.V. issued a EUR 750 million bond with a coupon of 2% and 10 year maturity.

These financial transactions allowed EDP Group to extend the average life of its debt portfolio at attractive costs, reinforcing its financial flexibility.

During the first half of 2015, EDP monetized approximately EUR 651 million of Portuguese tariff deficit i) in March, EDP securitized, by means of a true sale without recourse to Tagus – Sociedade de Titularização de Créditos, S.A., a portion of EUR 465 million of the 2014 Tariff Deficit, and respective interest; ii) in May, EDP sold a portion of EUR 186 million of the 2014 tariff deficit related with special regime generation and the respective interest.

Maintaining a prudent financial management policy, by the end of the first half of 2015 EDP had access to EUR 3,549 million of available credit lines and EUR 100 million of commercial paper with underwriting commitment, fully available. Additionally EDP has a EUR 1,000 million Euro Commercial Paper programme (ECP) which is not committed and is, being used for the Group short term treasury management. As at 30 June 2015, the total amount issued of ECP amounted to EUR 78.1 million.

In the first-half of 2015, the average cost of debt of the EDP Group was 4.7% per year and approximately 51% of its debt and borrowings had a fixed rate.

In terms of currencies, Euro continues to be the main funding currency (66%). The USD financing contracted to fund the net investments of the Group's subsidiaries in the United States of America justifies the exposure to USD (23%). EDP Group funding in Real increased from 5% in 2014 to approximately 9% as at 30 June 2015, following the full consolidation of Pecém subsidiary in Brasil.

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

In January 2015, Standard & Poor's ("S&P") affirmed its "BB+" long-term and "B" short-term ratings on EDP and revised the outlook from stable to positive. S&P revised the outlook to positive to reflect the expectation that the group's financial risk profile will strengthen markedly over the next 2 years.

In February 2015, Moody's upgraded EDP to "Baa3" from "Ba1". Concurrently, Moody's upgraded the short-term ratings to "Prime-3" from "Not-Prime". The assigned outlook on all ratings is stable. The upgrade of EDP's ratings is based upon progress on delivery of the group's financial deleverage strategy in a context of a slow recovery for the Portuguese economy.

## LONG-TERM CONTRACTED GENERATION IN IBERIA

EBITDA from long-term contracted generation fell by 10% (-EUR 34 million year-on-year), to EUR 322 million in the first half of 2015, impacted by lower volumes of mini-hydro special regime generation (-44% year-on-year on output, leading to a EUR 15 million year-on-year fall in the respective gross profit, largely in the first quarter of 2015) and by a EUR 23 million non-recurrent gain booked in the second quarter of 2014 on account of the new Collective Labour Agreement.

Gross profit from PPA/CMEC was broadly stable at EUR 360 million in the first half of 2015.

The annual deviation between market gross profit under CMECs assumptions and actual market conditions totalled EUR 100 million in the first half of 2015 and was mainly impacted by hydro volumes below the CMEC's reference resulting from hydro resources 25% below the long term average. This amount is due to be received in up to 24 months through access tariffs. Deviation at hydro plants totalled EUR 96 million wholly due to a 39% shortfall of production versus CMEC's reference. Average realised price was in line with CMEC's reference. In turn, market gross profit at our Sines coal plant was broadly in line with CMEC's reference in the first half of 2015 (just EUR 4 million below), since higher production volume (+16% above reference) was offset by average clean dark spread 16% below the CMEC's reference.

Gross profit from special regime was EUR 14 million lower year-on-year, at EUR 27 million in the first half of 2015, driven by the a 44% fall in mini-hydro generation, on the back of lower-than-average hydro resources in Portugal versus a strong first half of 2014.

In 2015, Ermida mini-hydro plant, a 7MW-plant adjacent to Ribeiradio hydro plant came on stream in Portugal, raising EDP's total mini-hydro installed capacity to 163MW.

## LIBERALISED ACTIVITIES IN IBERIA

EBITDA from liberalised activities was EUR 128 million lower year-on-year, at EUR 183 million in the first half of 2015, driven by: (i) a lower contribution from hydro production (35% weight in generation mix in the first half of 2015 versus 58% in the first half of 2014); (ii) lower results derived from fewer opportunities for managing energy markets' volatility; and (iii) lower gross profit, year-on-year, on gas supply, on the back of fewer wholesale trading opportunities. Higher thermal generation and improved gross profit in the electricity supply business partly mitigated these impacts.

Output from our generation plants (unadjusted for hydro pumping) was 17% higher in the first half of 2015, mainly due to a higher contribution from thermal technologies, in the wake of below-the-average hydro resources. The decrease in hydro output (-1.3TWh) was more than offset by higher production at our coal (+1.6TWh) and CCGTs plants (+0.9TWh). Avg. production cost was 62% higher year-on-year, at EUR 28.7/MWh in the first half of 2015, reflecting a more intense pumping activity and the lower contribution from hydro, the cheapest technology, in the generation mix: 35% of total output in the first half of 2015 versus 58% in the first half of 2015.

In the electricity business in Spain, volumes supplied to our clients in the free market fell by 16% year-on-year to 7.3TWh in the first half of 2015. EDP's strategy to focus on the most attractive customer segments resulted in a 9% expansion of client portfolio, mainly prompted by the residential segment. Market share (including only retail volumes) fell 2 p.p. year-on-year, to 8% in the first half of 2015.

In the electricity business in Portugal, volumes supplied to clients in the free market advanced 15% year-on-year, to 8.7TWh in the first half of 2015, propelled by a 38% expansion of our client base. EDP's market share in the free market was stable year-on-year at 45% in the first half of 2015, in line with EDP's strategy to focus on the most attractive residential/SMEs segments.

Gas volume supplied in Spain declined by 21%, to 13TWh in the first half of 2015, reflecting fewer and less appealing trading opportunities in the wholesale market and EDP's strategy to focus in the most attractive customer segments. Market share (including only retail volumes) was 1p.p. down year-on-year, to 4% in the first half of 2015.

Gas volume supplied to clients in Portugal rose by 22% year-on-year, to 2.4TWh in the first half of 2015, reflecting volume increase in the liberalised residential segment following the gas market liberalisation. The strong pace of gas supply liberalisation, along with our successful dual offer (electricity + gas) to residential clients, prompted a surge in the number of clients to 452 thousand in June 2015, corresponding to more 136 thousand year-on-year.

## REGULATED NETWORKS IN IBERIA

Regulated networks in Iberia include our activities of distribution of electricity and gas in Portugal and Spain and our activity of last resort supplier in Portugal.

EBITDA from regulated networks rose by 2% year-on-year (+EUR 10 million), to EUR 569 million in the first half of 2015, impacted by a EUR 89 million gain booked on the sale of assets held by Gas Energía Distribución Murcia to Redexis in the first half of 2015 and by a EUR 87 million gain derived from the establishment of the new Collective Labour Agreement in the first half of 2014. Adjusted for these impacts, EBITDA from regulated networks in Iberia increased by 2% year-on-year (+EUR 8 million), supported by lower operating costs, which more than compensated the decrease in regulated revenues.

Gross profit declined by 3% year-on-year (-EUR 27 million) in the first half of 2015, reflecting: (i) in Portugal, a lower return on RAB in electricity distribution derived from the lower sovereign risk and fast clients' switching to free market; (ii) in Spain, higher regulated revenues in electricity distribution offset by lower gas regulated revenues impacted by the disposal of distribution assets.

Regulatory receivables in Iberia include tariff adjustment in electricity and gas in Portugal and Spain and the revisibility component associated to CMEC. Regulatory receivables owed to EDP in Iberia declined by EUR 172 million in the first half of 2015, from EUR 2,317 million in December 2014 to EUR 2,145 million in June 2015, driven by a EUR 214 million decrease in Portugal and a EUR 42 million increase in Spain.

EBITDA from electricity distribution and last resort supply (LRS) in Portugal decreased by 21% (-EUR 82 million), to EUR 309 million in the first half of 2015, reflecting a EUR 87 million gain stemming from the establishment of new Collective Labour Agreement in the first half of 2014. Excluding this gain, EBITDA rose by 2% year-on-year (+EUR 5 million), supported by lower operating costs which more than compensated the decline in regulated revenues caused by a lower return on RAB.

In the first half of 2015, distribution grid regulated revenues declined by 2% (-EUR 14 million), to EUR 589 million, which was largely attributable to a lower return on RAB (6.33% in the first half of 2015 versus 8.31% in the first half of 2014) driven by lower Portuguese sovereign yield. In the first half of 2015, electricity distributed rose by 2% year-on-year, following moderate increase throughout all segments of consumption

Last resort supplier (EDP SU) regulated revenues were 20% lower (-EUR 8 million), to EUR 31 million in the first half of 2015, mainly reflecting consumers' fast switching to the free market. As part of the rules and calendar defined for the phasing out of regulated tariffs in Portugal, EDP SU can no longer contract new clients (since January 1st 2013), while the regulator can apply quarterly tariff increases in order to encourage clients' transfer to a liberalised supplier. The volume of electricity supplied by the last resort supplier fell by 39% year-on-year, to 3.2TWh in the first half of 2015. Total clients supplied declined 1,172 thousands year-on-year, to 2,000 thousands in June 2015 (representing 33% of total electricity clients), mostly driven by the residential segment.

EBITDA from our electricity distribution activity in Spain rose by 15% year-on-year (+EUR 8 million), to EUR 63 million in the first half of 2015, supported essentially by revenues related to regulatory adjustments to the revenues from previous years booked in the first quarter of 2015 (+EUR 8 million). Electricity distributed by EDP España, mostly in the region of Asturias, was stable year-on-year at 4.6TWh in the first half of 2015.

EBITDA of gas distribution in Spain in the first half of 2015 amounted to EUR 172 million (+EUR 85 million year-on-year), reflecting a EUR 89 million gain stemming from the sale of assets held by Gas Energía Distribución Murcia to Redexis in the first half of 2015 (EUR 11 million booked in the second quarter of 2015, mostly attributable to the sale of the remaining asset perimeter to Redexis). Excluding this impact, EBITDA declined by 5% (-EUR 4 million), reflecting essentially a decrease in regulated revenues derived from the de-consolidation of gas distribution assets which were partly offset by lower supplies and services. Volume of gas distributed dropped by 37% year-on-year, to 15.8TWh in the first half of 2015, owing to the disposal of distribution gas assets (excluding this impact, gas distributed rose by 5%).

EBITDA from gas regulated activities in Portugal decreased by 8% (-EUR 2 million), to EUR 24 million in the first half of 2015, due to lower regulated revenues in the supply business derived from consumers' switching to the free market. Regulated revenues from the gas distribution business were relatively stable (reflecting a return on RAB of 7.94% in the first half of 2015 versus 8.41% in the first half of 2014). Volume distributed rose by 1% in the first half of 2015, to 3.7TWh, in line with the 3% growth in the number of supply points, prompted by the continuing effort of new client connection in the region operated by EDP.

## EDP RENOVÁVEIS

EDP Renováveis owns, operates and develops EDP Group's wind and solar capacity. As of June 2015, EDP Renováveis operated 9.1GW, of which 886MW equity-method accounted. EDP Renováveis' EBITDA derives mainly from PPA-contracted and regulated tariff schemes (90% of output); geographical widespread: 44% in North America, 24% from Spain, 13% from Portugal and the rest derived in France, Poland, Romania, Belgium, Italy and Brazil.

EDP Renováveis EBITDA increased by 11% year-on-year (+EUR 53 million) to EUR 548 million in the first half of 2015, propelled by operations in North America (+EUR 49 million year-on-year), on the back of US dollar 23% appreciation versus Euro and average final prices prompted by higher relative production towards PPA/Hedged capacity along with the increase in the realised merchant price. EBITDA in Europe rose 2% year-on-year (or +EUR 7 million) to EUR 309 million in the first semester of 2015, since: (i) higher EBITDA in Spain (+EUR 13 million prompted by a recovery in average realised pool price) and in European markets outside of Iberia (+EUR 13 million driven by capacity additions and higher average load factor); was offset by (ii) lower EBITDA in Portugal (-EUR 14 million, penalised by outstanding wind resources in the first half of 2014 and a low inflation context). The forex impact reached +EUR 45 million, essentially due to the US dollar appreciation against the Euro.

Total electricity output totalled 10.8TWh in the first half of 2015, versus 11.0TWh in the first half of 2014 (-1% year-on-year). The lower average load factor (-3p.p. year-on-year to 31% in the first half of 2015), following outstanding wind resources in the first half of 2014, outstood the positive impact from higher average capacity on stream in the first half of 2015 (+6% year-on-year). Average selling price advanced by 11% year-on-year to EUR 64/MWh, driven by stronger US dollar versus Euro, higher US spot and REC prices in US; and higher realised prices in the pool, in Spain.

In North America, installed capacity reached 3,934MW in June 2015, the bulk of which long-term contracted schemes (86% of total) and in United States (3,904MW in the United States of America, 30MW in Canada). New capacity additions in the last 12 months (+428MW) were concentrated in United States in the fourth quarter of 2014 and the second quarter of 2015.

EBITDA increased 2% year-on-year (+USD 5 million), to USD 272 million in the first half of 2015, reflecting a 3% increase in average selling price; which more than offset a 2% drop in electricity output. The increase in the average selling price derived from the higher contribution from PPA contracted capacity and higher merchant prices. The average sale price increased 22% to USD 46/MWh, on the back of a recovery versus a background of extreme weather conditions in the first semester of 2014, as well as due to higher revenues achieved through the sale of Renewable Energy Credits ('REC') prices. Lower wind production reflected: i) weak wind resources versus a strong first half of 2014, particularly in the West and Central US regions (average load factor was down 4pp year-on-year, to 33% in the first half of 2015); and ii) higher average capacity in operation (+12% year-on-year) in North America.

EDP Renováveis growth plans in US grounds on PPA-contracted projects, reinforcing the group's low risk profile. As of June 2015, EDP Renováveis had 300MW of new wind capacity under construction in US, due to be commissioned in 2015 (200MW at Waverly in Kansas; 100MW from Arbuckle in Oklahoma). In 2013-14, EDP Renováveis secured PPAs for 1.3GW, thereby reinforcing the visibility over future cash flow power of existing projects and forthcoming new installations. PPAs secured for upcoming new installations include 300MW due to be commissioned in the second half of 2015 (20-year PPAs for Waverly and Arburckle wind farms), 400MW due in 2016 (15-year PPA for 100MW and 20-year PPAs for 300MW) and 155MW due in 2017 (20-year PPA for RECs in New York).

In Spain, EDP Renováveis EBITDA increased 11% year-on-year (+EUR 13 million), to EUR 130 million in the first half of 2015, driven by higher realised price achieved in the market (EUR 42/MWh in the first half of 2015, up from EUR 26/MWh in the first half of 2014). Installed capacity stood stable at 2,194MW in the first half of 2015 (MW EBITDA), to which accrues 174MW, equivalent to EDP Renováveis equity position in other wind projects (equity-method consolidated). Electricity output in Spain fell by 7% year-on-year, to 2.7TWh in the first half of 2015, reflecting outstanding wind conditions in the first half of 2014 – 8% of the output was generated from capacity without complement. Average price advanced by 14% year-on-year, to EUR 71/MWh in the first half of 2015, propelled by a sharp increase of realised pool price (EUR 42/MWh in the first half of 2015) and an EUR 82 million revenue from capacity complement. As a way to reduce its exposure to merchant prices in Spain, EDP Renováveis hedged 1.4TWh at EUR 48/MWh for the rest of 2015 and 2.1TWh at EUR 48/MWh for 2016.

In Portugal, EDP Renováveis owns a portfolio of 630MW (MW EBITDA): 628MW of wind capacity and 2MW of solar PV. Also in the wind business, EDP Renováveis holds a 40% equity stake in ENEOP consortium (equity consolidated), with 533MW attributable to EDP Renováveis 40% interest in ENEOP. In line with the MoU signed between EDP Renováveis and CTG in December 2013, once ENEOP's assets are split between its shareholders, EDP Renováveis will sell to CTG 49% of its share – execution of the Memorandum of Understanding is expected to occur in 2015 (pending regulatory approvals). EDP Renováveis' EBITDA in Portugal fell by 16% year-on-year, to EUR 74 million in the first half of 2015, reflecting lower output derived from outstanding wind resources in the first half of 2014 and low inflation scenario in Portugal. Wind production in the first half of 2015 was 13% lower year-on-year, as the still above-average wind resources of the the first half of 2015 (wind factor: 1.06) fell short of the exceptionally strong resources that shaped the the first half of 2014 (wind factor: 1.24). Accordingly, average load factor fell 4p.p. year-on-year, to 30% in the first half of 2015. Average selling price in the first half of 2015 stood 1% below the the first half of 2014, penalised by a low inflation scenario.

In European markets outside of Iberia, EBITDA rose by 13% year-on-year (+EUR 13 million), to EUR 111 million in the first half of 2015, driven by higher average capacity on stream (+4% year-on-year), higher average load factor (+2p.p. year-on-year), lower average selling price (-10% year-on-year, due to lower prices in Romania with green certificates being sold at the floor of the regulated collar). As of June 15, EDP Renováveis had 135MW under construction: 77MW in Poland, 48MW in France and 10MW in Italy.

## EDP BRASIL

EDP Brasil's contribution to EDP group rose by 88% year-on-year (+EUR 235 million), to EUR 501 million in the first half of 2015, including, i) in the first half of 2015, a EUR 267 million impact deriving from the bargain purchase of Eneva's 50% stake in Pecém I, which was an acquisition for control (now fully consolidated at the level of EDP Brasil since 15 May 2015) and, ii) in the first half of 2014, a EUR 129 million impact deriving from the disposal of 50% to CTG of the share capital in the hydro projects of Jari and Cachoeira Caldeirão. The depreciation of the Brazilian real against the Euro impacted negatively in the amount of EUR 25 million.

Local currency EBITDA in distribution went up by BRL 385 million, essentially due to the recognition in the first semester of 2015 of tariff deviations in the period. Since December 14 and as a consequence of a legal addendum to the concession contracts, the tariff deviations started being recognised as assets/liabilities on the financial statements when occurred. In the first semester of 2014, the unrecognised tariff deviations reached BRL 340 million. Other than this effect, EBITDA in distribution evolved positively by +12% (or +EUR 45 million year-on-year), driven by higher regulated revenues, reflecting the annual tariff readjustments at both our DisCos (Escelsa: +26.54% from August 2014 and Bandeirante: +22.34% from October 14). Generation and Supply EBITDA, which excludes Pecém I transaction, went down 9% year-on-year (-BRL 40 million), reflecting: i) low Generation Scaling Factor (80% in the first half the 2015) and the subsequent generators' need to purchase energy at high market prices; which was partially mitigated by: ii) the full consolidation of Pecém for 45 days (BRL 77 million).

At the distribution business level, volumes of electricity sold went up 1% year-on-year in first half of 2015, translating a 3% increase in the 'residential, commercial & other' segments, mainly due to higher demand in the rural segments on dry weather. This was partially offset by a reduction of 6% in industrial volumes, reflecting lower industrial activity as well as lower consumption from the non-metallic minerals and chemical sectors. At the same time, volumes distributed to industrial clients in the free market went down 2% to 4.8TWh in first half of 2015, reflecting the cooling of the industrial production in the São Paulo region.

At generation level, electricity volumes sold increased 21% to 5.0TWh in the first half of 2015 reflecting (i) the full consolidation of Pecém (+679GWh), and (ii) the seasonal allocation of volumes – given the adverse hydro environment, and to maintain some protection against exposure to market prices, a significant portion of the volumes of electricity to be sold was allocated to the first half of the year, in an even higher proportion than in the first half of 2014.

Electricity supply gross profit decreased 19% year-on-year (-BRL 12 million) to BRL 52 million in the first half of 2015, reflecting lower volumes supplied to clients and an exceptionally strong first half of 2014, which benefitted from higher spot prices and higher price volatility.

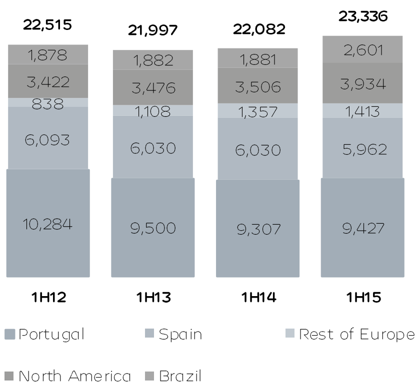
# KEY INDICATORS

## ELECTRICITY GENERATION

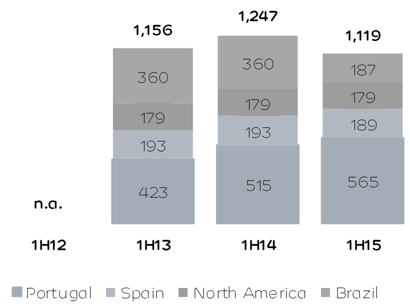
| | Un. | 1H 15 | 1H 14 | 1H 13 | 1H 12 |
|---|---|---|---|---|---|
| **INSTALLED CAPACITY** | **MW** | **23,336** | **22,082** | **21,997** | **22,515** |
| **Contracted Generation in Iberian Market** | **MW** | **4,683** | **4,745** | **5,593** | **6,687** |
| **PPA/CMEC** | **MW** | **4,470** | **4,470** | **5,274** | **6,221** |
| Hydro | MW | 3,290 | 3,290 | 4,094 | 4,094 |
| Coal | MW | 1,180 | 1,180 | 1,180 | 1,180 |
| Fuel | MW | - | - | - | 946 |
| **Special Regime** | **MW** | **213** | **274** | **318** | **466** |
| Portugal - Hydro | MW | 164 | 157 | 157 | 157 |
| Portugal - Thermal | MW | 24 | 24 | 68 | 167 |
| Spain - Thermal | MW | 25 | 93 | 93 | 142 |
| **Liberalised Electricity Generation in Iberian Market** | **MW** | **7,881** | **7,777** | **7,125** | **6,864** |
| **Portugal** | **MW** | **4,139** | **4,035** | **3,382** | **3,125** |
| Hydro | MW | 2,100 | 1,996 | 1,178 | 921 |
| CCGT | MW | 2,039 | 2,039 | 2,039 | 2,039 |
| Fuel | MW | - | - | 165 | 165 |
| **Spain** | **MW** | **3,743** | **3,743** | **3,743** | **3,740** |
| Hydro | MW | 426 | 426 | 426 | 426 |
| CCGT | MW | 1,698 | 1,698 | 1,698 | 1,698 |
| Coal | MW | 1,463 | 1,463 | 1,463 | 1,460 |
| Nuclear | MW | 156 | 156 | 156 | 156 |
| **EDP Renováveis** | **MW** | **8,254** | **7,762** | **7,481** | **7,169** |
| Portugal | MW | 630 | 621 | 619 | 615 |
| Spain | MW | 2,194 | 2,194 | 2,194 | 2,211 |
| Rest of Europe | MW | 1,413 | 1,357 | 1,108 | 838 |
| North America | MW | 3,934 | 3,506 | 3,476 | 3,422 |
| Brazil | MW | 84 | 84 | 84 | 84 |
| **EDP Brasil** | **MW** | **2,517** | **1,797** | **1,798** | **1,794** |
| Hydro | MW | 1,797 | 1,797 | 1,798 | 1,794 |
| Coal | MW | 720 | - | - | - |
| **Capacity under Construction** | **MW** | **1,925** | **1,873** | **2,122** | **2,916** |
| Portugal [1] | MW | 1,368 | 1,468 | 1,468 | 1,710 |
| EDP Renováveis | MW | 556 | 405 | 242 | 468 |
| Brazil [1] | MW | 0 | 0 | 412 | 738 |
| **Installed Capacity Equity [2]** | **MW** | **1,119** | **1,247** | **1,156** | **n.a.** |
| Portugal [1] | MW | 32 | 32 | 32 | n.a. |
| Spain [1] | MW | 15 | 19 | 19 | n.a. |
| EDP Renováveis | MW | 886 | 837 | 744 | n.a. |
| Brazil [1] | MW | 187 | 360 | 360 | n.a. |
| **Capacity under Construction Equity [2]** | **MW** | **341** | **609** | **296** | - |
| Brazil | MW | 341 | 609 | 296 | - |
| **NET ELECTRICITY GENERATION** | **GWh** | **31,646** | **32,156** | **31,226** | **27,832** |
| **Contracted Generation in Iberian Market** | **GWh** | **8,186** | **9,728** | **10,538** | **7,213** |
| **PPA/CMEC** | **GWh** | **7,791** | **9,102** | **9,562** | **6,060** |
| Hydro | GWh | 3,063 | 5,859 | 6,088 | 1,730 |
| Coal | GWh | 4,728 | 3,242 | 3,474 | 4,330 |
| Fuel | GWh | - | - | - | 1 |
| **Special Regime** | **GWh** | **396** | **626** | **976** | **1,152** |
| Portugal - Hydro | GWh | 226 | 405 | 424 | 132 |
| Portugal - Thermal | GWh | 102 | 120 | 248 | 591 |
| Spain - Thermal | GWh | 68 | 101 | 305 | 430 |
| **Liberalised Electricity Generation in Iberian Market** | **GWh** | **8,747** | **7,472** | **6,278** | **6,230** |
| Portugal | GWh | **3,217** | **3,721** | **2,251** | **1,361** |
| Hydro | GWh | 2,464 | 3,661 | 2,101 | 648 |
| CCGT | GWh | 753 | 60 | 150 | 713 |
| Fuel | GWh | - | - | - | 0 |
| Spain | GWh | **5,530** | **3,752** | **4,027** | **4,869** |
| Hydro | GWh | 620 | 681 | 838 | 396 |
| CCGT | GWh | 333 | 159 | 287 | 796 |
| Coal | GWh | 4,030 | 2,383 | 2,387 | 3,124 |
| Nuclear | GWh | 546 | 529 | 515 | 553 |
| **EDP Renováveis** | **GWh** | **10,842** | **10,965** | **10,323** | **9,918** |
| Portugal | GWh | 807 | 926 | 888 | 707 |
| Spain | GWh | 2,727 | 2,943 | 2,920 | 2,639 |
| Rest of Europe | GWh | 1,651 | 1,335 | 1001 | 871 |
| North America | GWh | 5,562 | 5,658 | 5,416 | 5,607 |
| Brazil | GWh | 94 | 103 | 98 | 93 |
| **EDP Brasil** | **GWh** | **3,871** | **3,991** | **4,087** | **4,472** |
| Hydro | GWh | 3,261 | 3,991 | 4,087 | 4,472 |
| Coal | GWh | 610 | - | - | - |
| Steam | GWh | 447 | 542 | 802 | 1,083 |

[1] Excludes EDP Renováveis | [2] Consolidation by the Equity Method

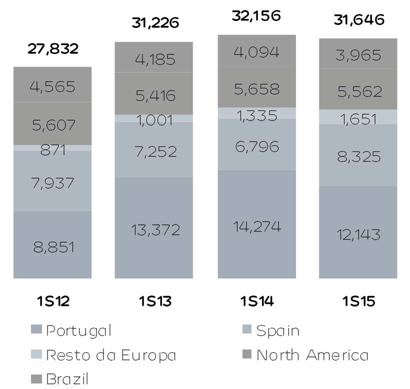
INSTALLED CAPACITY
(MW)



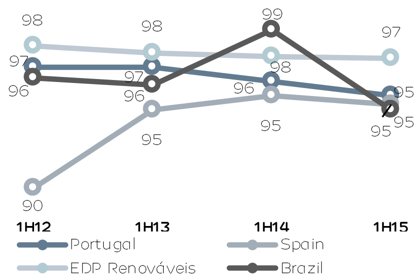

INSTALLED CAPACITY EQUITY[2]
(MW)



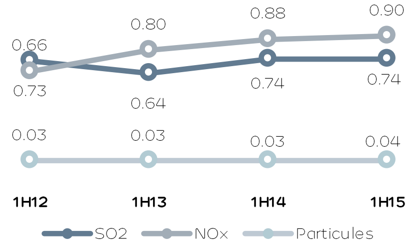

NET ELECTRICITY GENERATION
(GWh)



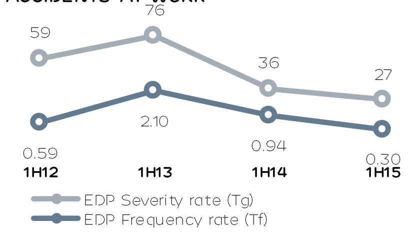
TECHNICAL AVAILABILITY (%)




SPECIFIC EMISSIONS FROM THERMAL (g/kWh)




ACCIDENTS AT WORK




| | Un. | 1H15 | 1H14 | 1H13 | 1H12 |
|---|---|---|---|---|---|
| **TECHNICAL AVAILABILITY** | | | | | |
| **Portugal** [1] | **%** | **95** | **96** | **97** | **97** |
| Hydro | % | 99 | 97 | 98 | 97 |
| CCGT | % | 94 | 95 | 97 | 97 |
| Coal | % | 100 | 95 | 92 | 97 |
| Mini-hydro | % | 94 | 94 | 99 | 93 |
| Cogeneration | % | 99 | 100 | 94 | 95 |
| **Spain** [1] | **%** | **95** | **95** | **95** | **90** |
| Hydro | % | 100 | 100 | 100 | 100 |
| CCGT | % | 100 | 95 | 97 | 91 |
| Coal | % | 89 | 96 | 96 | 87 |
| Nuclear | % | 83 | 80 | 78 | 83 |
| Cogeneration | % | 98 | 99 | 91 | n.d. |
| Waste | % | 96 | 89 | 92 | n.d. |
| **EDP Renováveis** | **%** | **97** | **98** | **98** | **98** |
| Portugal | % | 98 | 98 | 97 | 98 |
| Spain | % | 96 | 97 | 98 | 98 |
| Rest of Europe | % | 98 | 97 | 97 | 97 |
| North America | % | 98 | 98 | 98 | 98 |
| Brazil | % | 98 | 98 | 98 | 98 |
| **Brazil** [1] | **%** | **95** | **99** | **96** | **96** |
| Hydro | GWh | 97 | 99 | 96 | 96 |
| Coal | GWh | 87 | - | - | - |
| **ENVIROMENTAL INDICATORS** | | | | | |
| Certified Installed Capacity | % | 92 | 80 | 75 | 72 |
| Total Emissions | | | | | |
| $CO_2$ | kt | 954 | 998 | 896 | 801 |
| NOx | kt | 0.9 | 0.9 | 0.8 | 0.7 |
| $SO_2$ | kt | 0.7 | 0.7 | 0.6 | 0.7 |
| Particles | kt | 0.04 | 0.03 | 0.03 | 0.03 |
| Avoided $CO_2$ | kt | 16,227 | 19,641 | 17,230 | 10,056 |
| Waste sent for final disposal | t | 283,834 | 105,201 | 132,330 | 376,590 |
| Dangerous waste | t | 33,479 | 1,545 | 2,335 | 1,951 |
| Waste valorization | % | 47 | 65 | 64 | 45 |
| Sub-products | t | 237,899 | 212,238 | 189,591 | 164,157 |
| Cooling water | $m^3x10^3$ | 832,267 | 786,836 | 759,255 | 770,865 |
| Raw water | $m^3x10^3$ | 4,482 | 2,701 | 3,186 | 3,829 |
| **EMPLOYEES AND SECURITY** | | | | | |
| Employees | # | 3,234 | 2,968 | 3,085 | 2,651 |
| On-duty accidents | # | 1 | 3 | 6 | 1 |
| On-duty accidents of contracted workers | # | 44 | 56 | 80 | 70 |
| Fatal on-duty accidents | # | 0 | 0 | 1 | 1 |
| Fatal accidents of contracted workers | # | 1 | 3 | 2 | 0 |

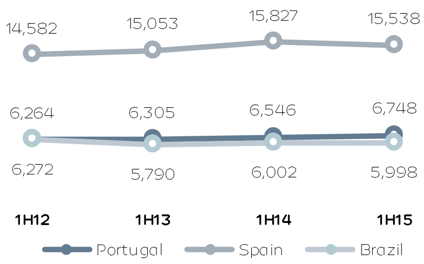
[1] Excludes EDP Renováveis

# ELECTRICITY AND GAS DISTRIBUTION

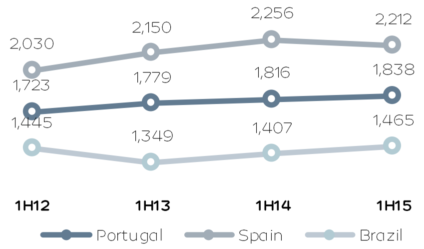
| | Un. | 1H 15 | 1H 14 | 1H 13 | 1H 12 |
|---|---|---|---|---|---|
| **ELECTRICITY** | | | | | |
| **ELECTRICITY DISTRIBUTED** | **GWh** | **40,141** | **39,731** | **39,010** | **39,436** |
| Portugal | GWh | 22,368 | 21,904 | 21,550 | 22,237 |
| Spain | GWh | 4,630 | 4,621 | 4,606 | 4,717 |
| Brazil | GWh | 13,142 | 13,205 | 12,854 | 12,481 |
| **ELECTRICITY SUPPLY POINTS** | **'000** | **9,962** | **9,831** | **9,731** | **9,649** |
| Portugal | '000 | 6,094 | 6,076 | 6,079 | 6,117 |
| Spain | '000 | 659 | 659 | 658 | 657 |
| Brazil | '000 | 3,209 | 3,096 | 2,994 | 2,876 |
| **GRID EXTENSION** | **Km** | **334,725** | **332,326** | **335,548** | **332,245** |
| **Portugal** | **Km** | **224,498** | **223,344** | **224,688** | **222,934** |
| Overhead lines | Km | 176,304 | 175,404 | n.a. | n.a. |
| Underground lines | Km | 48,194 | 47,940 | n.a. | n.a. |
| **Spain** | **Km** | **20,325** | **20,221** | **23,202** | **22,850** |
| Overhead lines | Km | 15,580 | 15,523 | 18,438 | n.a. |
| Underground lines | Km | 4,745 | 4,698 | 4,764 | n.a. |
| **Brazil** | **Km** | **89,901** | **88,761** | **87,658** | **86,462** |
| **GRID LOSSES** | | | | | |
| Portugal | % | 10 | 10 | 12 | 10 |
| Spain | % | 5 | 4 | 4 | 5 |
| Brazil | % | 11 | 11 | 12 | 12 |
| **SERVICE QUALITY** | | | | | |
| **Portugal** | | | | | |
| Installed Capacity Equivalent Interruption Time[1] | Min | 26 | 35 | 30 | 21 |
| **Spain** | | | | | |
| Installed Capacity Equivalent Interruption Time[1] | Min | 21 | 13 | 22 | 15 |
| **Brazil** | | | | | |
| Average Interruption Duration per Consumer | | | | | |
| Bandeirante | Hours | 7.4 | 7.4 | 9.2 | 8.5 |
| Escelsa | Hours | 9.3 | 9.6 | 10.7 | 10.1 |
| Frequency of Interruptions per Consumer | | | | | |
| Bandeirante | # | 5.0 | 5.3 | 5.8 | 5.7 |
| Escelsa | # | 5.4 | 6.1 | 6.4 | 6.4 |
| **ENVIRONMENTAL INDICATORS** | | | | | |
| Certified Installed Capacity | % | 35 | 33 | 29 | 24 |
| Waste sent for final disposal | t | 8,225 | 4,034 | 8,696 | 6,742 |
| Dangerous waste | t | 1,447 | 1,222 | 1,006 | 150 |
| Waste valorization | % | 90 | 77 | 97 | 69 |
| **EMPLOYEES AND SECURITY** | | | | | |
| Employees | # | 5,804 | 5,838 | 5,944 | 5,864 |
| On-duty accidents | # | 20 | 11 | 10 | 14 |
| On-duty accidents of contracted workers | # | 14 | 22 | 25 | 27 |
| Fatal on-duty accidents | # | 1 | 0 | 1 | 0 |
| Fatal accidents of contracted workers | # | 1 | 3 | 2 | 4 |

[1] ICEIT in MV grid, excluding extraordinary effects.

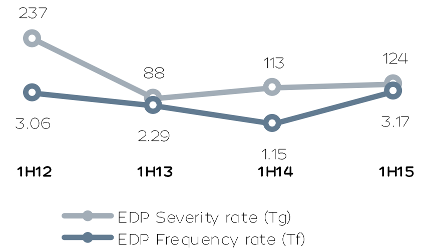
ELECTRICITY DISTRIBUTED PER EMPLOYEE (MWh/#)



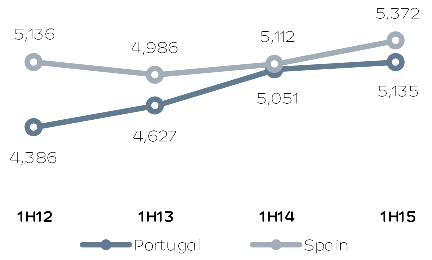

ELECTRICITY SUPPLY POINTS PER EMPLOYEE (#)



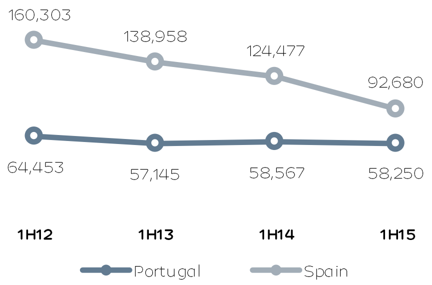

ACCIDENTS AT WORK



GAS SUPPLY POINTS PER EMPLOYEE (#)




GAS DISTRIBUTED PER EMPLOYEE (MWh/#)




| | Un. | 1H 15 | 1H 14 | 1H 13 | 1H 12 |
|---|---|---|---|---|---|
| **GAS** | | | | | |
| **GAS DISTRIBUTED** | **GWh** | **19,425** | **28,527** | **31,866** | **35,384** |
| Portugal | GWh | 3,670 | 3,631 | 3,657 | 4,125 |
| Spain | GWh | 15,756 | 24,895 | 28,208 | 31,259 |
| **GAS SUPPLIED** | **'000** | **1,237** | **1,335** | **1,308** | **1,282** |
| Portugal | '000 | 323 | 313 | 296 | 281 |
| Spain | '000 | 913 | 1,022 | 1,012 | 1,002 |
| **GRID EXTENSION** | **Km** | **12,398** | **14,638** | **14,301** | **14,488** |
| Portugal | Km | 4,705 | 4,543 | 4,376 | 4,219 |
| Spain [1] | Km | 7,692 | 10,096 | 9,925 | 10,269 |
| **ENVIRONMENTAL INDICATORS** | | | | | |
| Installed power certified | % | 100 | 100 | 0 | 0 |
| Waste sent for final disposal | t | 4 | 11 | 15 | 32 |
| Dangerous waste | t | 0 | 0 | 1 | 2 |
| Waste valorization | % | 100 | 99 | 97 | 97 |
| **EMPLOYEES AND SECURITY** | | | | | |
| Employees | # | 233 | 262 | 267 | 259 |
| On-duty accidents | # | 1 | 1 | 4 | 1 |
| On-duty accidents of contracted workers | # | 0 | 2 | 4 | 10 |
| Fatal on-duty accidents | # | 0 | 0 | 0 | 0 |
| Fatal accidents of contracted workers | # | 0 | 0 | 0 | 0 |

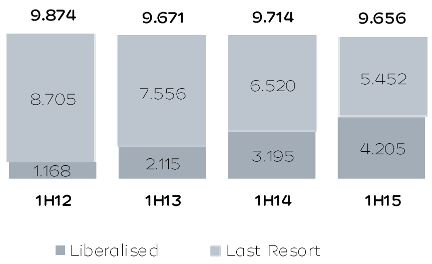
[1] The number of km in 2012 includes the gas transport in Spain.

# ELECTRICITY AND GAS SUPPLY

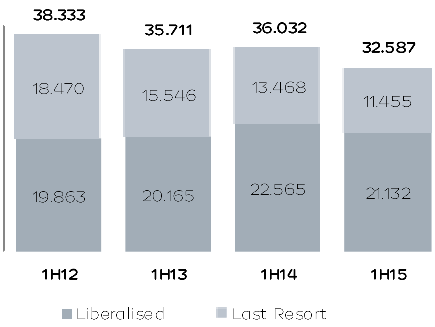
| | Un. | 1H 15 | 1H 14 | 1H 13 | 1H 12 |
|---|---|---|---|---|---|
| **ELECTRICITY** | | | | | |
| **NUMBER OF CUSTOMERS** | '000 | 9.656 | 9.714 | 9.671 | 9.874 |
| **Portugal** | '000 | 5.460 | 5.681 | 5.803 | 5.978 |
| Last Resort | '000 | 2.000 | 3.172 | 4.298 | 5.533 |
| Liberalised Market | '000 | 3.460 | 2.509 | 1505 | 445 |
| Market Share EDP - Liberalised Market | % | n.a. | 86 | 85 | 79 |
| **Spain** | '000 | 987 | 937 | 874 | 1.020 |
| Last Resort | '000 | 243 | 252 | 264 | 297 |
| Liberalised Market | '000 | 744 | 685 | 610 | 723 |
| Market Share EDP - Liberalised Market | % | n.a. | n.a. | n.a. | n.a. |
| **Brazil** | '000 | 3.209 | 3.096 | 2.994 | 2.876 |
| Last Resort[1] | '000 | 3.209 | 3.096 | 2.994 | 2.875 |
| Liberalised Market | '000 | 0,45 | 0,52 | 0,32 | 0,20 |
| **Social Tariff** | '000 | 293 | 324 | 333 | 268 |
| Portugal | '000 | 52 | 46 | 65 | 89 |
| Spain | '000 | 61 | 63 | 61 | 58 |
| Brazil | '000 | 180 | 214 | 206 | 121 |
| **Special Needs** | '000 | 1 | 1 | 1 | 1 |
| Portugal | '000 | 0,5 | 0,4 | 0,5 | 0,6 |
| Brazil | '000 | 0,4 | 0,4 | 0,3 | 0,3 |
| **Green Tariff** | '000 | 771 | 683 | 586 | 519 |
| Portugal | '000 | 4 | 4 | 5 | 5 |
| Spain | '000 | 767 | 679 | 581 | 515 |
| **ENERGY SUPPLIED** | GWh | 32.587 | 36.032 | 35.711 | 38.333 |
| **Portugal** | GWh | 11.852 | 12.772 | 13.599 | 14.839 |
| Last Resort | GWh | 3.199 | 5.217 | 7.555 | 10.211 |
| Liberalised Market | GWh | 8.653 | 7.555 | 6.044 | 4.628 |
| Market Share EDP - Liberalised Market | % | 45 | 45 | 43 | 39 |
| **Spain** | GWh | 7.532 | 8.958 | 8.403 | 10.411 |
| Last Resort | GWh | 261 | 278 | 317 | 390 |
| Liberalised Market | GWh | 7.271 | 8.680 | 8.087 | 10.021 |
| Market Share EDP - Liberalised Market | % | 8 | 10 | 10 | 12 |
| **Brazil** | GWh | 13.203 | 14.303 | 13.709 | 13.083 |
| Last Resort[1] | GWh | 7.995 | 7.973 | 7.675 | 7.869 |
| Liberalised Market | GWh | 5.209 | 6.330 | 6.034 | 5.213 |
| **Social Tariff** | GWh | 256 | 316 | 281 | 248 |
| Portugal | GWh | 10 | 46 | 62 | 84 |
| Spain | GWh | 66 | 65 | 62 | 57 |
| Brazil | GWh | 180 | 205 | 156 | 107 |
| **Special Needs** | GWh | 0,9 | 0,8 | 0,6 | 0,5 |
| **Green Tariff** | GWh | 2.981 | 2.500 | 2.467 | 2.434 |
| Portugal | GWh | 6 | 16 | 6 | 5 |
| Spain | GWh | 2.975 | 2.484 | 2.462 | 2.429 |
| **Energy Services Invoicing** | €M | 14 | 15 | 12 | 11 |
| Portugal | M€ | 3 | 3 | 2 | 2 |
| Espanha | M€ | 10 | 12 | 10 | 9 |
| Brasil | M€ | 0,01 | 0,02 | 0,04 | 0,10 |
| **GAS** | | | | | |
| **NUMBER OF CUSTOMERS** | '000 | 1.358 | 1.254 | 1.122 | 1.051 |
| **Portugal** | '000 | 527 | 433 | 335 | 285 |
| Last Resort | '000 | 74 | 118 | 185 | 277 |
| Liberalised Market | '000 | 452 | 316 | 151 | 8 |
| **Spain** | '000 | 831 | 820 | 787 | 766 |
| Last Resort | '000 | 60 | 71 | 76 | 94 |
| Liberalised Market | '000 | 771 | 749 | 710 | 672 |
| **ENERGY SUPPLIED** | GWh | 16.041 | 19.364 | 18.348 | 19.400 |
| **Portugal** | GWh | 2.664 | 2.363 | 3.616 | 3.938 |
| Last Resort | GWh | 270 | 406 | 617 | 807 |
| Liberalised Market | GWh | 2.394 | 1957 | 2.999 | 3.131 |
| Market Share EDP - Liberalised Market | % | n.a. | 8 | 15 | n.a. |
| **Spain** | GWh | 13.377 | 17.001 | 14.733 | 15.462 |
| Last Resort | GWh | 187 | 179 | 222 | 259 |
| Liberalised Market | GWh | 13.189 | 16.823 | 14.511 | 15.203 |
| Market Share EDP - Liberalised Market | % | 3 | 4 | 6 | n.a. |

[1] Regulated Customers supplied by Distribution

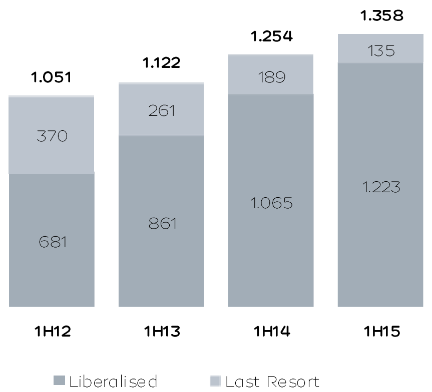
ELECTRICITY NUMBER OF CUSTOMERS
('000)



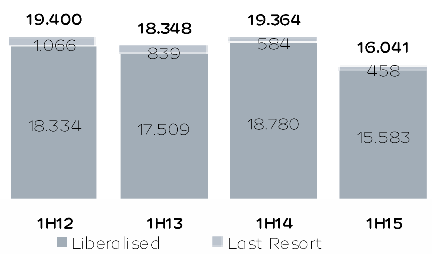

ELECTRICITY SUPPLIED
(GWh)




GAS NUMBER OF CUSTOMERS
('000)




GAS SUPPLIED
(GWh)



# COMPLEMENTARY INDICATORS

## ENVIRONMENTAL INDICATORS

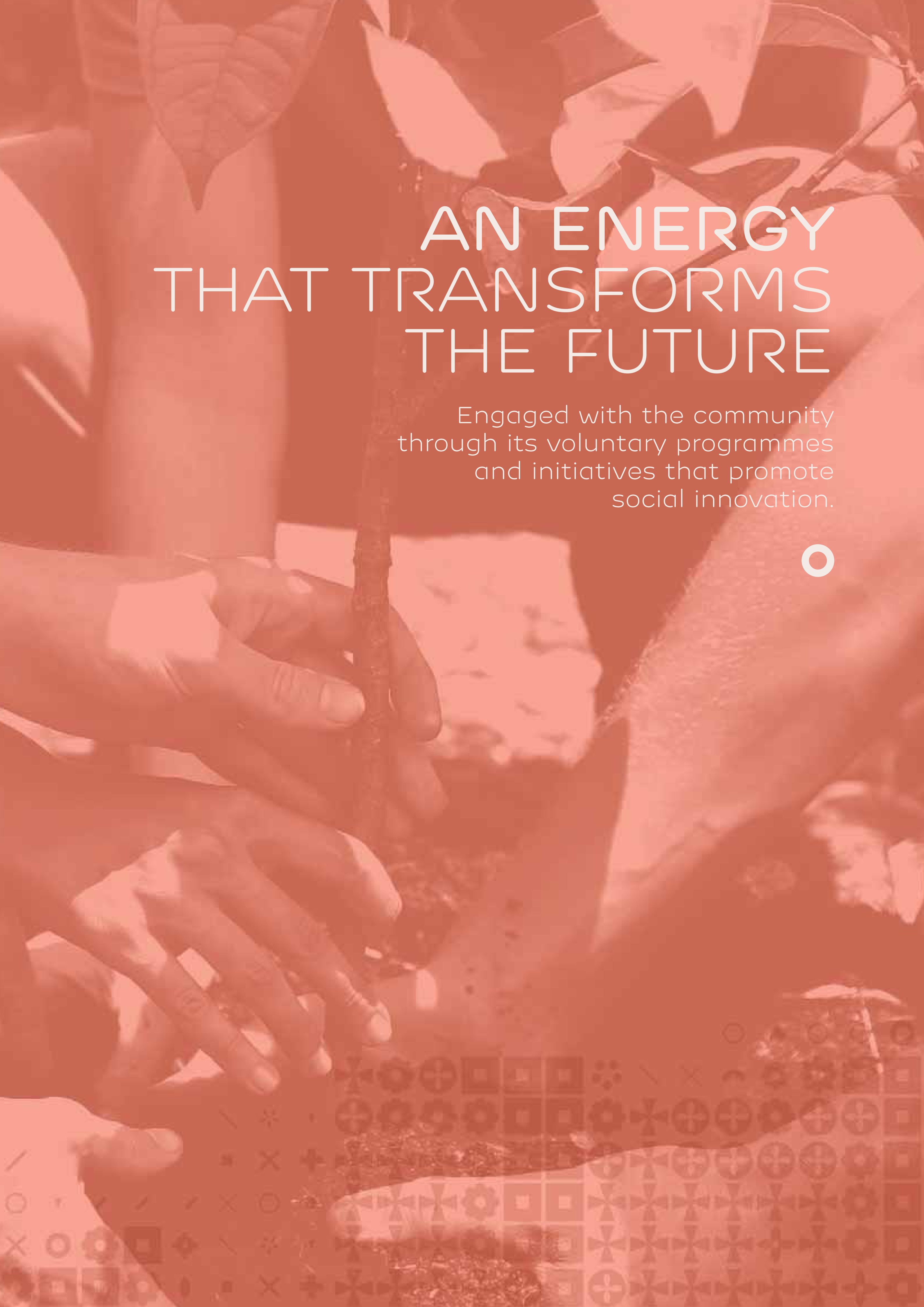
| | Un. | 1H 15 | 1H 14 | 1H 13 | 1H 12 |
|---|---|---|---|---|---|
| **ENVIRONMENTAL CERTIFICATION (ISO 14001)** | | | | | |
| Revenues from certified installations | % | 55 | 37 | 28 | 32 |
| **PRIMARY ENERGY CONSUMPTION** | **TJ** | **107,185** | **63,031** | **71,446** | **98,628** |
| Coal [1] | TJ | 89,852 | 51,704 | 53,721 | 68,630 |
| Fuel Oil | TJ | 164 | 267 | 284 | 4,102 |
| Natural Gas | TJ | 9,891 | 4,402 | 9,662 | 18,780 |
| Diesel Oil | TJ | 85 | 86 | 50 | 98 |
| Forestry waste | TJ | n.a. | n.a. | 1,840 | 1,366 |
| Residual gases | TJ | 7,067 | 6,453 | 5,769 | 5,512 |
| Fuel for vehicle fleet | TJ | 127 | 119 | 120 | 141 |
| **ELECTRICITY CONSUMPTION** | | | | | |
| Generation internal consumption [1] | MWh | 1,741,423 | 1,712,781 | 1,332,396 | 1,193,164 |
| Administrative services | MWh | 17,840 | 17,229 | 18,568 | 19,289 |
| Grid losses | % | 9 | 10 | 11 | 11 |
| **GHG EMISSION** | | | | | |
| Direct Emissions (scope 1) | $ktCO_{2eq}$ | 10,580 | 6,606 | 6,998 | 8,892 |
| Indirect emissions (scope 2) | $ktCO_{2eq}$ | 1,109 | 1,076 | 911 | 761 |
| **OVERALL SPECIFIC EMISSIONS** | | | | | |
| $CO_2$ [1 and 2] | g/kWh | 335 | 205 | 218 | 313 |
| $NO_x$ [3] | g/kWh | 0.32 | 0.18 | 0.18 | 0.18 |
| $SO_2$ [3] | g/kWh | 0.26 | 0.15 | 0.15 | 0.15 |
| Particles [3] | g/kWh | 0.01 | 0.01 | 0.01 | 0.01 |
| **USE OF WATER** | | | | | |
| Potable water | $10^3 x m^3$ | 94 | 81 | 133 | 90 |
| **WASTE SENT TO FINAL DISPOSAL** | | | | | |
| Total waste [1] | t | 292,344 | 109,485 | 141,348 | 383,913 |
| Total hazard waste [1] | t | 34,941 | 2,770 | 3,348 | 2,259 |
| Recovered Waste [1] | % | 49 | 66 | 66 | 45 |
| **ENVIRONMENTAL INVESTMENT AND EXPENSES** | | | | | |
| Investment | '000€ | 19,147 | 16,939 | 14,508 | 13,331 |
| Expenses | '000€ | 25,872 | 20,142 | 24,097 | 11,265 |
| **COMPLIANCE** | | | | | |
| Environmental fines ans penalties [4] | '000€ | 31 | 53 | 70 | 235 |

[1] The figures reflect the incorporation of Pecém operational data in 1H15.
[2] Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions.
[3] Excludes the Pécem powerplant information because of unavailability of data.
[4] 2012 figure was restated so as to reflect compensations paid to third parties related with past pollution.

# SOCIAL INDICATORS

| | Un. | 1H 15 | 1H 14 | 1H 13 | 1H 12 |
|---|---|---|---|---|---|
| **EMPLOYMENT** | | | | | |
| Employees | # | **11,983** | **11,884** | **12,143** | **12,154** |
| Portugal | # | 6,653 | 6,818 | 6,967 | 7,169 |
| Spain | # | 1,844 | 1,901 | 1,940 | 1,982 |
| Brazil | # | 2,959 | 2,701 | 2,787 | 2,592 |
| USA | # | 344 | 296 | 292 | 281 |
| Rest of Europe | # | 183 | 168 | 157 | 130 |
| Permanent | # | 11,773 | 11,619 | 11,981 | 12,020 |
| Fixed-term contract | # | 155 | 208 | 106 | 80 |
| Part-time | # | 32 | 33 | 31 | 26 |
| Male employees | % | 77 | 77 | 77 | 78 |
| Portugal | % | 79 | 79 | 79 | 80 |
| Spain | % | 74 | 75 | 75 | 76 |
| Brazil | % | 78 | 77 | 77 | 78 |
| USA | % | 67 | 67 | 66 | 64 |
| Rest of Europe | % | 66 | 65 | 68 | 65 |
| Turnover | % | 2.95 | 3.40 | 3.40 | 3.44 |
| Employees average age | | 45 | 46 | 46 | 46 |
| Absenteeism rate | % | 3.34 | 3.51 | 3.14 | 3.15 |
| Personnal costs | 000€ | 294,143 | 302,123 | 305,684 | 294,713 |
| Employee benefits | 000€ | 30,077 | 27,469 | 29,543 | 35,518 |
| HC ROI | € | 23 | 38 | 23 | 24 |
| Labour productivity | €/h | 252 | 223 | 221 | 216 |
| **TRAINING** | | | | | |
| Total hours of training | horas | 168,848 | 205,352 | 170,188 | 225,841 |
| Average training per employee | h/p | 14.1 | 17.3 | 14.0 | 18.6 |
| Employees with training | % | 75 | 75 | 42 | 71 |
| Training costs | 000€ | 3,055 | 3,073 | 2,519 | 2,956 |
| **HEALTH AND SAFETY** | | | | | |
| On-duty accidents | # | 25 | 17 | 25 | 19 |
| Fatal on-duty accidents | # | 1 | 0 | 2 | 1 |
| EDP frequency rate | Tf | 2.31 | 1.58 | 2.27 | 1.77 |
| EDP severity rate | Tg | 96 | 123 | 122 | 136 |
| Total days lost due to accidents | # | 1,034 | 1,329 | 1,348 | 1,408 |
| Fatal accidents of contracted workers | # | 2 | 9 | 4 | 7 |
| Contracters frequency rate | Tf | 3.81 | 4.99 | 5.17 | 5.92 |
| EDP and contracters frequency rate | Tf | 3.24 | 3.88 | 4.22 | 4.46 |
| **SOCIAL CONTRIBUTIONS (LBG MODEL)** | | | | | |
| Volunteer contributions/EBITDA | % | 0.20 | 0.31 | 0.38 | 0.39 |

# CORPORATE GOVERNANCE



# AN ENERGY THAT TRANSFORMS THE FUTURE

Engaged with the community through its voluntary programmes and initiatives that promote social innovation.

# A. PERFORMANCE OF EDP ON THE STOCK MARKET

## MAIN EVENTS AFFECTING THE EDP SHARE PRICE IN 1ST HALF OF 2015

| # | Date | Event | Price |
|---|---|---|---|
| 1 | 19-Jan | Fitch affirms EDP's rating at "BBB-" with stable outlook | 3.438 |
| 2 | 30-Jan | Standard & Poor's affirms EDP's rating at "BB+" and changes outlook to positive | 3.377 |
| 3 | 30-Jan | EDP concludes the sale of distribution assets in Murcia to Redexis | 3.377 |
| 4 | 3-Feb | José de Mello sells its 2% shareholding in EDP | 3.385 |
| 5 | 13-Feb | Moody's upgrades EDP rating to "BAA3" with outlook stable. EDP qualifies as investment grade | 3.242 |
| 6 | 27-Feb | ANEEL aproves extraordinary tariff revisions of 32% for EDP Bandeirante and 33% for EDP Escelsa | 3.526 |
| 7 | 27-Feb | EDP contracts a EUR 2 billion loan with a five year term | 3.526 |
| 8 | 3-Mar | Disclosure of the 2014 financial results | 3.491 |
| 9 | 18-Mar | EDP to receive EUR 500 million for the securitasion of the electricity tariff deficit in Portugal | 3.544 |
| 10 | 13-Apr | Blackrock notifies increase qualified shareholding in EDP | 3.731 |
| 11 | 16-Apr | EDP issues EUR 750 million of bonds | 3.624 |
| 12 | 21-Apr | EDP's Annual General Shareholders Meeting | 3.562 |
| 13 | 24-Apr | Blackrock decreases its ownership interest in the share capital of EDP | 3.574 |
| 14 | 14-May | Payment of gross dividend of EUR 0.185 per share for the 2014 financial year | 3.577 |
| 15 | 15-May | EDP Brasil concludes the purchase of a share in Pecém I from Eneva | 3.556 |
| 16 | 15-May | Capital Group notifies increase in qualified shareholding in EDP | 3.556 |
| 17 | 18-May | EDP sellss EUR 186 million of electricity tariff deficit in Portugal | 3.581 |
| 18 | 19-May | EDP concludes the sale of minority stakes in wind parks in Brazil to CTG | 3.609 |
| 19 | 19-May | Capital Income Builder notifies increase in qualified shareholding in EDP | 3.609 |
| 20 | 22-Jun | EDPR announces the study of the development of a new asset rotation program | 3.498 |

# B. CORPORATE BODIES

## I. CORPORATE GOVERNANCE STRUCTURE

### 1.1. CORPORATE GOVERNANCE MODEL

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

According to Article 11 (2) (b) of the Articles of association, it is the responsibility of the General Meeting of EDP to elect and dismiss the members of the Executive Board of Directors and the General and Supervisory Board, as well as their Chairmen and Vice-Chairmen, if any, and the Statutory Auditors, based on a proposal by the General and Supervisory Board (or by delegation to the Financial Matters Committee / Audit Committee). The General Meeting also appoints the members of the Environment and Sustainability Board, on proposal of the Executive Board of Directors, and Remuneration Committee of the General Meeting, which is responsible for setting the remuneration of the members of the corporate bodies (except the Executive Board of Directors, whose remuneration is set by the Remuneration Committee appointed by the General and Supervisory Board).

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

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

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

For a better understanding of EDP's corporate governance, EDP's website (http://www.edp.pt/pt/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx) allows shareholders and the general public to view the up-to-date Articles of Association in Portuguese and English, the Internal Regulations of the Executive Board of Directors, General and Supervisory Board and its committees.

Moreover, the General and Supervisory Board and Executive Board of Directors have approved the Corporate Governance Manual which is also available to shareholders and the general public on the EDP website (www.edp.pt). The primary objective of this manual is to record and share an understanding of the two corporate bodies in terms of the recommendations of good corporate governance practices applying to EDP and appropriate guidelines to comply with them.

EDP sought to go beyond the legal requirements and regulations for this area, particularly concerning information reporting, given EDP's meticulousness and goals as regards the quality of its corporate governance practices. The Corporate Governance Manual therefore sought to serve the following purposes in order to achieve this basic goal:

- To reflect critically on recommendations on best practices set out in the CMVM Corporate Governance Code in order to contribute actively in optimising EDP's practices;
- To select the recommendations deemed most appropriate to EDP’s governance model, focusing on measures taken and indicating potential measures for full adoption of good practices;
- To identify recommendations that are not appropriate to EDP’s interests and give reasons for this position and indicate other ways of achieving the goals set out in the CMVM Corporate Governance Code;
- To help targets of the recommendations to reflect on the best governance practices to be followed at EDP;
- To draft a formal document that will help compliance with reporting obligations on corporate governance practices, such as the annual report required by law;
- Describe EDP’s governance practices that are not set out in the Corporate Governance Code but achieve the goal shared by the General and Supervisory Board and the Executive Board of Directors to develop and increase the quality of EDP’s governance processes.

## 1.2. INCOMPATIBILITY RULES AND INDEPENDENCE CRITERIA

EDP's Articles of Association (Article 9 (1) Article 11 (2) (d), Article 21 (4), Article 22 (1) (a), Article 23 and Article 27) and the Internal Regulations of the General and Supervisory Board (Article 7)), both available on its website (www.edp.pt), lay down the rules on independence and incompatibilities for members of any of the company's corporate bodies.

The criteria of independence set out in EDP's Articles of Association are in line with those laid down in 414 (5) of the Company Code and determine that independence means an absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently.

Pursuant to Article 9 (1) of EDP's Articles of Association, independence is "absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently".

In view of the need to clarify the aforementioned Article 414 (5) of the Company Code, as there are diverging legal opinions, Associação de Emitentes de Valores Cotados em Mercado ("AEM") requested an opinion from the CMVM , whose opinion was that the capacity as independent is only lost if, "on the basis of the criterion of number of terms of office, in a situation likely to affect his/her impartiality in analyses or decisions if the members of the supervisory bodies of public limited companies, having been elected for a first term of office and re-elected continuously or intermittently for a second and third term, are re-elected (for the third time, therefore) for a fourth term of office."

Pursuant to its Internal Regulations, the General and Supervisory Board has in place a specific procedure regarding compliance with a large number of rules on incompatibilities and independence applicable to positions on this board (Articles 6 and 7 of the General and Supervisory Board Internal Regulations). This procedure includes the following aspects:

- Acceptance of a position as member of the General and Supervisory Board is subject to a written statement setting out specifically (i) the inexistence of any incompatibility under the law or Articles of Association; (ii) compliance with the independence requirements set out in its Internal Regulations, if the person has been elected as an independent member; (iii) the members' obligation to report to the Chairman of the General and Supervisory Board or, for the Chairman, directly to the board any subsequent event that might generate incompatibility or loss of independence;

- Every year, the members of the General and Supervisory Board must renew their statements as to the inexistence of incompatibility and compliance with the independence requirements, if applicable;

Also every year, the General and Supervisory Board conducts a general assessment of compliance with the rules of incompatibility and independence by its members.

At the same time, the Internal Regulations of the General and Supervisory Board has broadened the independence criteria applicable to its members, going beyond the provisions of Article 414 (5) of the Company Code and Article 9 of EDP's Articles of Association, and so people who directly or through their spouse or relative or similar in a straight line and to the collateral third degree, inclusive, are in one of the following situations cannot have independent status:

- Being holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in EDP or the same percentage in a company of which it is a subsidiary;

- Being a holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in a company that is a competitor of EDP; and

- Having been re-elected for more than two consecutive or non-consecutive terms of office.

The rules of independence covering members of the General and Supervisory Board are particularly important regarding the following requirements:

- The board must consist of a majority of independent members (Article 434 (4) of the Company Code and Article 21 (4) of EDP's Articles of Association);

- The Financial Matters Committee/Audit Committee is entirely consisted of independent members of the General and Supervisory Board (Article 3 of the Financial Matters Committee/Audit Committee's Internal Regulations);

- The Remuneration Committee of the General and Supervisory Board must comprise a majority of independent members (Article 27 (1) (b) of the General and Supervisory Board's Internal Regulations and Articlee (1) of the Remuneration Committee’s Internal Regulations).

In compliance with the above procedure, at the start of their terms of office, the members of the General and Supervisory Board stated that they were not in any of the situations of incompatibility set out in the Company Code (Article 414-A (1) (a) to (e), (g) and (h) (ex vi Article 434 (4)) and Article 437 (1)) or under the Articles of Association and, where applicable, that they complied with the independence requirements of the Internal Regulations of the General and Supervisory Board.

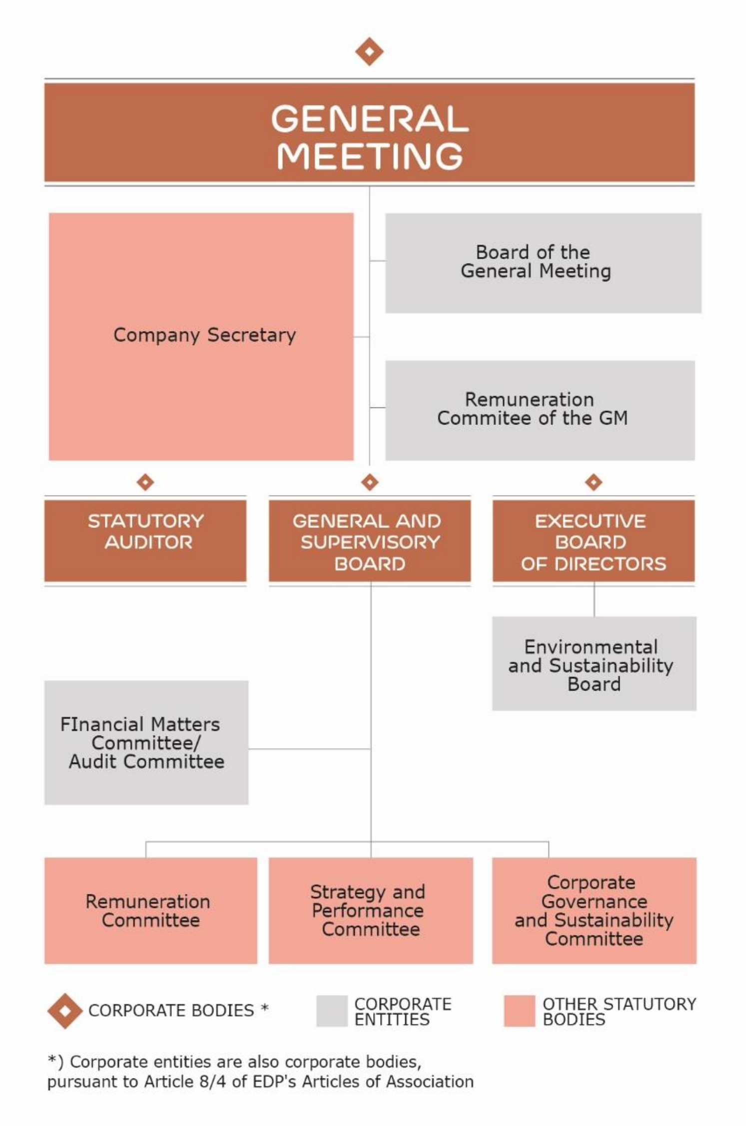
The members of the General and Supervisory Board issued declarations on matters of incompatability and independence on 22 April 2015 and the General and Supervisory Board then assessed the application of rules on incompatability and independence to the members who were elected at the 21 April 2015 General Meeting of Shareholders.

The Chairman and Vice-Chairman of the Board of the General Meeting made similar statements of compliance with the criteria of independence and incompatibility for their positions, as set out in Article 414 (5) and Article 414-A (1) of the Company Code and in Articles 9 and 10 of EDP's Articles of Association.

The above statements are available to the public on EDP's website, at “http://www.edp.pt/en/aedp/governosocietario/Independenciaeincompatibilidade/Pages/Declara%C3%A7%C3%A3odeIndepend%C3%AAnciaeIncompatibilidades.aspx.”

The members of the General and Supervisory Board are shwn in the table in Point 2.1.2.

# II. ORGANIC CORPORATE STRUCTURE




## 2.1. CORPORATE BODIES

Pursuant to Article 8 of EDP's Articles of Association, the corporate bodies of the company are the General Meeting, the Executive Board of Directors, the General and Supervisory Board and the Statutory Auditor. The company has also the following corporate bodies: Board of the General Meeting, the Environment and Sustainability Board, the Remuneration Committee, the Remuneration Committee of the General Meeting and the Financial Matters Committee/Audit Committee.

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors at the General Meeting of 21 April 2015 for the three-year period from 2015 to 2017. The term of office of these members of the corporate bodies therefore ends on 31 December 2017, though they may remain in office until a new appointment.

### 2.1.1. GENERAL MEETING OF SHAREHOLDERS

Pursuant to Article 12 of EDP's Articles of Association, the officers of the General Meeting are a Chairman, a Vice-Chairman and the Company Secretary, who is appointed by the Executive Board of Directors.

The Chairman and Vice-Chairman of the Board of the General Meeting were elected at the Annual General Meeting on 21 April 2015 for the three-year period between 2015 and 2017 and the Company Secretary was appointed to her post on 23 April 2015 (also for the three-year period between 2015 and 2017).

The names of the members of the Board of the General Meeting who were in office up until 21 April 2015 are listed below:

**Board of the General Meeting**

| | |
|---|---|
| Chairman | Rui Eduardo Ferreira Rodrigues Pena |
| Vice-Chairman | Rui Pedro Costa Melo Medeiros |
| Company Secretary | Maria Teresa Isabel Pereira |

The following members were elected to the Board of the General Meeting at the General Meeting of Shareholders that was held on 21 April 2015 for the three-year period between 2015 and 2017:

**Board of the General Meeting**

| | |
|---|---|
| Chairman | António Manuel de Carvalho Ferreira Vitorino |
| Vice-Chairman | Rui Pedro Costa Melo Medeiros |
| Company Secretary | Maria Teresa Isabel Pereira |

The Chairman of the General Meeting is automatically a member of the General and Supervisory Board, pursuant to Article 21 (2) of EDP's Articles of Association.

### 2.1.2. GENERAL AND SUPERVISORY BOARD

In the exercise of its duties – see Article 441 of the Company Code and Article 22 of EDP's Articles of Association - the main mission of the General and Supervisory Board is to constantly advise, monitor and supervise the management activities of EDP, cooperating with the Executive Board of Directors and the various other corporate bodies in pursuit of the company's interests, pursuant to the Company Code and the company's Articles of Association. It is elected by the shareholders at the General Meeting.

Pursuant to Article 21 (1) of the Articles of Association, the General and Supervisory Board consists of no fewer than nine effective members, but always more than the number of members of the Executive Board of Directors. The majority of the elected members of the General and Supervisory Board must be independent, pursuant to Article 21 (4) of the Articles of Association.

Pursuant to article 22 of the Articles of Association, the General and Supervisory Board is especially responsible for:

- Permanently monitor the management of EDP and its subsidiaries and provide management advice and assistance to the Executive Board of Directors, particularly with regard to strategy, goals and compliance with the law;
- Issue opinions on the annual report and accounts;
- Permanently oversee the work of the statutory auditor and external auditor and, with regard to the former, issue an opinion on their election or appointment, dismissal, independent status and other relations with the company;
- Oversee, on a permanent basis, and evaluate internal accounting and auditing procedures, the efficacy of the risk management system, internal control system and internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors;
- Monitor the definition of criteria and responsibilities required or appropriate for the structures and internal bodies of the company or Group and their impact and draft follow-up plans;
- Provide for the replacement of members of the Executive Board of Directors in the event of permanent or temporary absence, as required by law;
- Issue an opinion on their annual vote of confidence in the directors set out in Article 455 of the Company Code, on its own initiative or when requested to do so by the CEO;

- Monitor and assess matters of corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes and systems for appraising and resolving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;
- Obtain the financial or other resources that it reasonably deems necessary for its work and ask the Executive Board of Directors to take any measures or make any corrections that it considers pertinent, with the power to hire independent consultants, if necessary;
- Receive regular information from the Executive Board of Directors on significant business relations between the company or its subsidiaries and shareholders with a qualifying holding and persons related to them;
- Appoint the Remuneration Committee and Financial Matters Committee/Audit Committee;
- Represent the company in its relations with the directors;
- Supervise the work of the Executive Board of Directors;
- Oversee compliance with the law and Articles of Association;
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for engagement or dismissal;
- Monitoring the bookkeeping, accounts and supporting documents and the status of any assets or securities held by the company, as and when it deems appropriate;
- Supervise the preparation and disclosure of financial information
- Call the General Meeting when it deems appropriate;
- Approve internal rules, including rules on relations with the other corporate bodies;
- Exercise any other powers that may be granted by law, the Articles of Association or by the General Meeting.

Under the corporate governance model in place at EDP, the General and Supervisory Board also has a power of particular importance. Although it does not have management powers, pursuant to Article 442 (1) of the Company Code, Article 17 (2) of the Articles of Association lays down that the approval of EDP's strategic plan and performance of the operations indicated below by EDP or its subsidiaries are subject to a prior favourable opinion from this board (see also Article 13 of the Internal Regulations of the General and Supervisory Board):

- Acquisitions and sales of assets, rights or shareholdings of significant economic value;
- Financing operations of significant value;
- Opening and closure of establishments, or important parts thereof, and substantial extensions or limitations of company activity;
- Other transactions or operations of significant economic or strategic value;
- Formation or termination of strategic partnerships or other forms of lasting cooperation;
- Plans for splits, mergers or conversions;
- Amendments to the Articles of Association, including changes of registered office and share capital increases when on the Executive Board of Directors' initiative;
- Approval, by a mojorityof two thirds, of the draft decision of the Executive Board of Directors to increase the share capital by means of one or more share capital increases, up to the limit of 10% of the current share capital, by issuing shares to be subscribed by new contributions in cash with the terms and conditions of the issuance defined by the Executive Board of Directors.
- Formation or termination of strategic partnerships or other forms of lasting cooperation.

The Chairman of the General and Supervisory Board is granted particular powers, and, pursuant to Article 18 of the Rules of Procedure of the General and Supervisory Board, is responsible for:

- Convening and presiding over meetings of the General and Supervisory Board;

- Representing the General and Supervisory Board institutionally;
- Coordinating the work of the General and Supervisory Board and ensuring the correct operation of its committees, being entitled to attend any meeting and being kept informed of their activities;
- Proposing to the plenary General and Supervisory Board the members, the Chairman and, when appropriate, the Vice-Chairman of each committee;
- Ensuring that the members of the General and Supervisory Board punctually receive the information they need for their duties;
- Requesting from the Executive Board of Directors relevant information for the General and Supervisory Board and its committees to perform their duties and ensuring that the members of the General and Supervisory Board receive it in good time;
- Taking the necessary measures to ensure that the General and Supervisory Board adequately monitors the activity of EDP and the Executive Board of Directors in particular;
- Monitoring implementation of the General and Supervisory Board's budget and managing the material and human resources assigned to it;
- Ensuring correct implementation of General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board or, in his/her absence or incapacity, a member delegated by the board for that purpose, may attend meetings of the Executive Board of Directors whenever s/he sees fit and take part in the discussion of matters to be submitted to the General and Supervisory Board, without having any voting rights pursuant to Article 21 (10) of EDP's Articles of Association.

The members of the Financial Matters Committee/Audit Committee have a duty to attend the meetings of the Executive Board of Directors when the accounts are appraised, (see Article 10 (3) (e) of the Rules of Procedure of the Financial Matters Committee/Audit Committee).

With the assistance of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually performs:

- A self-assessment of its activity and performance and those of its committees, the conclusions of which are set out in its annual report (see Article 10 of the General and Supervisory Board Internal Regulations);
- An independent assessment of the activity and performance of the Executive Board of Directors, the conclusions of which are submitted to the General Meeting and are presented in an annex to the annual report of the General and Supervisory Board.

EDP, on the initiative of the General and Supervisory Board has voluntarily established a formal, impartial process to assess the activity of this board and of the Executive Board of Directors. Experience of recent years has allowed the General and Supervisory Board to make some changes in the process to make it more effective and efficient. The method used comprises the following stages:

- After the year's end, the Chairman of the General and Supervisory Board sends assessment questionnaires to the members of its Board. The questionnaires are answered individually and are confidential.
- The General and Supervisory Board Support Office statistically processes the data received and prepares the information for consideration at a General and Supervisory Board meeting;
- The General and Supervisory Board issues its assessment opinions and they are included in this board's annual report;
- At the General Meeting, the Chairman of the General and Supervisory Board presents the board's opinion in the item of the agenda for assessment of the Executive Board of Directors.

The names of the members of the General and Supervisory Board in office until 21 April 2015 are given below:

| | General and Supervisory Board | Independent Members | First appointment date |
|---|---|---|---|
| Chairman | Eduardo de Almeida Catroga | Independent | 30/03/2006 |
| Vice-Chairman | Dingming Zhang (as representative of China Three Gorges Corporation) | | 20/02/2012 |
| | Guojun Lu (as representative of China International Water & Electric Corp.) | | 20/02/2012 |
| | Ya Yang (as representative of China Three Gorges New Energy Co. Ltd.) | | 20/02/2012 |
| | Shengliang Wu (as representative of CWEI (Europe), S.A.) | | 20/02/2012 |
| | Felipe Fernández Fernández (as representative of Cajastur Inversiones, S.A.) | | 02/06/2008 |
| | Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.) | | 14/04/2011 |
| | Mohamed Ali Ismaeil Ali Al Fahim (as representative of Senfora SARL) | | 16/04/2010 |
| | Harkat Abderezak (as representative of Sonatrach) | | 20/02/2012 |
| | Alberto João Coraceiro de Castro | Independent | 30/03/2006 |
| | António Sarmento Gomes Mota | Independent | 15/04/2009 |
| | Maria Celeste Ferreira Lopes Cardona | Independent | 20/02/2012 |
| | Fernando Maria Masaveu Herrero | | 20/02/2012 |
| | Ilídio da Costa Leite de Pinho | Independent | 20/02/2012 |
| | Jorge Avelino Braga de Macedo | Independent | 20/02/2012 |
| | Manuel Fernando de Macedo Alves Monteiro | Independent | 30/03/2006 |
| | Paulo Jorge de Assunção Rodrigues Teixeira Pinto | Independent | 20/02/2012 |
| | Vasco Joaquim Rocha Vieira | Independent | 20/02/2012 |
| | Vítor Fernando da Conceição Gonçalves | Independent | 30/03/2006 |
| | Rui Eduardo Ferreira Rodrigues Pena | Independent | 12/04/2007 |
| | Augusto Carlos Serra Ventura Mateus | Independent | 06/05/2013 |
| | Nuno Manuel da Silva Amado | | 06/05/2013 |

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model

The representatives of the companies China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and CWEI (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

The following members were elected to the General and Supervisory Board at the General Meeting of Shareholders that was held on 21 April 2015 for the three-year period between 2015 and 2017:

| | General and Supervisory Board | Independent Members | First appointment date |
|---|---|---|---|
| Chairman | Eduardo de Almeida Catroga (in representation of China Three Gorges Corporation) | | 20-02-2012 |
| Vice-Chairman | Luís Filipe Marques Amado | Independent | 21-04-2015 |
| | Ya Yang (in representation of China Three Gorges New Energy Co. Ltd.) | | 20-02-2012 |
| | Guojun Lu (in representation of China International Water & Electric Corp.) | | 20-02-2012 |
| | Dingming Zhang (in representation of CWEI (Europe), S.A.) | | 20-02-2012 |
| | Shengliang Wu (in representation of CWEI (Portugal), Sociedade Unipessoal, Lda.) | | 21-04-2015 |
| | Felipe Fernández Fernández (in representation of DRAURSA, S.A.) | | 21-04-2015 |
| | Fernando Maria Masaveu Herrero | | 20-02-2012 |
| | Nuno Manuel da Silva Amado (em representação do Banco Comercial Português, S.A.) | | 21-04-2015 |
| | Ferhat Ounoughi (in representation of Sonatrach) | | 12-04-2007 |
| | Mohamed Ali Ismaeil Ali Al Fahim (in representation of Senfora BV) | | 16-04-2010 |
| | António Sarmento Gomes Mota | Independent | 15-04-2009 |
| | Maria Celeste Ferreira Lopes Cardona | Independent | 20-02-2012 |
| | Ilídio da Costa Leite de Pinho | Independent | 20-02-2012 |
| | Jorge Avelino Braga de Macedo | Independent | 20-02-2012 |
| | Vasco Joaquim Rocha Vieira | Independent | 20-02-2012 |
| | Augusto Carlos Serra Ventura Mateus | Independent | 06-05-2013 |
| | João Carvalho das Neves | Independent | 21-04-2015 |
| | Alberto Joaquim Milheiro Barbosa | Independent | 21-04-2015 |
| | María del Carmen Fernández Rozado | Independent | 21-04-2015 |
| | António Manuel de Carvalho Ferreira Vitorino | Independent | 21-04-2015 |

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model

The representatives of the companies China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and CWEI (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, on his/her own initiative or at the request of any of its members, the Executive Board of Directors or its Chairman, pursuant to Article 24 (1) of the Articles of Association and Article 19 (1) of the Internal Regulations of the General and Supervisory Board.

The General and Supervisory Board met five times in the first half of 2015 and minutes were kept of all the meetings.

### 2.1.3. EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is responsible for managing the company's activities and representing the company, pursuant to Article 431 of the Company Code and Article 17 of the Articles of Association and is elected by the shareholders at a General Meeting.

The Executive Board of Directors in office until 21 April 2015 was composed of seven members:

| | Executive Board of Directors | First appointment date |
|---|---|---|
| Chairman | António Luís Guerra Nunes Mexia | 30/03/2006 |
| | Nuno Maria Pestana de Almeida Alves | 30/03/2006 |
| | João Manuel Manso Neto | 30/03/2006 |
| | António Manuel Barreto Pita de Abreu | 30/03/2006 |
| | António Fernando Melo Martins da Costa | 30/03/2006 |
| | João Manuel Veríssimo Marques da Cruz | 20/02/2012 |
| | Miguel Stilwell de Andrade | 20/02/2012 |

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

There must be a minimum of five and a maximum of eight members of the Executive Board of Directors according to article 16 (2) of the Articles of Association, which were altered by a General Meeting of Shareholders' decision on 21 April 2015.

The following members of the Executive Board of Directors were elected at that General Meeting of Shareholders for the three-year period between 2015 and 2017:

| | Executive Board of Directors | First appointment date |
|---|---|---|
| Chairman | António Luís Guerra Nunes Mexia | 30-03-2006 |
| | Nuno Maria Pestana de Almeida Alves | 30-03-2006 |
| | João Manuel Manso Neto | 30-03-2006 |
| | António Fernando Melo Martins da Costa | 30-03-2006 |
| | João Manuel Veríssimo Marques da Cruz | 20-02-2012 |
| | Miguel Stilwell de Andrade | 20-02-2012 |
| | Miguel Nuno Simões Nunes Ferreira Setas | 21-04-2015 |
| | Rui Manuel Rodrigues Lopes Teixeira | 21-04-2015 |

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

The Executive Board of Directors is a collegial body. Individual directors in office are only allowed to represent one absent director at each meeting. All directors have equal voting rights and the Chairman has the casting vote.

The powers of the Executive Board of Directors, in accordance with the Article 17 (1) of the Articles of Association, include:

- Setting the goals and management policies of EDP and the EDP Group;
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the responsibilities of other company bodies;
- Representing the company in and out of court, actively and passively, with the power to waive, transact and admit guilt in any legal proceedings and make arbitration agreements;
- Buying, selling or by any other means disposing or encumbering rights or immovable assets;
- Setting up companies and subscribing, purchasing, encumbering and selling shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, in compliance with the annual quantitative limits set by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of procedure, particularly in relation to personnel and their remuneration;
- Appointing proxies with such powers as it sees fit, including the power to delegate;

- Appointing the Company Secretary and alternate;
- Hiring and dismissing the External Auditor on recommendation of the General and Supervisory Board;
- Exercising any other powers that may be granted to it by law or by the General Meeting;
- Establishing its own internal rules.

Proposals to amend EDP's Articles of Association regarding share capital increases submitted by the Executive Board of Directors require a prior opinion from the General and Supervisory Board, pursuant to Article 17 (2) (g) of the Articles of Association.

The Chairman of the Executive Board of Directors sends the Chairman of the General and Supervisory Board the notices of meetings, support documents and minutes of the meetings and, on request, provides appropriate, timely information, which is accessible to all the members of the General and Supervisory Board and of the Financial Matters Committee/Audit Committee.

When so requested by other members of the corporate bodies, the Executive Board of Directors also provides all the required information in a timely and appropriate fashion. There is an information sharing portal for the Executive Board of Directors and General and Supervisory Board, which is accessible to all their members.

The Chairman of the Executive Board of Directors is granted particular powers by Article 18 of the Articles of Association. These powers are:

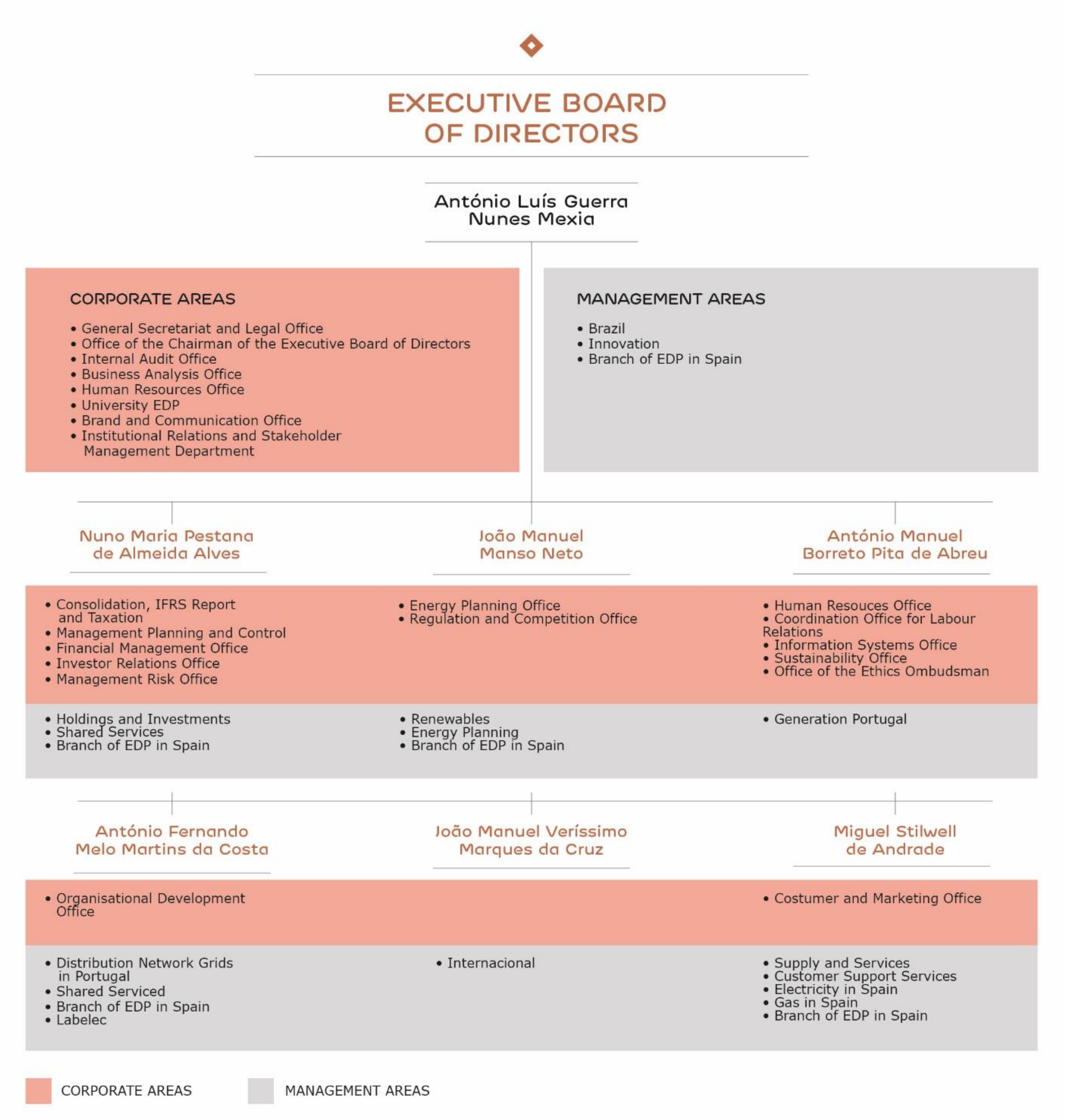
- Representing the Executive Board of Directors;
- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- Ensuring proper execution of the decisions of the Executive Board of Directors.

The Chairman of the Executive Board of Directors is entitled to attend the meetings of the General and Supervisory Board, whenever considered appropriate, except when these concern decisions on the supervision of the work of the Executive Board of Directors and, in general, any situations that may involve a conflict of interest, pursuant to Article 18 (2) of the Articles of Association.

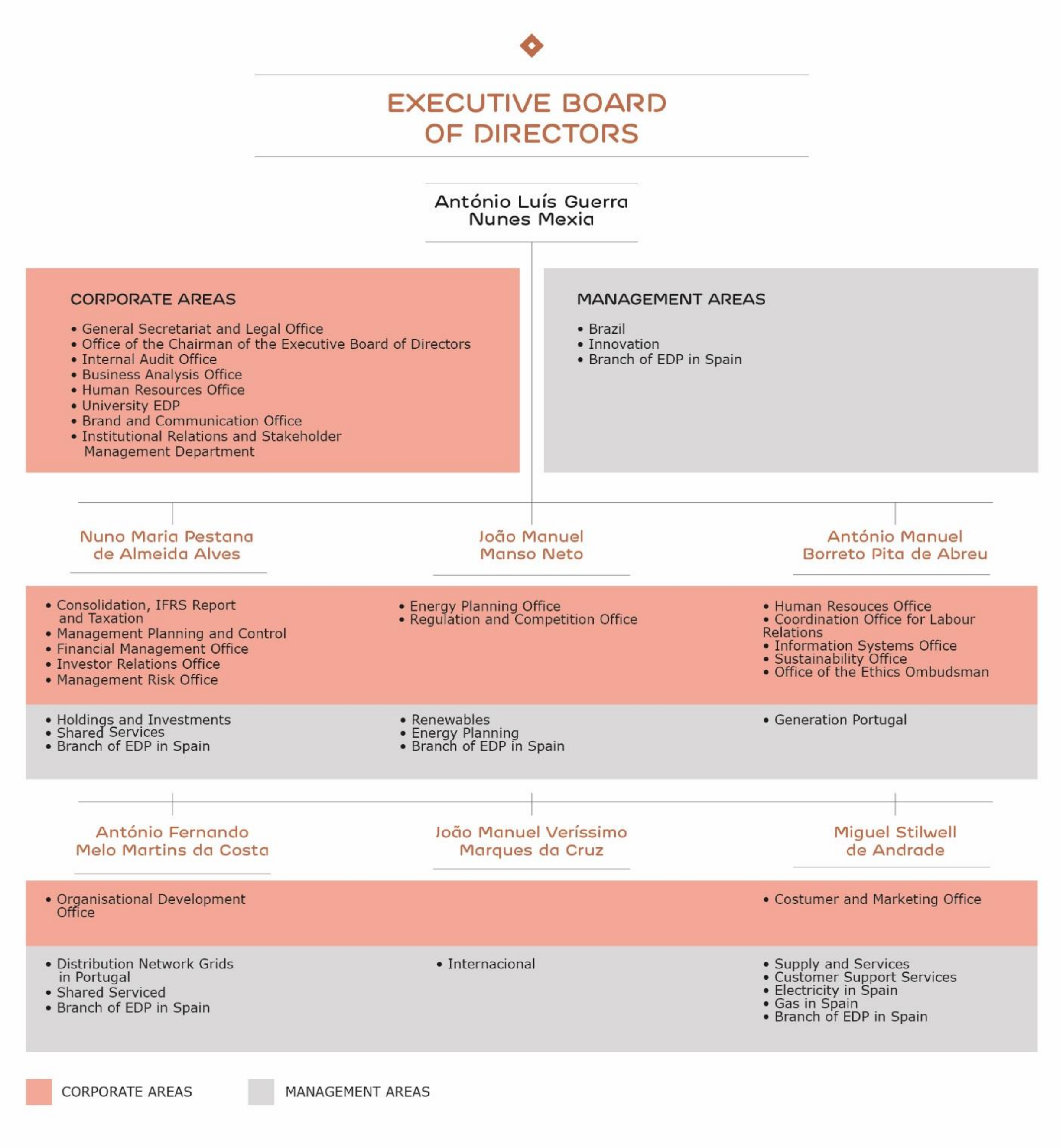
In the Executive Board of Directors there is a functional division of management areas to each of its members. The college of directors is responsible for making decisions on all matters within its remit. Delegated powers are not granted to directors individually, because of the board's particular nature.

The activity and performance of the Executive Board of Directors are assessed continuously and independently by the General and Supervisory Board on an annual basis.

The members of the Executive Board of Directors were responsible for the following management areas and corporate topics up until 21 April 2015:



The members of the Executive Board of Directors were responsible for the following management areas and corporate topics after 21 April 2015:




The activity and performance of the Executive Board of Directors are assessed continuously and independently by the General and Supervisory Board, which draws up a report on this matter and publish, in its the Annual Report, a statement on the assessment of the Executive Board of Directors.

Pursuant Article 20 (1) of EDP’s Articles of Association and Article 6 (1) of the Executive Board os Directors’ Internal Regulation, this corporate body must meet bi-monthly, however, it usually meets weekly.

The Executive Board of Directors met twenty-four times in the first half of 2015, tendo sido elaboradas actas das mesmas. Information regarding the presence in the meetings of each of the members of this entity is disclosed in the Annex of this report.

## 2.1.4. STATUTORY AUDITOR

The Statutory Auditor is the company body responsible for the examination of the accounting documents. It is elected by the General Meeting for three year terms, pursuant to Article 25 of EDP's Articles of Association and Article 446 of the Portuguese Company Code.

According to the Company Code and the company's Articles of Association, the Statutory Auditor is responsible for checking (see Article 446 (3) of the Company Code):

- The regularity of the company's books, accounting records and their supporting documents;
- The cash and all assets or securities belonging to the company or received by it as guarantees, deposits or for any other purpose, whenever and however it sees fit;
- The accuracy of the accounting documents;
- Whether the company's accounting policies and valuation criteria result in an accurate assessment of its assets and results.

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. ("KPMG"), represented by Vítor Manuel da Cunha Ribeirinho, were reappointed at the General Meeting of Shareholders on 21 April 2015 as the Statutory Auditors for EDP for the three-year period between 2015 and 2017:

**Statutory Auditor**

| | |
|---|---|
| Permanent | KPMG & Associados, SROC, S.A. represented by por Vítor Manuel da Cunha Ribeirinho, SA |
| Alternate | Susana de Macedo Melim de Abreu Lopes, SA |

EDP's external auditor is KPMG, with Vítor Manuel da Cunha Ribeirinho as the statutory audit partner.

## 2.1.5. ENVIRONMENT AND SUSTAINABILITY BOARD

The Environment Board was set up as a company body in 1991. Its name was changed to Environment and Sustainability Board by decision of the Annual General Meeting of 30 March 2006.

As a company body, the Environment and Sustainability Board has powers to advise the Executive Board of Directors on environment and sustainability matters. In particular, it provides advice and support in defining the company's environmental and sustainability strategy and drafting opinions and recommendations on the environmental impact of projects planned by the EDP Group (Article 28 (1) of EDP's Articles of Association).

The current members of the Environment and Sustainability Board, pursuant to Article 28 (2) of EDP's Articles of Association, have acknowledged competence in the field of environmental protection and sustainability.

The members of the Environment and Sustainability Board were re-elected at the Annual General Meeting of Shareholders on 21 April 2015 for a new term of office for the three-year period between 2015 and 2017.

The Environment and Sustainability Board's membership is as follows:

**Environmental and Sustainability Board**

| | |
|---|---|
| Chairman | José Pedro Sucena Paiva |
| | Alberto da Ponte |
| | António José Tomás Gomes de Pinho |
| | José Manuel Viegas |
| | Maria da Graça Madeira Martinho |

## 2.1.6. REMUNERATION COMMITTEE OF THE GENERAL MEETING

The remuneration of the corporate bodies, with the exception of the members of the Executive Board of Directors, is defined by the Remuneration Committee elected by the General Meeting (Article 11 (2) (d) of EDP's Articles of Association).

Pursuant to this Article, the majority of the members of the Remuneration Committee of the General Meeting must be independent.

The Remuneration Committee of the General Meeting in force until 21 April 2015 had the following members:

**Remuneration Committee - General Meeting**

| | |
|---|---|
| Chairman | José Manuel Archer Galvão Teles |
| | José de Mello - Sociedade Gestora de Participações Sociais, S.A. (represented by por Luís Eduardo Brito Freixial de Goes) |
| | Álvaro João Duarte Pinto Correia |

The representative of José de Mello – Sociedade Gestora de Participações Sociais, S.A. resigned his post on 5 February 2014 as a consequence of José de Mello Energia, S.A., a company indirectly owned by José de Mello, SGPS, S.A., no longer detaining a qualified shareholding in EDP on 3 February 2015.

The following members were elected to the General Meeting Remunerations Committee for the three-year period between 2015 and 2017 at the General Meeting of Shareholders on 21 April 2015:

**Remuneration Committee of the General Meeting**

| | |
|---|---|
| Chairman | Luís Miguel Nogueira Freire Cortes Martins |
| | José Gonçalo Maury |
| | Jaime Amaral Anahory |

## 2.1.7. SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

The Internal Regulations of the General and Supervisory Board provide for the establishment of standing committees and ad hoc committees, composed of some of its members, without prejudice to its responsibility for the exercise of its duties as a corporate body. These committees may be set up whenever it sees fit and appropriate and have specific duties delegated to them.

The main remit of the standing and ad hoc committees is specific, continuous monitoring of the matters entrusted to them, in order to ensure informed decisions by the General and Supervisory Board or provide it with information on certain matters.

The committees' activity is coordinated by the Chairman of the General and Supervisory Board, who ensures proper articulation of the committees with the plenary board through their chairmen, who keep him informed by sending notices and the minutes of meetings.

The General and Supervisory Board believes that the committees are important to the regular functioning of the company as they can perform certain delegated duties, especially monitoring the company's financial information, reflecting on its governance system, assessing the performance of directors and evaluating its own overall performance.

There were five specialised committees inside the General and Supervisory Board outgoing: Financial Matters Committee/Audit Committee, Remuneration Committee, Corporate Governance and Sustainability Committee, Strategy Committee and the Competitiveness and Performance Analysis Committee.

The General and Supervisory Board currently in office instituted its specialised committees at the 22 April 2015 meeting, having also decided on their composition, namely the Financial Matters Committee/Audit Committee, Remuneration Committee, Corporate Governance and Sustainability Committee, Strategy Committee and Performance Analysis Committee.

At the meeting on 18 June 2015, the General and Supervisory Board, aware of the fact that the responsibilities of the Strategy Committee and the Competitiveness and Performance Analysis Committee were completely compatible and in many cases, interdependent, decided to merge the two and create a Strategy and Performance Committee. The formely mentioned meeting also served the purpose of approving the internal regulations for all the General and Supervisory Board’s specialised Committees.

## FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting, as confirmed by the Curriculum Vitae of the Vice-Chairman, which can be viewed in the chapter on corporate bodies.

The Financial Committee/Audit Committee had the following members until 21 April 2015:

| Financial Matters Committee/Audit Committee | | First appointment date |
|---|---|---|
| Chairman | Eduardo de Almeida Catroga | 21/02/2012 |
| Vice-Chairman | Vítor Fernando da Conceição Gonçalves | 13/07/2006 |
| | António Sarmento Gomes Mota | 07/05/2009 |
| | Manuel Fernando de Macedo Alves Monteiro | 13/07/2006 |
| | Maria Celeste Ferreira Lopes Cardona | 18/04/2012 |

The Financial Committee/Audit Committee had the following members after 22 April 2015:

| Financial Matters Committee/Audit Committee | | First appointment date |
|---|---|---|
| Chairman | António Sarmento Gomes Mota | 07-05-2009 |
| Vice-Chairman | João Carlos Carvalho das Neves | 22-04-2015 |
| | Alberto Joaquim Milheiro Barbosa | 22-04-2015 |
| | Maria del Carmen Ana Fernández Rozado | 22-04-2015 |
| | Maria Celeste Ferreira Lopes Cardona | 18-04-2012 |

In accordance with the Articles of Association and the Internal Regulations of the Financial Matters Committee/Audit Committee, are assigned to this Committee, by delegation from the General and Supervisory Board, the following powers:

- Issue opinions on the annual report and accounts;
- Permanently oversee the work of the Statutory Auditor and the External Auditor of EDP and issue opinions on the Statutory Auditor's election or appointment, removal from office, independence and other relations with EDP;
- Permanently monitor and assess internal accounting and auditing procedures and the efficacy of the risk-management system, internal control system and internal audit system;
- Monitor the bookkeeping, accounting records, supporting documents and the status of any assets or securities held by EDP in any capacity, as and when it sees fit;
- Exercise the powers expressly granted by the General and Supervisory Board;
- Exercise any other powers that may be specifically granted by law.

As a specialised committee of the General and Supervisory Board, the Financial Matters Committee/Audit Committee also assists it in the hiring and dismissal of the External Auditor, pursuant to Article 10 (1) (K and L) of the Internal Regulations of the Financial Matters Committee/Audit Committee.

The membership, role and functioning of the Financial Matters Committee/Audit Committee are in line with the European Commission Recommendation of 15 February 2005 (2005/162/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC).

In view of these responsibilities, the Financial Committee/Audit Committee met six times in the first half of 2015 and the minutes of these meetings were drawn up.

## REMUNERATION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD

The Remuneration Committee appointed by the General and Supervisory Board, pursuant to Article 27 of EDP's Articles of Association, defines the remuneration of the Executive Board of Directors as well as any supplements.

According to the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit a declaration on the remuneration policy followed for the members of the Executive Board of Directors and which it has approved to the Annual General Meeting for consultative purposes, at least in the years in which this policy is established or amended. After publication of Law 28/2009 of 19 June, the Remuneration Committee has been adjusting its actions to comply with applicable legal provisions.

In view of these responsibilities, the General and Supervisory Board Remunerations Committee met twice in the first half of 2015 and the minutes of these meetings were drawn up.

The Remuneration Committee of the General and Supervisory Board is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, who are all independent from the managing body. This committee always has a representative at the General Meetings of Shareholders.

Until 21 April 2015, the Remuneration Committee had the following members:

| | Remuneration Committee of the GSB | First appointment date |
|---|---|---|
| Chairman | Alberto João Coraceiro de Castro | 13/07/2006 |
| | Ilídio da Costa Leite de Pinho | 22/05/2012 |
| | Guojon Lu | 11/05/2012 |
| | Paulo Jorge de Assunção Rodrigues Teixeira Pinto | 18/04/2012 |

The Remunerations Committee then had the following members after 22 April 2015:

| | Remuneration Committee of the GSB | First appointment date |
|---|---|---|
| Chairman | Yang Ya (Chairman) | 20/02/2012 |
| | Fernando Masaveu Herrero | 20/02/2012 |
| | Ilídio da Costa Leite de Pinho | 20/02/2012 |
| | João Carvalho das Neves | 21/04/2015 |
| | Vasco Rocha Vieira | 20/02/2012 |

## THE STRATEGY COMMITTEE AND THE COMPETITIVENESS AND PERFORMANCE ANALYSIS COMMITTEE

The Strategy Committee met three times up until 18 June 2015 and the respective minutes were drawn up.

Until 21 April 2015, the Strategy Committee was composed of the following members:

| | Strategy Committee | First appointment date |
|---|---|---|
| Chairman | Eduardo de Almeida Catroga | 18-04-2012 |
| Vice-Chairman | Dingming Zhang | 11-05-2012 |
| | Felipe Fernández Fernández | 18-04-2012 |
| | Harkat Abderezak | 18-04-2012 |
| | Jorge Braga de Macedo | 18-04-2012 |
| | Mohamed Ali Al-Fahim | 18-04-2012 |
| | Augusto Carlos Serra Ventura Mateus | 09-05-2013 |
| | Nuno Manuel da Silva Amado | 09-05-2013 |
| | Shengliang Wu | 09-05-2013 |

From 22 April 2015 to 18 June 2015, the Strategy Committee was composed of the following members:

| | Strategy Committee | First appointment date |
|---|---|---|
| Chairman | Eduardo de Almeida Catroga | 18-04-2012 |
| | Alberto Joaquim Milheiro Barbosa | 18-06-2015 |
| | Augusto Carlos Serra Ventura Mateus | 09-05-2013 |
| | Dingming Zhang | 11-05-2012 |
| | Fernando Maria Masaveo Herrero | 22-04-2015 |
| | João Carlos Carvalho das Neves | 22-04-2015 |
| | Jorge Avelino Braga de Macedo | 18-04-2012 |
| | Mohamed Ali Ismaeil Ali Al Fahim | 18-04-2012 |
| | Nuno Manuel da Silva Amado | 09-05-2013 |
| | Ferhat Onoughi | 22-04-2015 |
| | Shengliang Wu | 22-04-2015 |

The Competitiveness and Performance Analysis Committee met three times until 18 June 2015 and the respective minutes were drawn up.

Until 21 April 2015, the Competitiveness and Performance Analysis Committee was composed of the following members:

| | Performance Analysis and Competitiveness Committee | First appointment date |
|---|---|---|
| Chairman | Luís Filipe da Conceição Pereira | 18-04-2012 |
| Vice-Chairman | Ya Yang | 11-05-2012 |
| | Alberto João Coraceiro de Castro | 18-04-2012 |
| | António Sarmento Gomes Mota | 18-04-2012 |
| | Fernando Masaveu Herrero | 18-04-2012 |
| | Nuno Manuel da Silva Amado | 09-05-2013 |
| | Shengliang Wu | 09-05-2013 |

From 22 April 2015 to 18 June 2015, the Competitiveness and Performance Analysis Committee was composed of the following members:

| | Performance Analysis and Competitiveness Committee | First appointment date |
|---|---|---|
| Chairman | Eduardo de Almeida Catroga | 18-04-2012 |
| | Alberto Joaquim Milheiro Barbosa | 18-06-2015 |
| | Augusto Carlos Serra Ventura Mateus | 09-05-2013 |
| | Dingming Zhang | 11-05-2012 |
| | Fernando Maria Masaveo Herrero | 22-04-2015 |
| | João Carlos Carvalho das Neves | 22-04-2015 |
| | Jorge Avelino Braga de Macedo | 18-04-2012 |
| | Mohamed Ali Ismaeil Ali Al Fahim | 18-04-2012 |
| | Nuno Manuel da Silva Amado | 09-05-2013 |
| | Ferhat Onoughi | 22-04-2015 |
| | Shengliang Wu | 22-04-2015 |

## CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

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

- Corporate governance;
- Strategic sustainability;

- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Definition of criteria and duties to be complied with in EDP's bodies and their repercussions on their membership; and
- Drafting of succession plans.

The role of the Corporate Governance and Sustainability Committee is to assist the General and Supervisory Board in the continuous evaluation of the management and the performance assessment of the General and Supervisory Board itself. The General and Supervisory Board makes this assessment annually, based on the committee's work, and publishes them in a report. The conclusions of this assessment are included in the annual report of the General and Supervisory Board and presented to shareholders at the Annual General Meeting.

Two other important roles of the Corporate Governance and Sustainability Committee are the monitoring of:

- The company's governance practices; and
- Management of human resources and succession plans.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board, the majority of whom are independent, with the appropriate qualifications and experience for their duties.

The Corporate Governance and Sustainability Committee met twice in the first half of 2015 and the minutes of the meetings were drawn up.

The Corporate Governance and Sustainability Committee had the following members until 21 April 2015:

| Corporate Governance and Sustainability Committee | | First appointment date |
|---|---|---|
| Chairman | Manuel Fernando de Macedo Alves Monteiro | 18/04/2012 |
| | Ilídio da Costa Leite de Pinho | 18/04/2012 |
| | Maria Celeste Lopes Cardona | 18/04/2012 |
| | Vasco Joaquim Rocha Vieira | 18/04/2012 |
| | Shengliang Wu | 11/05/2012 |

The Corporate Governance and Sustainability Committee then had the following members after 22 April 2015:

| Corporate Governance and Sustainability Committee | | First appointment date |
|---|---|---|
| Chairman | Luís Filipe Marques Amado | 22-04-2015 |
| | Felipe Fernández Fernández | 22-04-2015 |
| | Jorge Avelino Braga de Macedo | 22-04-2015 |
| | Maria Celeste Ferreira Lopes Cardona | 18-04-2012 |
| | Shengliang Wu | 11-05-2012 |

## STRATEGY AND PERFORMANCE COMMITTEE

The Strategy and Performance Committee is a specialised Committee of the General and Supervisory Board, the purpose of which is to follow and supervise the questions regarding the following matters at all times:

- The short-, medium- and long-term scenarios and strategies.
- The strategic implementation, business planning and the respective budgets.
- The investments and divestments.
- Debt and funding.

- Strategic alliances.
- Market and competitiveness evolution.
- Regulation.
- Analysis of the performance of the Group and the Business Units.
- The benchmarking of the company group performance compared with the companies at the top of the sector.
- The assessment of the competitiveness of the EDP business portfolio.

The Strategy and Performance Committee is composed of members of the General and Supervisory Board with the proper qualifications and experience to hold the respective posts.

The Strategy and Performance Committee has the following members:

| Startegy and Performance Committee | | First appointment date |
|---|---|---|
| Chairman | Eduardo de Almeida Catroga | 18/04/2012 |
| | Alberto Joaquim Milheiro Barbosa | 18/06/2015 |
| | Augusto Carlos Serra Ventura Mateus | 09/05/2013 |
| | Dingming Zhang | 11/05/2012 |
| | Fernando Maria Masaveo Herrero | 22/04/2015 |
| | João Carlos Carvalho das Neves | 22/04/2015 |
| | Jorge Avelino Braga de Macedo | 18/04/2012 |
| | Mohamed Ali Ismaeil Ali Al Fahim | 18/04/2012 |
| | Nuno Manuel da Silva Amado | 09/05/2013 |
| | Ferhat Onoughi | 22/04/2015 |
| | Shengliang Wu | 22/04/2015 |

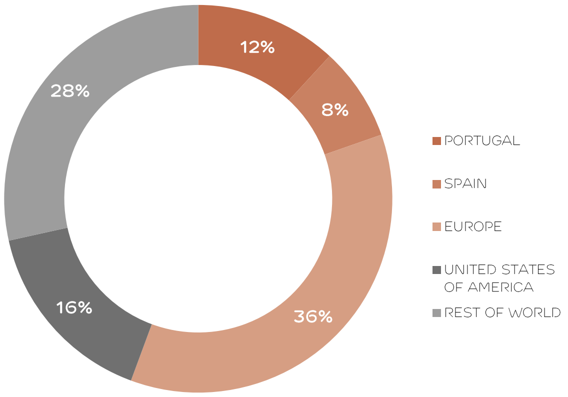
# III. SHAREHOLDER STRUCTURE AND MANAGEMENT TRANSACTIONS

## 3.1. CAPITAL STRUCTURE

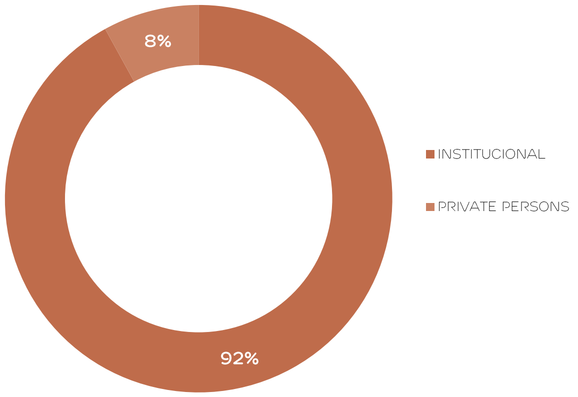
Pursuant to article 4 point 2 of EDP's Articles of Association, as modified by the decision taken at the Annual General Meeting of Shareholders of 21 April 2015, EDP's share capital of 3,656,537,715.00 euros, is represented by 3,656,537,715 shares with a nominal value of 1 euro each.

The geographical and investor type breakdown of the EDP shareholder structure on 30 June 2015 was as follows:

BREAKDOWN OF SHAREHOLDER STRUCTURE BY GEOGRAPHY




BREAKDOWN OF SHAREHOLDER STRUCTURE BY INVESTOR TYPE




Source: Interbolsa

## 3.2 QUALIFYING HOLDINGS

Pursuant to Article 8 (1) (b) of CMVM Regulation 5/2008, we are providing the following information on qualifying holdings owned by EDP shareholders as at 30 June 2015 and their voting rights in accordance with Article 20 (1) of the Securities Code.

| Shareholder | Nº of Shares | % Capital with voting rights |
|---|---|---|
| **CHINA THREE GORGES** | | |
| **Stakes held by companies in a control or group relationship** | | |
| CWEI (Europe), S.A. | 780,633,782 | 21.35% |
| **Total** | **780,633,782** | **21.35%** |
| China Three Gorges International (Europe) S.A. is fully owned by CWEI (Hong Kong) Co. Ltd, which is fully owned by CWE Investment Co. Ltd. China Three Gorges Corporation directly holds 100% equity of CWE Investment Co. Ltd. | | |
| **CAPITAL GROUP COMPANIES, INC.** | | |
| **Stakes under management by companies in a control relationship** | | |
| Capital Research and Management Company | 615,121,405 | 16.82% |
| Capital Income Builder | 221,704,962 | 6.06% |
| Income Fund of America | 145,336,863 | 3.97% |
| Capital World Growth and Income Fund | 134,952,000 | 3.69% |
| Capital Guardian Trust Company | 3,655,674 | 0.10% |
| Capital International Limited | 3,130,589 | 0.09% |
| Capital International Sárl | 1,246,753 | 0.03% |
| Capital International, Inc. | 935,498 | 0.03% |
| **Total** | **624,089,919** | **17.07%** |
| Capital Research and Management Company ("CRMC") is fully owned by Capital Group Companies, Inc. CRMC is an investment consultancy vehicle which manages mutual funds registered in the United States. CRMC manages capital assets for several investment companies through three divisions, Capital Research Global Investors, Capital International Investors and World Investors. CRMC fully owns Capital Group International, Inc. ("CGII"), which in turn controls investment management companies ("fund management companies CGII"): Capital Guardian Trust Company, Capital International, Inc., Capital International Limited, Capital International Sàrl and Capital International K.K. The fund management companies CGII operate primarily as investment managers for institutional clients. The reported shareholdings are held by mutual investment funds under discretionary investment management. | | |
| **OPPIDUM CAPITAL, S.L.** | | |
| **Stakes held directly** | | |
| Oppidum Capital, S.L. | 263,046,616 | 7.19% |
| **Total** | **263,046,616** | **7.19%** |
| Oppidum is owned 55.9% by Masaveu International, S.L. and 44.1% by Liberbank, S.A. | | |
| **BLACKROCK, INC.** | | |
| **Stakes under management by companies in a control relationship** | | |
| BlackRock (Luxembourg) S.A. | 49,282,565 | 1.35% |
| BlackRock (Netherlands) B.V. | 776,486 | 0.02% |
| BlackRock Advisors (UK) Limited | 1,046,389 | 0.03% |
| BlackRock Advisors, LLC | 3,836,968 | 0.10% |
| BlackRock Asset Management Canada Limited | 1,059,783 | 0.03% |
| BlackRock Asset Management Deutschland AG | 9,606,564 | 0.26% |
| BlackRock Asset Management Ireland Limited | 18,662,688 | 0.51% |
| BlackRock Asset Management North Asia Limited | 9,693 | 0.00% |
| BlackRock Asset Management Schweiz AG | 11,076 | 0.00% |
| BlackRock Financial Management | 45,287 | 0.00% |
| BlackRock Fund Advisors | 32,320,429 | 0.88% |
| BlackRock Fund Managers Limited | 16,462,044 | 0.45% |
| BlackRock Institutional Trust Company, National Association | 32,735,889 | 0.90% |
| BlackRock International Limited | 428,495 | 0.01% |
| BlackRock Investment Management (Australia) Limited | 773,921 | 0.02% |
| BlackRock Investment Management (UK) Limited | 1,132,323 | 0.03% |
| BlackRock Investment Management, LLC | 3,388,710 | 0.09% |
| BlackRock Japan Co Ltd | 3,244,637 | 0.09% |
| BlackRock Life Limited | 6,412,059 | 0.18% |
| iShares (DE) I Investmentaktiengesellschaft mit Teilvermogen | 1,497,174 | 0.04% |
| **Total** | **182,733,180** | **5.00%** |

| Shareholder | Nº of Shares | % Capital with voting rights |
|---|---|---|
| **INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)** | | |
| **Stakes held by companies in a control or group relationship** | | |
| Senfora BV | 148,431,999 | 4.06% |
| **Total** | **148,431,999** | **4.06%** |
| The company Senfora BV is a Netherlands company that is wholly and directly owned by IPIC, which is a company wholly owned by the government of Abu Dhabi. | | |
| **MILLENNIUM BCP** | | |
| **Stakes held directly** | | |
| Fundação Millennium BCP | 350,000 | 0.01% |
| **Stakes under management by companies in a control relationship** | | |
| Fundo de Pensões do Grupo Millennium BCP | 88,789,594 | 2.43% |
| **Total** | **89,139,594** | **2.44%** |
| The management company of the pension fund of Group Millennium BCP exercises independently their voting rights. | | |
| **SONATRACH** | | |
| **Stakes held directly** | | |
| Sonatrach | 87,007,433 | 2.38% |
| **Total** | **87,007,433** | **2.38%** |
| **QATAR INVESTMENT AUTHORITY** | | |
| **Stakes held by companies in a control or group relationship** | | |
| Qatar Holding LLC | 82,868,933 | 2.27% |
| **Total** | **82,868,933** | **2.27%** |
| The company Qatar Holding LLC is wholly owned by Qatar Investment Authority. | | |
| **EDP (TREASURY STOCKS)** | **21,844,297** | **0.60%** |
| **REMAINING SHAREHOLDERS** | **1,376,741,962** | **37.64%** |
| **TOTAL** | **3,656,537,715** | **100.00%** |

Note 1: In accordance with the made use once in nº 3 of the 14º of the Partnership contract of the EDP will not be considered the votes cast by a shareholder, in proper name or as representative of another one, that exceed 25% of the totality of the corresponding votes to the share capital.

## 3.3. FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

### FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The table below shows the financial instruments held by members of Executive Board of Directors and the changes occurred during the first semester of 2015, as required by Article 447 (5) of the Company Code.

Financial instruments owned by members of the Executive Board of Directors in office until 21 April 2015 were as follows:

| Executive Board of Directors | EDP - Energias de Portugal, S.A. Nº Shares 30-06-2015 | EDP - Energias de Portugal, S.A. Nº Shares 31-12-2014 | EDP Renováveis, S.A. Nº Shares 30-06-2015 | EDP Renováveis, S.A. Nº Shares 31-12-2014 | EDP - Energias do Brasil, S.A. Nº Shares 30-06-2015 | EDP - Energias do Brasil, S.A. Nº Shares 31-12-2014 |
|---|---|---|---|---|---|---|
| António Luís Guerra Nunes Mexia | 41,000 | 41,000 | 4,200 | 4,200 | 1 | 1 |
| Nuno Maria Pestana de Almeida Alves | 125,000 | 125,000 | 5,000 | 5,000 | 1 | 1 |
| João Manuel Manso Neto | 1,268 | 1,268 | 0 | 0 | 0 | 0 |
| António Manuel Barreto Pita de Abreu (1) | - | 34,549 | - | 1,810 | - | 41 |
| António Fernando Melo Martins da Costa (2) | 34,299 | 34,299 | 1,480 | 1,480 | 0 | 0 |
| João Manuel Veríssimo Marques da Cruz | 3,878 | 3,878 | 1,200 | 1,200 | 0 | 0 |
| Miguel Stilwell de Andrade | 126,576 | 126,576 | 2,510 | 2,510 | 0 | 0 |

Notes:
1) The shares of EDP - Energias de Portugal includes 475 shares held by his wife, Gilda Maria Pitta de Abreu; The shares of EDP Renováveis also include 370 shares held by his wife.
António Manuel Barreto Pita de Abreu ceased functions on 21 April 2015
2) The shares of EDP Renováveis includes 150 shares held by his wife, Anna Malgorzata Starzenska Martins da Costa.

After such period, and for the members of the Executive Board of Directors elected in the General Shareholders Meeting of 21 of April 2015, the financial instruments owned were as listed below:

| Executive Board of Directors | EDP - Energias de Portugal, S.A. Nº Shares 30-06-2015 | EDP - Energias de Portugal, S.A. Nº Shares 31-12-2014 | EDP Renováveis, S.A. Nº Shares 30-06-2015 | EDP Renováveis, S.A. Nº Shares 31-12-2014 | EDP - Energias do Brasil, S.A. Nº Shares 30-06-2015 | EDP - Energias do Brasil, S.A. Nº Shares 31-12-2014 |
|---|---|---|---|---|---|---|
| António Luís Guerra Nunes Mexia | 41,000 | 41,000 | 4,200 | 4,200 | 1 | 1 |
| Nuno Maria Pestana de Almeida Alves | 125,000 | 125,000 | 5,000 | 5,000 | 1 | 1 |
| João Manuel Manso Neto | 1,268 | 1,268 | 0 | 0 | 0 | 0 |
| António Fernando Melo Martins da Costa (1) | 34,299 | 34,299 | 1,480 | 1,480 | 0 | 0 |
| João Manuel Veríssimo Marques da Cruz | 3,878 | 3,878 | 1,200 | 1,200 | 0 | 0 |
| Miguel Stilwell de Andrade | 126,576 | 126,576 | 2,510 | 2,510 | 0 | 0 |
| Miguel Nuno Simões Nunes Ferreira Setas | 7,382 | - | 1,690 | - | 0 | - |
| Rui Manuel Rodrigues Lopes Teixeira | 5,843 | - | 12,370 | - | 0 | - |

1) The shares of EDP Renováveis includes 150 shares held by his wife, Anna Malgorzata Starzenska Martins da Costa.

## FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

Financial instruments owned and/or imputable to members of the General and Supervisory Board in office until 21 April 2015 were as follows:

| | EDP - Energias de Portugal, S.A. | | | | EDP Renováveis, S.A. | |
|---|---|---|---|---|---|---|
| **GENERAL AND SUPERVISORY BOARD [1]** | **Nº Shares 30-06-2015** | **Nº Shares 31-12-2014** | **Nº Bonds 30-06-2015** | **Nº Bonds 31-12-2014** | **Nº Shares 30-06-2015** | **Nº Shares 31-12-2014** |
| Eduardo de Almeida Catroga [2] | 0 | 0 | 0 | 0 | 0 | 0 |
| China Three Gorges Corporation | 780,633,782 | 780,633,782 | 0 | 0 | 0 | 0 |
| Dingming Zhang (em representação da China Three Gorges Corporation) | 0 | 0 | 0 | 0 | 0 | 0 |
| China International Water & Electric Corp. | 0 | 0 | 0 | 0 | 0 | 0 |
| Guojun Lu (em representação da China International Water & Electric Corp.) | 0 | 0 | 0 | 0 | 0 | 0 |
| China Three Gorges New Energy Co. Ltd. | 0 | 0 | 0 | 0 | 0 | 0 |
| Ya Yang (em representação da China Three Gorges New Energy Co. Ltd.) | 0 | 0 | 0 | 0 | 0 | 0 |
| CWEI (Europe) S.A. | 780,633,782 | 780,633,782 | 0 | 0 | 0 | 0 |
| Shengliang Wu (em representação da CWEI (Europe) S.A.) | 0 | 0 | 0 | 0 | 0 | 0 |
| Cajastur Inversiones, S.A. [5] | 0 | 0 | 0 | 0 | 0 | 0 |
| Felipe Fernández Fernández | 0 | 0 | 0 | 0 | 0 | 0 |
| José de Mello Energia, S.A. [5] | - | 73,285,710 | 0 | 0 | 0 | 0 |
| Luís Filipe da Conceição Pereira (em representação da José de Mello Energia) [5] | - | 4,233 | - | 0 | - | 1,200 |
| Senfora SARL [5] | - | 148,431,999 | - | 0 | - | - |
| Mohamed Ali Ismaeil Ali Al Fahim (em representação da Senfora SARL) | 0 | 0 | - | 0 | 0 | 0 |
| Sonatrach | 87,007,433 | 87,007,443 | - | 0 | 0 | 0 |
| Harkat Abderezak (em representação da Sonatrach) [5] | - | 0 | - | - | - | - |
| Alberto João Coraceiro de Castro [5] | - | 6,917 | - | 5 | 3,080 | 3,080 |
| António Sarmento Gomes Mota | 0 | 0 | - | 0 | 0 | 0 |
| Augusto Carlos Serra Ventura Mateus | 0 | 0 | - | 0 | 0 | 0 |
| Fernando Maria Masaveu Herrero [3] | 264,709,056 | 264,709,056 | - | 0 | 0 | 0 |
| Ilídio da Costa Leite de Pinho [4] | 0 | 0 | - | 0 | 727,301 | 0 |
| Jorge Avelino Braga de Macedo | 0 | 0 | - | 0 | 0 | 0 |
| Manuel Fernando de Macedo Alves Monteiro [5] | - | 0 | - | 60 | 0 | 0 |
| Maria Celeste Ferreira Lopes Cardona | 0 | 0 | - | 0 | 0 | 0 |
| Nuno Manuel da Silva Amado | 0 | 0 | - | 0 | 0 | 0 |
| Paulo Jorge de Assunção Rodrigues Teixeira Pinto [5] | - | 0 | - | 0 | 0 | 0 |
| Rui Eduardo Ferreira Rodrigues Pena [5] | - | 4,541 | - | 35 | - | 1,500 |
| Vasco Joaquim Rocha Vieira | 3,203 | 3,203 | - | 0 | 60 | 60 |
| Vítor Fernando da Conceição Gonçalves [5] | - | 0 | - | 0 | - | 0 |

Notes:

1) The members of the General and Supervisory Board do not hold any shares of Energias do Brasil, S.A.

2) The 1,375 shares of EDP - Energias de Portugal, S.A. referred to in previous reports were sold on August 9, 2006, in a transaction with a value less than 5,000 euros.

3) The shares of EDP - Energias de Portugal, SA include 263,046,616 shares held by Oppidum, which is directly owned by Liberbank 44.1% and 55.9% by Masaveu Internacional, S.L. which, in turn, is wholly owned by Masaveu Corporación, S.A., Fernando Masaveu has managerial responsibilities and 2.020 shares held by his wife Carolina Compostizo Fernández. Fernando Masaveu is a person discharging managerial responsibilities in Flicka Forestal SL, which holds 1,660,420 shares of EDP - Energias de Portugal, S.A.

4) The shares of EDP Renováveis, S.A. Include 678,701 shares held by IP Holding - SGPS, S.A. and 48,600 shares held by Fundação Ilídio Pinho, in which Ilídio da Costa Leite de Pinho discharges managerial responsabilities.

5) Ceased functions on 21 April 2015.

After such period, and for the members of the General and Supervisory Board elected in the General Shareholders Meeting of 21 of April 2015, the financial instruments owned were as listed below:

| | EDP - Energias de Portugal, S.A. | | | | EDP Renováveis, S.A. | |
|---|---|---|---|---|---|---|
| **GENERAL AND SUPERVISORY BOARD** [1] | **Nº Shares 30-06-2015** | **Nº Shares 31-12-2014** | **Nº Bonds 30-06-2015** | **Nº Bonds 31-12-2014** | **Nº Shares 30-06-2015** | **Nº Shares 31-12-2014** |
| China Three Gorges Corporation | 780,633,782 | 780,633,782 | 0 | 0 | 0 | 0 |
| Eduardo Catroga (em representação da China Three Gorges Corporation) [2] | 0 | 0 | 0 | 0 | 0 | 0 |
| Luís Filipe Marques Amado | 0 | - | 0 | - | 0 | - |
| China Three Gorges New Energy Co. Ltd. | 0 | 0 | 0 | 0 | 0 | 0 |
| Ya Yang (em representação da China Three Gorges New Energy Co. Ltd.) | 0 | 0 | 0 | 0 | 0 | 0 |
| China International Water & Electric Corp. | 0 | 0 | 0 | 0 | 0 | 0 |
| Guojun Lu (em representação da China International Water & Electric Corp.) | 0 | 0 | 0 | 0 | 0 | 0 |
| CWEI (Europe) S.A. | 780,633,782 | 780,633,782 | 0 | 0 | 0 | 0 |
| Dingming Zhang (em representação da CWEI (Europe), S.A.) | 0 | 0 | 0 | 0 | 0 | 0 |
| CWEI (Potugal), Sociedade Unipessoal, Lda. | 0 | 0 | 0 | 0 | 0 | 0 |
| Shengliang Wu (em representação da CWEI (Portugal), Sociedade Unipessoal, Lda.) | 0 | 0 | 0 | 0 | 0 | 0 |
| Draursa, S.A. | 0 | - | 0 | - | 0 | - |
| Felipe Fernández Fernández (em representação da Draursa, S.A.) | 0 | 0 | 0 | 0 | 0 | 0 |
| Fernando Maria Masaveu Herrero [3] | 264,709,056 | 264,709,056 | 0 | 0 | 0 | 0 |
| Banco Comercial Português, S.A. | 89,139,594 | - | 0 | 0 | 0 | 0 |
| Nuno Manuel da Silva Amado (em representaçãpo do Banco Comercial Português, S.A. | 0 | 0 | 0 | 0 | 0 | 0 |
| Sonatrach | 87,007,433 | 87,007,433 | 0 | 0 | 0 | 0 |
| Ferhat Ounoughi (em representação da Sonatrach) | 0 | 0 | 0 | 0 | 0 | 0 |
| Senfora BV | 148,431,999 | 0 | 0 | 0 | 0 | 0 |
| Mohamed Ali Ismaeil Ali Al Fahim (em representação da Senfora BV) | 0 | 0 | 0 | 0 | 0 | 0 |
| Alberto Joaquim Milheiro Barbosa | 0 | - | 0 | - | 0 | - |
| António Manuel de Carvalho Ferreira Vitorino | 0 | - | 0 | - | 0 | - |
| António Sarmento Gomes Mota | 0 | 0 | 0 | 0 | 0 | 0 |
| Augusto Carlos Serra Ventura Mateus | 0 | 0 | 0 | 0 | 0 | 0 |
| Ilídio da Costa Leite de Pinho [4] | 0 | 0 | 0 | 0 | 727,301 | 0 |
| João Carvalho das Neves | 7,429 | - | 5 | - | 0 | - |
| Jorge Avelino Braga de Macedo | 0 | 0 | 0 | 0 | 0 | 0 |
| Maria Celeste Ferreira Lopes Cardona | 0 | 0 | 0 | 0 | 0 | 0 |
| María del Carmen Ana Fernández Rozado | 0 | - | 0 | - | 0 | - |
| Vasco Joaquim Rocha Vieira | 3,203 | 3,203 | 0 | 0 | 60 | 60 |

Notes:

1) The members of the General and Supervisory Board do not hold any shares of Energias do Brasil, S.A.

2) The 1,375 shares of EDP - Energias de Portugal, S.A. referred to in previous reports were sold on August 9, 2006, in a transaction with a value less than 5,000 euros.

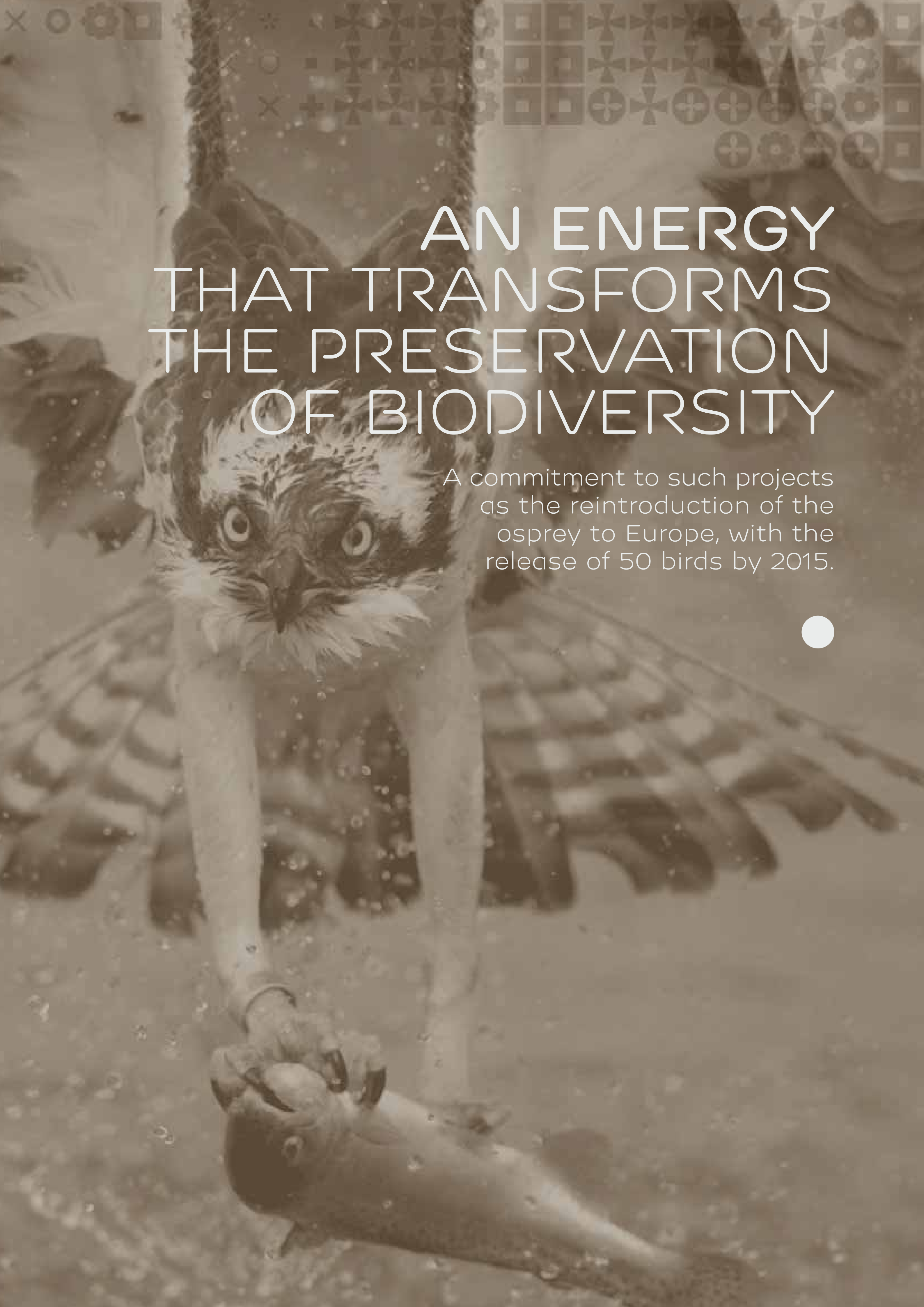
3) The shares of EDP - Energias de Portugal, SA include 263,046,616 shares held by Oppidum, which is directly owned by Liberbank 44.1% and 55.9% by Masaveu Internacional, S.L. which, in turn, is wholly owned by Masaveu Corporación, S.A., Fernando Masaveu has managerial responsibilities and 2.020 shares held by his wife Carolina Compostizo Fernández. Fernando Masaveu is a person discharging managerial responsibilities in Flicka Forestal SL, which holds 1,660,420 shares of EDP - Energias de Portugal, S.A.

4) The shares of EDP Renováveis, S.A. Include 678,701 shares held by IP Holding - SGPS, S.A. and 48,600 shares held by Fundação Ilídio Pinho, in which Ilídio da Costa Leite de Pinho discharges managerial responsabilities.

In the first semester of 2015, the members of the General and Supervisory Board performed the following operations with EDP Renováveis, S.A. shares:

| Member of Corporate Body | Company | Security | Date | Quantity | Operation | Avg. Purchase Price (euros) |
|---|---|---|---|---|---|---|
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 17-04-2015 | 80,145 | Purchase | 6.156 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 20-04-2015 | 321,157 | Purchase | 6.233 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 21-04-2015 | 23,000 | Purchase | 6.243 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 21-04-2015 | 375,000 | Purchase | 6.240 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 22-04-2015 | 2,750 | Purchase | 6.235 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 24-04-2015 | 81,000 | Purchase | 6.333 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 30-04-2015 | 70,840 | Purchase | 6.208 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 04-05-2015 | 60,000 | Purchase | 6.409 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 05-05-2015 | 155,000 | Purchase | 6.450 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 05-05-2015 | 35,000 | Purchase | 6.481 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 05-05-2015 | 18,600 | Purchase | 6.450 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 20-05-2015 | 95,559 | Purchase | 6.744 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 21-05-2015 | 60,000 | Purchase | 6.739 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 01-06-2015 | 30,000 | Sale | 6.514 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 02-06-2015 | 20,000 | Sale | 6.530 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 02-06-2015 | 59,444 | Sale | 6.517 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 03-06-2015 | 80,000 | Sale | 6.550 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 03-06-2015 | 35,353 | Sale | 6.532 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 04-06-2015 | 37,051 | Sale | 6.703 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 05-06-2015 | 60,000 | Sale | 6.578 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 08-06-2015 | 29,087 | Sale | 6.478 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 03-06-2015 | 30,000 | Sale | 6.603 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 09-06-2015 | 48,517 | Sale | 6.354 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 11-06-2015 | 150,000 | Sale | 6.571 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 11-06-2015 | 41,298 | Sale | 6.613 |
| Ilídio da Costa Leite de Pinho | EDP Renováveis, S.A. | Shares | 11-06-2015 | 30,000 | Sale | 6.570 |

# FINANCIAL STATEMENTS



# AN ENERGY THAT TRANSFORMS THE PRESERVATION OF BIODIVERSITY

A commitment to such projects as the reintroduction of the osprey to Europe, with the release of 50 birds by 2015.

# CONDENSED FINANCIAL STATEMENTS
30 June 2015

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# EDP - Energias de Portugal

## Condensed Consolidated Income Statement
## for the six-month period ended 30 June 2015 and 2014

| Thousands of Euros | Notes | 2015 | 2014* |
|---|---|---|---|
| Revenues from energy sales and services and other | 6 | 7,947,694 | 8,019,423 |
| Cost of energy sales and other | 6 | -5,197,883 | -5,320,641 |
| | | 2,749,811 | 2,698,782 |
| Other income | 7 | 525,899 | 254,941 |
| Supplies and services | 8 | -434,189 | -422,407 |
| Personnel costs and employee benefits | 9 | -324,220 | -200,571 |
| Other expenses | 10 | -386,353 | -344,357 |
| | | -618,863 | -712,394 |
| | | 2,130,948 | 1,986,388 |
| Provisions | 11 | -3,275 | -17,775 |
| Amortisation and impairment | 12 | -689,179 | -680,533 |
| | | 1,438,494 | 1,288,080 |
| Financial income | 13 | 502,202 | 491,143 |
| Financial expenses | 13 | -866,449 | -736,402 |
| Share of net profit in joint ventures and associates | 20 | -23,287 | 8,133 |
| Profit before income tax and CESE | | 1,050,960 | 1,050,954 |
| Income tax expense | 14 | -193,803 | -238,549 |
| Extraordinary contribution to the energy sector (CESE) | 15 | -60,863 | -61,496 |
| | | -254,666 | -300,045 |
| **Net profit for the period** | | **796,294** | **750,909** |
| **Attributable to:** | | | |
| **Equity holders of EDP** | | **586,809** | **633,871** |
| **Non-controlling Interests** | 33 | **209,485** | **117,038** |
| **Net profit for the period** | | **796,294** | **750,909** |
| Earnings per share (Basic and Diluted) - Euros | 30 | 0.16 | 0.17 |

***** Restated for IFRIC 21 purposes

LISBON, 30 JULY 2015

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

# EDP - Energias de Portugal

## Condensed Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2015 and 2014

| | 2015 | | 2014* | |
|---|---|---|---|---|
| Thousands of Euros | Equity holders of EDP | Non-controlling Interests | Equity holders of EDP | Non-controlling Interests |
| **Net profit for the period** | 586,809 | 209,485 | 633,871 | 117,038 |
| **Items that will never be reclassified to profit or loss (i)** | | | | |
| Actuarial gains/(losses) | 35,548 | -3,450 | -110,289 | -5,237 |
| Tax effect from the actuarial gains/(losses) | -6,059 | 1,173 | 29,114 | 1,781 |
| | 29,489 | -2,277 | -81,175 | -3,456 |
| **Items that are or may be reclassified to profit or loss (i)** | | | | |
| Exchange differences arising on consolidation | -55,172 | -76,002 | 75,901 | 119,829 |
| Fair value reserve (cash flow hedge) | 32,636 | 3,944 | 13,392 | -5,306 |
| Tax effect from the fair value reserve (cash flow hedge) | -8,647 | -1,036 | -4,156 | 1,465 |
| Fair value reserve (available for sale investments) | 14,023 | - | 20,114 | -698 |
| Tax effect from the fair value reserve (available for sale investments) | -3,089 | - | -5,293 | 237 |
| Share of other comprehensive income of joint ventures and associates, net of taxes | -2,146 | -7,746 | -8,130 | -6,542 |
| | -22,395 | -80,840 | 91,828 | 108,985 |
| **Other comprehensive income for the period, net of income tax** | 7,094 | -83,117 | 10,653 | 105,529 |
| **Total comprehensive income for the period** | 593,903 | 126,368 | 644,524 | 222,567 |

(i) See Condensed Consolidated Statement of Changes in Equity

* Restated for IFRIC 21 purposes

LISBON, 30 JULY 2015

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

# EDP - Energias de Portugal

**Condensed Consolidated Statement of Financial Position
as at 30 June 2015 and 31 December 2014**

| Thousands of Euros | Notes | 2015 | 2014 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 16 | 22,100,971 | 20,523,100 |
| Intangible assets | 17 | 5,638,175 | 5,813,026 |
| Goodwill | 18 | 3,375,199 | 3,321,286 |
| Investments in joint ventures and associates | 20 | 760,389 | 872,974 |
| Available for sale investments | 21 | 239,989 | 224,457 |
| Investment property | 22 | 36,808 | 37,399 |
| Deferred tax assets | 23 | 283,583 | 218,747 |
| Trade receivables | 25 | 97,531 | 174,591 |
| Debtors and other assets from commercial activities | 26 | 3,045,385 | 3,052,139 |
| Other debtors and other assets | 27 | 764,469 | 780,877 |
| Collateral deposits associated to financial debt | 35 | 217,494 | 388,808 |
| Total Non-Current Assets | | 36,559,993 | 35,407,404 |
| Inventories | 24 | 230,541 | 266,456 |
| Trade receivables | 25 | 1,911,668 | 1,945,103 |
| Debtors and other assets from commercial activities | 26 | 1,520,030 | 1,734,129 |
| Other debtors and other assets | 27 | 352,881 | 318,848 |
| Current tax assets | 28 | 302,886 | 371,653 |
| Financial assets at fair value through profit or loss | 50 | 11,181 | 10,665 |
| Collateral deposits associated to financial debt | 35 | 61,403 | 40,362 |
| Cash and cash equivalents | 29 | 1,369,941 | 2,613,995 |
| Assets held for sale | 42 | - | 164,402 |
| Total Current Assets | | 5,760,531 | 7,465,613 |
| **Total Assets** | | 42,320,524 | 42,873,017 |
| **Equity** | | | |
| Share capital | 30 | 3,656,538 | 3,656,538 |
| Treasury stock | 31 | -64,328 | -69,931 |
| Share premium | 30 | 503,923 | 503,923 |
| Reserves and retained earnings | 32 | 3,946,689 | 3,550,487 |
| Consolidated net profit attributable to equity holders of EDP | | 586,809 | 1,040,448 |
| Total Equity attributable to equity holders of EDP | | 8,629,631 | 8,681,465 |
| Non-controlling Interests | 33 | 3,706,177 | 3,287,679 |
| **Total Equity** | | 12,335,808 | 11,969,144 |
| **Liabilities** | | | |
| Financial debt | 35 | 16,373,585 | 16,400,827 |
| Employee benefits | 36 | 1,569,107 | 1,682,988 |
| Provisions | 37 | 461,031 | 463,975 |
| Deferred tax liabilities | 23 | 799,455 | 804,744 |
| Institutional partnerships in USA | 38 | 1,948,985 | 1,801,963 |
| Trade and other payables from commercial activities | 39 | 1,327,610 | 1,269,476 |
| Other liabilities and other payables | 40 | 551,793 | 517,486 |
| Total Non-Current Liabilities | | 23,031,566 | 22,941,459 |
| Financial debt | 35 | 3,152,581 | 3,897,356 |
| Employee benefits | 36 | 195,421 | 197,285 |
| Provisions | 37 | 25,137 | 21,564 |
| Hydrological correction account | 34 | 6,154 | 1,010 |
| Trade and other payables from commercial activities | 39 | 2,742,047 | 3,182,255 |
| Other liabilities and other payables | 40 | 210,986 | 235,795 |
| Current tax liabilities | 41 | 620,824 | 415,821 |
| Liabilities held for sale | 42 | - | 11,328 |
| Total Current Liabilities | | 6,953,150 | 7,962,414 |
| **Total Liabilities** | | 29,984,716 | 30,903,873 |
| **Total Equity and Liabilities** | | 42,320,524 | 42,873,017 |

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# EDP - Energias de Portugal

## Condensed Consolidated Income Statement
## for the three-month period from 1 April to 30 June 2015 and 2014

| Thousands of Euros | 2015 | 2014* |
|---|---|---|
| Revenues from energy sales and services and other | 3,812,357 | 3,692,210 |
| Cost of energy sales and other | -2,485,791 | -2,476,467 |
| | 1,326,566 | 1,215,743 |
| Other income | 378,194 | 183,629 |
| Supplies and services | -226,951 | -220,050 |
| Personnel costs and employee benefits | -163,698 | -36,561 |
| Other expenses | -171,275 | -163,135 |
| | -183,730 | -236,117 |
| | 1,142,836 | 979,626 |
| Provisions | -2,743 | -10,890 |
| Amortisation and impairment | -352,510 | -356,511 |
| | 787,583 | 612,225 |
| Financial income | 222,581 | 261,618 |
| Financial expenses | -378,833 | -359,946 |
| Share of net profit in joint ventures and associates | -21,637 | -3,528 |
| Profit before income tax | 609,694 | 510,369 |
| Income tax expense | -111,561 | -58,409 |
| | -111,561 | -58,409 |
| **Net profit for the period** | 498,133 | 451,960 |
| **Attributable to:** | | |
| **Equity holders of EDP** | **350,292** | **397,192** |
| **Non-controlling Interests** | **147,840** | **54,767** |
| **Net profit for the period** | **498,132** | **451,959** |
| Earnings per share (Basic and Diluted) - Euros | 0.10 | 0.11 |

***** Restated for IFRIC 21 purposes

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The following notes form an integral part of these condensed consolidated financial statements

# EDP - Energias de Portugal

## Condensed Consolidated Statement of Comprehensive Income for the three-month period from 1 April to 30 June 2015 and 2014

| | 2015 | | 2014* | |
|---|---|---|---|---|
| Thousands of Euros | Equity holders of EDP | Non-controlling Interests | Equity holders of EDP | Non-controlling Interests |
| **Net profit for the period** | 350,292 | 147,840 | 397,192 | 54,767 |
| **Items that will never be reclassified to profit or loss** | | | | |
| Actuarial gains/(losses) | 35,548 | -3,450 | -109,307 | -4,298 |
| Tax effect from the actuarial gains/(losses) | -6,059 | 1,173 | 28,780 | 1,462 |
| | 29,489 | -2,277 | -80,527 | -2,836 |
| **Items that are or may be reclassified to profit or loss** | | | | |
| Exchange differences arising on consolidation | -5,562 | -11,537 | 42,309 | 66,742 |
| Fair value reserve (cash flow hedge) | 1,525 | 3,224 | 22,489 | -1,900 |
| Tax effect from the fair value reserve (cash flow hedge) | 173 | -760 | -7,075 | 563 |
| Fair value reserve (available for sale investments) | -27,956 | - | -17,215 | -129 |
| Tax effect from the fair value reserve (available for sale investments) | 6,944 | - | 4,573 | 44 |
| Share of other comprehensive income of joint ventures and associates, net of taxes | -11,256 | -10,738 | -4,846 | -4,073 |
| | -36,132 | -19,811 | 40,235 | 61,247 |
| **Other comprehensive income for the period (net of income tax)** | -6,643 | -22,088 | -40,292 | 58,411 |
| **Total comprehensive income for the period** | 343,649 | 125,752 | 356,900 | 113,178 |

***** Restated for IFRIC 21 purposes

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## EDP - Energias de Portugal

**Condensed Consolidated Statement of Changes in Equity as at 30 June 2015 and 31 December 2014**

| Thousands of Euros | Total Equity | Share capital (i) | Share premium (i) | Legal reserve (ii) | Reserves and retained earnings | Fair value reserve (Cash flow hedge) (ii) | Fair value reserve (AFS investments) (ii) | Exchange differences (ii) | Treasury stock (iii) | Equity attributable to equity holders of EDP | Non-controlling Interests (iv) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2013*** | **11,527,902** | **3,656,538** | **503,923** | **620,069** | **3,859,171** | **-53,016** | **72,935** | **-128,291** | **-85,573** | **8,445,756** | **3,082,146** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 750,909 | - | - | - | 633,871 | - | - | - | - | 633,871 | 117,038 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | 5,395 | - | - | - | - | 9,236 | - | - | - | 9,236 | -3,841 |
| Changes in the fair value reserve (available for sale investments) net of taxes | 14,360 | - | - | - | - | - | 14,821 | - | - | 14,821 | -461 |
| Share of other comprehensive income of joint ventures and associates net of taxes | -14,672 | - | - | - | - | -1,671 | - | -6,459 | - | -8,130 | -6,542 |
| Actuarial gains/(losses) net of taxes | -84,631 | - | - | - | -81,175 | - | - | - | - | -81,175 | -3,456 |
| Exchange differences arising on consolidation | 195,730 | - | - | - | - | - | - | 75,901 | - | 75,901 | 119,829 |
| Total comprehensive income for the period | 867,091 | - | - | - | 552,696 | 7,565 | 14,821 | 69,442 | - | 644,524 | 222,567 |
| Transfer to legal reserve | - | - | - | 39,544 | -39,544 | - | - | - | - | - | - |
| Dividends paid | -671,879 | - | - | - | -671,879 | - | - | - | - | -671,879 | - |
| Dividends attributable to non-controlling interests | -112,407 | - | - | - | - | - | - | - | - | - | -112,407 |
| Purchase and sale of treasury stock | 12,891 | - | - | - | -2,269 | - | - | - | 15,160 | 12,891 | - |
| Share-based payments | 1,457 | - | - | - | 144 | - | - | - | 1,313 | 1,457 | - |
| Sale without loss of control of EDPR France subsidiaries | 28,256 | - | - | - | 2,954 | 1,627 | - | - | - | 4,581 | 23,675 |
| Changes resulting from acquisitions/sales and equity increases | -16,163 | - | - | - | -205 | - | - | - | - | -205 | -15,958 |
| Other reserves arising on consolidation | -14 | - | - | - | 6 | - | - | - | - | 6 | -20 |
| **Balance as at 30 June 2014**** | **11,637,134** | **3,656,538** | **503,923** | **659,613** | **3,701,074** | **-43,824** | **87,756** | **-58,849** | **-69,100** | **8,437,131** | **3,200,003** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 512,901 | - | - | - | 406,577 | - | - | - | - | 406,577 | 106,324 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -7,679 | - | - | - | - | -4,157 | - | - | - | -4,157 | -3,522 |
| Changes in the fair value reserve (available for sale financial assets) net of taxes | -40,432 | - | - | - | - | - | -39,880 | - | - | -39,880 | -552 |
| Share of other comprehensive income of joint ventures and associates net of taxes | 236 | - | - | - | - | -630 | - | -4,599 | - | -5,229 | 5,465 |
| Actuarial gains/(losses) net of taxes | -39,658 | - | - | - | -50,795 | - | - | - | - | -50,795 | 11,137 |
| Exchange differences arising on consolidation | -135,398 | - | - | - | - | - | - | -70,014 | - | -70,014 | -65,384 |
| Total comprehensive income for the period | 289,970 | - | - | - | 355,782 | -4,787 | -39,880 | -74,613 | - | 236,502 | 53,468 |
| Dividends attributable to non-controlling interests | -49,298 | - | - | - | - | - | - | - | - | - | -49,298 |
| Purchase and sale of treasury stock | -749 | - | - | - | 85 | - | - | - | -834 | -749 | - |
| Share-based payments | 3 | - | - | - | - | - | - | - | 3 | 3 | - |
| Sale without loss of control of EDPR France subsidiaries | -611 | - | - | - | -473 | - | - | - | - | -473 | -138 |
| Sale without loss of control of EDPR France | 68,971 | - | - | - | 6,781 | 830 | - | - | - | 7,611 | 61,360 |
| Sale without loss of control of South Dundas | 15,494 | - | - | - | 1,748 | - | - | 162 | - | 1,910 | 13,584 |
| Changes resulting from acquisitions/sales and equity increases | 8,019 | - | - | - | -706 | - | - | - | - | -706 | 8,725 |
| Other reserves arising on consolidation | 211 | - | - | - | 236 | - | - | - | - | 236 | -25 |
| **Balance as at 31 December 2014** | **11,969,144** | **3,656,538** | **503,923** | **659,613** | **4,064,527** | **-47,781** | **47,876** | **-133,300** | **-69,931** | **8,681,465** | **3,287,679** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 796,294 | - | - | - | 586,809 | - | - | - | - | 586,809 | 209,485 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | 26,897 | - | - | - | - | 23,989 | - | - | - | 23,989 | 2,908 |
| Changes in the fair value reserve (available for sale investments) net of taxes | 10,934 | - | - | - | - | - | 10,934 | - | - | 10,934 | - |
| Share of other comprehensive income of joint ventures and associates net of taxes | -9,892 | - | - | - | - | 10,211 | - | -12,357 | - | -2,146 | -7,746 |
| Actuarial gains/(losses) net of taxes | 27,212 | - | - | - | 29,489 | - | - | - | - | 29,489 | -2,277 |
| Exchange differences arising on consolidation | -131,174 | - | - | - | - | - | - | -55,172 | - | -55,172 | -76,002 |
| Total comprehensive income for the period | 720,271 | - | - | - | 616,298 | 34,200 | 10,934 | -67,529 | - | 593,903 | 126,368 |
| Transfer to legal reserve | - | - | - | 39,289 | -39,289 | - | - | - | - | - | - |
| Dividends paid | -672,308 | - | - | - | -672,308 | - | - | - | - | -672,308 | - |
| Dividends attributable to non-controlling interests | -55,726 | - | - | - | - | - | - | - | - | - | -55,726 |
| Purchase and sale of treasury stock | 4,532 | - | - | - | 430 | - | - | - | 4,102 | 4,532 | - |
| Share-based payments | 1,501 | - | - | - | - | - | - | - | 1,501 | 1,501 | - |
| Sale without loss of control of windfarms in the USA | 302,644 | - | - | - | -8,567 | -1,141 | - | -5,072 | - | -14,780 | 317,424 |
| Sale without loss of control of solar farms in the USA | 25,436 | - | - | - | 364 | - | - | -737 | - | -373 | 25,809 |
| Sale without loss of control of windfarms in Brazil | 70,223 | - | - | - | 7,713 | - | - | 5,053 | - | 12,766 | 57,457 |
| Changes resulting from acquisitions/sales and equity increases | -29,663 | - | - | - | 26,601 | -3,592 | - | - | - | 23,009 | -52,672 |
| Other reserves arising on consolidation | -246 | - | - | - | -84 | - | - | - | - | -84 | -162 |
| **Balance as at 30 June 2015** | **12,335,808** | **3,656,538** | **503,923** | **698,902** | **3,995,685** | **-18,314** | **58,810** | **-201,585** | **-64,328** | **8,629,631** | **3,706,177** |

(i) See note 30
(ii) See note 32
(iii) See note 31
(iv) See note 33

* Restated for IFRS 10 and 11 purposes
** Restated for IFRIC 21 purposes

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**EDP - Energias de Portugal**

**Condensed Consolidated and Company Statement of Cash Flows**
**as at 30 June 2015 and 2014**

| Thousands of Euros | Group Jun 2015 | Group Jun 2014 | Company Jun 2015 | Company Jun 2014 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Cash receipts from customers | 7,452,964 | 7,635,070 | 1,347,821 | 1,046,940 |
| Proceeds from tariff adjustments sales | 699,461 | 1,113,313 | - | - |
| Payments to suppliers | -5,508,327 | -5,821,474 | -1,396,167 | -1,104,142 |
| Payments to personnel | -456,489 | -428,110 | -21,000 | -6,633 |
| Concession rents paid | -140,263 | -143,180 | - | - |
| Other receipts/(payments) relating to operating activities | -145,337 | -174,543 | 1,046 | -15,726 |
| **Net cash flows from operations** | 1,902,009 | 2,181,076 | -68,300 | -79,561 |
| Income tax received/(paid) | 16,311 | -113,656 | 67,518 | -8,055 |
| **Net cash flows from operating activities** | 1,918,320 | 2,067,420 | -782 | -87,616 |
| **Investing activities** | | | | |
| Cash receipts relating to: | | | | |
| Sale of assets/subsidiaries with loss of control (i) | 242,627 | 133,508 | - | - |
| Other financial assets and investments (i) | 1,324 | 494 | 42 | - |
| Changes in cash resulting from consolidation perimeter variations | 1,948 | 39 | - | - |
| Property, plant and equipment and intangible assets | 7,471 | 3,524 | 19,447 | - |
| Other receipts relating to tangible fixed assets | 5,235 | 11,296 | - | - |
| Interest and similar income | 33,257 | 44,598 | 236,702 | 259,539 |
| Dividends | 23,958 | 27,494 | 411,058 | 573,902 |
| Loans to related parties | 5,099 | - | 315,561 | - |
| | 320,919 | 220,953 | 982,810 | 833,441 |
| Cash payments relating to: | | | | |
| Acquisition of assets/subsidiaries (i) | -95,423 | -5,894 | - | - |
| Other financial assets and investments (i) | -45,858 | -5,883 | - | -249 |
| Property, plant and equipment and intangible assets | -1,126,491 | -854,901 | -32,031 | -16,424 |
| Loans to related parties | -17,642 | - | -49,941 | - |
| | -1,285,414 | -866,678 | -81,972 | -16,673 |
| **Net cash flows from investing activities** | -964,495 | -645,725 | 900,838 | 816,768 |
| **Financing activities** | | | | |
| Receipts/(payments) relating to loans | -1,407,259 | -856,716 | -777,805 | -603,207 |
| Interest and similar costs including hedge derivatives | -479,662 | -438,379 | -203,489 | -230,712 |
| Share capital increases/(decreases) by non-controlling interests | -25,807 | -16,093 | - | - |
| Receipts/(payments) relating to derivative financial instruments | 36,403 | 8,167 | 38 | -3,901 |
| Dividends paid to equity holders of EDP (ii) | -672,308 | -671,879 | -672,588 | -672,158 |
| Dividends paid to non-controlling interests | -67,534 | -43,763 | - | - |
| Treasury stock sold/(purchased) (ii) | 4,532 | 12,891 | 6,033 | 14,348 |
| Sale of assets/subsidiaries without loss of control (i) | 394,950 | 28,261 | - | - |
| Receipts/(payments) from institutional partnerships - USA | 36,657 | -26,978 | - | - |
| **Net cash flows from financing activities** | -2,180,028 | -2,004,489 | -1,647,811 | -1,495,630 |
| **Changes in cash and cash equivalents** | -1,226,203 | -582,794 | -747,755 | -766,478 |
| Effect of exchange rate fluctuations on cash held | -17,851 | 47,547 | 438 | 43 |
| Cash and cash equivalents at the beginning of the period | 2,613,995 | 2,156,707 | 1,344,731 | 1,183,405 |
| **Cash and cash equivalents at the end of the period *** | 1,369,941 | 1,621,460 | 597,414 | 416,970 |

(i) Transactions at a Group level are included in note 5
(ii) See Condensed Consolidated and Company Statement of Changes in Equity

* See details of "Cash and cash equivalents" in note 29 of the Condensed Financial Statements.

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# EDP - Energias de Portugal, S.A.

**Condensed Company Income Statement**
**for the six-month period ended 30 June 2015 and 2014**

| Thousands of Euros | Notes | 2015 | 2014 |
|---|---|---|---|
| Revenues from energy sales and services and other | 6 | 1,393,577 | 1,117,313 |
| Cost of energy sales and other | 6 | -1,311,320 | -1,014,283 |
| | | 82,257 | 103,030 |
| Other income | | 5,602 | 6,426 |
| Supplies and services | 8 | -86,151 | -89,299 |
| Personnel costs and employee benefits | 9 | -20,478 | -8,780 |
| Other expenses | 10 | -12,889 | -11,978 |
| | | -113,916 | -103,631 |
| | | -31,659 | -601 |
| Provisions | 11 | -977 | -8 |
| Amortisation and impairment | 12 | -6,858 | -7,160 |
| | | -39,494 | -7,769 |
| Financial income | 13 | 1,154,028 | 1,098,998 |
| Financial expenses | 13 | -669,974 | -566,715 |
| Profit before income tax | | 444,560 | 524,514 |
| Income tax expense | 14 | 13,353 | 8,506 |
| **Net profit for the period** | | **457,913** | **533,020** |

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The following notes form an integral part of these condensed consolidated financial statements

# EDP - Energias de Portugal, S.A.

## Company Condensed Statement of Comprehensive Income for the six-month period ended 30 June 2015 and 2014

| Thousands of Euros | 2015 | 2014 |
|---|---|---|
| **Net profit for the period** | 457,913 | 533,020 |
| **Items that are or may be reclassified to profit or loss (i)** | | |
| Fair value reserve (cash flow hedge) | 32,901 | 5,880 |
| Tax effect from the fair value reserve (cash flow hedge) | -9,703 | -1,831 |
| Fair value reserve (available for sale investments) | 2,205 | 8,230 |
| Tax effect from the fair value reserve (available for sale investments) | -651 | -2,590 |
| **Other comprehensive income for the period (net of income tax)** | 24,752 | 9,689 |
| **Total comprehensive income for the period** | 482,665 | 542,709 |

(i) See Condensed Company Statement of Changes in Equity

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# EDP - Energias de Portugal, S.A.

**Condensed Company Statement of Financial Position**
**as at 30 June 2015 and 31 December 2014**

| Thousands of Euros | Notes | 2015 | 2014 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 16 | 155,951 | 137,492 |
| Intangible assets | | 1 | 2 |
| Investments in subsidiaries | 19 | 10,036,969 | 10,036,969 |
| Investments in joint ventures and associates | 20 | 6,595 | 6,595 |
| Available for sale investments | 21 | 49,131 | 46,926 |
| Investment property | 22 | 103,165 | 104,393 |
| Deferred tax assets | 23 | 36,417 | 27,434 |
| Debtors and other assets from commercial activities | | 1,573 | 1,097 |
| Other debtors and other assets | 27 | 7,025,317 | 6,650,873 |
| Collateral deposits associated to financial debt | 35 | 155,981 | 311,990 |
| Total Non-Current Assets | | 17,571,100 | 17,323,771 |
| Inventories | | 5 | 11 |
| Trade receivables | 25 | 155,724 | 178,647 |
| Debtors and other assets from commercial activities | 26 | 320,101 | 300,623 |
| Other debtors and other assets | 27 | 1,867,936 | 1,925,649 |
| Current tax assets | 28 | 69,301 | 141,421 |
| Collateral deposits associated to financial debt | 35 | 27,423 | 22,507 |
| Cash and cash equivalents | 29 | 597,414 | 1,344,731 |
| Total Current Assets | | 3,037,904 | 3,913,589 |
| **Total Assets** | | 20,609,004 | 21,237,360 |
| **Equity** | | | |
| Share capital | 30 | 3,656,538 | 3,656,538 |
| Treasury stock | 31 | -58,233 | -63,836 |
| Share premium | 30 | 503,923 | 503,923 |
| Reserves and retained earnings | 32 | 2,406,937 | 2,268,563 |
| Net profit for the period | | 457,913 | 785,780 |
| **Total Equity** | | 6,967,078 | 7,150,968 |
| **Liabilities** | | | |
| Financial debt | 35 | 6,470,342 | 7,188,672 |
| Employee benefits | | 1,227 | 1,346 |
| Provisions | 37 | 24,099 | 22,540 |
| Trade and other payables from commercial activities | | 1,682 | 1,744 |
| Other liabilities and other payables | 40 | 1,859,056 | 1,685,230 |
| Total Non-Current Liabilities | | 8,356,406 | 8,899,532 |
| Financial debt | 35 | 3,634,696 | 3,628,645 |
| Provisions | 37 | 271 | 271 |
| Hydrological correction account | 34 | 6,154 | 1,010 |
| Trade and other payables from commercial activities | 39 | 567,478 | 638,820 |
| Other liabilities and other payables | 40 | 1,071,890 | 912,911 |
| Current tax liabilities | 41 | 5,031 | 5,203 |
| Total Current Liabilities | | 5,285,520 | 5,186,860 |
| **Total Liabilities** | | 13,641,926 | 14,086,392 |
| **Total Equity and Liabilities** | | 20,609,004 | 21,237,360 |

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# EDP - Energias de Portugal, S.A.

**Condensed Company Income Statement**
**for the three-month period from 1 April to 30 June 2015 and 2014**

| Thousands of Euros | 2015 | 2014 |
|---|---|---|
| Revenues from energy sales and services and other | 662,681 | 555,549 |
| Cost of energy sales and other | -628,707 | -510,120 |
| | 33,974 | 45,429 |
| Other income | 2,869 | 3,641 |
| Supplies and services | -45,061 | -44,822 |
| Personnel costs and employee benefits | -10,781 | -4,964 |
| Other expenses | -9,766 | -10,966 |
| | -62,739 | -57,111 |
| | -28,765 | -11,682 |
| Provisions | -855 | 281 |
| Amortisation and impairment | -3,412 | -3,555 |
| | -33,032 | -14,956 |
| Financial income | 713,183 | 754,102 |
| Financial expenses | -252,854 | -243,663 |
| Profit before income tax | 427,297 | 495,483 |
| Income tax expense | 10,076 | 6,718 |
| **Net profit for the period** | 437,373 | 502,201 |

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# EDP - Energias de Portugal, S.A.

## Condensed Company Statement of Comprehensive Income
## for the three-month period from 1 April to 30 June 2015 and 2014

| Thousands of Euros | 2015 | 2014 |
|---|---|---|
| **Net profit for the period** | 437,373 | 502,201 |
| **Items that are or may be reclassified to profit or loss** | | |
| Fair value reserve (cash flow hedge) | 22,119 | 30,199 |
| Tax effect from the fair value reserve (cash flow hedge) | -6,525 | -9,502 |
| Fair value reserve (available for sale investments) | -4,258 | -3,451 |
| Tax effect from the fair value reserve (available for sale investments) | 1,257 | 1,090 |
| **Other comprehensive income for the period (net of income tax)** | 12,593 | 18,336 |
| **Total comprehensive income for the period** | 449,966 | 520,537 |

LISBON, 30 JULY 2015

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

# EDP - Energias de Portugal, S.A.

**Company Condensed Statement of Changes in Equity as at 30 June 2015 and 31 December 2014**

| Thousands of Euros | Total Equity | Share capital (i) | Share premium (i) | Legal reserve (ii) | Reserves and retained earnings | Fair value reserve (Cash flow hedge) (ii) | Fair value reserve (AFS investments) (ii) | Treasury stock (iii) |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2013** | **7,033,084** | **3,656,538** | **503,923** | **620,069** | **2,316,620** | **-868** | **16,280** | **-79,478** |
| Comprehensive income: | | | | | | | | |
| Net profit for the period | 533,020 | - | - | - | 533,020 | - | - | - |
| Changes in the fair value reserve (cash flow hedge) net of taxes | 4,049 | - | - | - | - | 4,049 | - | - |
| Changes in the fair value reserve (available for sale investments) net of taxes | 5,640 | - | - | - | - | - | 5,640 | - |
| Total comprehensive income for the period | 542,709 | - | - | - | 533,020 | 4,049 | 5,640 | - |
| Transfer to legal reserve | - | - | - | 39,544 | -39,544 | - | - | - |
| Dividends paid | -672,158 | - | - | - | -672,158 | - | - | - |
| Purchase and sale of treasury stock | 12,891 | - | - | - | -2,269 | - | - | 15,160 |
| Share-based payments | 1,457 | - | - | - | 144 | - | - | 1,313 |
| **Balance as at 30 June 2014** | **6,917,983** | **3,656,538** | **503,923** | **659,613** | **2,135,813** | **3,181** | **21,920** | **-63,005** |
| Comprehensive income: | | | | | | | | |
| Net profit for the period | 252,760 | - | - | - | 252,760 | - | - | - |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -15,319 | - | - | - | - | -15,319 | - | - |
| Changes in the fair value reserve (available for sale investments) net of taxes | -2,799 | - | - | - | - | - | -2,799 | - |
| Actuarial gains / (losses) net of taxes | -911 | - | - | - | -911 | - | - | - |
| Total comprehensive income for the period | 233,731 | - | - | - | 251,849 | -15,319 | -2,799 | - |
| Purchase and sale of treasury stock | -749 | - | - | - | 85 | - | - | -834 |
| Share-based payments | 3 | - | - | - | - | - | - | 3 |
| **Balance as at 31 December 2014** | **7,150,968** | **3,656,538** | **503,923** | **659,613** | **2,387,747** | **-12,138** | **19,121** | **-63,836** |
| Comprehensive income: | | | | | | | | |
| Net profit for the period | 457,913 | - | - | - | 457,913 | - | - | - |
| Changes in the fair value reserve (cash flow hedge) net of taxes | 23,198 | - | - | - | - | 23,198 | - | - |
| Changes in the fair value reserve (available for sale investments) net of taxes | 1,554 | - | - | - | - | - | 1,554 | - |
| Total comprehensive income for the period | 482,665 | - | - | - | 457,913 | 23,198 | 1,554 | - |
| Transfer to legal reserve | - | - | - | 39,289 | -39,289 | - | - | - |
| Dividends paid | -672,588 | - | - | - | -672,588 | - | - | - |
| Purchase and sale of treasury stock | 4,532 | - | - | - | 430 | - | - | 4,102 |
| Share-based payments | 1,501 | - | - | - | - | - | - | 1,501 |
| **Balance as at 30 June 2015** | **6,967,078** | **3,656,538** | **503,923** | **698,902** | **2,134,213** | **11,060** | **20,675** | **-58,233** |

(i) See note 30
(ii) See note 32
(iii) See note 31

LISBON, 30 JULY 2015

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## NOTES TO THE CONDENSED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

**EDP - Energias de Portugal, S.A.**
**Notes to the Condensed Consolidated and Company Financial Statements**
**for the six-month period ended 30 June 2015**

## 1. ECONOMIC ACTIVITY OF EDP GROUP

The Group's parent company, EDP - Energias de Portugal, S.A. (EDP, S.A.), was incorporated in 1976 as a result of the nationalisation and merger of the major Portuguese companies in the electricity sector operating in mainland Portugal. EDP S.A.'s head office is located in Lisbon at Praça Marquês de Pombal, 12. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split of EDP, S.A., which led to a number of directly or indirectly wholly owned subsidiaries of EDP, S.A.

The Group's businesses are currently focused on the generation, distribution and supply of electricity and distribution and supply of gas. Although complementary, the Group also operates in related areas such as engineering, laboratory tests, vocational training, energy services and property management.

The EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors, whose scope and framework is adequately detailed in note 1 of the Notes to Consolidated Financial Statements of 2014 with reference to the activities undertaken in 2014.

During the six-month period ended 30 June 2015, we emphasize the following changes, with significant impact in the economic activity of the EDP Group:

**Activity in the energy sector in Brazil**

**Electricity - Brazil**

On 13 March 2014, the Ministries of Mines and Energy (MME) and Treasury announced the following measures to support the national electricity sector: (i) Establishment of Centralized Account (Account-ACR), administer by the CCEE (Electricity Trading Chamber) with the aim of preserving the consumer tariff volatility, besides relieving distributors cash flow for 2014 expenses; (ii) 4 billions of Reais of additional Financial Contribution from the National Treasury in the Energy Development Account (CDE); and (iii) performance of Existing Energy Auction of the Year "A", with energy delivery in 2014, expected to be held in April and supply starting from 1 May 2014.

These measures were implemented by Decree 8,221/2014, of 2 April 2014 related with the cover of the extra costs for 2014, with retroactive effects to February, which defines the financing method and the subsequent effect on electricity tariffs. This is a non-refundable contribution cost.

On 25 April 2014, CCEE signed contracts with some banks to finance 11.2 billions of Reais for the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The Energy Development Account - CDE was incharge for the funds for the loan payment, present in the energy tariffs and the reimbursement will be made starting on November 2015. The ACR-Account resources obtained through bank loans sold out in April 2014. Therefore, in August 2014 a new loan of 6.5 billions of Reais was approved. EDP Escelsa received 596 millions of Reais in November, related with the months of February to October 2014, while, for the same period EDP Bandeirante received 309 millions of Reais. The value of the Account-ACR was insufficient to cover the November and December deficit, forcing ANEEL to defer payment for 2015. In March 2015, CCEE signed a new loan of 3.4 billions of Reais. Thus, EDP Escelsa and EDP Bandeirante received 104.2 millions of Reais and 64.4 millions of Reais, respectively, to cover the deficits of November and December 2014. The amounts received by the ACR-Account to cover the 2014 deficit will be considered in the energy tariffs from the 2015 ordinary tariff processes.

From January 2015, entered into force the Flags Tariff System. This system signals to consumers the real costs of electricity generation, and consists on three flags: green, yellow and red. The green flag indicates that the cost of energy production is lower and, therefore no changes are applied to the energy tariffs. The yellow and red flags represent the increase in energy production cost, and is added an additional amount to the energy tariff. Only consumers classified as low income residential subcategory will have discount on the additional amount applied by the yellow and red flags. On a monthly basis, the operating system conditions are reassessed by the National Electric System Operator - ONS, which defines the best strategy for power generation over demand.

On 4 February 2015, the Tariff Flag Resource Account was established, through the Decree 8,401. Distributors should collect the proceeds from the application of this system to this account, managed by the CCEE. Proceeds are allocated to cover the costs that are not included in the distribution tariff, such as: Energy Security of the System Service Charge - ESS, thermal dispatch, Itaipu hydrological risk and quotas, exposure to spot market and the Power Reserve Account - CONER surplus.

ANEEL should approve on a monthly basis, the transfers to the distribution companies. Any costs not covered by revenue will be considered in the next tariff process.

**EDP - Energias de Portugal, S.A.**
**Notes to the Condensed Consolidated and Company Financial Statements**
**for the six-month period ended 30 June 2015**

On 27 February 2015, through Ratifying Resolution 1,859, ANEEL established the new criteria for the additional tariff and the operation of the Flags Tariff System:

a) Green Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is less than the amount of 200 R$/MWh;

b) Yellow Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than 200 R$/MWh and lower than the maximum value of the Differences Settlement Price - PLD, currently at 388.48 R$/MWh. For the period of 1 January to 1 March 2015, the consumption proportional increase is 1.5 R$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 2.5 R$ per 100 KWh; and

c) Red Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than the maximum value of the PLD. For the period from 1 January to 1 March 2015, the consumption proportional increase is 3 R$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 5.5 R$ per 100 KWh.

At the same time, ANEEL accepted the request of Extraordinary Tariff Review - RTE from the distributors and defined the applicable methodology. The results of the RTEs Dealers of Electricity Distribution were approved, through the Resolution 1,858. For EDP Bandeirante the application of new tariffs, from 2 March, resulted in an average increase in its customers of 25.12% and for EDP Escelsa the effect was 26.83%.

On 28 April 2015, through the Normative Resolution 660, ANEEL approved changes in the methodology applicable to the Periodic Tariff Review processes for distributors valid for the processes performed from 6 May 2015. The changes occurred on the following aspects: (i) general procedures; (ii) operating costs; (iii) X factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues and (vi) other income, among with:

a) Extinction of the tariff cycle concept, starting to be used methodologies and parameters prevailing at the time of the tariff review. The update of the parameters will occur in periods of 2/4 years while the updating of the methodologies in periods of 4/8 years;

b) The weighted average cost of capital (WACC) increased from 7.5% to 8.09% (after taxes). The points considered in the update were: (i) standardization of series; (ii) use of average credit risk of companies in the debt capital of third parties; and (iii) recalculation of the cost of capital every 3 years, with methodology review in every six years;

c) Remuneration for the risk associated with investment operations carried out with third-party funds (subsidies);

d) For the definition of efficient operating costs, were considered the "quality index" and "losses";

e) To define the level of non-technical losses, it was included the variable "low-income" and the database updated based on three statistical models;

f) The level of unrecoverable revenues (%) shall be calculated based on past 60 months of non-compliance of the concessionaire;

g) The percentage share of other revenue has been changed to 30% in the following services: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. For the other services the share percentage was set at 60%;

h) The calculation of the X Factor, now regards commercial quality.

These changes, which will represent an increase in future income, only will impact the next tariff review of Bandeirante and Escelsa, which according with Management expectations should occur in October 2015 and August 2016, respectively.

**Activity in the Renewable Energies Sector**

**Electricity - Renewable**

*Generation*

*Regulatory framework for the activities in Portugal*

On 7 April 2015 the Administrative Order 102/2015 was published, which establishes the procedures for the placement of additional energy and for the repowering authorisation of wind farms previously defined by Decree-Law 94/2014 of 24 June.

The main measures introduced by this legislation are: (i) the energy produced by repowering wind farms (increasing the number of wind turbines in existing wind farms) is remunerated at a fixed rate of 60€/MW; (ii) the energy corresponding to the difference between installed capacity and the injected energy in the network is remunerated at 60€/MW; and (iii) Recognition of the wind farms repowering as an independent generator.

**EDP - Energias de Portugal, S.A.**
**Notes to the Condensed Consolidated and Company Financial Statements**
**for the six-month period ended 30 June 2015**

## 2. ACCOUNTING POLICIES

### a) Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for the six-month period ended 30 June 2015 and condensed consolidated and company statement of financial position as at 30 June 2015.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as "financial statements") on 30 July 2015. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company condensed financial statements for the six-month period ended 30 June 2015 were prepared in accordance with IFRS as adopted by the E.U. until 30 June 2015 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group as of and for the year ended 31 December 2014.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 48.

The financial statements were prepared under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets and liabilities at fair value through profit or loss and available-for-sale investments, except those for which fair value is not available. Assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the hedged risk. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell. Liabilities for defined benefit plans are recognised at the present value of the obligation net of plan assets fair value.

In accordance with IFRS 3 - Business Combinations, if the initial purchase price allocation of assets, liabilities and contingent liabilities acquired is identified as provisional, in the subsequent 12 months after the business combination transaction, the legal acquirer should make the final allocation of the purchase price related to the fair value of the assets, liabilities and contingent acquired. These adjustments with impact on the amount of goodwill determined and booked in previous periods, originates a restatement of the comparative information, which are reflected on the Statement of financial position, with effect from the date of the business combinations transactions liabilities.

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

Accounting policies have been applied consistently by all Group companies and in all periods presented in the condensed consolidated financial statements. Nevertheless, the adoption of IFRIC 21 with mandatory application as at 1 January 2015 resulted in the restatement of comparative information as at 1 January 2014.

*Adoption of IFRIC 21*

The Group has adopted IFRIC 21 for the first time when preparing these condensed consolidated financial statements as at 30 June 2015.

IFRIC 21 – Levies, provides guidance on when to recognise a liability for levies that are charged by governmental entities, defining the obligating event as the moment that triggers the recognition of the liability to pay a levy.

As a result of the change in the timing of recognition of certain levies (mainly property tax and extraordinary contribution to the energy sector), the amounts for the first semester of 2014, presented for comparative purposes, were restated to include the same recognition criteria, incorporating impacts on Other expenses in the amount of 15,759 thousands of Euros (see note 10), on Income tax expenses in the amount of 3,819 thousands of Euros (see note 14) and on extraordinary contribution to the energy sector (CESE) in the amount of 30,867 thousands of Euros (see note 15). The adoption of this interpretation does not affect the annual consolidated financial statements presented at 31 December 2014, but only those published on an interim basis. As a consequence, no restatement is applicable for Condensed Consolidated Statement of Financial Position as at 31 December 2014.

**EDP - Energias de Portugal, S.A.**
**Notes to the Condensed Consolidated and Company Financial Statements**
**for the six-month period ended 30 June 2015**

**b) Basis of consolidation**

The accompanying consolidated financial statements reflect the assets, liabilities and results of EDP, S.A. and its subsidiaries (Group or EDP Group) and the equity and results attributable to the Group, through the investments in associates and jointly controlled entities.

As from 1 January 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

*Controlled entities*

Investments in subsidiaries where the EDP Group has control are fully consolidated from the date the Group assumes control over their financial and operating activities until the moment that control ceases to exist.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held.

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the non-controlling interests previously recognised by the Group have been recovered. As from 1 January 2010, the due proportion of accumulated losses are attributed to non-controlling interests, implying that the Group can recognise negative non-controlling interests.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any investee previously acquired is booked against the income statement when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement, as well as any gain or loss resulting from the disposal.

*Jointly controlled entities*

EDP Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

After determining the existence of joint control, the Group classifies joint arrangements into two types - joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement, so the assets and liabilities (and related revenues and expenses) in relation to its interest in the arrangement are recognised and measured in accordance with relevant IFRSs applicable.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, so this investment shall be accounted for using the equity method.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of joint ventures, accounted for under the equity method. When the Group’s share of losses exceeds its interest in a jointly controlled entity, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of that entity.

*Entities over which the Group has significant influence*

Investments in associates are accounted for by the equity method from the date the Group acquires significant influence to the date it ceases. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies.

The existence of significant influence by the Group is usually evidenced by one or more of the following:
- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel; and
- Provision of essential technical information.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of associates, accounted for under the equity method. When the Group’s share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of the associate.

**EDP - Energias de Portugal, S.A.**
**Notes to the Condensed Consolidated and Company Financial Statements**
**for the six-month period ended 30 June 2015**

*Accounting for investments in subsidiaries in the company's financial statements*

Investments in subsidiaries not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

*Goodwill*

Following the transition to International Financial Reporting Standards (IFRS) on 1 January 2004 and as permitted under IFRS 1 - First-time Adoption of International Financial Reporting Standards, the EDP Group decided to maintain the goodwill resulting from business combinations that occurred prior to the transition date, calculated in accordance with the Group's previous accounting policies.

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.

As from 1 January 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January 2010 onwards, the EDP Group has the possibility to book non-controlling interests at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the non-controlling interests, against non-controlling interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the period the business combination occurs.

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless of the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

*Purchases of non-controlling interests and dilution*

Until 31 December 2009, in the acquisition of non-controlling interests, the difference between the fair value of the non-controlling interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability were recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Until 31 December 2009, when an interest in a subsidiary was disposed, without a loss of control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. Until 31 December 2009, the Group recognised the gains or losses resulting from a dilution of the interest in a subsidiary following a sale or capital increase, in the income statement.

As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

**EDP - Energias de Portugal, S.A.**
**Notes to the Condensed Consolidated and Company Financial Statements**
**for the six-month period ended 30 June 2015**

*Investments in foreign operations*

The financial statements of the foreign subsidiaries and associates of the Group are prepared using their functional currency, defined as the currency of the primary economic environment in which they operate. In the consolidation process, the assets and liabilities of foreign subsidiaries are translated into Euros at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated using the full consolidation method and equity method, the exchange differences between the amount of equity expressed in Euros at the beginning of the period and the amount translated at the official exchange rates at the end of the period, on a consolidated basis, are booked against reserves.

Foreign currency goodwill arising on the acquisition of these investments is remeasured at the official exchange rate at the balance sheet date directly against reserves.

The income and expenses of foreign subsidiaries are translated into Euros at the approximate exchange rates at the dates of the transactions. Exchange differences from the translation into Euros of the net profit for the period, arising from the differences between the rates used in the income statement and those prevailing at the balance sheet date are recognised in reserves.

On disposal of a foreign subsidiary, the related exchange differences previously recognised in reserves, are accounted for in the income statement.

*Balances and transactions eliminated on consolidation*

Inter-company balances and transactions, including any unrealised gains and losses on transactions between Group companies, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising on transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

**c) Foreign currency transactions**

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

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

**d) Derivative financial instruments and hedge accounting**

Derivative financial instruments are recognised on the trade date at fair value. Subsequently, the fair value of derivative financial instruments is remeasured on a regular basis, being the gains or losses on remeasurement recognised directly in the income statement, except for derivatives designated as cash flow hedging instruments. Recognition, in the income statement, of the resulting gains and losses on remeasurement of hedging derivatives depends on the hedge model used.

The fair value of derivative financial instruments corresponds to their market value, if available, or is determined by external entities through the use of valuation techniques.

**Hedge accounting**

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting under IAS 39 are accounted for as trading instruments.

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model applied by the Group. Hedge relationship exist when:
(i) At the inception of the hedge there is formal documentation of the hedge;
(ii) The hedge is expected to be highly effective;
(iii) The effectiveness of the hedge can be reliably measured;
(iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period; and
(v) The forecast transaction being hedged must be highly probable and must be exposed to changes in cash flows that could ultimately affect profit or loss.

*Fair value hedge*

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

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*Cash flow hedge*

Changes in the fair value of derivatives qualified as cash flow hedges are recognised in reserves.

The cumulative gains or losses recognised in reserves are reclassified to the income statement when the hedged item affects the income statement.

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

*Net investment hedge*

The net investment hedge model is applied on a consolidated basis to investments in subsidiaries in foreign currencies. This model allows that the exchange differences recognised in the exchange differences consolidated reserves to be offset by the foreign exchange differences in foreign currency loans or currency derivatives contracted. The ineffective portion of the hedging relationship is recognised in the income statement.

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging instrument recognised in equity are transferred to the income statement when the foreign entity is sold, as part of the gain or loss resulting from the disposal.

*Effectiveness*

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

**e) Other financial assets**

The Group classifies its other financial assets at acquisition date, considering the underlying purpose, in the following categories:

*Financial assets at fair value through profit or loss*

This category includes: (i) financial assets at fair value through profit or loss, acquired for the purpose of being traded in the short term, and (ii) other financial assets designated at fair value through profit or loss at inception (fair value option).

*Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets which: (i) the Group intends to hold for an undetermined period of time, or (ii) are designated as available-for-sale on initial recognition.

**Initial recognition, measurement and derecognition**

Purchases and sales of: (i) financial assets at fair value through profit or loss, and (ii) available-for-sale investments, are recognised on the trade date, which is the date on which the Group commits to purchase or sell these financial assets.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which the transaction costs are recognised directly in the income statement.

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

**Subsequent measurement**

After initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value recognised in the income statement in the period in which they arise.

Available-for-sale investments are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity until the financial assets are derecognised or impaired. When this occurs, the cumulative gains or losses previously recognised in equity are immediately recognised in the income statement. Foreign exchange differences relating to these assets are also recognised in fair value reserves if arising from shares, and in the income statement if arising from debt instruments. Interest, calculated using the effective interest rate method, as well as dividends received, are recognised in the income statement.

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The fair value of listed investments in active markets is based on current bid prices. The Group determines the fair value of unlisted securities through (i) valuation methodologies, such as the price of similar recent arm's length transactions and discounted cash flow techniques, and (ii) valuation assumptions based on market information.

Financial assets whose fair value cannot be reliably measured are stated at cost, with any subsequent impairment loss being booked against the income statement.

**Reclassifications between categories**

The Group does not transfer financial instruments into or out of fair value through profit or loss.

**Impairment**

At each balance sheet date, an assessment is performed as to whether there is objective evidence of impairment, including any impairment resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets and when it can be reliably measured.

For the financial assets that present evidence of impairment, the respective recoverable amount is determined, and the impairment losses are recognised in the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) in the case of listed securities, a significant or prolonged decline in the listed price of the security, and (ii) in the case of unlisted securities, when that event (or events) has an impact on the estimated amount of the future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

If there is objective evidence of impairment on available-for-sale investments, the cumulative potential loss recognised in fair values reserves, corresponding to the difference between the acquisition cost and the fair value at the balance sheet date, less any impairment loss on that financial asset previously recognised in the income statement, is transferred to the income statement.

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in the income statement up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. In the case of equity instruments, impairment losses can not be reversed and any subsequent event that results in a fair value increase is recognised in equity under fair value reserves.

**f) Financial liabilities**

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, regardless of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

**g) Equity instruments**

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or other financial asset to another entity, regardless of its legal form, and there is a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issuance of equity instruments are recognised in equity, as a deduction to the amount issued. Amounts paid or received relating to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Distributions related to equity instruments are deducted from equity, as dividends, when declared.

Preference shares issued by the Group are considered as an equity instrument when there is no contractual obligation to redeem the shares and dividends are paid at the discretion of the Group. Preference shares issued by subsidiaries, classified as equity instruments and held by third parties, are recognised as non-controlling interests.

**h) Property, plant and equipment**

Property, plant and equipment is stated at acquisition cost less accumulated depreciation and impairment losses. On transition to IFRS, on 1 January 2004, the Group decided to consider as deemed cost the revalued amount of Property, plant and equipment in accordance with the Group's previous accounting policy, which was comparable in general terms to the depreciated cost determined in accordance with IFRS.

Subsequent costs are recognised as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group. Repair and maintenance costs are charged in the income statement as incurred, according to the accrual principle.

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The Group carries out impairment tests whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment recognised in the income statement.

The recoverable amount is the higher of fair value less costs to sell and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Land is not depreciated. Depreciation of tangible assets is calculated on a straight-line basis over their estimated useful lives, as follows:

| | Number of years |
|---|---|
| Buildings and other constructions | 8 to 50 |
| Plant and machinery: | |
| - Hydroelectric generation | 30 to 75 |
| - Thermoelectric generation | 25 to 45 |
| - Renewable generation | 25 |
| - Electricity distribution | 10 to 40 |
| - Other plant and machinery | 4 to 25 |
| Transport equipment | 4 to 25 |
| Office equipment and tools | 2 to 16 |
| Other property, plant and equipment | 3 to 50 |

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change in the expected economic benefits flowing from the assets occurs as well as when the technical use planned for the assets differs from previous estimates. Changes occurring in the depreciation charge for the year are accounted prospectively.

*Capitalisation of borrowing costs and other directly attributable costs*

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of interest costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on those assets. The capitalisation rate corresponds to the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. The capitalisation of borrowing costs begins when expenditure for the assets is being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

*Government grants*

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

*Transfers of assets from customers*

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:
- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

The Group adopted this interpretation for the allowances received from customers, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

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**i) Intangible assets**

The Group's intangible assets are booked at acquisition cost less accumulated amortisation and impairment losses.

The Group performs impairment tests whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, being any impairment recognised in the income statement. The recoverable amount is the higher of fair value less costs to sell and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

*Acquisition and development of software*

The costs of purchasing software and the costs incurred by the Group to implement it are capitalised and amortised on a straight-line basis over the expected useful life of the asset.

Costs incurred by the Group directly related to the development of software, that are expected to generate economic benefits beyond one year, are recognised as intangible assets. Such costs include employee costs directly associated to the project and are amortised on a straight-line basis over its estimated useful life.

Software maintenance costs are charged to the income statement when incurred.

*Concession rights on distribution of electricity and gas*

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and amortised on a straight-line basis over the concessions period, not exceeding 30 and 40 years, respectively.

*Concession rights to use the public hydric domain*

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 45 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets assigned to concessions is described in note 2aa), Group concession activities.

*Industrial property and other rights*

Industrial property and other rights are amortised on a straight-line basis over the estimated useful life of the assets, which does not exceed 6 years.

**j) Leases**

The Group classifies its lease transactions as finance leases or operating leases based on the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

*Operating leases*

Lease payments under operating lease contracts are recognised as an expense in the period to which they relate.

*Finance leases*

Finance leases are recognised by the lessee, at the inception of the lease, as assets and liabilities at the fair value of the leased assets which is equivalent to the present value of the future lease payments.

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Lessors record assets held under finance leases as leased capital, by the net amount invested in the lease.

Lease payments include the financial income and the amortisation of the outstanding principal.

Financial results recognised reflect a constant periodic rate of return on the outstanding net balance of the lessor.

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*Determining whether an Arrangement contains a Lease*

Following the issuance by International Financial Reporting Interpretations Committee (IFRIC) of IFRIC 4 - Determining whether an arrangement contains a lease, applicable from 1 January 2006, arrangements including transactions that, although do not take the form of a lease, convey the right to use an asset in return for a payment, are recognised as leases, provided that, in substance, they comply with the requirements defined in the interpretation.

**k) Investment property**

The Group classifies as investment property, property held for capital appreciation and/or for rental purposes.

Investment property is recognised initially at acquisition or production cost, including directly attributable transaction costs, and is subsequently measured at cost less accumulated depreciation and any impairment losses.

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will arise when compared to initial recognition.

**l) Inventories**

Inventories are measured at the lower of acquisition cost and net realisable value. The cost of inventories includes purchases, conversion and other costs incurred in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs.

The cost of inventories is determined by using the weighted average method.

CO2 licences held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

**m) Accounts receivable**

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost and being presented in the statement of financial position net of impairment losses which are associated.

Impairment losses are recorded based on the regular assessment of the existence of objective evidence of impairment resulting from doubtful accounts receivable as of the balance sheet date. Impairment losses are recognised in the income statement, being subsequently reversed through the income statement if the estimated losses decrease, in a later period.

**n) Employee benefits**

According to IAS 34 and IAS 19 no updated actuarial valuations are obtained for interim periods, except if there have been significant changes in the plans or unexpected significant changes in market conditions.

**Pensions**

Some EDP Group companies grant post-retirement benefits to employees under defined benefit and defined contribution plans, namely pension plans that grant complementary retirement benefits for age, disability and surviving pensions, as well as early retirement pensions.

*Defined benefit plans*

In Portugal, the defined benefit plan is funded through a closed Pension Fund complemented by a specific provision. The Pension Fund covers the liabilities for retirement pension complementary benefits, as well as for early retirement.

In Brazil, Bandeirante has two defined benefit plans managed by the CESP Foundation, a closed complementary welfare entity with its own assets, segregated from those of its sponsors. Escelsa has a defined benefit plan that grants complementary benefits for retirement due to age, disability and survival pensions. Escelsa also has a special complementary benefit plan for retired employees who served in the Brazilian army.

The Group's pension plans are defined benefit plans, since the criteria used to determine the amount of the pension to be received by employees on retirement is usually dependent on one or more factors such as age, years of service and salary level.

The Group's pension liability for each plan is calculated annually at the balance sheet date, by independent experts individually for each plan, using the projected unit credit method. The discount rate used in the calculation is determined based on market interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have similar maturity to the related pension liability.

Actuarial gains and losses resulting from: (i) differences between financial and actuarial assumptions used and actual amounts; and (ii) changes in the actuarial assumptions are recognised against equity.

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The increase in past service costs arising from early retirements (retirements before the normal retirement age) or plan amendments are recognised in the income statement when incurred.

The Group recognises as operational expenses, in the income statement, current and past service costs. Net interest on the net defined benefit liability (asset) is recognised in financial results.

The assets of the plan comply with the recognition criteria established by IFRIC 14 - IAS 19 and the minimum funding requirements established by law or by contract.

*Defined contribution plans*

In Portugal, Spain and Brazil, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

**Other benefits**

*Medical benefits and other plans*

In Portugal and in Brazil some EDP Group companies provide medical benefits during retirement and early retirement, through complementary benefits to those provided by the Social Security system. The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group’s statement of financial position. Measurement and recognition of the medical benefits liabilities are similar to those of the defined benefit plans pension liabilities, explained above.

*Variable remuneration paid to employees*

In accordance with the by-laws of some Group companies, the shareholders approve in the Annual General Meeting a variable remuneration to be paid to the management and employees (bonus), following a proposal made by the Executive Board of Directors. The variable remuneration is charged to the income statement in the year to which it relates.

**o) Provisions**

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

*Provisions for dismantling and decommissioning in electric power plants*

The Group accounts for provisions for dismantling and decommissioning of assets when there is a legal, contractual or constructive obligation at the end of the assets’ useful life. Therefore, such provisions have been booked for the electric power plants to cover the cost of restoring the location and land to their original condition. The provisions are calculated at the present amount of the expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

Decommissioning and dismantling provisions are remeasured on an annual basis based on the best estimate of the settlement amount. The unwinding of the discount at each balance sheet date is charged to the income statement.

**p) Recognition of costs and revenues**

Costs and revenues are recognised in the period to which they relate regardless of when paid or received, in accordance with the accrual basis. Differences between amounts received and paid and the corresponding revenue and costs are recognised under Other assets or other liabilities.

Revenue in EDP Group arises essentially from electricity generation and energy (electricity and gas) distribution and supply activities.

Revenue related to the sale of energy and access tariffs to energy distribution network is measured at fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after elimination of intra-group sales.

Revenue recognition occurs when the significant risks and rewards of ownership are transferred to the buyer, the entity retains neither continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

The moment when an entity has transferred the significant risks and rewards of ownership to the buyer varies depending on the activities carried out by the Group companies.

Regarding the **electricity generation**, this transfer occurs when the energy is generated and injected into the transport/distribution grids. The electricity generated is sold under free market conditions or through the establishment of medium/long term power purchase agreements.

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The **energy distribution** is a regulated activity, which is remunerated through tariffs set by each country Regulatory Body (ERSE in Portugal, CNE in Spain and ANEEL in Brazil).

In Portugal and Spain, revenue arises mainly from the sale of access tariffs, as well as from the recovery, from the commercialisation entities, of the costs related to the global management activity of the system. In Brazil, revenue results from the electricity sales to final consumers, in the regulated market, based on the tariffs determined by ANEEL, which are included the use of the distribution and transport system tariff, among other components. In Portugal and Brazil, these activities are subject to public service concession arrangements (see aa)).

The **energy supply** is carried out in regulated and non-regulated markets. In non-regulated market, revenue is recognised based on commercial agreements. In regulated market, revenue is recognised according to the tariffs determined by each country Regulatory Body.

Revenue recognition includes two components: (i) energy sales already invoiced, based on actual consumption readings and/or in estimated consumption based on the historical data of each consumer; (ii) and estimates of energy supplied and not yet invoiced (energy into energy meter). Differences between estimated and actual amounts are recorded in subsequent periods.

Additionally, it should be noted that, in energy distribution and supply activities, there is a tariff adjustment mechanism through which gains or losses of a certain year are recognised in the period to which they relate and recovered in the future years tariffs – Tariff Adjustments (see x)).

The revenue recognition related with **services rendered** is based on the percentage of completion of the transaction at the reporting date. This occurs when the amount of revenue can be reliably measured, when it is probable the existence of economic benefits associated with the transaction to the entity who sells, when the percentage of completion of the transaction at the reporting date can be reliably measured and the costs incurred with the transaction and the costs to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to reliably measure the completion of a transaction involving services rendered, revenue is only recognised to the extent of the expenses recognised as recoverable.

**q) Financial results**

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

Interest is recognised in the income statement on an accrual basis. Dividend income is recognised on the date the right to receive is established.

Financial results also include impairment losses on available-for-sale investments.

**r) Income tax**

Income tax recognised in the income statement includes current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Deferred taxes arising from the revaluation of available-for-sale investments and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

Current tax is the tax expected to be paid on the taxable income for the period, using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the balance sheet liability method, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, using the tax rates enacted or substantively enacted at the balance sheet date for each jurisdiction and that are expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not be reversed in the future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

The Group offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:
(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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**s) Earnings per share**

Basic earnings per share are calculated by dividing the consolidated and the company net profit attributable to the equity holders of EDP, S.A. by the weighted average number of ordinary shares outstanding during the period, excluding the average number of shares held by the Group and by EDP, S.A., respectively.

For the diluted earnings per share calculation, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. The dilution effect corresponds to a decrease in earnings per share resulting from the assumption that the convertible instruments are converted or the options granted are exercised.

**t) Share based payments**

The stock options remuneration program enables the Group's employees to acquire EDP, S.A. shares. The exercise price of the options is calculated based on the listed price of the shares at the grant date.

The fair value of the options granted, determined at the grant date, is recognised in the income statement against equity during the vesting period, based on their market value calculated at the grant date.

If the option is exercised, the Group acquires shares in the market to grant them to employees.

**u) Non-current assets held for sale and discontinued operations**

Non-current assets or groups of non-current assets held for sale (groups of assets and related liabilities that include at least one non-current asset) are classified as held for sale when their carrying amounts will be recovered mainly through sale, the assets or groups of assets are available for immediate sale and the sale is highly probable.

The Group also classifies as non-current assets held for sale, non-current assets or groups of assets acquired exclusively for its subsequent resale, that are available for immediate sale and the sale is highly probable.

The measurement of all non-current assets and all assets and liabilities included in a disposal group, is adjusted in accordance with the applicable IFRS standards, immediately before their classification as held for sale. Subsequently, these assets or disposal groups are measured at the lowest between their carrying amount and fair value less costs to sell.

**v) Cash and cash equivalents**

Cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A., in the next twelve months.

**w) Operating segments**

The Group presents the operating segments based on internal management information.

In accordance with IFRS 8, an operating segment is a Group component:
(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) for which discrete financial information is available.

**x) Tariff adjustments**

In regulated activities, the regulator establishes, through the tariff adjustment mechanism, the criteria to recognise gains or losses of one period in future periods. The tariff adjustments accounted for in the EDP Group financial statements represent the difference between the amounts invoiced by Portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector to recover the tariff adjustments under a regime identical to the one used for the tariff deficits. Consequently, EDP Group booked under the income statement caption Revenues from energy sales and services and other - Electricity and network access, the effects resulting from the recognition of tariff adjustments, against Debtors and other assets from commercial activities. According to the referred Decree-Law, the tariff adjustments determined annually, will be recovered by the regulated operators even in case of insolvency or cease of operations. ERSE is the entity responsible to establish the method to ensure that the entity entitled to these rights continues to recover the tariff adjustments until its complete payment. The Decree-Law also allows the transfer of the right to receive the tariff adjustment to third parties, in whole or in part, through future electricity tariffs.

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Decree-Law 87/2011 of 18 July establishes the unconditional right of regulated operators in the natural gas sector to recover tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations, and allows the transfer to third parties of the right to receive tariff adjustments. The EDP Group recorded in the income statement, under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

**y) CO2 licences and greenhouse gas emissions**

The Group holds CO2 licences in order to deal with gas emissions resulting from its operational activity and licences for trading. The CO2 and gas emissions licences held for its own use are booked as intangible assets and are valued at the quoted price in the market on the date of the transaction.

The licences held by the Group for trading purposes are booked under Inventories at acquisition cost, and are subsequently adjusted to the lower of the acquisition cost or the net realisable value. Gains and losses resulting from these adjustments are recognised in the income statement of the period.

**z) Statement of Cash Flow**

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

The Group classifies cash flows related to interest and dividends paid as financing activities and interest and dividends received as investing activities.

**aa) Group concession activities**

The International Financial Reporting Committee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date.

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. IFRIC 12, was applied prospectively since it was impracticable to apply it retrospectively.

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services and also controls any significant residual interest in the infrastructure.

According to IFRIC 12, the infrastructures allocated to concessions are not recognised by the operator as tangible fixed assets or as financial leases, as the operator does not control the assets. These infrastructures are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract:

*Financial Asset Model*

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless the level of use of the infrastructure within the concession and results in a financial asset recognition, booked at amortised cost.

*Intangible Asset Model*

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructure (demand risk) and results in an intangible asset recognition.

*Mixed Model*

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of concession contracts of the EDP Group to which IFRIC 12 is applicable, construction activities are outsourced to external specialised entities, and therefore the EDP Group has no margin associated with the construction of assets assigned to concessions. Therefore, the revenue and the expenditure from the acquisition of these assets are equivalent (see note 6).

Intangible assets within concessions are amortised over their respective useful lives during the concession period.

The Group carries out impairment tests to the intangible assets within concessions whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment recognised in the income statement.

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Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis, and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

The concession contracts that exist currently in EDP Group are based in the mixed model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil.

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

IFRS require the use of judgement and the making of estimates in the decision process regarding certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. The actual effects may differ from these estimates and judgements, namely in relation to the effect of actual costs and income.

The main accounting estimates and judgements used in applying the accounting policies are discussed in this note in order to improve the understanding of how its application affects the Group's reported results and disclosures. A broader description of the accounting policies employed by the Group is disclosed in note 2 to these condensed consolidated financial statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the reported results could differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements present fairly, in all material respects, the Group's financial position and results.

**Impairment of available-for-sale investments**

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value.

Determination of a significant or prolonged decline requires judgement. In making this judgement, the Group assesses, among other factors, the normal share price volatility, assuming as significant a decline of more than 20% in listed shares. In addition, valuations are generally obtained through market prices or determined by external entities, or through valuation models that require assumptions or judgment in making the fair value estimates.

Alternative methodologies or the use of different assumptions and estimates could result in different impairment losses being recognised with a consequent impact in the Group's income statement.

**Fair value of financial instruments**

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

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

**Contractual Stability Compensation - CMEC**

Following a Portuguese Government decision to extinguish the Power Purchase Agreement (PPA), EDP and REN agreed to the early termination of the PPAs, with effect from 1 July 2007.

As a result of the PPAs termination and in accordance with the applicable legislation, a contractual stability compensation (CMEC) was granted to EDP Group. The mechanism for granting this compensation includes three types of compensation: initial compensation, compensation resulting from the revisable mechanism and final compensation.

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousands of Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitisation of this amount is possible. Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each year considering the actual conditions and is recognised as a loss or gain in the year to which it relates. Final compensation will be calculated in accordance with the terms defined by the legislation relating to the termination of the PPAs, after the end of the revisable mechanism period (10 years). Interest resulting from the discount rate used is booked in the period to which it relates, based on the respective implicit rate, against income for each period.

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**Contractual Stability Compensation - Revisable mechanism**

The revisable mechanism consists in correcting on an annual basis, during a 10-year period after the termination of the PPAs, the positive and negative variations between the estimates made for the initial stability compensation calculation and the actual amounts occurred in the market for each period. This mechanism gives rise to compensation resulting from the correction of the estimate referred to as CMEC revisable mechanism. In each period, EDP Group calculates the CMEC considering market prices and the actual quantities sold, using the assumptions defined in the "Valor água" model defined in the Decree-Law 240/2004 and the guidelines of the revisibility calculation according to the Order 4694/2014. Consequently, the use of different methodologies or assumptions from the used model, could give rise to different financial results from those considered.

**Review of the useful life of the assets**

The Group reviews annually the reasonableness of the assets' useful lives that are used to determine the depreciation rates of assets assigned to the activity, and prospectively changes the depreciation charge of the year based on such review.

In the second quarter of 2011, EDPR Group changed the useful life of its wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was based on a technical study performed by an independent entity which considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study covered 95% of wind installed capacity of EDPR Group, in its different geographies (Europe and North America), based on assumptions and estimates that required judgement.

The regulatory authority of Brazil, ANEEL, issued Normative Resolution 474 on 7 February 2012, which revised the economic useful life of assets assigned to distribution concessions, and established new annual depreciation rates with retroactive effect from 1 January 2012. The implementation of this change in annual depreciation rates led to an increase in the average useful life of Bandeirante's and Escelsa's assets from 22 to 24 years and 20 to 22 years, respectively.

In the third quarter of 2013, the Group reviewed and extended the useful life of the combined cycle plants from 25 to 35 years based on a technical study conducted by an independent entity that considered the technical availability for an additional period of 10 years. This study covered the combined cycle plants in Portugal (Lares and Ribatejo) and Spain (Castejon 1 and 3, Grupo 4 and Soto 5).

**Useful lives of generation assets - Hydro independent generator in Brazil**

The hydro generation assets in Brazil for Independent generators are amortised during their estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements. This includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by ANEEL, the respective contractual residual indemnification values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnification values at the end of the concessions may be influenced by changes in the regulatory legal framework in Brazil.

**Tariff adjustments**

*Portugal*

Tariff adjustments in Portugal represent the difference between costs and income of the National Electricity and Gas System, estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the System established at the end of each period. The tariff adjustments assets or liabilities are recovered or returned through electricity tariffs to customers in subsequent periods.

Decree-Law 237-B/2006 of 19 December, and Decree-Law 165/2008 of 21 August, recognised an unconditional right of the operators of the electricity sector to recover the tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments. Therefore, under this legislation, regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs. In accordance with the accounting policy in force, the EDP Group recorded in the income statement under the caption Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

Decree-Law 87/2011 of 18 July also establishes the unconditional right of regulated operators in the natural gas sector to recover tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations, and allows the transfer to third parties of the right to receive tariff adjustments. The EDP Group recorded in the income statement, under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

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*Spain*

Royal Decree Law 6/2009, published on 7 May 2009, established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electricity sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013 access tariffs would be sufficient to cover the cost of regulated activities, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, Royal Decree Law 6/2009 also provided for the passage of some costs included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of $CO_2$ costs in market prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs associated with the management and treatment of radioactive waste from nuclear power plants and fuels consumed. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

In 2010, Royal Decree Law 14/2010 addressed the correction of the tariff deficit of the electricity sector. Under this decree, the temporal mismatch of the settlements for 2010 tariff deficits came to be considered as a revenue deficit of the electricity system and a set of measures was established so that the various industry players contribute to the reduction of the tariff deficit. These measures included the establishment of generation rates, financing plans energy efficiency savings by the generation companies and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012, two decrees were adopted to reduce the tariff deficit in order to reach the limit set by Royal Decree Law 14/2010: (i) Royal Decree Law 1/2012, which temporarily suspended the inclusion of new facilities in the ‘‘pre-asignación’’ registrations maintained by the Minister of Industry, Energy and Tourism before the power plant is entitled to make use of the Spanish special regime; and (ii) Royal Decree Law 13/2012, which provided for reductions in the remuneration for distribution activity and an extraordinary decrease on other regulated activities.

In 2014, Royal Decree Law 1054/2014, establishes the procedures for the transfer of the right to receive the deficit of 2013 from the Spanish system, as well as, the methodology to define the interest rate applicable to this deficit, which main guidelines are:
(i) definition of a 15 years time frame during which the deficit amount will cumulate interest. This time frame consists in two periods: the first, which began in 1 January 2014 ending on the date of the additional liquidation of the provisional liquidation 14 of the year 2013; and the final period, from which the additional liquidation of the provisional liquidation 14 of the year 2013, is made, until 31 December 2028; and
(ii) the rights to receive (base amount plus interests) are expressly recognised, with their respective taxes and will be considered as system costs. These rights can be total or partially assigned, transferred, transmitted, discounted pledged to third parties, if properly communicated to CNMC ("Comisión Nacional de los Mercados y la Competencia").

*Brazil*

On 25 November 2014, ANEEL made addendums to the concession contracts with brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities that existed since 2010, when the IFRS were adopted in Brazil. As a consequence, the CPC issued on 28 November 2014, the OCPC 08 (Recognition of Certain Assets and Liabilities in Accounting and Financial Reports of Electric Distribution) which determines how to treat these regulatory assets/liabilities in the financial statements.

Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement, where it was established that, in the case of concession termination, the outstanding balances of any failure of payment or reimbursement by the tariff (assets and liabilities), will be considered on the indemnity calculation, based on the regulator pre-established regulations. As a consequence, Bandeirante and Escelsa booked in its financial statements a net profit of 112,433 thousands of Euros and 79,587 thousands of Euros, respectively.

EDP Group considers, based on the issued legislation (Portugal, Spain and Brazil), that the requirements for the recognition of tariff deficits as receivables and payables against the income statement have been satisfied.

**Impairment of long term assets and Goodwill**

Impairment tests are performed whenever there is a trigger that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of the assets.

On an annual basis, the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The net interest in associates is reviewed when circumstances indicate the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available, changes in the assumptions can result in changes in the determination of the amount of impairment and, consequently, on the Group’s results.

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**Doubtful debts**

Impairment losses related to doubtful debts are estimated by EDP based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of doubtful debts, namely changes in the economic environment, economic sector trends, client's credit risk and increases in the rate of defaults. The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgement. Changes in the estimates and judgement could change the impairment test results, thereby affecting the Group's reported results.

**Revenue recognition**

Energy sales revenue is recognised when the monthly energy invoices are issued, based on actual meter readings or estimated consumption based on the historical data of each consumer. Revenue relating to energy to be invoiced, regarding consumption up to the balance sheet date but not measured, is booked based on estimates that take into consideration factors such as consumption in prior periods and analysis relating to the energy balance of the operations.

The use of different estimates and assumptions can affect the Group's revenue and, consequently, its reported results.

**Income taxes**

The Group is subject to income taxes in several jurisdictions. Certain interpretations and estimates are required in determining the global amount of income tax.

There are several transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates could result in a different level of income taxes, current and deferred, recognised in the period.

In Portugal, the tax authorities are entitled to review EDP, S.A. and its subsidiaries' determination of their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period is twelve years for annual periods starting from 2014, five years for 2013 and 2012, four years for 2011 and 2010 and six years for previous annual periods. In Spain the period is four years and in Brazil it is five years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity, the period is three years from the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the EDP Group and its subsidiaries do not anticipate any significant changes to the income tax booked in the financial statements.

**Pensions and other employee benefits**

Determining pension and other employee benefits liabilities requires the use of assumptions and estimates, including actuarial projections, estimated rates of return on investments, discount rates and pension and salary growth and other factors that can impact the cost and liability of pension plans, medical plans and other benefits. Changes in the assumptions can materially affect the amounts determined.

**Provisions for dismantling and decommissioning of power generation units**

There are legal, contractual or constructive obligations to dismantle and decommission of property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generation units are located. The calculation of the provisions is based on estimates of the present value of the expected future liabilities.

The use of different assumptions in the estimates and judgement from those referred could lead to different financial results than those considered.

**Measurement criteria of the concession financial receivables under IFRIC 12**

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12.783/13, which determines the amount of the indenisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indenisation amount (financial asset IFRIC 12) of Bandeirante and Escelsa, booked under IFRIC 12 terms, against other operating income. This amount corresponds to the difference between the new replacement value versus the historical cost.

**Entities included in the consolidation perimeter**

In order to determine which entities must be included in the consolidation perimeter, EDP Group evaluates whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee ("de facto" control).

This evaluation requires judgement, assumptions and estimates in order to conclude whether the Group is in fact exposed to the variability of returns and has the ability to affect those returns through its power over the investee.

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Other assumptions and estimates could lead to a different consolidation perimeter of the Group, with direct impact on the consolidated financial statements.

**Business combination**

Under IFRS 3 (Business Combination) in a business combination, the acquirer shall recognize and measure in the consolidated financial statements the assets acquired and liabilities assumed at fair value at the acquisition date. The difference between the purchase price and the fair value of the assets and liabilities acquired leads to the recognition of goodwill or a gain from a purchase at a low price (bargain purchase).

The fair value determination of the assets acquired and liabilities assumed is carried out internally or by independent external evaluators, using the discounted cash flows method, using the replacement cost or other fair value determination techniques, which rely on the use of assumptions and estimates including macroeconomic indicators such as inflation rates, interest rates, exchange rates, discount rates, sale and purchase prices of energy, cost of raw materials, production estimates and business projections. Consequently, the determination of the fair value and goodwill or gain from a purchase at a low price is subject to numerous estimates and judgments and therefore changes in assumptions could result in different impacts on results.

**Fair value measurement of contingent consideration**

The contingent consideration, from a business combination or a sale of a financial investment is measured at fair value at the acquisition date as part of the business combination or at the date of the sale in the event of a sale of a financial investment . The contingent consideration is subsequently remeasured at fair value at balance sheet date. Fair value is based on discounted cash flows. The main assumptions consider the probability of achieving each objective and the discount factor, corresponding to the best estimates of management at each balance sheet date. Changes in assumptions may have significant impact on the values of contingent assets and liabilities recognized in the individual and consolidated financial statements.

## 4. FINANCIAL RISK MANAGEMENT POLICIES

**Financial risk management**

The EDP Group's business is exposed to a variety of financial risks, including the effect of changes in market prices, foreign exchange and interest rates. The Group's exposure to financial risks arises essentially from its debt portfolio, resulting in interest and exchange rate exposures. The unpredictability of the financial markets is analysed on an on-going basis in accordance with the Group's risk management policy. Derivative financial instruments are used to minimise potential adverse effects, resulting from interest rate and/or foreign exchange rate risks on EDP Group's financial performance.

The management of financial risks of EDP, S.A. and other EDP Group entities is undertaken centrally by the Financial Department of EDP, S.A., in accordance with policies approved by the Executive Board of Directors. The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure. The Executive Board of Directors is responsible for the definition of general risk management principles and the establishment of exposure limits.

All transactions undertaken using derivative financial instruments require prior approval by the Executive Board of Directors, which defines the parameters of each transaction and approves the formal documents describing their objectives.

As for the subsidiaries in Brazil, the Local Risk Management Department is responsible for the management of financial risks arising from fluctuation in interest and exchange rates. This management is performed according to the principles/policies set by the EDP Group for this geographical area.

**Exchange-rate risk management**

EDP, S.A.'s Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency financial debt, seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the EDP Group companies and, consequently, on the consolidated results, through exchange rate derivative financial instruments and/or other hedging structures.

The policy implemented by the EDP Group consists of undertaking derivative financial instruments to hedge exchange rate risk with characteristics similar to those of the hedged asset or liability. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

EDP Group is exposed to exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss Francs (CHF), Brazilian Reais (BRL), Romanian Leu (RON), Polish Zloty (PLN) and Canadian Dollars (CAD). Currently, the exposure to USD/EUR, PLN/EUR, RON/EUR and CAD/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland, Romania and Canada, respectively. The majority of these investments were financed with debt contracted in the respective local currency which allows to mitigate the exchange rate risk related to these assets.

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The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries of EDP Energias do Brasil, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group decided to follow the strategy that has been adopted to hedge these investments in USA and Poland, by contracting financial derivatives to cover the exchange rate exposure of these assets.

The exchange rate and interest rate risk on the GBP, CHF and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments has been hedged as from their issuing date.

**Sensitivity analysis - exchange rate**

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 30 June 2015 and 2014, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

| | Jun 2015 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousands of Euros | +10% | -10% | +10% | -10% |
| USD | -20,043 | 24,498 | -19,867 | 24,282 |
| | -20,043 | 24,498 | -19,867 | 24,282 |

| | Jun 2014 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousands of Euros | +10% | -10% | +10% | -10% |
| USD | -11,108 | 13,577 | -8,064 | 9,856 |
| | -11,108 | 13,577 | -8,064 | 9,856 |

This analysis assumes that all other variables, namely interest rates, remain unchanged.

**Interest rate risk management**

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

In the floating rate financing context, the EDP Group engages interest rate derivative financial instruments to hedge the cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans.

Long-term loans engaged at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to reduce financial charges and to level them to market conditions.

All the operations are undertaken on liabilities in the EDP Group’s debt portfolio and mainly involve perfect hedges, resulting in a high level of correlation between the changes in the fair value of the hedging instrument and the changes in fair value of the interest rate risk or future cash flows.

The EDP Group has a portfolio of interest rate derivatives with maturities up to 13 years. The Group’s Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 51% of the Group's liabilities are at fixed rate.

**Sensitivity analysis - Interest rates (excluding the Brazilian operations)**

Based on the debt portfolio engaged by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 30 June 2015 and 2014 would lead to the following increases/(decreases) in equity and/or results of the EDP Group:

| | Jun 2015 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousands of Euros | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **Cash flow effect:** | | | | |
| Hedged debt | -16,421 | 16,421 | - | - |
| Unhedged debt | -25,070 | 25,070 | - | - |
| **Fair value effect:** | | | | |
| Cash flow hedging derivatives | - | - | 10,930 | -11,497 |
| Trading derivatives (accounting perspective) | 107 | -3,278 | - | - |
| | -41,384 | 38,213 | 10,930 | -11,497 |

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| | Jun 2014 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousands of Euros | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **Cash flow effect:** | | | | |
| Hedged debt | -13,421 | 13,421 | - | - |
| Unhedged debt | -30,331 | 30,331 | - | - |
| **Fair value effect:** | | | | |
| Cash flow hedging derivatives | - | - | 24,063 | -24,890 |
| Trading derivatives (accounting perspective) | -1,375 | 886 | - | - |
| | -45,127 | 44,638 | 24,063 | -24,890 |

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

**Counterparty credit risk management**

The EDP Group's policy in terms of counterparty risk on financial transactions is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial instruments are credit institutions with high credit rating notation and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not typically required on these transactions.

The EDP Group has documented its financial operations in accordance with international standards. Therefore, generally, derivative financial instruments are contracted under ISDA Master Agreements.

Regarding third-party receivables generated by the Group's day-to-day business, the credit risk arises essentially from customers default, which exposure is limited to the energy supplied until the supply interruption occurs. The very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of trade receivables and other debtors, net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exists that have not been recognised as such and provided for.

**Liquidity risk management**

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions allowing immediate access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 29 and 35).

**Energy market risk management**

In its operations in the non-regulated Iberian electricity market, EDP Group purchases fuel to generate electric energy and sells the electric energy generated by its plants in the organised market (OMIE and OMIP) as well as to third parties. The Group is exposed to energy market risks namely in its operations in the non-regulated market. Some electricity generating plants despite operating in the market, are subject to the CMEC legislation, and the changes in the operating margins are determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

As a result of its energy management operations, EDP Group has a portfolio of operations related to electric energy, carbon emissions (CO2) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the managed positions and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, fuel and coal) and forwards to fix prices.

The activity of energy management is subject to a series of variables which are identified and classified based on their common uncertainty characteristics (or risk). Such risks include market price evolution risk (electricity and fuel) and hydroelectric production volume risk (price and volume risk), as well as credit risk of the counterparties.

Monitoring the price, volume and credit risks includes their quantification in terms of positions at risk which can be adjusted through market operations. This quantification is made by using specific models that value positions so as to determine the maximum loss that can be incurred, with a given probability and a determined time frame.

Risks are managed in accordance with the strategies defined by the Executive Board of Directors, which are subject to a periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the established management objectives.

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Risks are monitored by means of a series of actions involving daily monitoring of the different risk indicators, of the operations grouped in the systems and the prudence limits defined by management area and risk component, as well as regular back testing and supplementary validation of the models and assumptions used. This monitoring not only ensures the effectiveness of the strategies implemented, but also provides elements to enable initiatives to be taken to correct them, if necessary.

The principal price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the variation of the different risk factors (price of electricity and hydrological) on the following year's margin, P@R corresponding to the difference between an expected margin and a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 1 year. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are considered. The P@R distribution by risk factor is as follows:

| | P@R Distribution by risk factor | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** |
| **Risk factor** | | |
| Negotiation | 7,000 | 1,000 |
| Fuel | 18,000 | 25,000 |
| CO2 | 5,000 | 10,000 |
| Electricity | 15,000 | 20,000 |
| Hydrological | 61,000 | 59,000 |
| Diversification effect | -48,000 | -54,000 |
| | 58,000 | 61,000 |

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (e.g. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements. The EDP Group's exposure to credit risk rating is as follows:

| | **Jun 2015** | **Dec 2014** |
|---|---|---|
| **Credit risk rating (S&P)** | | |
| AAA to AA- | 1.86% | 2.58% |
| A+ to A- | 71.67% | 63.18% |
| BBB+ to BBB- | 12.41% | 15.14% |
| BB+ to B- | 0.00% | 0.28% |
| No rating assigned | 14.06% | 18.82% |
| | 100.00% | 100.00% |

**Brazil - Interest rate and exchange rate risk management**

The main tool used to monitor and control market risk in the Brazilian subsidiaries is Value at Risk (VaR).

VaR is the maximum expected loss on the operations portfolio over a specific period of time, resulting from an adverse movement in the market that has a specific confidence interval. The VaR model used is based on a confidence interval of 95% and assumes a 10 day time frame for settlement of positions, based essentially on historical data. Considering market data for the last 2 years and observation of the relationship between the different prices and markets, the model generates a series of scenarios for changes in market prices.

The VaR methodology used in Brazil considers a series of stress tests with the objective of monitoring the financial impact of the different market scenarios.

The summary of VaR on the operations of the Brazilian subsidiaries is as follows:

| | VaR | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** |
| Exchange rate risk | 119 | 610 |
| Interest rate risk | 4,686 | 5,739 |
| Covariation | -143 | -825 |
| | 4,662 | 5,524 |

**Capital management**

EDP is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial management process of the entity.

Additionally, management describes this aspect of its strategic objectives in the chapters "Strategic Agenda" and "Value Creation to Shareholders" of the 2014 Annual Report.

The Group's goal in managing equity is to safeguard the Group's capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum equity structure to reduce equity cost.

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In conformity with other groups operating in this sector, the Group controls its financing structure based on several control mechanisms and ratios. Net financial borrowings are determined as of financial debt less cash and cash equivalents and financial assets at fair value through profit or loss.

## 5. CONSOLIDATION PERIMETER

During the six-month period ended 30 June 2015, the following changes occurred in the EDP Group consolidation perimeter:

**Companies acquired:**
- EDP Distribuição de Energia, S.A. acquired 26% of the share capital of Ambertree - Tecnologias para Redes de Energia Eléctrica, Lda.;
- EDP Renovables España, S.L. acquired 40% of the share capital of Desarrollos Catalanes Del Viento,S.L. with the subsequent increase up to 100% of share interest in Aprofitament D'Energies Renovables de L'Ebre, S.A., Aprofitament D'Energies Renovables de la Terra Alta, S.A., Parc Eòlic de Coll de Moro, S.L., Parc Eòlic de Torre Madrina, S.L. and Parc Eòlic de Vilalba dels Arcs, S.L.;
- EDP Renovables España, S.L. acquired 2% of the share capital of Acampo Arias,S.L., 24% of the share capital of Compañía Eólica Campo de Borja, S.A., 5% of the share of D.E. Rabosera, S.A., 20% of the share capital of Molino de Caragüeyes,S.L. and 5% of the share capital of Parque Eólico La Sotonera, S.L.;
- EDP Cogeneracion S.L. acquired 10% of the share capital of Cerámica Técnica de Illescas Cogeneración, S.A.;
- EDP Energias do Brasil acquired 50% of the share capital of Porto do Pecém Geração de Energia S.A. (Porto do Pecém) owned by Eneva, holding now the control of the company and fully consolidating 100% of its share capital. To the extent that EDP Energias do Brasil already had a share in Porto do Pecém, this transaction constitutes a step acquisition, leading to a gain value in the amount of 294,938 thousands of Euros at the level of EDP Group (884,697 thousands of Reais at the level of EDP Energias do Brasil) booked under Other income (note 7). To mention that, under the applicable tax law, EDP Brasil recognized a tax effect associated with this gain of 36,293 thousands of Euros (120,109 thousands of Reais).

**Disposal of non-controlling interests:**
- EDP Renovables España, S.L. sold 6% of its interests in Iberia Aprovechamientos Eólicos, S.A.U. by 18 thousands of Euros;
- EDP Renewables North America LLC. concluded the sale transaction in the second quarter of 2015 to Fiera Axium L.L.C. by 290,852 thousands of Euros that equals to 324,757 thousands of US Dollar (corresponding to a sale price of 348,000 thousands of US Dollar deducted of 5,968 thousands of US Dollar of transaction costs and 17,275 thousands of US Dollar of capital distributions):
  (i) 49% of its interests in the following companies:
    - Blue Canyon Windpower V, L.L.C.;
    - Paulding Wind Farm II L.L.C.;
    - Headwaters Wind Farm L.L.C.;
    - Rising Tree Wind Farm L.L.C.;
    - Rising Tree Wind Farm II;
    - 2009 Vento V, L.L.C.;
    - 2011 Vento IX, L.L.C.;
    - 2014 Vento XI, L.L.C.;
    - 2014 Vento XII, L.L.C.;
    - Horizon Wind Ventures III, L.L.C.;
    - Horizon Wind Ventures IX, L.L.C.;
    - EDPR Wind Ventures XI;
    - EDPR Wind Ventures XII.
  (ii) 25% of its interests in the following companies:
    - Cloud County Wind Farm, L.L.C.;
    - Pioneer Prairie Wind Farm I, L.L.C.;
    - Arlington Wind Power Project L.L.C.;
    - 2008 Vento III, L.L.C.;
    - Horizon Wind Ventures IC, L.L.C.
  This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the negative difference between the book value and the fair value of the non-controlling interests sold, totalling 14,780 thousands of Euros, was booked against reserves under the corresponding accounting policy.
- EDP Renewables North America LLC. sold in the second quarter of 2015 to DIF Infra 3 US L.L.C. 49% of its interests, by 25,138 thousands of Euros that equals to 28,069 thousands of US Dollar (corresponding to a sale price of 30,000 thousands of US Dollar deducted of 1,931 thousands of US Dollar of transaction costs), in the following companies:
  - EDPR Solar Ventures I;
  - 2014 Sol I, L.L.C.;
  - Lone Valley Solar Park I L.L.C.;
  - Lone Valley Solar Park II L.L.C.
  This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the negative difference between the book value and the fair value of the non-controlling interests sold, totalling 373 thousands of Euros, was booked against reserves under the corresponding accounting policy.

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- EDP Renováveis Brasil, S.A. sold in the second quarter of 2015 to Cwei Brasil Participações Lda (CWEI Brasil) 49% of its interests in a set of wind farm assets, by 78,959 thousands of Euros that equals to 261,309 thousands of Brazilian Real (corresponding to a sale price of 263,083 thousands of Brazilian Real deducted of 1,774 thousands of Brazilian Real of transation fees), in the following companies:
  - Central Eólica Aventura, S. A.;
  - Central Nacional de Energia Eólica, S.A.;
  - Elebras Projetos Ltda;
  - Central Eólica Feijao I, S.A.;
  - Central Eólica Feijao II, S.A.;
  - Central Eólica Feijao III, S.A.;
  - Central Eólica Feijao IV, S.A.;
  - Central Eólica Jau, S.A.

  This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 12,766 thousands of Euros, was booked against reserves under the corresponding accounting policy.

**Companies sold and liquidated:**
- EDP Energias do Brasil, S.A. liquidated Terra Verde Bioenergia Participações S.A.;
- Naturgas Energía Distribución, S.A.U. sold Naturgas Energía Distribución Murcia, S.A. by 122,850 thousands of Euros (corresponding to a sale price of 125,775 deducted of 2,925 thousands of Euros of transaction fees) (see notes 7 and 42);
- EDPR Renovables España, S.L. liquidated Tratamientos Medioambientales del Norte, S.A.

**Companies merged:**
- Home Energy II, S.A. was merged into EDP Comercial - Comercialização de Energia, S.A.

**Companies incorporated:**
- EDPR Servicios de México, S.de R.L. de C.V.;
- EDP Small Hydro, S.A.;
- Vientos de Coahuila, S.A. de C.V.;
- 2015 Vento XIV, LLC *;
- 2015 Vento XIII, LLC;
- EDPR Wind Ventures XIV *;
- EDPR Wind Ventures XIII.

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA and EDPR Canada, a set of subsidiaries in the United States and Canada legally established without share capital and that, as at 30 June 2015, do not have any assets, liabilities, or any operating activity.

## 6. REVENUES FROM ENERGY SALES AND SERVICES AND OTHER

Revenues from energy sales and services and other are analysed by sector is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 | Jun 2015 | Jun 2014 |
| Electricity and network access | 6,995,163 | 6,846,825 | 1,218,384 | 943,259 |
| Gas and network access | 733,296 | 910,925 | 101,842 | 88,514 |
| Sales of CO2 licences | 60 | 14 | 61 | 14,679 |
| Revenue from assets assigned to concessions | 160,282 | 178,120 | - | - |
| Other | 58,893 | 83,539 | 73,290 | 70,861 |
| | 7,947,694 | 8,019,423 | 1,393,577 | 1,117,313 |

Revenues from energy sales and services and other by geographical market, for the Group, are analysed as follows:

| | Jun 2015 | | | | | |
|---|---|---|---|---|---|---|
| Thousands of Euros | Portugal | Spain | Brazil | U.S.A. | Other | Group |
| Electricity and network access | 3,671,182 | 1,524,340 | 1,397,395 | 255,098 | 147,148 | 6,995,163 |
| Gas and network access | 161,438 | 571,858 | - | - | - | 733,296 |
| Sales of CO2 licences | 60 | - | - | - | - | 60 |
| Revenue from assets assigned to concessions | 123,980 | - | 36,302 | - | - | 160,282 |
| Other | 35,171 | 14,865 | 7,510 | 217 | 1,130 | 58,893 |
| | 3,991,831 | 2,111,063 | 1,441,207 | 255,315 | 148,278 | 7,947,694 |

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| | Jun 2014 | | | | | |
|---|---|---|---|---|---|---|
| Thousands of Euros | Portugal | Spain | Brazil | U.S.A. | Other | Group |
| Electricity and network access | 3,934,742 | 1,375,299 | 1,200,539 | 205,237 | 131,008 | 6,846,825 |
| Gas and network access | 135,105 | 775,820 | - | - | - | 910,925 |
| Sales of CO2 licences | 14 | - | - | - | - | 14 |
| Revenue from assets assigned to concessions | 132,074 | - | 46,046 | - | - | 178,120 |
| Other | 30,074 | 16,260 | 36,850 | 16 | 339 | 83,539 |
| | 4,232,009 | 2,167,379 | 1,283,435 | 205,253 | 131,347 | 8,019,423 |

During the first semester of 2015, the caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 731,420 thousands of Euros (income in 30 June 2014: 1,108,843 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 39), as described under accounting policy - note 2 x). In 2015, this caption also includes, a net profit of 122,389 thousands of Euros related to recognition of tariff adjustments for the period in Brazil, booked as Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

Additionally, the caption Electricity and network access includes, on a consolidated basis, 99,624 thousands of Euros (30 June 2014: 101,765 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

The breakdown of Revenues from energy sales and services and other by segment is presented in the segmental reporting (see note 52).

Cost of energy sales and other are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 | Jun 2015 | Jun 2014 |
| **Cost of electricity** | 4,006,905 | 4,112,587 | 1,209,405 | 910,878 |
| **Cost of gas** | 526,896 | 680,085 | - | - |
| **Expenditure with assets assigned to concessions** | 160,282 | 178,120 | - | - |
| **Changes in inventories and cost of raw materials and consumables used** | | | | |
| Fuel, steam and ashes | 254,991 | 157,456 | - | - |
| Gas | 135,648 | 112,759 | 101,842 | 88,514 |
| Cost of consumables used | 34,054 | 8,390 | - | - |
| CO2 licences | 62,125 | 27,397 | 66 | 14,888 |
| Own work capitalised | -28,096 | -40,699 | - | - |
| Other | 45,078 | 84,546 | 7 | 3 |
| | 503,800 | 349,849 | 101,915 | 103,405 |
| | 5,197,883 | 5,320,641 | 1,311,320 | 1,014,283 |

On a company basis, Cost of electricity includes costs of 570,369 thousands of Euros (30 June 2014: 475,645 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts, being analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 |
| **Revenue from assets assigned to concessions** | 160,282 | 178,120 |
| **Expenditure with assets assigned to concessions** | | |
| Subcontracts and other materials | -109,460 | -134,591 |
| Personnel costs capitalised (see note 9) | -46,826 | -38,878 |
| Capitalised borrowing costs (see note 13) | -3,996 | -4,651 |
| | -160,282 | -178,120 |
| | - | - |

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## 7. OTHER INCOME

Other income, for the Group, is analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 |
| Income arising from institutional partnerships - EDPR NA | 84,442 | 66,066 |
| Estimation of the revised selling price of EDPR PT | - | 5,002 |
| Gains related with business combinations | 294,938 | - |
| Gains on disposals - gas and electricity business assets | 89,008 | 129,498 |
| Other | 57,511 | 54,375 |
| | 525,899 | 254,941 |

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX, X, XI, XII and XIII and Sol I projects, in wind farms and solar plants in U.S.A. (see note 38).

On 9 December 2014, EDP Brasil entered into an agreement for the acquisition of the 50% Porto do Pecém share capital, owned by Eneva, S.A., starting to hold full control of this company. This transaction was subject to approval and authorisation of the competition authority, of ANEEL, of the funding banks of Porto do Pecém and Eneva (BNDES and Banco Interamericano de Desenvolvimento – BID) and other creditors of Eneva. Additionally, the transaction conclusion was dependent on other measures of corporate and contractual nature, in particular, the approval of the Eneva's recovery plan. This transaction was concluded in May and occured in two stages, the first through the debt capitalisation of Porto do Pecém with Eneva, resulting in a reduction of EDP's original shareholding of 50.0% to 41.27% and the second with the acquisition, by 300,000 thousands of Reais, of 58.73% of Porto do Pecém by EDP. The gross gain, in the amount of 294,938 thousands of Euros, recognised in Gains related with business combinations, includes the following effects: i) dilution effect in the capital increase by Eneva; ii) gain on the revaluation of the previously held interest; and iii) bargain purchase (see note 51).

Gains on disposals - gas and electricity business assets is related with the gain on the sale of the assets allocated to gas transmission business in Murcia as well as in other Spanish regions (mainly in Extremadura and Gerona) to Redexis Gas, S.A. The sale of this assets generated a gain in the amount of 79,183 thousands of Euros in the first sale phase and a gain of 9,825 thousands of Euros in the transaction conclusion in the total amount of 89,008 thousands of Euros (see note 5 and note 42). As at 30 June 2014, this caption includes the gain on the sale of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects in the amount of 129,498 thousands of Euros which includes the fair value revaluation effect of the retained interest (50%) in the amount of 65,085 thousands of Euros.

In 2007 and under the acquisition of EDPR NA, the power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 39). This liability is depreciated over the period of the agreements against Other income. As at 30 June 2015, the amortisation for the period amounts to 4,651 thousands of Euros (30 June 2014: 4,333 thousands of Euros).

Other include the effect of the application of IFRIC 18 related to customers contributions in the electricity and gas distribution activities in Spain in the amount of 3,494 thousands of Euros (30 June 2014: 5,115 thousands of Euros), as referred in accounting policy 2h).

## 8. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 | Jun 2015 | Jun 2014 |
| Consumables and communications | 26,439 | 24,712 | 4,097 | 3,806 |
| Rents and leases | 55,871 | 52,122 | 22,074 | 19,964 |
| Maintenance and repairs | 148,517 | 144,495 | 9,717 | 12,346 |
| Specialised works: | | | | |
| - Commercial activity | 83,443 | 84,861 | 2,203 | 2,210 |
| - IT services, legal and advisory fees | 36,858 | 37,890 | 11,823 | 10,452 |
| - Other services | 26,092 | 23,511 | 8,555 | 6,690 |
| Provided personnel | - | - | 18,069 | 26,004 |
| Other supplies and services | 56,969 | 54,816 | 9,613 | 7,827 |
| | 434,189 | 422,407 | 86,151 | 89,299 |

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## 9. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | **Jun 2015** | **Jun 2014** | **Jun 2015** | **Jun 2014** |
| **Personnel costs** | | | | |
| Board of Directors remuneration | 7,602 | 8,030 | 2,584 | 2,831 |
| Employees' remuneration | 251,432 | 247,794 | 8,868 | 1,173 |
| Social charges on remuneration | 60,809 | 61,445 | 2,196 | 625 |
| Performance, assiduity and seniority bonus | 35,627 | 40,046 | 5,412 | 3,267 |
| Other costs | 12,456 | 13,251 | 51 | 639 |
| Own work capitalised: | | | | |
| - Assigned to concessions (see note 6) | -46,826 | -38,878 | - | - |
| - Other | -26,957 | -29,566 | - | - |
| | 294,143 | 302,122 | 19,111 | 8,535 |
| **Employee benefits** | | | | |
| Pension plans costs | 13,349 | 13,620 | 434 | 140 |
| Medical plans costs and other benefits | 4,135 | 4,377 | 55 | 71 |
| Past service cost (Curtailment/Plan amendments) | - | -129,020 | - | - |
| Other | 12,593 | 9,472 | 878 | 34 |
| | 30,077 | -101,551 | 1,367 | 245 |
| | 324,220 | 200,571 | 20,478 | 8,780 |

Pension plans costs include 5,829 thousands of Euros (30 June 2014: 6,122 thousands of Euros) related to defined benefit plans (see note 36) and 7,520 thousands of Euros (30 June 2014: 7,498 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits of 4,135 thousands of Euros (30 June 2014: 4,377 thousands of Euros) is related to the charge of the period (see note 36).

At 30 June 2014, the past service cost is related with plan amendments resulting from the new Collective Labour Agreement (see note 36).

Other include essentially costs with medical services of employees in the amount of 3,391 thousands of Euros (30 June 2014: 3,948 thousands of Euros) and costs with tariff discount of active workers in the amount of 6,180 thousands of Euros (30 June 2014: 4,820 thousands of Euros).

In first semester of 2015, EDP Group distributed treasury stocks to employees (422,779 shares) totalling 1,501 thousands of Euros.

## 10. OTHER EXPENSES

Other expenses, are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | **Jun 2015** | **Jun 2014** | **Jun 2015** | **Jun 2014** |
| Concession rents paid to local authorities and others | 136,608 | 137,477 | - | - |
| Direct and indirect taxes | 167,110 | 135,436 | 857 | 409 |
| Donations | 18,557 | 17,968 | 10,968 | 10,421 |
| Impairment losses: | | | | |
| - Trade receivables | 19,561 | 17,856 | - | - |
| - Debtors | -1,662 | 1,794 | -61 | 17 |
| Other | 46,179 | 33,826 | 1,125 | 1,131 |
| | 386,353 | 344,357 | 12,889 | 11,978 |

The caption Concession rents paid to local authorities and others includes essentially the rents paid to the local authorities under the terms of the low tension electricity distribution concession contracts and rents paid to city councils where the power plants are located.

The caption Direct and indirect taxes includes a tax of 7% over electricity generation in Spain from 1 January 2013, following the publication of Law 15/2012 on 27 December.

As at 30 June 2014, the caption Direct and indirect taxes, includes the amount of 15,759 thousands of Euros related with the impact of the IFRIC 21 adoption.

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## 11. PROVISIONS

Provisions are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 | Jun 2015 | Jun 2014 |
| Charge for the period | 13,933 | 25,762 | 1,167 | 358 |
| Write-back for the period | -10,658 | -7,987 | -190 | -350 |
| | 3,275 | 17,775 | 977 | 8 |

Provisions for the period, at 30 June 2015, include a net increase in provisions for: labour, legal and other contingencies in Brazil in the amount of 4.3 millions of Euros (30 de June 2014: 4.9 millions of Euros); provisions for contractual, legal and other liabilities and charges in Portugal of 0.4 millions of Euros (30 de June 2014: 5.2 millions of Euros) and a net decrease in Spain of 1.4 millions of Euros (30 de June 2014: net increase of 7.7 millions of Euros), which are classified as probable contingencies (see note 37).

## 12. AMORTISATION AND IMPAIRMENT

Amortisation and impairment are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 | Jun 2015 | Jun 2014 |
| **Property, plant and equipment** | | | | |
| Buildings and other constructions | 5,444 | 6,001 | 85 | 1,346 |
| Plant and machinery | 472,508 | 427,088 | 6 | 14 |
| Other | 31,160 | 31,203 | 5,596 | 5,400 |
| Impairment loss | -4,620 | 12,544 | - | - |
| | 504,492 | 476,836 | 5,687 | 6,760 |
| **Intangible assets** | | | | |
| Concession rights and impairment | 41,466 | 41,422 | - | - |
| Intangible assets assigned to concessions - IFRIC 12 | 156,335 | 160,385 | - | - |
| Other intangibles | 1,378 | 1,191 | 1 | 1 |
| Impairment loss | - | 13,926 | - | - |
| | 199,179 | 216,924 | 1 | 1 |
| **Investment property** | 541 | 65 | 1,170 | 399 |
| | 704,212 | 693,825 | 6,858 | 7,160 |
| **Compensation of amortisation and depreciation** | | | | |
| Partially-funded property, plant and equipment | -15,033 | -13,570 | - | - |
| **Impairment of Goodwill** | - | 278 | - | - |
| | 689,179 | 680,533 | 6,858 | 7,160 |

During the first semester of 2014, EDP Produção booked an impairment of 26,666 thousands of Euros (12,740 thousands of Euros in Property, plant and equipment and 13,926 thousands of Euros in Intangible assets), related with Alvito hydroelectric plant, given that due to market conditions there was some short term uncertainty about the economic viability of this project.

The partially-funded property, plant and equipment is depreciated on the same basis and at the same rates as the Group's remaining assets, being the corresponding cost compensated through the amortisation of the amounts received (booked under Trade and other payables from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

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## 13. FINANCIAL INCOME AND EXPENSES

Financial income and expenses, for the Group, are analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Jun 2014** |
| **Financial income** | | |
| Interest income from bank deposits and other applications | 18,890 | 26,550 |
| Interest income from loans to joint ventures and associates | 15,132 | 13,724 |
| Interest from derivative financial instruments | 82,491 | 69,817 |
| Derivative financial instruments | 171,996 | 177,826 |
| Other interest income | 27,905 | 28,494 |
| Foreign exchange gains | 39,526 | 17,246 |
| CMEC | 22,848 | 23,710 |
| Other financial income | 123,414 | 133,776 |
| | 502,202 | 491,143 |
| **Financial expenses** | | |
| Interest expense on financial debt | 490,571 | 480,209 |
| Capitalised borrowing costs: | | |
| - Assigned to concessions (see note 6) | -3,996 | -4,651 |
| - Other | -43,407 | -78,840 |
| Interest from derivative financial instruments | 64,842 | 52,933 |
| Derivative financial instruments | 148,453 | 147,187 |
| Other interest expense | 12,229 | 13,714 |
| Foreign exchange losses | 76,630 | 14,681 |
| CMEC | 7,798 | 9,009 |
| Unwinding of liabilities | 58,225 | 46,772 |
| Net interest on the net pensions plan liability (see note 36) | 8,390 | 13,427 |
| Net interest on the medical liabilities and other benefits (see note 36) | 14,263 | 21,131 |
| Other financial expenses | 32,451 | 20,830 |
| | 866,449 | 736,402 |
| **Financial income/(expenses)** | -364,247 | -245,259 |

The caption Financial income - CMEC totalling 22,848 thousands of Euros includes 15,227 thousands of Euros related to interest on the initial CMEC (30 June 2014: 16,062 thousands of Euros) included in the annuity for 2015 and 7,609 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (30 June 2014: 7,645 thousands of Euros).

The caption Other financial income includes essentially 40,641 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (30 June 2014: 45,095 thousands of Euros), 641 thousands of Euros (30 June 2014: 2,542 thousands of Euros) related with interest income on tariff deficit in Spain, 19,296 thousands of Euros related with interest income on tariff deficit in Brazil and 46,184 thousands of Euros related to gains, on sale of part of the electricity tariff deficit related to the over cost with the acquisition of electricity from Special Regime Generators in Portugal and CMEC 2014 (30 June 2014: 66,688 thousands of Euros related to the 2013 and 2014 Special Regime Generators over cost) (see note 26).

Capitalised borrowing costs includes the interest capitalised in assets under construction according to the accounting policy described in paragraph 2 h). In what concerns to the rate applicable to borrowing costs related to tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalization (see note 16 and 17), it varies depending on the country and currency, since EDP Group incorporates in the scope of consolidation a significant number of subsidiaries over several geographies with different currencies.

Financial expenses - CMEC, in the amount of 7,798 thousands of Euros (30 June 2014: 9,009 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

The Unwinding of discounted value liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 3,465 thousands of Euros (30 June 2014: 4,054 thousands of Euros), (ii) the implied financial return in institutional partnership in USA which amounted to 38,089 thousands of Euros (30 June 2014: 28,897 thousands of Euros), and (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe of 5,138 thousands of Euros (30 June 2014: 5,202 thousands of Euros), 1,223 thousands of Euros (30 June 2014: 959 thousands of Euros) and 5,606 thousands of Euros (30 June 2014: 3,804 thousands of Euros), respectively.

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Financial income and expenses, for the Company, are analysed as follows:

| | Company | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Jun 2014** |
| **Financial income** | | |
| Interest income from loans to subsidiaries and related parties | 218,948 | 252,103 |
| Interest from derivative financial instruments | 83,987 | 39,897 |
| Derivative financial instruments | 393,240 | 314,191 |
| Income from equity investments | 411,058 | 484,022 |
| Gains on the sale of financial investments | 38,987 | - |
| Other financial income | 7,808 | 8,785 |
| | 1,154,028 | 1,098,998 |
| **Financial expenses** | | |
| Interest expense on financial debt | 220,646 | 234,266 |
| Interest from derivative financial instruments | 74,657 | 36,575 |
| Derivative financial instruments | 353,820 | 285,478 |
| Foreign exchange losses | 18,441 | 3,141 |
| Other financial expenses | 2,410 | 7,255 |
| | 669,974 | 566,715 |
| **Financial income/(expenses)** | 484,054 | 532,283 |

In the context of the corporate restructuring of the gas activity in Iberia, carried out during the second quarter of 2014, in 22 December 2014, EDP, S.A. sold to EDP Gas Iberia, S.L. 100% of the share capital of EDP Gás - SGPS, S.A. for the amount of 462,591 thousands of Euros, of which 285,422 thousands of Euros correspond to the sale value of equity shares and 177,169 thousands of Euros correspond to supplementary capital and loans. As at 31 December 2014, this transaction was recognised in accordance with the fair value model, under the company accounting policy, and a gain in the amount of 282,352 thousands of Euros was booked on a company basis. The final amount of the transaction was subject to price adjustments under the purchase agreement, whereby in the first half of 2015 was recognized an additional gain of 38,968 thousand Euros on a company basis in the caption Gains on the sale of financial investments. This price adjustment includes the fair value of a contingent price in the amount of 28,429 thousands of Euros related to a litigation that is ongoing. These intra-group transactions were made with reference to market values and with the individual gains to be eliminated on a consolidation process of EDP Group.

## 14. INCOME TAX

The standard tax rate in the main countries where the EDP Group operates are as follows:

| | **Jun 2015** | **Jun 2014** |
|---|---|---|
| Portugal | [21%-29.5%] | [23%-31.5%] |
| Spain | 28% | [28%-30%] |
| Netherlands | 25% | 25% |
| Brazil | 34% | 34% |
| United States of America | 38.2% | 38.2% |

EDP Group transfer pricing policies is in line with the guidelines, the rules and the best international practices across all geographies where the Group operates, in due compliance with the spirit and letter of the Law.

In accordance with current legislation, tax returns of a given period are subject to review and correction by the tax authorities during the subsequent periods. In Portugal the limit is 4 years or 5 years if tax losses have been used in 2012 and 2013, or 12 years if tax losses have been used in 2014. In Spain the period is 4 years and in Brazil it is 5 years. In the United States of America, in general, the IRS (Internal Revenue Service) may issue additional income tax assessment for an entity in 3 years.

Tax losses generated in each fiscal year, are also subject to inspection and adjustment and can be deducted to the taxable income assessed in the subsequent periods (12 years in Portugal, 5 in Poland, 7 in Romania, 9 in the Netherlands, 20 years in the USA and Canada and without an expiry date in Brazil, Spain, France, Italy, United Kingdom and Belgium). Moreover, in the Netherlands and United Kingdom the tax losses may be carried back to the previous tax year and in the USA and Canada to the 2 and 3 previous years, respectively. However, the deduction of tax losses in Portugal, Spain, Brazil, France, Italy and Poland may be limited to a percentage of the taxable income of each period.

The EDP Group companies are taxed, whenever possible, on a Group consolidated basis as allowed by the tax legislation of the respective countries.

During the six-month period ended 30 June 2015, there were no significant changes to the tax legislation disclosed in the consolidated financial statements of EDP Group for the year ended 31 December 2014.

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Income tax expense is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | **Jun 2015** | **Jun 2014** | **Jun 2015** | **Jun 2014** |
| Current tax | -181,661 | -240,084 | -913 | -10,592 |
| Deferred tax | -12,142 | 1,535 | 14,266 | 19,098 |
| | -193,803 | -238,549 | 13,353 | 8,506 |

As at 30 June 2014, Current tax includes a positive variation in the amount of 3,819 thousands of Euros related with the IFRIC 21 adoption.

The reconciliation between the nominal and the effective income tax rate for the Group, as at June 2015, is analysed as follows:

| | Jun 2015 | | |
|---|---|---|---|
| Thousands of Euros | **Rate %** | **Tax basis** | **Tax** |
| **Nominal rate and income tax** | 22.5% | 1,050,960 | 236,466 |
| Different tax rates (includes state surcharge) | 7.9% | 368,613 | 82,938 |
| Tax losses and tax credits | -0.9% | -40,400 | -9,090 |
| Tax benefits | -1.1% | -49,662 | -11,174 |
| Differences between tax and accounting gains and losses | -8.5% | -397,911 | -89,530 |
| Other adjustments and changes in estimates | -1.5% | -70,253 | -15,807 |
| **Effective tax rate and total income tax** | 18.4% | 861,347 | 193,803 |

The variation in effective tax rate is mainly due to the reduction of the Corporate Income Tax rate in Portugal and Spain, non-taxation of capital gain generated on the sale of gas distribution assets in Spain and with the non-taxation of the partial gain with the control acquisition of Porto do Pecém under the applicable tax law.

The reconciliation between the nominal and the effective income tax rate for the Group, as at June 2014, is analysed as follows:

| | Jun 2014 | | |
|---|---|---|---|
| Thousands of Euros | **Rate %** | **Tax basis** | **Tax** |
| **Nominal rate and income tax** | 24.5% | 1,050,954 | 257,484 |
| Difi Different tax rates (includes state surcharge) | 6.5% | 279,976 | 68,594 |
| Tax losses and tax credits | -2.4% | -100,951 | -24,733 |
| Tax benefits | -5.3% | -226,020 | -55,375 |
| Non deductible provisions and amortisations for tax purposes | -0.4% | -15,437 | -3,782 |
| Financial investments in join ventures, associates and subsidiaries | -0.1% | -4,322 | -1,059 |
| Other adjustments and changes in estimates | -0.1% | -10,531 | -2,580 |
| **Effective tax rate and total income tax** | 22.7% | 973,669 | 238,549 |

The reconciliation between the nominal and the effective income tax rate for the Company, as at June 2015, is analysed as follows:

| | Jun 2015 | | |
|---|---|---|---|
| Thousands of Euros | **Rate %** | **Tax basis** | **Tax** |
| **Nominal rate and income tax** | 29.5% | 444,560 | 131,145 |
| Tax losses and tax credits | -3.2% | -47,898 | -14,130 |
| Dividends | -27.0% | -407,861 | -120,319 |
| Difference between tax and accounting gains/losses | -2.6% | -38,966 | -11,495 |
| Other adjustments and changes in estimates | 0.3% | 4,902 | 1,446 |
| **Effective tax rate and total income tax** | -3.0% | -45,263 | -13,353 |

The reconciliation between the nominal and the effective income tax rate for the Company, as at June 2014, is analysed as follows:

| | Jun 2014 | | |
|---|---|---|---|
| Thousands of Euros | **Rate %** | **Tax basis** | **Tax** |
| **Nominal rate and income tax** | 31.5% | 524,514 | 165,222 |
| Tax losses and tax credits | -4.1% | -68,165 | -21,472 |
| Dividends | -28.9% | -480,825 | -151,460 |
| Other adjustments and changes in estimates | -0.1% | -2,528 | -796 |
| **Effective tax rate and total income tax** | -1.6% | -27,004 | -8,506 |

The effective income tax rate for the EDP Group and EDP, S.A. is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | **Jun 2015** | **Jun 2014** | **Jun 2015** | **Jun 2014** |
| Profit before tax | 1,050,960 | 1,050,954 | 444,560 | 524,514 |
| Income tax | -193,803 | -238,549 | 13,353 | 8,506 |
| Effective income tax rate | 18.4% | 22.7% | -3.0% | -1.6% |

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## 15. EXTRAORDINARY CONTRIBUTION TO THE ENERGY SECTOR (CESE)

The Law no. 83-C/2013, of 31 December (State Budget for 2014), established the Extraordinary Contribution to the Energy Sector (CESE). The Law n.º 82-B/2014, of 31 December (State Budget for 2015) foresees the extension of the regime that created the CESE for year 2015 and, with the publication of the stability programme 2015-2019, in the past month of April, the Portuguese government has announced the intention to extend this contribution until 2018. This contribution aims to finance mechanisms that promote the systemic sustainability of the energy sector, through the establishment of a fund that aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector. The contribution is due by EDP companies that operate in the generation and distribution of electricity and in the distribution of natural gas.

CESE is calculated based on the assets value with reference to the first day of financial year 2015 (1 January 2015) which respect, cumulatively, to Tangible assets; Intangible assets, with the exception of elements of industrial property; Financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets (i.e the amount recognised by ERSE for the calculation of allowed revenues as at 1 January 2015) if it is higher than the value of the previous referred assets. Given its legal framework, CESE is not considered a deductible expense in determining the taxable income.

Therefore, the Group booked under the caption Current tax liabilities - Other taxes, against results, the estimated responsibility concerning to CESE for the year 2015, in the amount of 60,863 thousands of Euros (30 June 2014: 61,496 thousands of Euros) (see note 41). As at 30 June 2014, the impact related with the IFRIC 21 adoption amounted to 30,867 thousands of Euros.

This contribution is also applicable to EDP Produção power plants that are subject to the legal regime that establishes the compensation mechanism to maintain the contractual balance, and so this contribution amount was recognised according to the Decree-Law n.º 240/2004 of 27 December.

## 16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** | **Jun 2015** | **Dec 2014** |
| **Cost** | | | | |
| Land and natural resources | 126,554 | 129,589 | 24,165 | 24,130 |
| Buildings and other constructions | 497,839 | 450,017 | 16,536 | 16,536 |
| Plant and machinery: | | | | |
| - Hydroelectric generation | 8,957,614 | 8,572,837 | 254 | 254 |
| - Thermoelectric generation | 8,779,046 | 7,620,657 | - | - |
| - Renewable generation | 13,915,036 | 12,704,857 | - | - |
| - Electricity distribution | 1,496,200 | 1,485,617 | - | - |
| - Gas distribution | 975,165 | 971,985 | - | - |
| - Other plant and machinery | 94,757 | 110,190 | 196 | 916 |
| Other | 911,149 | 871,444 | 130,882 | 125,772 |
| Assets under construction | 2,874,001 | 3,436,839 | 100,937 | 81,910 |
| | 38,627,361 | 36,354,032 | 272,970 | 249,518 |
| **Accumulated amortisation and impairment losses** | | | | |
| Amortisation charge | -509,112 | -958,456 | -5,687 | -10,287 |
| Accumulated amortisation in previous years | -15,919,794 | -14,770,676 | -106,550 | -96,957 |
| Impairment losses | 4,620 | -34,390 | - | - |
| Impairment losses in previous years | -102,104 | -67,410 | -4,782 | -4,782 |
| | -16,526,390 | -15,830,932 | -117,019 | -112,026 |
| **Carrying amount** | 22,100,971 | 20,523,100 | 155,951 | 137,492 |

The movements in Property, plant and equipment, for the Group, for the six-month period ended 30 June 2015 are analysed as follows:

| Thousands of Euros | **Balance at 1 January** | **Additions** | **Disposals/ Write-offs** | **Transfers** | **Exchange Differences** | **Perimeter Variations/ Regulari-sations** | **Balance at 30 June** |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land and natural resources | 129,589 | 370 | -573 | 371 | -2,813 | -390 | 126,554 |
| Buildings and other constructions | 450,017 | 595 | -63 | 2,045 | -21,616 | 66,861 | 497,839 |
| Plant and machinery | 31,466,143 | 319,804 | -5,241 | 1,017,344 | 368,764 | 1,051,004 | 34,217,818 |
| Other | 871,444 | 11,695 | -2,561 | 23,359 | 2,979 | 4,233 | 911,149 |
| Assets under construction | 3,436,839 | 417,823 | -9,030 | -1,043,119 | 46,662 | 24,826 | 2,874,001 |
| | 36,354,032 | 750,287 | -17,468 | - | 393,976 | 1,146,534 | 38,627,361 |

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| Thousands of Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 30 June |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Land and natural resources | 4,032 | - | - | - | - | - | 4,032 |
| Buildings and other constructions | 145,987 | 5,444 | -14 | - | -4,511 | 5,360 | 152,266 |
| Plant and machinery | 14,977,971 | 467,888 | -4,239 | - | 90,552 | 101,358 | 15,633,530 |
| Other | 702,942 | 31,160 | -2,309 | - | 2,338 | 2,431 | 736,562 |
| | 15,830,932 | 504,492 | -6,562 | - | 88,379 | 109,149 | 16,526,390 |

Assets under construction are analysed as follows:

| Thousands of Euros | Jun 2015 | Dec 2014 |
|---|---|---|
| Solar photovoltaic plants in Europe | - | 223,161 |
| Wind farms in USA | 499,532 | 559,853 |
| Wind Farms in Europe | 264,640 | 314,615 |
| Hydric Portugal | 1,617,347 | 1,910,126 |
| Other assets under construction | 492,482 | 429,084 |
| | 2,874,001 | 3,436,839 |

As at 30 June 2015, the expected entry into operation, the capitalised costs and the commitments for the principal hydroelectric investments, are as follows:

| Thousands of Euros | Expected entry into operation | Capitalised costs | Commitments |
|---|---|---|---|
| Baixo Sabor | 4th quarter 2015 | 618,533 | 24,046 |
| Foz Tua | September 2016 | 318,269 | 117,855 |
| Venda Nova III | January 2016 | 375,617 | 21,433 |
| Salamonde II | September 2015 | 215,721 | 23,407 |
| | | 1,528,140 | 186,741 |

The expected entry into operation of the Baixo Sabor hydroelectric investment was postponed to the fourth quarter of 2015, due to low water level´s for tests to be performed.

Additions include the investment in wind farms by the subgroups EDPR Brasil, EDPR EU and EDPR NA. In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power plants and power enhancement projects (Baixo Sabor, Foz Tua, Venda Nova III and Salamonde II).

The expenses of the period related to construction of property, plant and equipment are included in own work capitalised in notes 6, 9 and 13.

Transfers from assets under construction into operation, refer mainly to solar and wind farms of EDP Renováveis that become operational in Romania, Italy, Poland and United States of America and to the entry into operation of the Baixo Sabor downstream hydroelectric plant and the Ribeiradio-Ermida hydroelectric plant in the amount of 436,896 thousands of Euros.

Perimeter Variations/Regularisations includes the impact of the acquisition of 50% of the share capital of Porto do Pecém (see note 51), in the net amount of 1,042,797 thousands of Euros (3,358,535 thousands of Reais). Additionally, additions include the effect of the revaluation of these assets amounting to 169,296 thousands of Euros (560,275 thousands of Reais).

The movement in Exchange differences in the period results mainly from the net effect of the appreciation of American Dollar (USD) and the depreciation of Brazilian Real (BRL), against the Euro during the first semester of 2015.

As at 30 June 2015, the Group has an agreement in place, which constitutes a financial lease as defined by IFRIC 4, which net value of the assets allocated amounts to 20,261 thousands of Euros.

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The movements in Property, plant and equipment, for the Group, for the six-month period ended 30 June 2014 are analysed as follows:

| Thousands of Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 30 June |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land and natural resources | 149,857 | 409 | -253 | - | 4,916 | - | 154,929 |
| Buildings and other constructions | 471,276 | 108 | -5,995 | 1,124 | 20,800 | 112 | 487,425 |
| Plant and machinery | 30,116,979 | 11,154 | -28,052 | 293,272 | 177,589 | -12 | 30,570,930 |
| Other | 808,591 | 9,194 | -6,034 | 27,192 | 723 | -422 | 839,244 |
| Assets under construction | 2,789,402 | 463,709 | -3,198 | -321,588 | 15,539 | 1,733 | 2,945,597 |
| | 34,336,105 | 484,574 | -43,532 | - | 219,567 | 1,411 | 34,998,125 |

| Thousands of Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 30 June |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Land and natural resources | 4,032 | - | - | - | - | - | 4,032 |
| Buildings and other constructions | 153,937 | 6,001 | -4,935 | - | 5,160 | 53 | 160,216 |
| Plant and machinery | 14,073,226 | 439,625 | -26,815 | - | 35,339 | 317 | 14,521,692 |
| Other | 650,811 | 31,210 | -5,081 | - | 435 | 41 | 677,416 |
| | 14,882,006 | 476,836 | -36,831 | - | 40,934 | 411 | 15,363,356 |

Charge/Impairment losses includes 12,740 thousands of Euros on Alvito hydroelectric plant (see note 12).

Transfer from assets under construction into operation, refer mainly to wind and solar farms of EDP Renováveis that become operational in Poland, Italy, Romania and Canada.

Perimeter Variations/Regularisations includes the impact of the acquisition of Wincap, S.R.L.

The movement in Exchange differences in the year results mainly from the appreciation of Brazilian Real (BRL) and of American Dollar (USD) against the Euro during the first semester of 2014.

The EDP Group has finance lease commitments and purchase obligations as disclosed in note 44 - Commitments.

The movements in Property, plant and equipment, for the Company, for the six-month period ended 30 June 2015 are analysed as follows:

| Thousands of Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Regulari-sations | Balance at 30 June |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land and natural resources | 24,130 | - | - | - | 35 | 24,165 |
| Buildings and other constructions | 16,536 | - | - | - | - | 16,536 |
| Other | 126,942 | 3,554 | -872 | 1,708 | - | 131,332 |
| Assets under construction | 81,910 | 20,735 | - | -1,708 | - | 100,937 |
| | 249,518 | 24,289 | -872 | - | 35 | 272,970 |

| Thousands of Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Regulari-sations | Balance at 30 June |
|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | |
| Land and natural resources | 4,032 | - | - | - | - | 4,032 |
| Buildings and other constructions | 15,052 | 85 | - | - | - | 15,137 |
| Other | 92,942 | 5,602 | -694 | - | - | 97,850 |
| | 112,026 | 5,687 | -694 | - | - | 117,019 |

Additions include the investment in the new building of EDP Group in Lisbon in the amount of 18,522 thousands of Euros (30 June 2014: 12,557 thousands of Euros).

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The movements in Property, plant and equipment, for the Company, for the six-month period ended 30 June 2014 are analysed as follows:

| Thousands of Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Regulari-sations | Balance 30 June |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land and natural resources | 60,148 | - | - | - | - | 60,148 |
| Buildings and other constructions | 85,393 | - | -248 | - | 37 | 85,182 |
| Other | 117,692 | 3,571 | -534 | 49 | 993 | 121,771 |
| Assets under construction | 45,402 | 15,559 | - | -49 | - | 60,912 |
| | 308,635 | 19,130 | -782 | - | 1,030 | 328,013 |

| Thousands of Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Regulari-sations | Balance at 30 June |
|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | |
| Land and natural resources | 4,032 | - | - | - | - | 4,032 |
| Buildings and other constructions | 22,445 | 1,346 | -196 | - | 40 | 23,635 |
| Other | 83,555 | 5,414 | -423 | - | 944 | 89,490 |
| | 110,032 | 6,760 | -619 | - | 984 | 117,157 |

## 17. INTANGIBLE ASSETS

This caption is analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 |
| **Cost** | | |
| Concession rights | 15,100,381 | 15,168,856 |
| CO2 licences | 60,090 | 162,389 |
| Other intangibles | 217,337 | 197,272 |
| Intangible assets in progress | 577,139 | 518,679 |
| | 15,954,947 | 16,047,196 |
| | | |
| **Accumulated amortisation and impairment losses** | | |
| Amortisation of concession rights | -197,801 | -402,347 |
| Amortisation of other intangibles | -1,378 | -3,409 |
| Accumulated amortisation in previous years | -10,092,306 | -9,803,054 |
| Impairment losses | - | -25,360 |
| Impairment losses in previous years | -25,287 | - |
| | -10,316,772 | -10,234,170 |
| **Carrying amount** | 5,638,175 | 5,813,026 |

The concession rights over the electricity distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the natural gas distribution network (Portgás), being amortised on a straight-line basis over the concession period, until 2047, as well as the concession of the public hydric domain for hydroelectric generation (EDP Produção and Hidroeléctrica do Guadiana), which useful life currently does not exceed 75 years.

The concession rights over electricity production in Brazil, namely for Lajeado Energia and Investco, are amortised on a straight-line basis over the concession period, until 2032.

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The movements in Intangible assets during the six-month period ended 30 June 2015, for the Group, are analysed as follows:

| Thousands of Euros | Balance at 1 January | Additions | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 30 June |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 1,085,306 | 32,288 | - | - | -28,441 | -1,085 | 1,088,068 |
| - Gas Portugal | 138,354 | - | - | - | - | - | 138,354 |
| - Hydric Portugal | 1,419,622 | 308 | - | - | - | 170 | 1,420,100 |
| CO2 licences | 162,389 | 13,634 | -130,024 | 14,091 | - | - | 60,090 |
| Assigned to concessions (IFRIC 12): | | | | | | | |
| - Intangible assets | 12,525,574 | 32 | -17,537 | 81,544 | -136,393 | 639 | 12,453,859 |
| - Intangible assets in progress | 107,335 | 160,250 | -306 | -103,395 | -1,484 | - | 162,400 |
| Other intangibles | 197,272 | 11,143 | -872 | 1,418 | 7,157 | 1,219 | 217,337 |
| Other intangible in progress | 411,344 | 5,264 | -1,478 | -1,418 | -1,251 | 2,278 | 414,739 |
| | 16,047,196 | 222,919 | -150,217 | -7,760 | -160,412 | 3,221 | 15,954,947 |

| Thousands of Euros | Balance at 1 January | Charge/ Impairment losses | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 30 June |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 547,862 | 18,781 | - | - | -9,159 | -87 | 557,397 |
| - Gas Portugal | 34,589 | 1,572 | - | - | - | - | 36,161 |
| - Hydric Portugal | 302,825 | 21,113 | - | - | - | 170 | 324,108 |
| Assigned to concessions (IFRIC 12) | 9,288,159 | 156,335 | -13,186 | - | -95,842 | 599 | 9,336,065 |
| Other intangibles | 60,735 | 1,378 | - | - | 505 | 423 | 63,041 |
| | 10,234,170 | 199,179 | -13,186 | - | -104,496 | 1,105 | 10,316,772 |

The contracts assigned to concessions (IFRIC 12) that currently exist in EDP Group fall within the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil, as referred in the note 2 aa).

Additions of CO2 Licences include 535 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and 13,099 thousands of Euros of licences purchased in the market for own consumption. The disposals/write-off of CO2 licences correspond to the licences consumed during 2014 and delivered to regulatory authorities. Transfers, totalling 14,091 thousands of Euros, relate to CO2 licenses transferred from Inventories to Intangible assets, as a result of allocation of licenses initially held for trading by the Hidrocantábrico Group, in order to cover the need for CO2 licenses arising from consumptions (own use).

The caption Other intangible in progress, includes essentially the concession rights of hydric projects in Portugal namely Fridão (287,343 thousands of Euros) and Foz Tua (87,125 thousands of Euros).

Transfers include the net transfers of intangible assets in progress assigned to concessions of 21,851 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 26).

Perimeter Variations/Regularisations of Other intangibles includes the impact of the acquisition of 50% of the share capital of Porto do Pecém (see note 5), in the net amount of 817 thousands of Euros (2,632 thousands of Reais). Additionally, additions includes the fair value recognition of the authorization agreement for energy production of Porto do Pecém thermoelectric power station in the amount of 32,288 thousands of Euros (106,855 thousands of Reais) under the purchase price allocation process at fair value of identifiable assets and liabilities (see note 51).

The expenses of the period related to construction of intangible assets are included in own work capitalized in notes 6, 9 and 13.

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The movements in Intangible assets during the six-month period ended 30 June 2014, for the Group, are analysed as follows:

| Thousands of Euros | Balance at 1 January | Additions | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 30 June |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 1,079,171 | 50 | - | - | 31,728 | - | 1,110,949 |
| - Gas Portugal | 138,354 | - | - | - | - | - | 138,354 |
| - Hydric Portugal | 1,418,998 | 296 | - | - | - | - | 1,419,294 |
| CO2 licences | 235,435 | 33,943 | -119,509 | - | - | -1 | 149,868 |
| Assigned to concessions (IFRIC 12): | | | | | | | |
| - Intangible assets | 12,370,174 | 129 | -33,818 | 111,576 | 166,660 | - | 12,614,721 |
| - Intangible assets in progress | 175,055 | 177,991 | -2,726 | -158,838 | 3,411 | - | 194,893 |
| Other intangibles | 158,218 | 18,094 | -13 | 285 | 1,838 | 125 | 178,547 |
| Other intangible in progress | 405,138 | 6,801 | -4 | -285 | 1,514 | 16 | 413,180 |
| | 15,980,543 | 237,304 | -156,070 | -47,262 | 205,151 | 140 | 16,219,806 |

| Thousands of Euros | Balance at 1 January | Charge/ Impairment losses | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 30 June |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 509,178 | 18,822 | - | - | 9,609 | - | 537,609 |
| - Gas Portugal | 31,444 | 1,572 | - | - | - | - | 33,016 |
| - Hydric Portugal | 260,459 | 21,028 | - | - | - | - | 281,487 |
| Assigned to concessions (IFRIC 12) | 9,129,664 | 160,385 | -29,884 | - | 117,411 | - | 9,377,576 |
| Other intangibles | 31,996 | 15,117 | -2 | - | 432 | 20 | 47,563 |
| | 9,962,741 | 216,924 | -29,886 | - | 127,452 | 20 | 10,277,251 |

Additions of CO2 Licences include 14,703 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 19,240 thousands of Euros of licences purchased in the market for own consumption. The disposals/write-off of CO2 licences correspond to the licences consumed during 2013 and delivered to regulatory authorities in the amount of 119,509 thousands of Euros.

Charge/Impairment losses includes 13,926 thousands of Euros on Alvito hydroelectric plant (see note 12).

The net transfers of intangible assets in progress assigned to concessions of 47,262 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities.

## 18. GOODWILL

Goodwill for the Group, resulting from the difference between the acquisition value and the corresponding share of the fair value of the assets acquired, at the acquisition date, is analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 |
| HC Energia Group | 1,940,712 | 1,940,712 |
| EDP Renováveis Group | 1,341,860 | 1,287,004 |
| EDP Brasil Group | 52,109 | 53,052 |
| Other | 40,518 | 40,518 |
| | 3,375,199 | 3,321,286 |

The movements in Goodwill during the six-month period ended 30 June 2015, are analysed as follows:

| Thousands of Euros | Balance at 1 January | Increases | Decreases | Impairment | Exchange differences | Balance at 30 June |
|---|---|---|---|---|---|---|
| HC Energia Group | 1,940,712 | - | - | - | - | 1,940,712 |
| EDP Renováveis Group | 1,287,004 | 2,525 | -2,000 | - | 54,331 | 1,341,860 |
| EDP Brasil Group | 53,052 | - | - | - | -943 | 52,109 |
| Other | 40,518 | - | - | - | - | 40,518 |
| | 3,321,286 | 2,525 | -2,000 | - | 53,388 | 3,375,199 |

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The movements in Goodwill during the six-month period ended 30 June 2014, are analysed as follows:

| Thousands of Euros | Balance at 1 January | Increases | Decreases | Impairment | Exchange differences | Balance at 30 June |
|---|---|---|---|---|---|---|
| HC Energia Group | 1,946,935 | 1,368 | - | - | - | 1,948,303 |
| EDP Renováveis Group | 1,212,787 | 823 | -2,587 | -278 | 5,752 | 1,216,497 |
| EDP Brasil Group | 52,904 | - | - | - | 1,114 | 54,018 |
| Other | 40,518 | - | - | - | - | 40,518 |
| | 3,253,144 | 2,191 | -2,587 | -278 | 6,866 | 3,259,336 |

*EDP Renováveis Group*

During 2015, EDP Renováveis Group presents a decrease in goodwill movement in the amount of 2,000 thousands of Euros and an increase in the amount of 2,525 thousands of Euros that related to the contingent price revision related to the purchase agreements of three projects in EDPR Spain and several projects in EDPR Poland, respectively. These contracts were signed before 1 January 2010, date of the adoption of the revised IFRS 3 as mentioned in the accounting policy 2 b).

The decrease in goodwill movement in EDPR EU Group in first semester of 2014 is related with the cancellation of the success fee associated to a project in EDPR France.

## 19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

| | Company | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 |
| Acquisition cost | 11,047,079 | 11,047,079 |
| Effect of equity method (transition to IFRS) | -785,593 | -785,593 |
| Equity investments in subsidiaries | 10,261,486 | 10,261,486 |
| Impairment losses on equity investments in subsidiaries | -224,517 | -224,517 |
| | 10,036,969 | 10,036,969 |

On the date of transition to IFRS, EDP, S.A. ceased to apply the equity method of accounting to its investments in its unconsolidated financial statements, having considered this method in the determination of the deemed cost at transition date.

## 20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| Investments in joint ventures | 625,112 | 748,750 | 6,595 | 6,595 |
| Investments in associates | 135,277 | 124,224 | - | - |
| | 760,389 | 872,974 | 6,595 | 6,595 |

The decrease in Investments in joint ventures is mainly explained by the change in the consolidation method of Porto do Pecém (negative impact in the amount of 107,819 thousands of Euros), which began to be fully consolidated after the acquisition of the remaining share capital, by the share of profits of this companies for the period (negative impact in the amount of 23,287 thousands of Euros) and by capital increases in these companies (positive impact in the amount of 34,820 thousands of Euros).

As at 30 June 2015, for the Group, this caption includes goodwill in investments in joint ventures of 42,730 thousands of Euros (31 December 2014: 42,730 thousands of Euros) and goodwill in investments in associates of 37,357 thousands of Euros (31 December 2014: 36,900 thousands of Euros).

## 21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| Banco Comercial Português, S.A. | 81,002 | 71,434 | - | - |
| REN - Redes Energéticas Nacionais, SGPS, S.A. | 47,155 | 44,949 | 47,155 | 44,949 |
| Tejo Energia, S.A. | 19,700 | 19,700 | - | - |
| Zephyr Fund (Energia RE portfolio) | 61,360 | 59,584 | - | - |
| Others | 30,772 | 28,790 | 1,976 | 1,977 |
| | 239,989 | 224,457 | 49,131 | 46,926 |

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As at 30 June 2015, the financial investment held in Banco Comercial Português, S.A. increased by 9,568 thousands of Euros being the increase booked against fair value reserves (see note 32).

During the first semester of 2015, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 2,206 thousands of Euros being the increase booked against fair value reserves (see note 32).

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During the first semester of 2015, Energia RE increased this participation by 1,000 thousands of Euros, therefore this investment increased by 776 thousands of Euros being the increase booked against fair value reserves (see note 32).

Under IFRS 13 (note 46), available for sale investments are classified into three levels of fair value: level 1 includes essentially financial investment held in Banco Comercial Português, S.A. and REN - Redes Energéticas Nacionais, SGPS, S.A. since they are indexed to market price; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other available for sale investments. These include mainly Tejo Energia, S.A., whose fair value in the amount of 19.7 millions of Euros, was calculated according to Dividend Discount Model methodology, based on the discount rate of 6.3%. The sensitivity analysis considering an increase or decrease of 50 basis points in the discount rate determined a fair value of 19.2 millions of Euros and 20.2 millions of Euros, respectively.

Available-for-sale investments are booked at fair value being the changes since the date of acquisition net of impairment losses recorded against fair value reserves (see note 32). The fair value reserve attributable to the Group as at 30 June 2015 and 31 December 2014 is analysed as follows:

| Thousands of Euros | Jun 2015 | Dec 2014 |
|---|---|---|
| Banco Comercial Português, S.A. | 11,828 | 2,260 |
| REN - Redes Energéticas Nacionais, SGPS, S.A. | 21,335 | 19,129 |
| Tejo Energia, S.A. | 13,345 | 13,345 |
| Zephyr Fund (Energia RE portfolio) | 6,990 | 6,214 |
| Others | 7,502 | 6,029 |
| | 61,000 | 46,977 |

## 22. INVESTMENT PROPERTY

This caption is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| Cost | 58,850 | 57,718 | 120,188 | 120,246 |
| Accumulated depreciation | -22,042 | -20,319 | -17,023 | -15,853 |
| **Carrying amount** | 36,808 | 37,399 | 103,165 | 104,393 |

On a company basis, Porto headquarters are classified as investment property. The infrastructure's cost amounted to 85,487 thousands of Euros and the accumulated depreciation is 10,318 thousands of Euros. During the first semester of 2015, the lease rents received by EDP S.A. regarding this building were 2,851 thousands of Euros. The useful life of the building is 50 years.

On a Group basis, this headquarters are classified as Property, plant and equipment (land and buildings and other constructions). The remaining investment properties are mainly land and buildings held to obtain rents or for capital appreciation and are not material.

## 23. DEFERRED TAX ASSETS AND LIABILITIES

The EDP Group records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

| | Net deferred tax assets | | Net deferred tax liabilities | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 | Jun 2015 | Jun 2014 |
| **Balance as at 1 January** | 218,747 | 320,590 | -804,744 | -759,092 |
| Tariff adjustment for the period | -15,762 | 7,959 | 101,912 | 34,920 |
| Provisions | 15,952 | -6,117 | - | - |
| Property, plant and equipment, intangible assets and accounting revaluations | -19,517 | -38,787 | 295 | -26,966 |
| Deferred tax over CMECs in the period | - | - | -16,026 | 49,557 |
| Tax losses and tax credits | 95,019 | 51,328 | - | - |
| Financial and available-for-sale investments | -2,830 | -7,165 | -1,634 | 5,517 |
| Allocation of fair value adjustments to assets and liabilities acquired | -419 | -473 | -103,113 | -28,028 |
| Other temporary differences | 9,214 | 10,996 | 7,034 | -41,629 |
| Netting of deferred tax assets and liabilities | -16,821 | -95,297 | 16,821 | 95,297 |
| **Balance as at 30 June** | 283,583 | 243,034 | -799,455 | -670,424 |

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As at 30 June 2015, the Allocation of fair value adjustments to assets and liabilities acquired, essentially reflects the tax effect of the acquisition transaction of 50% of the Porto do Pecém, namely 64,114 thousands of Euros related to the deferred tax of the fair value of identifiable assets and liabilities adjustments and 34,614 thousands of Euros related to the tax effect of the gain resulting from the bargain purchase (see note 51).

On a company basis, EDP, S.A. records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

| | Net deferred tax assets | | Net deferred tax liabilities | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 | Jun 2015 | Jun 2014 |
| **Balance as at 1 January** | 27,434 | 25,097 | - | - |
| Tax losses and tax credits | 18,866 | -4,244 | - | - |
| Financial and available-for-sale investments | -677 | -4,801 | - | - |
| Fair value of derivative financial instruments | -4,877 | -6,615 | -4,625 | 5,237 |
| Other temporary differences | 289 | 396 | 7 | 10 |
| Netting of deferred tax assets and liabilities | -4,618 | 5,247 | 4,618 | -5,247 |
| **Balance as at 30 June** | 36,417 | 15,080 | - | - |

## 24. INVENTORIES

This caption is analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 |
| Merchandise | 29,906 | 35,953 |
| Finished, intermediate products and sub-products | 21,199 | 15,457 |
| Raw and subsidiary materials and consumables (coal and other fuels) | 89,872 | 100,228 |
| Nuclear fuel | 16,244 | 18,324 |
| Others | 73,320 | 96,494 |
| | 230,541 | 266,456 |

The caption Others include CO2 licences held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 y), in the amount of 5 thousands of Euros (31 December 2014: 23,360 thousands of Euros).

## 25. TRADE RECEIVABLES

Trade receivables, for the Group, are analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 |
| **Trade receivables - Non-Current** | | |
| Corporate sector and individuals: | | |
| - Spain | 4,407 | 4,879 |
| - Brazil | 9,439 | 85,047 |
| Public Sector: | | |
| - Portugal | 112,097 | 115,177 |
| - Brazil | 8,292 | 6,124 |
| | 134,235 | 211,227 |
| Impairment losses | -36,704 | -36,636 |
| | 97,531 | 174,591 |
| **Trade receivables - Current** | | |
| Corporate sector and individuals: | | |
| - Portugal | 991,453 | 1,119,608 |
| - Spain | 495,204 | 459,029 |
| - Brazil | 522,408 | 436,787 |
| - U.S.A. | 56,270 | 43,428 |
| - Other | 47,955 | 47,147 |
| Public Sector: | | |
| - Portugal | 44,955 | 57,861 |
| - Brazil | 39,567 | 31,544 |
| - Spain | 16,531 | 39,075 |
| | 2,214,343 | 2,234,479 |
| Impairment losses | -302,675 | -289,376 |
| | 1,911,668 | 1,945,103 |
| | 2,009,199 | 2,119,694 |

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The variation in Trade receivables - Non-Current in Brazil related to corporate sector and individuals, is mainly due to the amount that Enertrade has to receive from Porto do Pecém related with energy supply, which investment was consolidated at equity method.

Trade receivables, for the Company, are analysed as follows:

| | Company | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 |
| **Trade receivables - Current** | | |
| Corporate sector and individuals: | | |
| - Portugal | 165,681 | 188,604 |
| | 165,681 | 188,604 |
| Impairment losses | -9,957 | -9,957 |
| | 155,724 | 178,647 |

## 26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities - Non-Current, are analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 1,223,602 | 1,341,117 |
| Amounts receivable from tariff adjustments - Electricity - Brazil | 50,964 | 67,738 |
| Amounts receivable from tariff expenses - Gas - Spain | 44,367 | - |
| Amounts receivable relating to CMEC | 746,157 | 661,457 |
| Amounts receivable from concessions - IFRIC 12 | 896,039 | 888,941 |
| Sundry debtors and other operations | 87,476 | 96,131 |
| | 3,048,605 | 3,055,384 |
| Impairment losses on debtors | -3,220 | -3,245 |
| | 3,045,385 | 3,052,139 |

Debtors and other assets from commercial activities - Current, are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| Amounts receivable from tariff expenses - Electricity - Spain | - | 2,270 | - | - |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 840,565 | 1,063,661 | - | - |
| Amounts receivable from tariff adjustments - Electricity - Brazil | 168,911 | 119,036 | - | - |
| Receivables relating to other goods and services | 50,805 | 64,439 | 6,446 | 13,125 |
| Amounts receivable relating to CMEC | 84,032 | 99,757 | - | - |
| Accrued income relating to energy sales activity | 125,419 | 133,165 | 223,425 | 223,871 |
| Sundry debtors and other operations | 272,619 | 276,083 | 91,147 | 64,605 |
| | 1,542,351 | 1,758,411 | 321,018 | 301,601 |
| Impairment losses on debtors | -22,321 | -24,282 | -917 | -978 |
| | 1,520,030 | 1,734,129 | 320,101 | 300,623 |

The caption Amounts receivable relating to CMEC amounts to 830,189 thousands of Euros, and includes 746,157 thousands of Euros as non-current and 84,032 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 588,700 thousands of Euros as non-current and 42,010 thousands of Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the annuities for the years 2007 to 2015. The remaining 157,457 thousands of Euros as non-current and 42,022 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2014 and 2015.

As referred in the note 2 aa), the concession contracts currently in force in EDP Group are based in the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil. Therefore, the caption Amounts receivable from concessions - IFRIC 12 in the amount of 896,039 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model. The variation in the period includes: (i) the effect of the depreciation of Brazilian Real against Euro in the amount of 21,191 thousands of Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 21,851 thousands of Euros (see note 17); and (iii) unwinding of the financial assets in Brazil in the amount of 8,426 thousands of Euros.

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The movement for the period in Amounts receivable from tariff adjustments - Electricity - Portugal (Current and Non-current) is analysed as follows:

| Thousands of Euros | Current | Non-Current |
|---|---|---|
| **Balance as at 1 January 2014** | 1,056,572 | 1,237,623 |
| Receipts through the electric energy tariff | -465,572 | - |
| Partial sale of 2013 and 2014 over costs for the special regime generators | -1,032,857 | - |
| Tariff adjustment of 2013 | 8,232 | 8,232 |
| Tariff adjustment for the period | 411,464 | 840,351 |
| Transfer to/from tariff adjustment payable | 838 | - |
| Interest income | 42,819 | 2,276 |
| Transfer from Non-Current to Current | 808,971 | -808,971 |
| **Balance as at 30 June 2014** | 830,467 | 1,279,511 |
| Receipts through the electric energy tariff | -430,367 | - |
| Partial sale of 2013 and 2014 over costs for the special regime generators | - | - |
| Tariff adjustment of 2013 | 28,617 | -8,232 |
| Tariff adjustment for the period | 572,392 | 321,261 |
| Transfer to/from tariff adjustment payable | -935 | -366 |
| Interest income | 41,256 | - |
| Securitisation adjustment of 2012 CMEC | -228,826 | - |
| Transfer from Non-Current to Current | 251,057 | -251,057 |
| **Balance as at 31 December 2014** | 1,063,661 | 1,341,117 |
| Receipts through the electric energy tariff | -538,382 | - |
| Partial sale of 2014 over costs for the special regime generators | -650,954 | - |
| Tariff adjustment of 2014 | 13,594 | 13,239 |
| Tariff adjustment for the period | 204,957 | 576,161 |
| Transfer to/from tariff adjustment payable | 133 | - |
| Interest income | 40,302 | 339 |
| Transfer from Non-Current to Current | 707,254 | -707,254 |
| **Balance as at 30 June 2015** | 840,565 | 1,223,602 |

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments booked in Bandeirante and Escelsa with the accumulated amount as at 30 June 2015 of 149,486 thousands of Euros (31 December 2014: 109,143 thousands of Euros) and 70,389 thousands of Euros (31 December 2014: 77,631 thousands of Euros), respectively. The period variation respects to tariff adjustment for the period of 141,652 thousands of Euros, unwinding of 8,488 thousands of Euros, receipts through the electric energy tariff with a negative impact of 101,370 thousands of Euros and exchange differences due to depreciation of Brazilian Real with a negative impact of 15,669 thousands of Euros (see note 6).

During the second quarter of 2015, EDP Serviço Universal, S.A. (EDP SU), the last resort supplier for the Portuguese electricity system, agreed to sell a portion of the 2014 tariff deficit, which resulted from the deferral, for the period of 5 years, of the recovery of the 2014 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2012 and 2013), in the amount of 185,536 thousands of Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 200,000 thousands of Euros and generated a net gain of expenses with the transaction of 14,447 thousands of Euros (see note 13).

During the first quarter of 2015, EDP Serviço Universal, S.A. (EDP SU), the last resort supplier for the Portuguese electricity system, sold without recourse to Tagus – Sociedade de Titularização de Créditos, S.A., a portion of the 2014 tariff deficit in the amount of 465,418 thousands of Euros, and respective interest. The 2014 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2014 over costs (including the adjustments for 2012 and 2013) related to the acquisition of electricity from special regime generators. The sale price amounted to 499,461 thousands of Euros and generated a gain net of transaction costs of 31,737 thousands of Euros (see note 13 and 50).

On 22 December 2014, EDP Distribuição - Energia, S.A., the concessionaire and operator entity of the National Distribution Grid of electric energy, sold without recourse the right to recover the correction portion of the compensation mechanism to maintain the contractual balance (CMEC) referring to 2012, in the amount of 228.826 thousands of Euros. The total sale price amounted to 239,832 thousands of Euros and generated gains net of transaction costs of 10,711 thousands of Euros. This transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. was a securitisation transaction through the issuance of senior notes (see note 50).

In 2014, EDP SU, sold, in three independent operations, the rights to receive part of the electricity adjustment related to the 2014 and 2013 overcost with the acquisition of electricity activity from special regime generators, in the amount of 1,032,857 thousands of Euros (832,857 thousands of Euros in 2013 and 200,000 thousands of Euros in 2014). In these assets' sales operations, EDP SU sold without recourse the rights to receive the referred amounts and interests. The total sale price amounted to 1,113,313 thousands of Euros and generated gains net of transaction costs of 67,007 thousands of Euros. From the three transactions, two of them were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 363,313 thousands of Euros and the other was a securitisation transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 750,000 thousands of Euros (see note 50).

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The following table provides details for the caption Amounts receivable from tariff adjustments - Electricity - Portugal, by nature and year of establishment, as well as presents the amounts of tariff deficit that have been securitised during the first semester of 2015:

| Thousands of Euros | Deficit | Tariff | Securiti-sation | Total |
|---|---|---|---|---|
| **Year:** | | | | |
| 2012 | 9,196 | - | - | 9,196 |
| 2013 | 269,151 | 196,564 | - | 465,715 |
| 2014 | 1,203,000 | 270,935 | -650,954 | 822,981 |
| 2015 | 735,182 | 31,093 | - | 766,275 |
| | 2,216,529 | 498,592 | -650,954 | 2,064,167 |

## 27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| **Debtors and other assets - Non-Current** | | | | |
| Loans to subsidiaries | - | - | 6,553,842 | 6,310,508 |
| Loans to related parties | 382,952 | 434,062 | 90 | 90 |
| Guarantees rendered to third parties | 59,072 | 61,884 | - | 5 |
| Derivative financial instruments | 265,512 | 236,174 | 471,385 | 340,270 |
| Sundry debtors and other operations | 56,933 | 48,757 | - | - |
| | 764,469 | 780,877 | 7,025,317 | 6,650,873 |
| **Debtors and other assets - Current** | | | | |
| Loans to subsidiaries | - | - | 751,868 | 1,271,831 |
| Loans to related parties | 117,281 | 95,910 | 14,795 | 14,802 |
| Receivables from the State and concessors | 37,349 | 39,878 | - | - |
| Derivative financial instruments | 122,400 | 137,572 | 469,301 | 291,940 |
| Subsidiary Companies | - | - | 614,529 | 343,178 |
| Guarantees rendered to third parties | 6,296 | 6,779 | - | - |
| Sundry debtors and other operations | 69,555 | 38,709 | 17,443 | 3,898 |
| | 352,881 | 318,848 | 1,867,936 | 1,925,649 |
| | 1,117,350 | 1,099,725 | 8,893,253 | 8,576,522 |

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,357,806 thousands of Euros (31 December 2014: 4,332,139 thousands of Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 2,547,244 thousands of Euros (31 December 2014: 2,847,897 thousands of Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 45).

The variation in Loans to related parties - Non-Current is mainly due to the conclusion of the acquisition of the remaining participation of Porto do Pecém, which started to be fully consolidated.

Subsidiary Companies - Current, for the company, mainly includes receivables from the EDP Group's financial system.

## 28. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| Income tax | 124,984 | 196,397 | 36,457 | 117,215 |
| Value added tax (VAT) | 157,229 | 154,378 | 28,976 | 20,951 |
| Turnover tax (Brazil) | 5,220 | 4,814 | - | - |
| Other taxes | 15,453 | 16,064 | 3,868 | 3,255 |
| | 302,886 | 371,653 | 69,301 | 141,421 |

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## 29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| **Cash** | 94 | 32 | - | - |
| | | | | |
| **Bank deposits** | | | | |
| Current deposits | 504,966 | 518,928 | 6,360 | 13,716 |
| Term deposits | 796,340 | 1,958,068 | 326,054 | 1,106,015 |
| Specific demand deposits in relation to institutional partnerships | 47,644 | 78,855 | - | - |
| Other deposits | 12 | 12 | - | - |
| | 1,348,962 | 2,555,863 | 332,414 | 1,119,731 |
| **Operations pending cash settlement** | | | | |
| Current deposits | - | 15,000 | 265,000 | 225,000 |
| | | | | |
| **Other short term investments** | 20,885 | 43,100 | - | - |
| | 1,369,941 | 2,613,995 | 597,414 | 1,344,731 |

Specific demand deposits in relation to institutional partnerships corresponds to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 38), under the accounting policy 2 v).

On a company basis, the caption Operations pending cash settlement relates with commercial paper issued by EDP, S.A., in the terms of Group accounting policy is booked as financial debt at the trade date of each emission. This caption includes 265,000 thousands of Euros, issued on 30 June 2015, acquired by EDP Finance B.V., and which settlement date occured on 2 July 2015.

The caption Other short term investments includes very short term investments promptly convertible into cash.

## 30. SHARE CAPITAL AND SHARE PREMIUM

EDP, S.A. is a company that was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007, the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process.

On 11 May 2012, regarding EDP's eight reprivatisation phase, the Portuguese State sold to CWEI (Europe), S.A. (former - China Three Gorges International (Europe), S.A.), the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

On 21 February 2013, Parpública – Participações Públicas (SGPS) S.A. (Parpública) notified EDP that on 19 February 2013 sold 151,517,000 shares, which correspond to 4.14% of EDP share capital.

As a result of this two last transactions, Parpública no longer has a qualified shareholding position in EDP share capital.

The share capital amounts of 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each.

EDP - Energias de Portugal S.A. shareholder structure as at 30 June 2015 is analysed as follows:

| | Nr. of Shares | % Capital | % Voting |
|---|---|---|---|
| China Three Gorges | 780,633,782 | 21.35% | 21.35% |
| Capital Group Companies, Inc. | 624,089,919 | 17.07% | 17.07% |
| Oppidum Capital, S.L. | 263,046,616 | 7.19% | 7.19% |
| BlackRock, Inc. | 182,733,180 | 5.00% | 5.00% |
| Senfora, BV | 148,431,999 | 4.06% | 4.06% |
| Millennium BCP Group and Pension Fund | 89,139,594 | 2.44% | 2.44% |
| Sonatrach | 87,007,433 | 2.38% | 2.38% |
| Qatar Investment Authority | 82,868,933 | 2.27% | 2.27% |
| EDP (Treasury stock) | 21,844,297 | 0.60% | |
| Remaining shareholders | 1,376,741,962 | 37.64% | |
| | **3,656,537,715** | **100.00%** | |

Share capital and Share premium are analysed as follows:

| | Group and Company | |
|---|---|---|
| Thousands of Euros | Share capital | Share premium |
| **Balance as at 1 January** | 3,656,538 | 503,923 |
| Movements during the period | - | - |
| **Balance as at 30 June** | 3,656,538 | 503,923 |

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The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **Jun 2015** | **Jun 2014** | **Jun 2015** | **Jun 2014** |
| Net profit attributable to the equity holders of EDP (in Euros) | 586,808,947 | 633,871,483 | 457,913,061 | 533,020,481 |
| Net profit from continuing operations attributable to the equity holders of EDP (in Euros) | 586,808,947 | 633,871,483 | | |
| Weighted average number of ordinary shares outstanding | 3,634,001,467 | 3,631,215,762 | 3,635,514,467 | 3,632,728,762 |
| Weighted average number of diluted ordinary shares outstanding | 3,634,001,467 | 3,631,316,222 | 3,635,514,467 | 3,632,829,222 |
| Basic earnings per share attributable to equity holders of EDP (in Euros) | 0.16 | 0.17 | | |
| Diluted earnings per share attributable to equity holders of EDP (in Euros) | 0.16 | 0.17 | | |
| Basic earnings per share from continuing operations (in Euros) | 0.16 | 0.17 | | |
| Diluted earnings per share from continuing operations (in Euros) | 0.16 | 0.17 | | |

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period.

The average number of shares was determined as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **Jun 2015** | **Jun 2014** | **Jun 2015** | **Jun 2014** |
| Ordinary shares issued at the beginning of the period | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 |
| Effect of shares issued during the period | - | - | - | - |
| **Average number of realised shares** | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 |
| Effect of treasury stock | -22,536,248 | -25,321,953 | -21,023,248 | -23,808,953 |
| **Average number of shares during the period** | 3,634,001,467 | 3,631,215,762 | 3,635,514,467 | 3,632,728,762 |
| Effect of stock options | - | 100,460 | - | 100,460 |
| **Diluted average number of shares during the period** | 3,634,001,467 | 3,631,316,222 | 3,635,514,467 | 3,632,829,222 |

## 31. TREASURY STOCK

This caption is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **Jun 2015** | **Dec 2014** | **Jun 2015** | **Dec 2014** |
| Book value of EDP, S.A. treasury stock (thousands of Euros) | 64,328 | 69,931 | 58,233 | 63,836 |
| Number of shares | 21,844,297 | 23,488,399 | 20,331,297 | 21,975,399 |
| Market value per share (in Euros) | 3.405 | 3.218 | 3.405 | 3.218 |
| Market value of EDP, S.A.'s treasury stock (thousands of Euros) | 74,380 | 75,586 | 69,228 | 70,717 |

Operations performed from 1 January to 30 June 2015:

| | **EDP, S.A.** | **Energia RE** |
|---|---|---|
| Volume acquired (number of shares) | 1,196,650 | - |
| Average purchase price (in Euros) | 3.350 | - |
| Total purchase value (thousands of Euros) | 4,009 | - |
| Volume sold (number of shares) | -2,840,752 | - |
| Average selling price (in Euros) | 3.538 | - |
| Total sale value (thousands of Euros) | 10,051 | - |
| Final position (number of shares) | 20,331,297 | 1,513,000 |
| Highest market price (in Euros) | 3.731 | - |
| Lowest market price (in Euros) | 3.100 | - |
| Average market price (in Euros) | 3.461 | - |

The treasury stock held by EDP, S.A. is within the limits established by the Company's articles of association and by the "Código das Sociedades Comerciais" (Companies Commercial Code). The treasury stock is stated at acquisition cost.

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## 32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| Legal reserve | 698,902 | 659,613 | 698,902 | 659,613 |
| Fair value reserve (cash flow hedge) | -21,121 | -62,953 | 15,744 | -17,157 |
| Tax effect of fair value reserve (cash flow hedge) | 2,807 | 15,172 | -4,684 | 5,019 |
| Fair value reserve (available for sale investments) | 61,000 | 46,977 | 16,988 | 14,783 |
| Tax effect of fair value reserve (available for sale investments) | -2,190 | 899 | 3,687 | 4,338 |
| Exchange differences arising on consolidation | -201,585 | -133,300 | - | - |
| Treasury stock reserve (EDP, S.A.) | 58,233 | 63,836 | 58,233 | 63,836 |
| Other reserves and retained earnings | 3,350,643 | 2,960,243 | 1,618,067 | 1,538,131 |
| | 3,946,689 | 3,550,487 | 2,406,937 | 2,268,563 |

*Legal reserve*

In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies Commercial Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

*Fair value reserve (cash flow hedge)*

This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging financial derivative instruments.

*Fair value reserve (available-for-sale investments)*

This reserve includes the accumulated net change in the fair value of available-for-sale investments as at the balance sheet date, net of impairment losses. The changes in this consolidated caption for the period are as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Increases | Decreases |
| **Balance as at 1 January 2014** | 536,272 | -455,653 |
| Changes in fair value | 20,843 | -1,121 |
| Transfer of impairment to profit or loss | - | 392 |
| **Balance as at 30 June 2014** | 557,115 | -456,382 |
| Changes in fair value | -11,589 | -42,654 |
| Transfer of impairment to profit or loss | - | 861 |
| Transfer to the income statement relating to assets sold | -374 | - |
| **Balance as at 31 December 2014** | 545,152 | -498,175 |
| Changes in fair value | 14,225 | -205 |
| Transfer of impairment to profit or loss | - | 3 |
| **Balance as at 30 June 2015** | 559,377 | -498,377 |

Changes in fair value reserve attributable to the EDP Group during the first semester of 2015 are analysed as follows:

| Thousands of Euros | Increases | Decreases |
|---|---|---|
| Banco Comercial Português, S.A. | 9,568 | - |
| Zephyr Fund (Energia RE portfolio) | 776 | - |
| REN - Redes Energéticas Nacionais, SGPS, S.A. | 2,206 | - |
| Others | 1,675 | -205 |
| | 14,225 | -205 |

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*Exchange differences on consolidation*

Exchange differences on consolidation includes the amounts resulting from changes in the value of shareholder's equity of subsidiary, joint ventures and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

| | | Exchange rates at Jun 2015 | | Exchange rates at Dec 2014 | | Exchange rates at Jun 2014 | |
|---|---|---|---|---|---|---|---|
| **Currency** | | **Closing rates** | **Average exchange rate** | **Closing rates** | **Average exchange rate** | **Closing rates** | **Average exchange rate** |
| Dollar | USD | 1.119 | 1.117 | 1.214 | 1.329 | 1.366 | 1.370 |
| Brazilian Real | BRL | 3.470 | 3.309 | 3.221 | 3.122 | 3.000 | 3.151 |
| Macao Pataca | MOP | 8.934 | 8.915 | 9.700 | 10.615 | 10.903 | 10.950 |
| Canadian Dollar | CAD | 1.384 | 1.378 | 1.406 | 1.466 | 1.459 | 1.503 |
| Zloty | PLN | 4.191 | 4.142 | 4.273 | 4.184 | 4.157 | 4.175 |
| Romanian Leu | RON | 4.473 | 4.448 | 4.483 | 4.444 | 4.383 | 4.464 |
| Pound Sterling | GBP | 0.711 | 0.733 | 0.779 | 0.806 | 0.802 | 0.821 |
| Rand | ZAR | 13.642 | 13.311 | 14.035 | 14.404 | 14.460 | 14.675 |
| Mexican Peso | MXN | 17.533 | 16.897 | - | - | - | - |

*Treasury stock reserve (EDP, S.A.)*

In accordance with the article 324.º of "Código das Sociedades Comerciais", EDP, S.A., has created an unavailable reserve with an amount equal to the book value amount of treasury stock held.

*Dividends*

On 21 April 2015, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2014 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. and Energia RE in the amount of 3,871 thousands of Euros and 280 thousands of Euros, respectively). This distribution occurred on 14 May 2015.

## 33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** |
| Non-controlling interests in income statement | 209,485 | 223,362 |
| Non-controlling interests in equity and reserves | 3,496,692 | 3,064,317 |
| | 3,706,177 | 3,287,679 |

Non-controlling interests, by subgroup, are made up as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** |
| EDP Renováveis Group | 2,191,904 | 1,811,426 |
| EDP Brasil Group | 1,379,253 | 1,345,246 |
| Other | 135,020 | 131,007 |
| | 3,706,177 | 3,287,679 |

During the first semester of 2015, EDP Group generated profits of 209,485 thousands of Euros attributable to non-controlling interests (31 December 2014: 223,362 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 57,163 thousands of Euros; (ii) a negative impact of 47,979 thousands of Euros related to dividends; (iii) a positive impact of 20,537 thousands of Euros resulting from exchange differences; (iv) a negative impact resulting from share capital increases/decreases of 25,797 thousands of Euros; (v) acquisition without change of control of EDPR Spain subsidiaries attributable to non-controlling interests with a negative impact of 27,694 thousands of Euros (see note 5); (vi) sale without loss of control of EDPR NA subsidiaries attributable to non-controlling interests with a positive effect of 343,233 thousands of Euros (see note 5); and (vii) sale without loss of control of EDPR Brasil subsidiaries attributable to non-controlling interests with a positive effect of 57,457 thousands of Euros (see note 5).

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The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 145,153 thousands of Euros of profits attributable to non-controlling interests; (ii) a decrease of 92,309 thousands of Euros resulting from exchange differences; (iii) a negative impact of 4,362 thousands of Euros related to dividends; (iv) a negative impact of 2,277 thousands of Euros from actuarial losses net of taxes recognised; and (v) a negative impact of 12,732 thousands of Euros arising from the control gaining of Porto do Pecém, in accordance with the accounting treatment of a step acquisition, the amounts previously recognised in reserves related to exchange differences and fair value reserve were recognised in EDP Group results (see note 51).

## 34. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

| | Group and Company | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Jun 2014** |
| **Balance at the beginning of the period** | 1,010 | 35,641 |
| Amounts received/(paid) during the period | 5,072 | -17,820 |
| Financial charges | 72 | 642 |
| **Balance at the end of the period** | 6,154 | 18,463 |

## 35. FINANCIAL DEBT

This caption is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** | **Jun 2015** | **Dec 2014** |
| **Debts and borrowings - Non-current** | | | | |
| Bank loans: | | | | |
| - EDP, S.A. | 432,681 | 976,269 | 446,908 | 985,944 |
| - EDP Finance B.V. | 2,987,799 | 2,643,765 | - | - |
| - EDP Brasil Group | 889,783 | 108,641 | - | - |
| - EDP Renováveis Group | 668,007 | 742,723 | - | - |
| - EDP Produção | 85,660 | 89,342 | - | - |
| - Others | 23,417 | 25,506 | - | - |
| | 5,087,347 | 4,586,246 | 446,908 | 985,944 |
| Non-convertible bond loans: | | | | |
| - EDP, S.A. | 450,000 | 450,000 | 5,800,000 | 5,800,000 |
| - EDP Finance B.V. | 10,101,248 | 10,320,906 | - | - |
| - EDP Brasil Group | 305,613 | 449,394 | - | - |
| | 10,856,861 | 11,220,300 | 5,800,000 | 5,800,000 |
| Commercial paper: | | | | |
| - EDP, S.A. | 223,434 | 402,728 | 223,434 | 402,728 |
| | 223,434 | 402,728 | 223,434 | 402,728 |
| Other loans: | | | | |
| - Investco preference shares | 14,709 | 15,657 | - | - |
| - EDP Brasil Group | 11,131 | 13,997 | - | - |
| - EDP Renováveis Group | 9,318 | 9,861 | - | - |
| - Others | 110 | 454 | - | - |
| | 35,268 | 39,969 | - | - |
| | 16,202,910 | 16,249,243 | 6,470,342 | 7,188,672 |
| Accrued interest | 1,141 | - | - | - |
| Other liabilities: | | | | |
| - Fair value of the issued debt hedged risk | 169,534 | 151,584 | - | - |
| **Total Debt and borrowings** | 16,373,585 | 16,400,827 | 6,470,342 | 7,188,672 |
| **Collateral Deposits - Non-current (*)** | | | | |
| Collateral deposit - BEI | -155,981 | -311,990 | -155,981 | -311,990 |
| Other collateral deposits | -61,513 | -76,818 | - | - |
| **Total Collateral Deposits** | -217,494 | -388,808 | -155,981 | -311,990 |
| | 16,156,091 | 16,012,019 | 6,314,361 | 6,876,682 |

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| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| **Debt and borrowings - Current** | | | | |
| Bank loans: | | | | |
| - EDP, S.A. | 72,726 | 74,100 | 72,726 | 74,100 |
| - EDP Finance B.V. | 550,000 | 796,733 | - | - |
| - EDP Brasil Group | 167,606 | 173,697 | - | - |
| - EDP Renováveis Group | 80,293 | 144,023 | - | - |
| - Others | 8,980 | 13,775 | - | - |
| | 879,605 | 1,202,328 | 72,726 | 74,100 |
| Non-convertible bond loans: | | | | |
| - EDP, S.A. | - | 247,019 | - | 247,019 |
| - EDP Finance B.V. | 1,248,508 | 1,581,236 | - | - |
| - EDP Brasil Group | 209,496 | 218,943 | - | - |
| - EDP Renováveis Group | - | 29,497 | - | - |
| | 1,458,004 | 2,076,695 | - | 247,019 |
| Commercial paper: | | | | |
| - EDP, S.A. | 275,224 | 183,000 | 3,487,724 | 3,225,000 |
| - EDP Brasil Group | 216,145 | - | - | - |
| - HC Energia Group | - | 47,372 | - | - |
| | 491,369 | 230,372 | 3,487,724 | 3,225,000 |
| Other loans | 7,383 | 10,733 | - | - |
| | 2,836,361 | 3,520,128 | 3,560,450 | 3,546,119 |
| Accrued interest | 316,220 | 371,468 | 74,246 | 81,319 |
| Other liabilities: | | | | |
| - Fair value of the issued debt hedged risk | - | 5,760 | - | 1,207 |
| **Total Debt and borrowings** | 3,152,581 | 3,897,356 | 3,634,696 | 3,628,645 |
| **Collateral Deposits - Current (*)** | | | | |
| Collateral deposit - BEI | -27,423 | -22,507 | -27,423 | -22,507 |
| Other collateral deposits | -33,980 | -17,855 | - | - |
| **Total Collateral Deposits** | -61,403 | -40,362 | -27,423 | -22,507 |
| | 3,091,178 | 3,856,994 | 3,607,273 | 3,606,138 |

**(*) Collateral Deposits informative note**

Following EDP's downgrading in 2012 and in the course of negotiations with BEI, on 31 October 2012, EDP has constituted an escrow deposit which amount at 30 June 2015 is 183,404 thousands of Euros (155,981 thousands of Euros non-current and 27,423 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit is reduced by the repayment of these loans. In addition, the Group has 95,493 thousands of Euros (61,513 thousands of Euros non-current and 33,980 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 June 2015 and 31 December 2014 these loans amounted to 1,355,158 thousands of Euros (including 609,692 thousands of Euros of nominal debt of Porto do Pecém) and 993,409 thousands of Euros, respectively (see note 44).

Following the acquisition of the remaining investment in Porto do Pecém, which began to be fully consolidated, Financial debt as at 30 June 2015 includes an amount of 605,252 thousands of Euros (549,738 thousands of Euros non-current and 55,514 thousands of Euros current) and Collateral deposits include an amount of 21,912 thousands of Euros (see note 51).

EDP Group has short-term credit facilities of 200,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, of which 199,371 thousands of Euros are available, as well as Commercial Paper programs of 100,000 thousands of Euros with guaranteed placement, being fully available as at 30 June 2015. EDP Group has a medium term Revolving Credit Facility (RCF) of 3,150,000 thousands of EUR (for liquidity management needs in USD and EUR), with a firm underwriting commitment and with maturity at 2019 and a RCF of 100,000 thousands of EUR (for liquidity management needs in EUR), with a firm underwriting commitment and with maturity at 2016, which as at 30 June 2015 are totally available. In 2015 EDP Group has a new RCF of 500,000 thousands of EUR, with a firm underwriting commitment and with maturity at 2020, of which 100.000 thousands of EUR are available at 30 June 2015.

Commercial Paper non-current refers to a Commercial Paper program with a firm underwriting commitment for a period over to one year in the amount of 250,000 thousands of Dollars.

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The nominal value of outstanding Bond loans issued with external counterparts, as at 30 June 2015, is analysed as follows:

| Issuer | Issue date | Interest rate | Type of hedge | Conditions/ Redemption | Thousands of Euros Group | Thousands of Euros Company |
|---|---|---|---|---|---|---|
| **Issued by EDP S.A.** | | | | | | |
| EDP, S.A. (ii) | May-08 | Variable rate (iii) | n.a. | May-18 | 300,000 | 300,000 |
| EDP, S.A. | Oct-13 | Variable rate (iii) | n.a. | Oct-18 | 150,000 | 150,000 |
| | | | | | 450,000 | 450,000 |
| **Issued under the Euro Medium Term Notes program** | | | | | | |
| EDP Finance B.V. (i) | Aug-02 | Fixed rate GBP 6.625% | Fair Value | Aug-17 | 320,000 | - |
| EDP Finance B.V. | Dec-02 | Fixed rate EUR (iii) | n.a. | Dec-22 | 93,357 | - |
| EDP Finance B.V. (i) | Jun-05 | Fixed rate EUR 4.125% | n.a. | Jun-20 | 300,000 | - |
| EDP Finance B.V. | Jun-06 | Fixed rate EUR 4.625% | n.a. | Jun-16 | 500,000 | - |
| EDP Finance B.V. | Nov-07 | Fixed rate USD 6.00% | Net Investment | Feb-18 | 893,735 | - |
| EDP Finance B.V. (i) | Nov-08 | Fixed rate GBP 8.625% | Fair Value | Jan-24 | 410,314 | - |
| EDP Finance B.V. | Nov-08 | Zero coupon EUR (iii) | n.a. | Nov-23 | 160,000 | - |
| EDP Finance B.V. (i) | Jun-09 | Fixed rate JPY (iii) | n.a. | Jun-19 | 93,458 | - |
| EDP Finance B.V. | Jun-09 | Fixed rate EUR 4.75% | n.a. | Sep-16 | 1,000,000 | - |
| EDP Finance B.V. | Sep-09 | Fixed rate USD 4.90% | Net Investment | Oct-19 | 893,735 | - |
| EDP Finance B.V. | Feb-11 | Fixed Rate EUR 5.875% | n.a. | Feb-16 | 750,000 | - |
| EDP Finance B.V. | Sep-12 | Fixed Rate EUR 5.75% | n.a. | Sep-17 | 750,000 | - |
| EDP Finance B.V. (i) | Nov-12 | Fixed Rate CHF 4.00% | Fair Value/ Cash Flow | Nov-18 | 103,922 | - |
| EDP Finance B.V. (i) | Sep-13 | Fixed Rate EUR 4.875% | Fair Value | Sep-20 | 750,000 | - |
| EDP Finance B.V. (i) | Nov-13 | Fixed Rate EUR 4.125% | Fair Value | Jan-21 | 600,000 | - |
| EDP Finance B.V. | Jan-14 | Fixed Rate USD 5.25% | Net Investment | Jan-21 | 670,301 | - |
| EDP Finance B.V. (i) | Apr-14 | Fixed Rate EUR 2.625% | Fair Value | Apr-19 | 650,000 | - |
| EDP Finance B.V. | Jun-14 | Variable rate (iii) | Net Investment | Jun-19 | 89,373 | - |
| EDP Finance B.V. (i) | Sep-14 | Fixed Rate EUR 2.625% | Fair Value | Jan-22 | 1,000,000 | - |
| EDP Finance B.V. (i) | Nov-14 | Fixed Rate EUR 4.125% | Net Investment | Jan-20 | 670,301 | - |
| EDP Finance B.V. (i) | Apr-15 | Fixed Rate EUR 2.00% | Fair Value | Apr-25 | 750,000 | - |
| | | | | | 11,448,496 | - |
| **Issued by the EDP Energias do Brasil Group in the Brazilian domestic market** | | | | | | |
| Bandeirante | Jul-10 | CDI + 1.50% | n.a. | Jul-16 | 67,437 | - |
| Energest | Apr-12 | CDI + 0.98% | n.a. | Apr-17 | 34,583 | - |
| Energias do Brasil | Apr-13 | CDI + 0.55% | n.a. | Apr-16 | 72,048 | - |
| Lajeado Energia | Nov-13 | CDI + 1.20% | n.a. | Nov-19 | 129,687 | - |
| Energias do Brasil | Feb-14 | CDI + 0.72% | n.a. | Aug-15 | 75,346 | - |
| Bandeirante | Apr-14 | CDI + 1.39% | n.a. | Apr-19 | 86,458 | - |
| Escelsa | Aug-14 | CDI + 1.50% | n.a. | Aug-20 | 50,952 | - |
| | | | | | 516,511 | - |
| | | | | | 12,415,007 | 450,000 |

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies over the useful life of the loan.
(iii) These issues correspond to private placements.

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Financial Debt by maturity, is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** | **Jun 2015** | **Dec 2014** |
| **Bank loans** | | | | |
| Up to 1 year | 927,358 | 1,269,620 | 73,655 | 75,553 |
| From 1 to 5 years | 4,048,265 | 3,817,379 | 248,575 | 696,074 |
| More than 5 years | 1,040,223 | 768,867 | 198,333 | 289,870 |
| | 6,015,846 | 5,855,866 | 520,563 | 1,061,497 |
| **Bond loans** | | | | |
| Up to 1 year | 1,724,403 | 2,384,768 | 70,916 | 325,524 |
| From 1 to 5 years | 6,446,159 | 6,744,535 | 4,950,000 | 4,950,000 |
| More than 5 years | 4,580,236 | 4,627,349 | 850,000 | 850,000 |
| | 12,750,798 | 13,756,652 | 5,870,916 | 6,125,524 |
| **Commercial paper** | | | | |
| Up to 1 year | 493,437 | 232,234 | 3,490,125 | 3,227,568 |
| From 1 to 5 years | 223,434 | 402,728 | 223,434 | 402,728 |
| | 716,871 | 634,962 | 3,713,559 | 3,630,296 |
| **Other loans** | | | | |
| Up to 1 year | 7,383 | 10,734 | - | - |
| From 1 to 5 years | 19,468 | 22,605 | - | - |
| More than 5 years | 15,800 | 17,364 | - | - |
| | 42,651 | 50,703 | - | - |
| | 19,526,166 | 20,298,183 | 10,105,038 | 10,817,317 |

The fair value of EDP Group's debt is analysed as follows:

| | Jun 2015 | | Dec 2014 | |
|---|---|---|---|---|
| Thousands of Euros | **Carrying amount** | **Market value** | **Carrying amount** | **Market value** |
| Debt and borrowings - Non-Current | 16,373,585 | 17,240,635 | 16,400,827 | 17,585,217 |
| Debt and borrowings - Current | 3,152,581 | 2,913,519 | 3,897,356 | 3,606,383 |
| | 19,526,166 | 20,154,154 | 20,298,183 | 21,191,600 |

In accordance with accounting policies - note 2 d) and f), the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IAS 39, are stated at fair value. The financial liabilities are booked at amortised cost.

As at 30 June 2015, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

| Thousands of Euros | **2015** | **2016** | **2017** | **2018** | **2019** | **Following years** | **Total** |
|---|---|---|---|---|---|---|---|
| Debt and borrowings - Non-current | - | 1,369,217 | 1,642,577 | 2,021,958 | 2,740,003 | 8,599,830 | 16,373,585 |
| Debt and borrowings - Current | 1,225,424 | 1,927,157 | - | - | - | - | 3,152,581 |
| | 1,225,424 | 3,296,374 | 1,642,577 | 2,021,958 | 2,740,003 | 8,599,830 | 19,526,166 |

Estimated future payments of principal and interest and guarantees are detailed in note 44.

## 36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** |
| Provisions for social liabilities and benefits | 823,663 | 930,291 |
| Provisions for medical liabilities and other benefits | 940,865 | 949,982 |
| | 1,764,528 | 1,880,273 |

This caption is analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** |
| Non-Current | 1,569,107 | 1,682,988 |
| Current | 195,421 | 197,285 |
| | 1,764,528 | 1,880,273 |

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As at 30 June 2015, Provisions for social liabilities and benefits include 821,499 thousands of Euros related to retirement pension defined benefit plans (31 December 2014: 927,141 thousands of Euros) and 2,164 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2014: 3,150 thousands of Euros).

The movement in Provisions for social liabilities and benefits is analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 |
| **Balance at the beginning of the period** | 930,291 | 960,356 |
| Charge for the period | 14,219 | 19,549 |
| Past service cost (Curtailment/Plan amendments) | - | -35,592 |
| Actuarial (gains)/losses | -33,611 | 49,749 |
| Charge-off | -86,384 | -75,590 |
| Transfers, reclassifications and exchange differences | -852 | 2 |
| **Balance at the end of the period** | 823,663 | 918,474 |

The components of the consolidated net cost of this pension plans recognised during the period are as follows:

| | Jun 2015 | | | |
|---|---|---|---|---|
| Thousands of Euros | Portugal | Spain | Brazil | Group |
| Current service cost | 4,851 | 1,139 | -161 | 5,829 |
| **Operational component (see note 9)** | 4,851 | 1,139 | -161 | 5,829 |
| Net interest on the net pensions plan liability | 7,177 | 828 | 385 | 8,390 |
| **Financial component (see note 13)** | 7,177 | 828 | 385 | 8,390 |
| | 12,028 | 1,967 | 224 | 14,219 |

| | Jun 2014 | | | |
|---|---|---|---|---|
| Thousands of Euros | Portugal | Spain | Brazil | Group |
| Current service cost | 6,025 | 307 | -210 | 6,122 |
| Past service cost (Curtailment/Plan amendments) | -35,592 | - | - | -35,592 |
| **Operational component (see note 9)** | -29,567 | 307 | -210 | -29,470 |
| Net interest on the net pensions plan liability | 12,155 | 1,219 | 53 | 13,427 |
| **Financial component (see note 13)** | 12,155 | 1,219 | 53 | 13,427 |
| | -17,412 | 1,526 | -157 | -16,043 |

The movement in Provisions for medical liabilities and other benefits is analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Jun 2014 |
| **Balance at the beginning of the period** | 949,982 | 974,179 |
| Charge for the period | 18,398 | 25,508 |
| Past service cost (Curtailment/Plan amendments) | - | -93,428 |
| Actuarial (gains)/losses | 1,513 | 65,777 |
| Charge-off | -22,691 | -21,508 |
| Transfers, reclassifications and exchange differences | -6,337 | 14,112 |
| **Balance at the end of the period** | 940,865 | 964,640 |

The components of the consolidated net cost of this medical and other benefits plans recognised during the period are as follows:

| | Jun 2015 | | | Jun 2014 | | |
|---|---|---|---|---|---|---|
| Thousands of Euros | Portugal | Brazil | Group | Portugal | Brazil | Group |
| Current service cost | 3,842 | 293 | 4,135 | 3,959 | 418 | 4,377 |
| Past service cost (Curtailment/Plan amendments) | - | - | - | -93,428 | - | -93,428 |
| **Operational component (see note 9)** | 3,842 | 293 | 4,135 | -89,469 | 418 | -89,051 |
| Net interest on the net medical liabilities and other benefits | 7,918 | 6,345 | 14,263 | 12,379 | 8,752 | 21,131 |
| **Financial component (see note 13)** | 7,918 | 6,345 | 14,263 | 12,379 | 8,752 | 21,131 |
| **Net cost for the period** | 11,760 | 6,638 | 18,398 | -77,090 | 9,170 | -67,920 |

As at 30 June 2015, the net movement for the period in Provisions for social liabilities and benefits amounts to 106,628 thousands of Euros (30 June 2014: 41,882 thousands of Euros), from which 100,018 thousands of Euros correspond to the net movement occurred in Portugal (30 June 2014: 38,284 thousands of Euros) and 6,610 thousands of Euros correspond to the net movement occurred in Spain and Brazil (30 June 2014: 3,598 thousands of Euros). The variation in Portugal relates essentially to actuarial gains arising from return on assets in the amount of 37,235 thousands of Euros, 12,028 thousands of Euros of charge for the period and 69,629 thousands of Euros related to benefit payments.

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The net movement for the period in Provisions for medical liabilities and other benefits amounts to 9,117 thousands of Euros (30 June 2014: 9,539 thousands of Euros), from which 4,013 thousands of Euros correspond to the net movement decrease occurred in Portugal (30 June 2014: decrease 35,012 thousands of Euros) and 5,104 thousands of Euros correspond to the net movement occurred in Brazil (30 June 2014: 25,473 thousands of Euros).

As at 30 June 2015, the current service cost and net interest cost recognised were based on the estimated cost for the period determined actuarially on 31 December 2014.

On 16 July of 2014, EDP Group formalised and concluded the signature of the new agreement that had been intensely negotiated since September 2012 with the several unions representing its employees, namely the new Collective Labour Agreement (ACT 2014), that covers the 23 companies over which EDP exercises control, based in Portugal. This agreement covers approximately 6,700 employees of EDP Group in Portugal.

On 30 June 2014, the relevant aspects of the New ACT 2014 were already concluded and agreed, including among others, the following main changes in comparison with the previous collective agreement in force, with impact in the future liabilities:

i) Co-payment in the acquisition moment of 22.5% for the drugs not supported by the SNS (National Healthcare Service) and 24% in the specialist medical consultations;
ii) Payment of 24% of the costs not included in the first bullet through a monthly payment ("mútua"); and
iii) Possibility of access to early retirement if the employee has 61 years old and 37 years of service (previously 60/36 years).

The changes in the post-employment benefits described above are, in accordance with IAS 19, a plan amendment which determines a decrease in the present value of future liabilities. These changes were measured and recognised in the income statement in the amount of 129,020 thousands of Euros (see note 9).

## 37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| Provision for legal and labour matters and other contingencies | 76,023 | 69,817 | - | - |
| Provision for customer guarantees under current operations | 2,730 | 3,837 | - | - |
| Provision for dismantling and decommissioning | 252,856 | 240,630 | - | - |
| Provision for other liabilities and charges | 154,559 | 171,255 | 24,370 | 22,811 |
| | 486,168 | 485,539 | 24,370 | 22,811 |

This caption is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| Non-Current | 461,031 | 463,975 | 24,099 | 22,540 |
| Current | 25,137 | 21,564 | 271 | 271 |
| | 486,168 | 485,539 | 24,370 | 22,811 |

EDP and its subsidiaries boards, based on the information provided by legal advisors and on the analysis of pending law suits, booked provisions to cover the losses estimated as probable, related with litigations in progress.

Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa in the amount of 10,740 thousands of Euros (31 December 2014: 10,905 thousands of Euros). These requests result from the application of Administrative Orders DNAEE no. 38 of 27 February 1986 and no. 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousands of Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 30 June 2015, the estimated liability amounts to 5,000 thousands of Euros, corresponding to the initial amount updated to current prices. This process is in a foreclosure stage and an appeal was filled by EDP Produção; and

iii) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

In accordance with IFRS 3, in the course of an acquisition, the acquiring company must recognize, at the acquisition date, a contingent liability for the present obligations resulting from past events which fair value can be reliably measured. In the acquisition of control of Porto do Pecém, the Board identified a contingency in these circumstances and the estimated responsibility amounts to 6,267 thousands of Euros (see note 51).

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As at 30 June 2015, Provision for dismantling and decommissioning includes the following situations:

i) The Group holds a provision of 35,077 thousands of Euros (31 December 2014: 34,682 thousands of Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;

ii) Provisions for dismantling of wind farms of 105,232 thousands of Euros (31 December 2014: 96,676 thousands of Euros) to cover the costs of returning the sites to their original state, of which 56,302 thousands of Euros refer to the wind farms of the EDPR NA Group, 48,337 thousands of Euros to the wind farms of the EDPR EU Group, 566 thousands of Euros to the wind farms of the EDPR Brasil Group and 297 thousands of Euros to the wind farms of the EDPR Canada Group; and

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 30 June 2015, the provision which amounts to 68,696 thousands of Euros (31 December 2014: 68,015 thousands of Euros) and 41,643 thousands of Euros (31 December 2014: 41,258 thousands of Euros) for the electric power plants located in Portugal and Spain, respectively.

In the course of its normal activity, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of administrative, civil, tax, labour and other natures. These legal, arbitration or other actions, involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In EDP Group's opinion and its legal advisors the risk of a loss in these actions is not probable and the outcome will not affect on a material way its consolidated financial position.

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 30 June 2015, there were no significant changes compared to 31 December 2014 with the following exceptions:

i) During April 2015, Energy Services Regulatory Entity (ERSE) notified EDP Distribuição and EDP Comercial about the decision to open an administrative infraction proceeding for each company, within the framework of the sanction regime of the energy sector (RSSE) requesting several information. In July 2015, ERSE sent EDP Comercial a non-compliance statement, which response with the defence arguments is being prepared for submission in accordance with deadlines defined by law. As at 30 June 2015, the legal advisors and the Board have considered this contingency risk as possible, however, considering the initial stage of the process and the absence of jurisprudence on this matter, the corresponding risk value is uncertain as of the present date;

ii) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 34,055 thousands of Euros (31 December 2014: 33,495 thousands of Euros), on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tariff charged between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that the customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints. In June 2015, the decision was favorable to Bandeirante. As White Martins, SA is still entitled to appeal against this decision, this contingency has been maintained as possible; and

iii) During 2015 fiscal year, Porto do Pecém was subject to a tax execution procedure in the amount of 19,503 thousands of Euros, related to an alleged non-taxation under Corporate Income Tax (CIT) and Contribution on Net Profits (CSLL) of prior years' financial income and exchange rate gains. As at 30 June 2015, the legal advisors have considered that this contingency should be classified as possible.

As at 30 June 2015, there were no significant changes in the contingencies presented as at 31 December 2014, being the most relevant the following:

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 June 2015, the amount of this tax contingency totals 250 millions of Euros (31 December 2014: 245 millions of Euros).

Considering the analysis made, the technical advice received and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 number 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (actual article 81).

Bearing the above in mind, and given that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional assessments. As a result of the administrative appeal dismissal, EDP presented a judicial claim, on 6 June 2012, which is still being analysed.

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## 38. INSTITUTIONAL PARTNERSHIPS IN USA

The caption Institutional partnership in USA is analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 |
| Deferred income related to benefits provided | 774,356 | 735,260 |
| Liabilities arising from institutional partnerships in USA | 1,174,629 | 1,066,703 |
| | 1,948,985 | 1,801,963 |

EDPR North America books the receipts of institutional investors associated with wind and solar projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 25 years of the related projects (see note 7). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 13).

During the six-month period ended 30 June 2015 EDPR Group, through its subsidiary EDPR NA, has secured 117 millions of USD (approximately 105 millions of Euros) of institutional equity financing from MUFG Union Bank N.A. and another institutional investor in exchange for an interest in the Vento XIII portfolio and 43 millions of USD (approximately 39 millions of Euros) of institutional equity financing from Bankers Commercial Corporation (Union Bank) in exchange for an interest in the Vento XII portfolio.

## 39. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities - Non-Current, are analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 |
| Government grants for investment in fixed assets | 632,575 | 610,561 |
| Amounts payable for tariff adjustments - Electricity - Portugal | 40,430 | 15,409 |
| Amounts payable for tariff adjustments - Electricity - Brazil | 18,444 | - |
| Energy sales contracts - EDPR NA | 28,809 | 30,827 |
| Deferred income - CMEC | 298,843 | 306,153 |
| Amounts payable for concessions | 228,806 | 226,832 |
| Other creditors and sundry operations | 79,703 | 79,694 |
| | 1,327,610 | 1,269,476 |

Trade and other payables from commercial activities - Current, are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| Suppliers | 1,039,233 | 1,123,667 | 291,800 | 343,696 |
| Accrued costs related with supplies | 471,461 | 405,260 | 231,992 | 241,880 |
| Property, plant and equipment suppliers and accruals | 337,239 | 689,946 | 2,316 | 5,630 |
| Holiday pay, bonus and other charges with employees | 126,462 | 154,522 | 17,396 | 15,897 |
| CO2 emission licences | 55,319 | 100,688 | - | - |
| Amounts payable for tariff adjustments - Electricity - Portugal | 131,261 | 214,227 | - | - |
| Deferred income - CMEC | 57,646 | 45,669 | - | - |
| Other creditors and sundry operations | 523,426 | 448,276 | 23,974 | 31,717 |
| | 2,742,047 | 3,182,255 | 567,478 | 638,820 |

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The movement for the period in Amounts payable for tariff adjustments - Electricity - Portugal (Current and Non-current) is analysed as follows:

| Thousands of Euros | Current | Non-Current |
|---|---|---|
| **Balance as at 1 January 2014** | 285,274 | - |
| Payment through the electricity tariff | -142,759 | - |
| Tariff adjustment of the period | 71,486 | 71,486 |
| Interest expense | 647 | 366 |
| Transfer to/from tariff adjustment receivable | 838 | - |
| **Balance as at 30 June 2014** | 215,486 | 71,852 |
| Payment through the electricity tariff | -142,759 | - |
| Tariff adjustment of 2013 | 106 | - |
| Tariff adjustment of the period | 141,241 | -56,077 |
| Interest expense | 1,088 | - |
| Transfer to/from tariff adjustment receivable | -935 | -366 |
| **Balance as at 31 December 2014** | 214,227 | 15,409 |
| Payment through the electricity tariff | -108,486 | - |
| Tariff adjustment of the period | 17,121 | 32,577 |
| Interest expense | 562 | 148 |
| Transfer to/from tariff adjustment receivable | 133 | - |
| Transfer from Non-Current to Current | 7,704 | -7,704 |
| **Balance as at 30 June 2015** | 131,261 | 40,430 |

The caption Amounts payable for tariff adjustments - Electricity - Brazil, corresponds to tariff adjustments booked in Bandeirante in the amount of 18,444 thousands of Euros. The variation occurred refers essentially to the tariff deficit for the period (see note 6).

Government grants for investment in fixed assets correspond to the subsidies for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 12). This caption includes grants received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government. This programme includes a number of energy related tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit ("ITC") that could replace the PTC through the duration of the extension. This ITC allowed the companies to receive 30% of the amount invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and included an extension for one year of the ITC, which allows the companies in the sector to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012. In 2013 and 2014, the US Congress approved the extension of PTC to the projects with beginning of construction until the end of 2013 and for the projects with the beginning of construction until the end of 2014, respectively.

The caption $CO_2$ emission licenses includes the $CO_2$ consumptions made during 2015 in Portugal and Spain, in the amount of 29,364 thousands of Euros and 25,955 thousands of Euros, respectively. The decrease relates to the delivery in 2015 of the 2014 licences consumption, which are returned to regulatory authorities until April of the year following its consumption.

At the moment of the EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousands of USD, being booked as a non-current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts in Other operating income (see note 7).

Deferred income - CMEC current and non-current in the amount of 356,489 thousands of Euros (31 December 2014: 351,822 thousands of Euros) refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2015 and including unwinding (see note 13).

Amounts payable for concessions non-current amounts includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 151,755 thousands of Euros (31 December 2014: 146,618 thousands of Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 75,430 thousands of Euros (31 December 2014: 78,305 thousands of Euros).

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2014: 14,317 thousands of Euros).

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## 40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** | **Jun 2015** | **Dec 2014** |
| **Other liabilities and other payables - Non-Current** | | | | |
| Loans from non-controlling interests | 243,285 | 266,026 | - | - |
| Put options over non-controlling interest liabilities | 89 | 89 | - | - |
| Derivative financial instruments | 223,560 | 197,223 | 203,252 | 148,630 |
| Group companies | - | - | 1,652,491 | 1,529,974 |
| Amounts payable for acquisitions and success fees | 11,412 | 10,707 | - | - |
| Other creditors and sundry operations | 73,447 | 43,441 | 3,313 | 6,626 |
| | 551,793 | 517,486 | 1,859,056 | 1,685,230 |
| **Other liabilities and other payables - Current** | | | | |
| Loans from non-controlling interests | 80,055 | 77,691 | - | - |
| Dividends attributed to related companies | 54,594 | 68,393 | - | - |
| Derivative financial instruments | 49,390 | 64,616 | 123,040 | 102,710 |
| Group companies | - | - | 893,896 | 777,132 |
| Put options over non-controlling interest liabilities | 3,689 | 3,658 | - | - |
| Amounts payable for acquisitions and success fees | 5,838 | 14,150 | - | - |
| Other creditors and sundry operations | 17,420 | 7,287 | 54,954 | 33,069 |
| | 210,986 | 235,795 | 1,071,890 | 912,911 |
| | 762,779 | 753,281 | 2,930,946 | 2,598,141 |

The caption Loans from non-controlling interests includes the EDPR Portugal loan formerly due to EDPR-EU in the second quarter of 2013 in the amount of 110,529 thousands of Euros that, following the sale process of 49% of its shareholding in EDPR Portugal to CTG, shareholder of EDP Group, were acquired by CTG. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and its interest is paid half-yearly. At 30 June 2015 this loan amounts to 86,026 thousands of Euros, from which 9,563 thousands of Euros are classified as current and 76,463 thousands of Euros as non-current (see note 45). This caption also includes loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousands of Euros, from which 44,229 thousands of Euros are classified as current and 13,991 thousands of Euros as non-current.

Additionally, the caption Loans from non-controlling interests Non-Current includes the amount 83,628 thousands of Euros of loans payable to Vortex, following the sale of 49% of several interests of EDPR France and the fixed rates used for these loans vary between 3.10% and 7.18%.

The Amounts payable for acquisitions and success fees Current and Non-Current includes mainly the amounts related to the contingent prices of several European (mainly in France, Italy and Poland), U.S.A and Brazilian projects.

The caption Group companies Non-Current on a company basis, of 1,652,491 thousands of Euros (31 December 2014: 1,529,974 thousands of Euros), corresponds to the financing obtained through EDP Finance BV and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group (see note 45).

The caption Group companies Current on a company basis includes 816,392 thousands of Euros (31 December 2014: 777,132 thousands of Euros) related to the debt financing obtained by EDP S.A. Sucursal en España through EDP Finance BV and EDP Servicios Financieros España, S.A., respectively. Additionally, this caption includes the amounts to be paid under the EDP Group's financial system (see note 45).

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## 41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** | **Jun 2015** | **Dec 2014** |
| Income tax | 182,474 | 40,725 | 442 | 2,386 |
| Withholding tax | 53,414 | 54,721 | 3,182 | 364 |
| Value added tax (VAT) | 91,122 | 105,939 | 930 | 2,158 |
| Turnover tax (Brazil) | 58,420 | 49,741 | - | - |
| Social tax (Brazil) | 32,299 | 25,104 | - | - |
| Other taxes | 203,095 | 139,591 | 477 | 295 |
| | 620,824 | 415,821 | 5,031 | 5,203 |

As at 30 June 2015, for the Group, the caption Other taxes includes essentially taxes regarding HC Energia Group (include NG Energia) of 100,384 thousands of Euros (31 December 2014: 100,834 thousands of Euros) and EDP Brasil Group of 4,160 thousands of Euros (31 December 2014: 5,511 thousands of Euros). Additionally, includes the amount of 60,863 thousands of Euros, related with the Extraordinary Contribution to the Energy Sector (CESE), approved by article 228.º of the Law n.º 83-C/2013, 31 December (State Budget for 2014) and the Law n.º 82-B/2014, 31 December (State Budget for 2015) which extended this contribution for the year 2015. The contribution is due by EDP companies that operate in the generation, distribution and supply of electricity and in the distribution and commercialization of natural gas and it is calculated based on the value of the companies' assets as provided under the law.

## 42. ASSETS AND LIABILITIES HELD FOR SALE

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in the EDP Group's consolidated financial statements, are presented under accounting policies - note 2 u).

This caption is analysed as follows:

| | Group | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** |
| **Assets held for sale** | | |
| Assets of the business of gas transmission - Naturgas | - | 164,402 |
| | - | 164,402 |
| **Liabilities held for sale** | | |
| Liabilities of the business of gas transmission - Naturgas | - | -11,328 |
| | - | -11,328 |
| | - | 153,074 |

On 16 December 2014, Naturgas Energía Grupo, S.A. has reached an agreement with Redexis Gas, S.A., a Spanish gas transmission and distribution company held by Goldman Sachs Infrastructure Partners, for the sale of assets in Murcia and in other regions owned by EDP Group in Spain. The transaction perimeter comprises essentially gas distribution assets held by Gas Energía Distribucion Murcia as well as in other Spanish regions (mainly in Extremadura and Gerona), which are not contiguous to Naturgas' existing operations (mostly located in the Basque Country, Cantabria and Asturias regions).

The sale of the assets held by Gás Energía Distribución Murcia, S.A. has occurred on the 30 January of 2015 with a sale price of 125,775 thousands of Euros, deducted of 2,925 thousands of Euros of transaction fees (see note 5), generating a gain of 79,183 thousands of Euros (see note 7). In this operation, Redexis also paid an intercompany debt of 63,722 thousands of Euros. At the transaction date, Gás Energía Distribución Murcia, S.A. held 1,846 thousands of Euros in Cash and cash equivalents. On June 2015 the remaining distribution assets were sold for 51,131 thousands of Euros, generating a gain of 9,825 thousands of Euros (see note 7).

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## 43. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with IAS 39, the Group classifies derivative financial instruments as fair value hedge of a recognised asset or liability (Fair value hedge), as cash flow hedge of recognised liabilities and highly probable future transactions (Cash flow hedge) and as net investment hedge in a foreign operations (net investment hedge).

The fair value of the derivative financial instruments portfolio as at 30 June 2015 and 31 December 2014 is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| Derivatives held for trading | -41,294 | -42,890 | 71,908 | 55,104 |
| Fair value hedge | 222,983 | 215,169 | 526,742 | 342,231 |
| Cash flow hedge | -10,028 | -47,407 | 15,744 | -16,465 |
| Net Investment hedge | -56,699 | -12,965 | - | - |
| | 114,962 | 111,907 | 614,394 | 380,870 |

The fair value of the derivative financial instruments is booked in Other debtors and other assets (see note 27) and other liabilities and other payables (see note 40), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, as such, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of Level 2 (see note 46) and no changes of level were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 4), however such instruments are not eligible for hedge accounting under IFRS.

During the first semester of 2015 and the year 2014 the following market inputs were considered for the fair value calculation:

| Instrument | Market input |
|---|---|
| Cross-curr. int. rate swaps | Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M, Daily CDI and Wibor 3M; and exchange rates: EUR/CHF, EUR/GBP, EUR/BRL, EUR/PLN and EUR/USD. |
| Interest rate swaps | Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Wibor 3M, Wibor 6M, CAD Libor 3M. |
| Currency forwards | Fair value indexed to the following exchange rates: EUR/USD, EUR/RON, EUR/PLN, EUR/GBP, EUR/BRL, USD/JPY and EUR/CAD. |
| Commodities swaps | Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas, Electricity, Fuel, Henry Hub, TTF, Coal, Freights, CER and CO2. |
| OMIP futures | Fair value indexed to the quotes from electricity markets. |

## 44. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 30 June 2015 and 31 December 2014, are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousands of Euros | Jun 2015 | Dec 2014 | Jun 2015 | Dec 2014 |
| **Financial guarantees** | | | | |
| EDP, S.A. | 35,826 | 162,144 | 35,826 | 162,144 |
| HC Energia Group | 7,146 | 4,005 | - | - |
| EDP Brasil Group | 1,432,176 | 1,096,945 | - | - |
| Other | 8,028 | 3,706 | - | - |
| | 1,483,176 | 1,266,800 | 35,826 | 162,144 |
| **Operating guarantees** | | | | |
| EDP, S.A. | 495,761 | 492,379 | 495,761 | 492,379 |
| HC Energia Group | 258,551 | 267,796 | - | - |
| EDP Brasil Group | 400,527 | 317,774 | - | - |
| EDP Renováveis Group | 1,695,343 | 1,453,944 | - | - |
| Other | 7,066 | 7,491 | - | - |
| | 2,857,248 | 2,539,384 | 495,761 | 492,379 |
| **Total** | 4,340,424 | 3,806,184 | 531,587 | 654,523 |
| **Real guarantees** | 37,250 | 53,878 | - | - |

The financial guarantees contracted as at 30 June 2015 and 31 December 2014 amounts to 1,483,176 thousands of Euros and 1,266,800 thousands of Euros, respectively. These guarantees include 1,119,724 thousands of Euros and 437,679 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. As at 30 June 2015, the difference between the amount of financial guarantees and the relating loans already included in the consolidated debt respects mainly to Cachoeira Caldeirão and Jari which are being accounted by the equity method under IFRS 11. As at 31 December 2014, Porto do Pecém was also being accounted by the equity method.

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Operating guarantees contracted as at 30 June 2015 and 31 December 2014 amounts to 2,857,248 thousands of Euros and 2,539,384 thousands of Euros, respectively. These guarantees include, 257,628 thousands of Euros and 142,867 thousands of Euros, respectively, which refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position.

EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 30 June 2015 and 31 December 2014, 300,607 thousands of Euros and 316,722 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Regarding the information disclosed above:

i) The Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 June 2015 and 31 December 2014 these loans amounted to 1,355,158 thousands of Euros (this includes 609,692 thousand of Euros of nominal debt of Porto do Pecém) and 993,409 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 35);

ii) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, wilful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 30 June 2015 and 31 December 2014, EDPR's obligations under the tax equity agreements, in the amount of 1,133,818 thousands of Euros and 948,216 thousands of Euros, respectively, are reflected under the Institutional Partnerships in USA; and

iii) EDP has constituted an escrow deposit in the amount of 183,404 thousands of Euros (155,981 thousands of Euros non-current and 27,423 thousands of Euros current), as presented in note 35, associated with several loans contracted with the EIB. This escrow deposit may be reduced by the repayment of these loans.

The commitments relating to short and medium-long term financial debt, finance lease commitments and other long term commitments (included in the consolidated statement of financial position) and purchase obligations and future lease payments under operating leases (not included in the consolidated statement of financial position) are disclosed, by maturity, as follows:

| | Jun 2015 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousands of Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Short and long term financial debt (including falling due interest) | 22,733,606 | 3,708,681 | 5,981,861 | 6,993,739 | 6,049,325 |
| Finance lease commitments | 7,815 | 3,448 | 3,976 | 391 | - |
| Operating lease commitments | 1,025,956 | 52,671 | 90,859 | 84,730 | 797,696 |
| Purchase obligations | 21,110,947 | 4,305,213 | 5,058,087 | 3,422,406 | 8,325,241 |
| Other long term commitments | 2,153,063 | 276,184 | 494,214 | 449,694 | 932,971 |
| | 47,031,387 | 8,346,197 | 11,628,997 | 10,950,960 | 16,105,233 |

| | Dec 2014 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousands of Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Short and long term financial debt (including falling due interest) | 23,272,366 | 4,346,053 | 7,150,585 | 5,919,990 | 5,855,738 |
| Finance lease commitments | 7,316 | 3,207 | 3,731 | 378 | - |
| Operating lease commitments | 779,398 | 32,876 | 62,604 | 63,812 | 620,106 |
| Purchase obligations | 21,784,070 | 4,387,274 | 5,189,739 | 3,256,461 | 8,950,596 |
| Other long term commitments | 2,152,878 | 276,060 | 494,153 | 449,694 | 932,971 |
| | 47,996,028 | 9,045,470 | 12,900,812 | 9,690,335 | 16,359,411 |

The Group's contractual commitments shown above relate essentially to agreements and commitments required for current business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy to its customers in the Europe, United States of America and Brazil and to comply with medium and long term investment objectives of the Group.

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

Falling due finance lease commitments relate to Property, plant and equipment acquired by the Group under finance lease contracts. These amounts include capital outstanding and interests.

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Purchase obligations include 12,090,009 thousands of Euros essentially related with very long-term contracts for energy acquisition which are updated with the respective projected rates and discounted at present value using the weighted average cost of capital (WACC) of the EDP Group, as follows:

| Thousands of Euros | Jun 2015 | Dez 2014 |
|---|---|---|
| Purchase obligation - Present value | 12,090,009 | 12,335,667 |
| Purchase obligation - Notional value | 22,754,450 | 23,512,536 |

Purchase obligations include essentially obligations of long term contracts relating to the supply of products and services in the normal course of the Group's operations. Prices defined under forward contracts are used in estimating the amount of contractual commitments. The nature of this type of commitments is related with:

| Thousands of Euros | Jun 2015 | Dez 2014 |
|---|---|---|
| Fuels acquisition | 6,199,163 | 6,455,474 |
| Electricity acquisition | 11,609,697 | 11,841,454 |
| O&M contracts | 992,220 | 764,144 |
| Fixed assets, equipment and miscellaneous materials acquisition | 1,290,081 | 1,723,301 |
| Work contracts | 626,927 | 685,383 |
| Other supplies and services | 392,859 | 314,314 |
| | 21,110,947 | 21,784,070 |

Other long term commitments relate to Group's liabilities relating essentially to pension and medical plans and other benefits, classified in the caption benefits to employees in the consolidated statement of financial position (see note 36).

As at 30 June 2015, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Liberbank for "Quinze Mines" share capital (51% of total share capital). Liberbank has an equivalent put option over EDP. These options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remaining shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising this option is 7,500 thousands of Euros. The option can be exercised: (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus or (ii) always before the last project starts in operation;

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of: (i) two years following the beginning of construction date or (ii) 31 December 2019;

- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeiradio-Ermida hydroelectric plants. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros;

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of construction works of the first wind farm; and

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 35% of the share capital of Molen Wind II, S.P. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised up to 2 years after the maturity of the financial debt for the wind farm construction.

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## 45. RELATED PARTIES

**Shares held by company officers**

The number of shares of EDP S.A. held or attributable to company officers as at 30 June 2015 and 31 December 2014 are as follows:

| | 2015<br>Nr. of shares | 2014<br>Nr. of shares |
|---|---|---|
| **General and Supervisory Board** | | |
| China Three Gorges Corporation (represented by Dingming Zhang [1]) | - | 780,633,782 |
| China Three Gorges Corporation (represented by Eduardo de Almeida Catroga [2]) | 780,633,782 | - |
| CWEI (Europe) S.A. (represented by Shengliang Wu [1]) | - | 780,633,782 |
| CWEI (Europe) S.A. (represented by Dingming Zhang [2]) | 780,633,782 | - |
| Fernando Maria Masaveu Herrero | 264,709,056 | 264,709,056 |
| José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira [3]) | - | 73,285,710 |
| Luís Filipe da Conceição Pereira [3] | - | 4,233 |
| Senfora B.V. (ex- Senfora S.A.R.L., represented by Mohamed Al Fahim) | 148,431,999 | 148,431,999 |
| Sonatrach (represented by Harkat Abderezak [1]) | - | 87,007,433 |
| Sonatrach (represented by Ferhat Ounoughi [2]) | 87,007,433 | - |
| Alberto João Coraceiro de Castro [3] | - | 6,917 |
| Rui Eduardo Ferreira Rodrigues Pena [3] | - | 4,541 |
| Vasco Joaquim Rocha Vieira | 3,203 | 3,203 |
| Banco Comercial Português, S.A. [4] (represented by Nuno Manuel da Silva Amado) | 89,139,594 | - |
| João Carvalho das Neves [4] | 7,429 | - |
| **Executive Board of Directors** | | |
| António Manuel Barreto Pita de Abreu [3] | - | 34,549 |
| António Luís Guerra Nunes Mexia | 41,000 | 41,000 |
| António Fernando Melo Martins da Costa | 34,299 | 34,299 |
| João Manuel Manso Neto | 1,268 | 1,268 |
| João Manuel Veríssimo Marques da Cruz | 3,878 | 3,878 |
| Nuno Maria Pestana de Almeida Alves | 125,000 | 125,000 |
| Miguel Nuno Simões Nunes Ferreira Setas [4] | 7,382 | - |
| Miguel Stilwell de Andrade | 126,576 | 126,576 |
| Rui Manuel Rodrigues Lopes Teixeira [4] | 5,843 | - |

[1] Representative until 21 April 2015 therefore no information was reported related to 2015.
[2] Representative after 21 April 2015 therefore no information was reported related to 2014.
[3] Ceased functions on 21 April 2015 therefore no information was reported related to 2015.
[4] Started functions on 21 April 2015 therefore no information was reported related to 2014.

**Balances and transactions with companies of China Three Gorges Group**

In June 2013, in accordance with the EDP/CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of 49% equity shareholding in EDP Renováveis Portugal, S.A., as a result, the Group recognised non-controlling interests of 111,231 thousands of Euros and an impact in reserves attributable to Group of 112,566 thousands of Euros. Following the conclusion of the sale, CTG holds a loan over EDPR Group in the amount of 111 millions of Euros. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 30 June 2015, this loan amounts to 86,026 thousands of Euros (see note 40).

On 27 June 2014, EDP Energias do Brasil concluded the sale to China Three Gorges of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects, with the consequent loss of control. The total amount of the transaction, paid by CWEI, subsidiary controlled by CTG, to EDP Brasil was 420,646 thousands of Reais, generating a gain in the amount of 129,498 thousands of Euros (408,011 thousands of Reais), recognised in the income statement (see note 7).

On 19 May 2015, EDP Renováveis has completed the sale to CTG, of a 49% equity shareholding in selected wind farms in Brazil. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 57,457 thousands of Euros and an impact in reserves attributable to the Group of 12,766 thousands of Euros (see note 5).

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**Balances and transactions with subsidiaries, joint ventures and associates**

In the normal course of its business, EDP Group companies established commercial transactions and operations with other Group companies, whose terms reflect normal market conditions.

The credits and debits over subsidiaries, joint ventures and associates, at Company level, are analysed as follows:

**Credits held**

| | June 2015 | | | |
|---|---|---|---|---|
| Thousands of Euros | Intra-Group Financial Mov. | Loans and Interests receivable | Other Credits | Total |
| Balwerk | 6,949 | 202,075 | 9 | 209,033 |
| EDP Comercial | 62,804 | 45,447 | 179,042 | 287,293 |
| EDP Distribuição | 42,865 | 2,547,244 | 69,530 | 2,659,639 |
| EDP Finance BV | - | - | 130,383 | 130,383 |
| EDP Produção | 408,421 | 4,357,806 | 90,880 | 4,857,107 |
| EDP Imobiliária e Participações | - | 106,698 | 86 | 106,784 |
| EDP Renováveis | - | - | 532,714 | 532,714 |
| Others | 30,923 | 61,235 | 268,272 | 360,430 |
| | 551,962 | 7,320,505 | 1,270,916 | 9,143,383 |

| | December 2014 | | | |
|---|---|---|---|---|
| Thousands of Euros | Intra-Group Financial Mov. | Loans and Interests receivable | Other Credits | Total |
| Balwerk | - | 210,000 | 24 | 210,024 |
| EDP Comercial | 24,777 | 45,471 | 194,828 | 265,076 |
| EDP Distribuição | 4,711 | 2,847,897 | 29,352 | 2,881,960 |
| EDP Finance BV | - | - | 59,975 | 59,975 |
| EDP Produção | 334,618 | 4,332,139 | 206,128 | 4,872,885 |
| EDP Imobiliária e Participações | 383 | 120,741 | 82 | 121,206 |
| EDP Renováveis | - | - | 350,446 | 350,446 |
| Others | 14,796 | 45,181 | 174,593 | 234,570 |
| | 379,285 | 7,601,429 | 1,015,428 | 8,996,142 |

**Debits held**

| | June 2015 | | | |
|---|---|---|---|---|
| Thousands of Euros | Intra-Group Financial Mov. | Loans and Interests payable | Other Debits | Total |
| EDP Finance BV | - | 11,035,077 | 89,244 | 11,124,321 |
| EDP Produção | - | - | 330,833 | 330,833 |
| EDP Soluções Comerciais | 61,711 | - | - | 61,711 |
| Pebble Hydro | - | 64,516 | - | 64,516 |
| Naturgas Comercializadora | - | - | 51,065 | 51,065 |
| Others | 15,793 | - | 127,428 | 143,221 |
| | 77,504 | 11,099,593 | 598,570 | 11,775,667 |

The amount of 11,035,077 thousands of Euros includes three intragroup bonds issuance by EDP Finance BV to EDP SA as at 30 June 2015, in the total amount of 5,417,877 thousands of Euros, of variable rate at medium-long term (5 and 7 years).

| | December 2014 | | | |
|---|---|---|---|---|
| Thousands of Euros | Intra-Group Financial Mov. | Loans and Interests payable | Other Debits | Total |
| EDP Finance BV | - | 10,668,797 | 91,815 | 10,760,612 |
| EDP Produção | - | - | 420,542 | 420,542 |
| EDP Serviço Universal | - | - | 99,641 | 99,641 |
| Pebble Hydro | - | 78,038 | 927 | 78,965 |
| Naturgas Comercializadora | - | - | 37,093 | 37,093 |
| Others | 81,982 | 24,704 | 153,652 | 260,338 |
| | 81,982 | 10,771,539 | 803,670 | 11,657,191 |

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Expenses and income related to subsidiaries, joint ventures and associates, at Company level, are analysed as follows:

**Expenses**

| | June 2015 | | | |
|---|---|---|---|---|
| Thousands of Euros | Interest on Intra-Group Financial Mov. | Interest on Loans Obtained | Other Losses | Total |
| EDP Finance BV | - | -185,926 | -55,528 | -241,454 |
| EDP Produção | - | - | -593,495 | -593,495 |
| Naturgas Comercializadora | - | - | -28,149 | -28,149 |
| Others | -867 | -252 | -74,883 | -76,002 |
| | -867 | -186,178 | -752,055 | -939,100 |

| | June 2014 | | | |
|---|---|---|---|---|
| Thousands of Euros | Interest on Intra-Group Financial Mov. | Interest on Loans Obtained | Other Losses | Total |
| EDP Finance BV | - | -190,971 | -47,499 | -238,470 |
| EDP Produção | -303 | - | -537,178 | -537,481 |
| Naturgas Comercializadora | - | - | -34,798 | -34,798 |
| Others | -65 | -1,372 | -74,630 | -76,067 |
| | -368 | -192,343 | -694,105 | -886,816 |

**Income**

| | June 2015 | | | |
|---|---|---|---|---|
| Thousands of Euros | Interest on Intra-Group Financial Mov. | Interest on Loans Granted | Other Gains | Total |
| EDP Comercial | 139 | 777 | 481,220 | 482,136 |
| EDP Distribuição | 1,199 | 88,280 | 132,272 | 221,751 |
| EDP Gás.Com | 43 | - | 69,515 | 69,558 |
| EDP Produção | 773 | 120,556 | 338,022 | 459,351 |
| Others | 347 | 6,834 | 279,621 | 286,802 |
| | 2,501 | 216,447 | 1,300,650 | 1,519,598 |

| | June 2014 | | | |
|---|---|---|---|---|
| Thousands of Euros | Interest on Intra-Group Financial Mov. | Interest on Loans Granted | Other Gains | Total |
| EDP Comercial | 629 | 204 | 404,663 | 405,496 |
| EDP Distribuição | 8,223 | 80,824 | 172,894 | 261,941 |
| EDP Gás.Com | 196 | - | 77,348 | 77,544 |
| EDP Produção | 1,347 | 146,735 | 345,507 | 493,589 |
| Others | 2,283 | 11,662 | 157,741 | 171,686 |
| | 12,678 | 239,425 | 1,158,153 | 1,410,256 |

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Assets, liabilities and transactions with related companies, for the Group are analysed as follows:

**Assets and Liabilities**

| | June 2015 | | |
|---|---|---|---|
| Thousands of Euros | Assets | Liabilities | Net Value |
| **Joint Ventures** | | | |
| EDP Produção Bioeléctrica | 15,729 | 5,457 | 10,272 |
| Cide HC Energía | 5,910 | 327 | 5,583 |
| HC Tudela Cogeneración | 3,586 | 2,305 | 1,281 |
| Others | 8,973 | 907 | 8,066 |
| | 34,198 | 8,996 | 25,202 |
| **Associates** | | | |
| ENEOP - Eólicas de Portugal | 406,879 | - | 406,879 |
| Seaenergy Renewables Inch.Cape | 26,546 | - | 26,546 |
| Setgás | 9,274 | - | 9,274 |
| Parque Eólico Sierra del Madero | 14,401 | - | 14,401 |
| Others | 18,054 | 2,343 | 15,711 |
| | 475,154 | 2,343 | 472,811 |
| | 509,352 | 11,339 | 498,013 |

| | December 2014 | | |
|---|---|---|---|
| Thousands of Euros | Assets | Liabilities | Net Value |
| **Joint Ventures** | | | |
| EDP Produção Bioeléctrica | 15,204 | 5,055 | 10,149 |
| Cide HC Energía | 4,254 | 1,310 | 2,944 |
| Porto do Pecém | 141,545 | 2,260 | 139,285 |
| Others | 8,577 | 7,549 | 1,028 |
| | 169,580 | 16,174 | 153,406 |
| **Associates** | | | |
| ENEOP - Eólicas de Portugal | 393,463 | - | 393,463 |
| Seaenergy Renewables Inch.Cape | 21,541 | - | 21,541 |
| Setgás | 9,032 | - | 9,032 |
| Parque Eólico Sierra del Madero | 14,198 | - | 14,198 |
| Others | 14,675 | 531 | 14,144 |
| | 452,909 | 531 | 452,378 |
| | 622,489 | 16,705 | 605,784 |

**Transactions**

| | June 2015 | | | |
|---|---|---|---|---|
| Thousands of Euros | Operating Income | Financial Income | Operating Expenses | Financial Expenses |
| **Joint Ventures** | | | | |
| EDP Produção Bioeléctrica | 1,044 | 123 | -23,592 | - |
| Cide HC Energía | 45,624 | 6 | -31 | - |
| HC Tudela Cogeneración | 33 | 59 | -2,262 | -2 |
| Others | 23,589 | 2,606 | -9,256 | - |
| | 70,290 | 2,794 | -35,141 | -2 |
| **Associates** | | | | |
| ENEOP - Eólicas de Portugal | - | 11,488 | - | - |
| Seaenergy Renewables Inch.Cape | - | - | - | - |
| Setgás | 2 | 239 | -2,157 | - |
| Parque Eólico Sierra del Madero | 6 | 254 | - | - |
| Others | 3,211 | 357 | -535 | -2 |
| | 3,219 | 12,338 | -2,692 | -2 |
| | 73,509 | 15,132 | -37,833 | -4 |

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| | June 2014 | | | |
|---|---|---|---|---|
| Thousands of Euros | Operating Income | Financial Income | Operating Expenses | Financial Expenses |
| **Joint Ventures** | | | | |
| EDP Produção Bioeléctrica | 929 | 155 | -19,750 | - |
| Cide HC Energía | 38,179 | 18 | -54 | - |
| Porto do Pecém | 30,498 | 2,772 | -9,509 | - |
| Others | 625 | 10 | -1,517 | -1 |
| | 70,231 | 2,955 | -30,830 | -1 |
| **Associates** | | | | |
| ENEOP - Eólicas de Portugal | - | 9,924 | - | - |
| Korsokuntza AIE | 2,644 | - | - | - |
| Setgás | 283 | 250 | -174 | - |
| Others | 1,386 | 595 | -474 | -1 |
| | 4,313 | 10,769 | -648 | -1 |
| | 74,544 | 13,724 | -31,478 | -2 |

## 46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities as at 30 June 2015 and 31 December 2014, is analysed as follows:

| | Group Jun 2015 | | | Group Dec 2014 | | |
|---|---|---|---|---|---|---|
| Thousands of Euros | Carrying amount | Fair value | Difference | Carrying amount | Fair value | Difference |
| **Financial assets** | | | | | | |
| Available for sale investments | 239,989 | 239,989 | - | 224,457 | 224,457 | - |
| Trade receivables | 2,009,199 | 2,009,199 | - | 2,119,694 | 2,119,694 | - |
| Debtors/other assets from commercial activities | 4,565,415 | 4,565,415 | - | 4,786,268 | 4,786,268 | - |
| Other debtors and other assets | 729,438 | 729,438 | - | 725,979 | 725,979 | - |
| Derivative financial instruments | 387,912 | 387,912 | - | 373,746 | 373,746 | - |
| Financial assets at fair value through profit or loss | 11,181 | 11,181 | - | 10,665 | 10,665 | - |
| Collateral deposits/financial debt | 278,897 | 278,897 | - | 429,170 | 429,170 | - |
| Cash and cash equivalents | 1,369,941 | 1,369,941 | - | 2,613,995 | 2,613,995 | - |
| | 9,591,972 | 9,591,972 | - | 11,283,974 | 11,283,974 | - |
| **Financial liabilities** | | | | | | |
| Financial debt | 19,526,166 | 20,154,154 | 627,988 | 20,298,183 | 21,191,600 | 893,417 |
| Suppliers and accruals | 1,376,472 | 1,376,472 | - | 1,813,613 | 1,813,613 | - |
| Institutional partnerships in USA | 1,948,985 | 1,948,985 | - | 1,801,963 | 1,801,963 | - |
| Trade/other payables from commercial activities | 2,060,610 | 2,060,610 | - | 2,027,557 | 2,027,557 | - |
| Other liabilities and other payables | 489,829 | 489,829 | - | 491,442 | 491,442 | - |
| Derivative financial instruments | 272,950 | 272,950 | - | 261,839 | 261,839 | - |
| | 25,675,012 | 26,303,000 | 627,988 | 26,694,597 | 27,588,014 | 893,417 |

Considering the EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature and level 2, the effect of changes in the fair value has not been considered. Fair value of EDP Group's loans was determined considering current market interest rates.

The market value of loans is calculated based on the discounted cash flows at market interest rates at the balance sheet date, increased by the best estimate, at the same date, of market conditions applicable to Group's debt, based on its average term.

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

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

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| | 30 June 2015 | | | 31 December 2014 | | |
|---|---|---|---|---|---|---|
| Thousands of Euros | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets** | | | | | | |
| Available for sale investments | 128,157 | 61,360 | 50,472 | 116,383 | 59,584 | 48,490 |
| Derivative financial instruments | - | 387,912 | - | - | 373,746 | - |
| Financial assets at fair value through profit or loss | 11,181 | - | - | 10,665 | - | - |
| | 139,338 | 449,272 | 50,472 | 127,048 | 433,330 | 48,490 |
| **Financial liabilities** | | | | | | |
| Derivative financial instruments | - | 272,950 | - | - | 261,839 | - |
| | - | 272,950 | - | - | 261,839 | - |

The movement in financial assets and liabilities included in level 3 is analysed as follows:

| | Available for sale investments | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Jun 2014** |
| **Balance at beginning of period** | 48,490 | 47,729 |
| Change in fair value | 1,473 | 1,420 |
| Acquisitions | 706 | 586 |
| Disposals | -179 | - |
| Impairment | -3 | -679 |
| Transfers and other changes | -15 | 137 |
| **Balance at the end of the period** | 50,472 | 49,193 |

The assumptions used in the determination of Available for sale investments fair value are described in note 21, as stated in IFRS 13.

## 47. RELEVANT OR SUBSEQUENT EVENTS

**EDP Brasil announced the disposal of two mini-hydro plants in Mato Grosso do Sul**

On 15 July 2015, EDP – Energias do Brasil S.A. (EDP Brasil), 51% controlled by EDP, signed a sale and purchase agreement with Cachoeira Escura Energética S.A. for the sale of 100% of Pantanal Energética Ltda (Pantanal) for 390 millions of Reais.

Pantanal holds an installed capacity of 51MW through two mini-hydro plants, UHE Assis Chateubriand (Mimoso) and PCH Paraiso I, with an installed capacity of 29MW and 22MW, respectively, and both located in the state of Mato Grosso do Sul. The conclusion of the transaction is expected to occur until the end of the first quarter of 2016 and is subject to regulatory approvals.

**Acquisition of APS Soluções em energia**

On 29 June 2015, the EDP Energias do Brasil, S.A. has signed through its subsidiary EDP GRID, a Sale and purchase agreement with the former partners of APS Soluções em Energia S.A. (APS), in order to acquire 100% of this company.

EDP GRID acts as a service provider of infrastructure works, energy efficiency projects, photovoltaic distributed generation and in the dissemination of the concept of smart grids. The APS is one of the main Brazilian companies of energy efficiency with 23 years of market experience.

The purchase price is 27,196 thousands of Reais that will be paid over five years with the possibility of additional payments (earnouts) based on the achievement of performance target defined in the Sale and purchase agreement.

It is expected that the completion of the transaction occurs until the end of the year and is subject to the obtaining of approval of the creditors of the APS and approval by the Administrative and Economic Defense Council - CADE, as well as other corporate and contractual measures.

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## 48. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretation that have been issued and are already effective and that the Group has applied on its consolidated financial statements are the following:

• IFRIC 21 - Levies

During the second quarter of 2015 and according with the sector tendencies, EDP Group reassessed the applicability of this interpretation which impacts are presented on the notes 10, 14 and 15.

• Annual Improvement Project (2011-2013)

No significant impact in the Group resulted from the adoption of these amendment.

Standards, amendments and interpretations issued but not yet effective for the Group:

• IFRS 9 - Financial Instruments;
• IFRS 10 (Amended) and IAS 28 (Amended) - Sale or Contribution of Assets between na Investor and its Associate or Joint Venture;
• IFRS 10 (Amended), IFRS 12 (Amended) and IAS 28 (Amended) - Investment Entities: Applying the consolidation exception;
• IFRS 11 (Amended) - Accounting for Acquisitions of Interests in Joint Operations;
• IFRS 15 - Revenue from the Contracts with Customers;
• IFRS 14 - Regulatory Deferral Accounts;
• IAS 1 (Amended) - Initiative Disclosures;
• IAS 16 (Amended) and IAS 38 (Amended) - Clarification of Acceptable Methods of Depreciation and Amortisation;
• IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contributions;
• IAS 27 (Amended) - Equity Method in Separate Financial Statements;
• Annual Improvement Project (2010-2012); and
• Annual Improvement Project (2012-2014).

## 49. EDP BRANCH IN SPAIN

The aim of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, the majority interests in EDP Renováveis, S.A., EDP Servicios Financieros (España), S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and direct representation on iberian ambit EDP Management Committee.

The Executive Committee is composed essentially of five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP in Spain, namely the Department of M&A ("Direção de Análise de Negócios"), Department of Legal Affairs ("Direção de Assessoria Jurídica"), Department of Internal Audit ("Direção de Auditoria"), Department of Administration and Finance ("Direção de Administração e Finanças"), Department of Human Resources ("Direção de Recursos Humanos"), Department of Commercial Shared Services ("Direção de Serviços Partilhados Comerciais"), Department of EDP Spain Foundation ("Direção da Fundação EDP Espanha") and IT Department ("Direção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 172 human resources as at 30 June 2015, including 84 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

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The condensed statement of financial position of the Branch is analysed as follows:

| | EDP Branch | |
|---|---|---|
| Thousands of Euros | **Jun 2015** | **Dec 2014** |
| Investments in subsidiaries: | | |
| - EDP Renováveis, S.A. | 2,939,889 | 2,939,889 |
| - Hidroeléctrica del Cantábrico, S.A. (HC Energia) | 2,093,601 | 2,093,601 |
| - EDP Servicios Financieros (España), S.A. | 482,695 | 482,695 |
| - EDP Investments and Services, S.L. | 281,854 | 281,854 |
| Deferred tax assets | 40,465 | 21,599 |
| Other debtors and others assets | 200,956 | 130,772 |
| Total Non-Current Assets | 6,039,460 | 5,950,410 |
| | | |
| Trade receivables | 10,336 | 7,892 |
| Debtors and other assets | 410,585 | 268,288 |
| Tax receivable | 23,442 | 85,350 |
| Cash and cash equivalents | 1,367 | 1,391 |
| Total Current Assets | 445,730 | 362,921 |
| **Total Assets** | 6,485,190 | 6,313,331 |
| | | |
| Equity | 3,928,248 | 3,948,525 |
| | | |
| Employee benefits | 1,227 | 1,346 |
| Trade and other payables | 1,652,492 | 1,529,974 |
| Provisions | 5,371 | 4,791 |
| Total Non-Current Liabilities | 1,659,090 | 1,536,111 |
| | | |
| Trade and other payables | 896,641 | 826,283 |
| Tax payable | 1,211 | 2,412 |
| Total Current Liabilities | 897,852 | 828,695 |
| **Total Liabilities** | 2,556,942 | 2,364,806 |
| **Total Equity and Liabilities** | 6,485,190 | 6,313,331 |

## 50. TRANSFERS OF FINANCIAL ASSETS - TARIFF ADJUSTMENTS

As mentioned in note 3, in Portugal, Decree - Law 237-B/2006 of 19 December 2006 and Decree - Law 165/2008 of 21 August, refer to the transfer to third parties of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, through which the EDP Group has made, since 2008, a number of transfer operations of financial assets.

For the following operations, assets were transferred to securitisation companies, that financed their purchases trough debt securities registered in the Securities Commission (CMVM):

• In March 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus - Sociedade de Titularização de créditos, S.A. (Tagus), the right to receive the non-regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousands of Euros. With the sale of those rights, EDP Group received 1,204,422 thousands of Euros, generating a loss of 22,969 thousands of Euros (including financial expenses incurred);

• In December 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive the non-regular tariff adjustments (tariff deficit) related to the estimated special regime overcost related to 2009 of 447,469 thousands of Euros. The transaction totalised 434,720 thousands of Euros, net of expenses, and generated a loss of 12,749 thousands of Euros;

• In May 2013, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousands of Euros. The transaction was performed by the amount of 450,000 thousands of Euros, generating a gain of 22,510 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Service of Class R Notes issued by Tagus at par value in the amount of 400 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousands of Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 2,194 thousands of Euros, as at 30 June 2015;

• In April 2014, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2013 overcost of the acquisition of electricity activity from special regime production, in the amount of 694,857 thousands of Euros. The transaction was performed by the amount of 750,000 thousands of Euros, generating a gain of 50,141 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 473 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 5,588 thousands of Euros, both maturing in 2018. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 4,063 thousands of Euros, as at 30 June 2015;

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• In December 2014, EDP Distribuição - Energia, S.A., sold without recourse to Tagus, the right to recover part of the 2012 CMEC compensation adjustment in the amount of 228,826 thousands of Euros. The transaction was performed by the amount of 239,832 thousands of Euros generating a gain of 10,711 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Distribuição of Expense Reserve Notes issued by Tagus at par value in the amount of 317 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,690 thousands of Euros, both maturing in 2019. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account and are booked under financial assets at fair value through profit or loss, by the net amount of 2,027 thousands of Euros, as at 30 June 2015; and

• In March 2015, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2014 overcost of the acquisition of electricity activity from special regime production, in the amount of 465,418 thousands of Euros. The transaction was performed by the amount of 499,461 thousands of Euros, generating a gain of 31,737 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 410 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,488 thousands of Euros, both maturing in 2019. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 2,897 thousands of Euros, as at 30 June 2015.

Under IAS 39, the assets (tariff adjustments) transferred in these operations were derecognised from the Statement of Financial Position of EDP Group.

## 51. BUSINESS COMBINATIONS - PORTO DO PECÉM ACQUISITION

On 9 December 2014, EDP Energias do Brasil signed a contract for the acquisition of 50% of Porto do Pecém share capital owned by Eneva, for an amount of 300 millions of Reais.

According to the terms of the contract, this acquisition comprised 2 stages:
- a share capital increase from Eneva in Porto do Pecém through the conversion of Eneva's shareholders loans and amounts payable for coal and energy acquisitions, in the amount of 399 millions of  Reais, this way diluting EDP's 50% stake to 41.27% and holding Eneva a stake of 58.73%; and
- acquisition, for an amount of 300 millions of Reais, of Eneva's 58.73% stake in Porto do Pecém.

This operation was subject to the approval and authorisation of the competition authority, of ANEEL, of the funding banks (BNDES and BID) of Porto do Pecém and Eneva, as well as other creditors of Eneva. The closing of the operation occurred on the 15 May 2015, so from this date on EDP Brasil has become the owner of 100% of Porto do Pecém share capital and voting rights. Consequently, under IFRS, from this date on, EDP Group has begun to consolidate Porto do Pecém financial statements in its consolidated financial statements.

Since the date of acquisition of full control over this subsidiary, Porto do Pecém has contributed for the consolidated financial statements with Revenues from energy sales in the amount of 43,929 thousands of Euros and with a Net profit for the period (attributable to Equity holders of EDP) in the amount of 2,439 thousands of Euros. If this acquisition had occurred in the beginning of the exercise, Porto do Pecém would have contributed for the consolidated financial statements with Revenues from energy sales in the amount of 181,323 thousands of Euros and with a Net loss for the period (attributable to Equity holders of EDP) in the amount of 19,534 thousands of Euros, referring to the six-month period ended 30 June 2015. Until the date of acquisition of the remaining 50% share, the shareholding previously held was being consolidated under the equity method, therefore Porto do Pecém losses were incorporated under this method until this date.

**EDP - Energias de Portugal, S.A.**
**Notes to the Condensed Consolidated and Company Financial Statements**
**for the six-month period ended 30 June 2015**

At the acquisition date, EDP Group has determined the fair value of the assets acquired and liabilities assumed, based on a valuation performed by an independent third party. This valuation, which was based on the discounted cashflow method, came to a fair value of Porto do Pecém in the amount of 1,610 millions of Reais. Fair value of identifiable assets and liabilities at the acquisition date (15 May 2015), is presented as follows:

| Thousands of Reais | Book value at acquisition date | Fair value adjustment | Fair value at acquisition date |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 3,358,535 | 560,275 | 3,918,810 |
| Intangible assets | 2,632 | 107,933 | 110,565 |
| Deferred tax assets | 550,953 | -223,812 | 327,141 |
| Inventories | 111,041 | -44,192 | 66,849 |
| Other debtors and other assets | 455,553 | 56,000 | 511,553 |
| Cash and cash equivalents | 6,274 | - | 6,274 |
| **Total Assets** | 4,484,988 | 456,204 | 4,941,192 |
| **Liabilities** | | | |
| Financial Debt | 2,209,329 | - | 2,209,329 |
| Provisions | 5,107 | 21,745 | 26,852 |
| Other liabilities and other payables | 1,094,762 | - | 1,094,762 |
| **Total liabilities** | 3,309,198 | 21,745 | 3,330,943 |
| **Net Assets** | 1,175,790 | 434,459 | 1,610,249 |
| Previously held investment | 485,210 | 179,287 | 664,496 |
| Acquisition of Eneva's stake | 690,580 | 255,172 | 945,753 |
| Net assets acquired | 1,175,790 | 434,459 | 1,610,249 |

| | |
|---|---|
| Acquisition cost of the remaining investment | -300,000 |
| Gain with a bargain purchase | 645,753 |
| Gain with the remeasurement to fair value of the previously held investment | 147,910 |
| Dilution gain | 91,034 |
| Acquisition gain at EDP Brasil level | 884,697 |
| Acquisition gain at EDP Brasil level - thousands of Euros | 267,325 |
| Exchange impact on the historical conversion of equity of Porto do Pecém at EDP Group level - thousands of Euros | 27,613 |
| Acquisition gain at EDP Group level - thousands of Euros (see note 7) | 294,938 |

| **Acquisition cashflow:** | |
|---|---|
| Cash and cash equivalents of Porto do Pecém | 6,274 |
| Net assets acquired | -300,000 |
| Net cash outflow | -293,726 |

Porto do Pecém valuation has determined a fair value for Property, plant and equipment in the amount 3,918,810 thousands of Reais, based on the replacement cost, generating a fair value adjustment of 560,275 thousands of Reais. In the process of identifying intangible assets, an amount of 106,855 thousands of Reais was recognised as the concession contract which authorises the generation of energy in Porto do Pecém's facility (concession right). In inventories, an impairment loss in the amount of 44,192 thousands of Reais was recognised regarding a broken generator which will be recovered as an insurance compensation until December 2015. This indemnity fair value has also been identified under Other debtors and other assets, in the amount of 56,000 thousands of Reais.

According to IFRS 3, a contingent liability in the amount of 21,745 thousands of Reais was recognised under Provisions, as Group EDP Board estimates this to be a present obligation resulting from a litigation set up by a service supplier claiming contractual default in the construction of the facility. This process is in evaluation phase in order to identify service supply breaches and its respective financial impacts, so the fair value is the best estimated potential future outflow. The tax impact of all identified assets and liabilities' fair value adjustments is recorded under Deferred tax assets.

This acquisition resulted in a gain with a bargain purchase in the amount of 195,125 thousands of Euros (645,753 thousands of Reais). This gain with a bargain purchase arises from certain circumstances that created this business opportunity, which can be resumed as follows: i) fragile financial situation of the seller, which was in risk of default of its financial obligations and of other creditors under the impendence of a recovery legal process, which, altogether, have forced the sale; ii) EDP Energias do Brasil had the ability to solve the situation in time and had also preferential conditions to buy the company under these special conditions, as it was the seller's partner in this Porto do Pecém project and it is a solid market player with recognised experience in energy generation, so it would be the natural buyer according to the creditors banks.

**EDP - Energias de Portugal, S.A.**
**Notes to the Condensed Consolidated and Company Financial Statements**
**for the six-month period ended 30 June 2015**

As EDP Energias do Brasil had already a 50% stake in Porto do Pecém, this transaction was treated as a step acquisition under IFRS 3. Consequently, the previously held investment in Porto do Pecém was remeasured to fair value, and the corresponding difference for its book value, in the amount of 147,910 thousands of Reais, was recorded under Other income. Additionally, following a share capital increase only subscribed by Eneva, EDP Energias do Brasil has recorded a gain with the dilution of its share in Porto do Pecém's share capital from 50% to 41,27%, in the amount of 91,034 thousands of Reais. These gains include the derecognition of concession rights in the amount of 3,302 thousands of Reais and the transfer to results of cashflow hedge reserves previously recognised under Other comprehensive income at EDP Energias do Brasil level, in the amount of 34,015 thousands of Reais. In summary, EDP Energias do Brasil has recorded a total gain with the control acquisition of Porto do Pecém in the amount of 884,697 thousands of Reais.

Given the control acquisition, at EDP Group level, previously recognised reserves (cash flow hedge and exchange differences arising on consolidation) related to the previously held investment in Porto do Pecém, in the amount of 27,613 thousands of Euros, were transferred to results.

Consequently, this transaction originated a total gain at EDP Group level of 294,938 thousands of Euros (884,697 thousands of Reais at EDP Energias do Brasil level), which is recorded under Other income (note 7). To be noted that, under the applicable Brazilian tax rules, EDP Energias do Brasil has recognised a tax effect associated with this gain in the amount of 36,293 thousands of Euros (120,109

Acquisition-related costs were recognised under Supplies and services, in the amount of 3,543 thousands of Reais (1,071 thousands of Euros).

## 52. OPERATING SEGMENTS REPORT

In accordance with IFRS 8, an operating segment is a Group component:

(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) for which discrete financial information is available.

The Group develops a set of regulated and liberalised activities in the energy sector, with special emphasis in generation, distribution and supply of electricity and gas.

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Finally, taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Brasil).

The Executive Board of Directors regularly reviews segmental reports, using Operating Profit to assess and release each business operating performance, as well as to allocate resources.

The management of financial activities of all EDP Group entities (except Brazil) is undertaken centrally by the Financial Department at holding level, in accordance with policies approved by the Executive Board of Directors. As a result of this management, all financial operations and financial results are disclosed only at Group level.

The segments defined by the Group are the following:

• Long Term Contracted Generation in Iberia;
• Liberalised Activities in Iberia;
• Regulated Networks in Iberia;
• EDP Renováveis; and
• EDP Brasil.

The Long Term Contracted Generation in Iberia segment corresponds to the activity of electricity generation of plants with CMEC and SRP plants in Portugal and Spain. This segment includes, namely, the following companies:

• EDP - Gestão da Produção de Energia, S.A. (CMEC and SRP generation);
• Fisigen - Empresa de Cogeração, S.A.; and
• Pebble-Hydro – Consultoria, Investimentos e Serviços, Lda.

**EDP - Energias de Portugal, S.A.**
**Notes to the Condensed Consolidated and Company Financial Statements**
**for the six-month period ended 30 June 2015**

The Liberalised Activities segment in Iberia corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

• EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
• Empresa Hidroeléctrica do Guadiana, S.A.;
• Hidroeléctrica Del Cantábrico, S.L.;
• Central Térmica Ciclo Combinado Grupo 4, S.A.;
• EDP Comercial - Comercialização de Energia, S.A.;
• Hidrocantábrico Energia, S.A.U.;
• Naturgás Comercializadora, S.A;
• EDP Gás.Com - Comércio de Gás Natural, S.A.;
• Greenvouga - Sociedade Gestora do Aproveitamento Hidroeléctrico do Ribeiradio-Ermida, S.A.; and
• EDP Energía Gás S.L.

Additionally, this segment includes the Iberian energy management business unit (UNGE) as well as the elimination of transactions between companies identified above. UNGE is the EDP Group unit responsible for the management of purchases and sales of energy in the Iberian market, and also for the related hedging transactions.

The Regulated Networks segment in Iberia corresponds to the activities of electricity and gas distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

• EDP Distribuição - Energia, S.A.;
• EDP Serviço Universal, S.A.;
• Electra de Llobregat Energía, S.L.;
• Hidrocantábrico Distribucion Eléctrica, S.A.U.;
• Portgás - Soc. de Produção e Distribuição de Gás, S.A.;
• EDP Gás Serviço Universal, S.A.; and
• Naturgás Energia Distribución, S.A.U.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDPR Europe, EDPR North America and EDPR Brasil subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

The EDP Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the holding EDP Energias do Brasil, S.A. and all its subsidiaries, with the exception of EDP Renováveis Brasil which is included in the EDP Renováveis segment. As in the EDP Renováveis segment, this segment includes all the adjustments for the companies composing this segment, including consolidation adjustments.

**Segment Definition**

The amounts reported in each operating segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position captions of each subsidiary and business unit are determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement captions for each operating segment are based in the amounts booked directly in the companies financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

Nevertheless, since EDP - Gestão da Produção de Energia, S.A.'s assets belong to more than one business segment, namely the CMEC and SRP generation plants - allocated to the Long Term Contracted Generation - and the liberalised generation plants - allocated to the Liberalised Activities -, it was necessary to allocate all its gains, costs, assets and liabilities to those power plants.

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. For the remaining information, since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services and Personnel Costs captions, and since the applicability of the previous criterion it's not possible, the shared costs were allocated in the proportion of costs directly allocated to each plant in the total costs and the remaining assets and liabilities were allocated following the proportion of each plant net assets in the total assets.

In each business segment, Assets include the Property, Plant and Equipment, Intangible Assets, Goodwill, Trade Receivables and Inventories captions. The captions Debtors and other assets are allocated to each segment according to its nature. The remaining assets are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

In each business segment, Liabilities include the Provisions and Employee benefits captions. The captions Trade and other payables are allocated to each segment according to its nature. The remaining liabilities are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

**EDP - Energias de Portugal, S.A.**
**Notes to the Condensed Consolidated and Company Financial Statements**
**for the six-month period ended 30 June 2015**

In each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO2 licences and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period.

The EDP Group by operating segment report is presented in Annex I.

## 53. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

# ANNEX I

## EDP Group Operating Segments Report
## 30 June 2015

| Thousands of Euros | Iberia LT Contracted Generation | Iberia Liberalised Activities | Iberia Regulated Networks | EDP Renováveis | EDP Brasil | Total Segments |
|---|---|---|---|---|---|---|
| **Receipts from energy sales and services and others** | 577,237 | 4,533,816 | 2,806,704 | 699,296 | 1,431,652 | 10,048,705 |
| **Gross Profit** | 387,221 | 433,462 | 848,570 | 688,452 | 386,815 | 2,744,520 |
| Other income | 4,699 | 3,400 | 110,241 | 100,351 | 277,953 | 496,644 |
| Supplies and services | -27,994 | -99,885 | -173,098 | -132,703 | -74,863 | -508,543 |
| Personnel costs and employee benefits | -32,676 | -36,882 | -75,227 | -39,075 | -58,567 | -242,427 |
| Other costs | -9,203 | -117,120 | -141,766 | -69,516 | -30,611 | -368,216 |
| **Gross Operating Profit** | 322,047 | 182,975 | 568,720 | 547,509 | 500,727 | 2,121,978 |
| Provisions | -77 | 1,176 | -294 | 99 | -4,359 | -3,455 |
| Amortisation and impairment | -77,820 | -100,334 | -164,743 | -255,341 | -61,210 | -659,448 |
| **Operating Profit** | 244,150 | 83,817 | 403,683 | 292,267 | 435,158 | 1,459,075 |
| **Equity method in joint ventures and associates** | 776 | 701 | 126 | 5,966 | -33,151 | -25,582 |
| **Assets (30 June 2015)** | 3,966,588 | 7,354,860 | 8,741,549 | 13,205,201 | 4,215,545 | 37,483,743 |
| **Liabilities (30 June 2015)** | 848,871 | 1,405,768 | 2,304,431 | 904,781 | 754,802 | 6,218,653 |
| **Operating Investment** | 10,227 | 188,879 | 146,815 | 321,656 | 45,120 | 712,697 |

**Reconciliation of information between Operating Segments and Financial Statements for June 2015**

| Thousands of Euros | |
|---|---|
| **Total Receipts from energy sales and services and others of Reported Segments** | **10,048,705** |
| Receipts from energy sales and services and others from Other Segments | 240,484 |
| Adjustments and Inter-segments eliminations | -2,341,495 |
| **Total Receipts from energy sales and services and others of EDP Group** | **7,947,694** |
| | |
| **Total Gross Profit of Reported Segments** | **2,744,520** |
| Gross Profit from Other Segments | 227,739 |
| Adjustments and Inter-segments eliminations | -222,448 |
| **Total Gross Profit of EDP Group** | **2,749,811** |
| | |
| **Total Gross Operating Profit of Reported Segments** | **2,121,978** |
| Gross Operating Profit from Other Segments | -12,809 |
| Adjustments and Inter-segments eliminations | 21,779 |
| **Total Gross Operating Profit of EDP Group** | **2,130,948** |
| | |
| **Total Operating Profit of Reported Segments** | **1,459,075** |
| Operating Profit from Other Segments | -26,130 |
| Adjustments and Inter-segments eliminations | 5,549 |
| **Total Operating Profit of EDP Group** | **1,438,494** |
| | |
| **Total Assets of Reported Segments (30 June 2015)** | **37,483,743** |
| Assets Not Allocated | 4,699,044 |
| Financial Assets | 2,660,397 |
| Taxes Assets | 586,469 |
| Other Assets | 1,452,178 |
| Assets from Other Segments | 790,675 |
| Inter-segments assets eliminations | -652,938 |
| **Total Assets of EDP Group** | **42,320,524** |
| | |
| **Total Liabilities of Reported Segments (30 June 2015)** | **6,218,653** |
| Liabilities Not Allocated | 23,970,206 |
| Financial Liabilities | 19,526,166 |
| Institutional partnership in USA | 1,948,985 |
| Taxes Liabilities | 1,420,279 |
| Other payables | 1,068,622 |
| Hydrological correction account | 6,154 |
| Liabilities from Other Segments | 992,842 |
| Inter-segments Liabilities eliminations | -1,196,985 |
| **Total Liabilities of EDP Group** | **29,984,716** |
| | |
| **Total Operating Investment of Reported Segments** | **712,697** |
| Operating Investment from Other Segments | 28,546 |
| **Total Operating Investment of EDP Group** | **741,243** |

| | Total of Reported Segments | Other Segments | Adjustments and Inter-segments eliminations | Total of EDP Group |
|---|---|---|---|---|
| **Other income** | **496,644** | 19,262 | 9,993 | **525,899** |
| **Supplies and services** | **-508,543** | -148,109 | 222,463 | **-434,189** |
| **Personnel costs and employee benefits** | **-242,427** | -90,638 | 8,845 | **-324,220** |
| **Other costs** | **-368,216** | -21,064 | 2,927 | **-386,353** |
| | | | | |
| **Provisions** | **-3,455** | -219 | 399 | **-3,275** |
| **Amortisation and impairment** | **-659,448** | -13,102 | -16,629 | **-689,179** |
| | | | | |
| **Equity method in joint ventures and associates** | **-25,581** | 615 | 1,679 | **-23,287** |

## EDP Group Operating Segments Report
## 30 June 2014

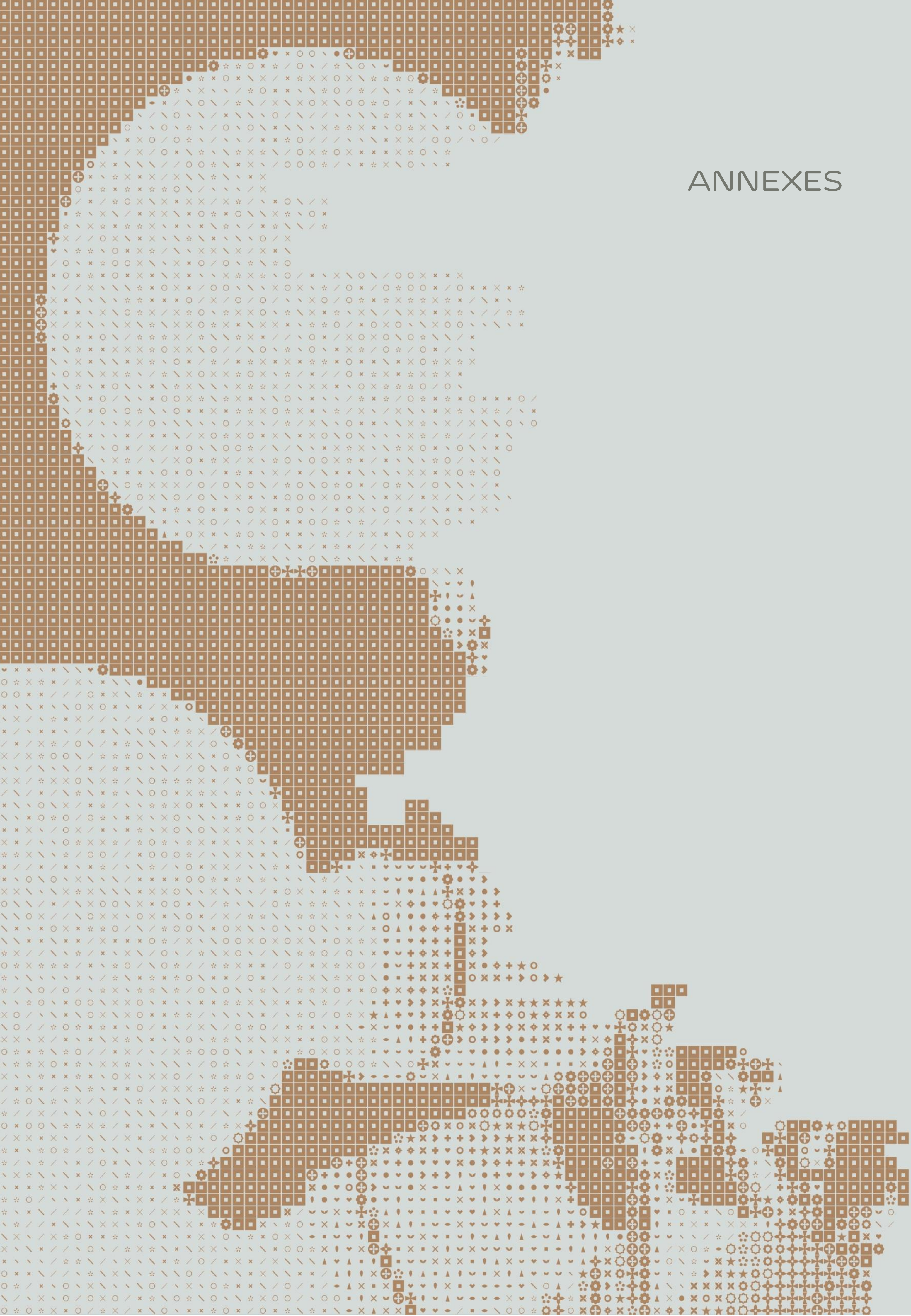
| Thousands of Euros | Iberia LT Contracted Generation | Iberia Liberalised Activities | Iberia Regulated Networks | EDP Renováveis | EDP Brasil | Total Segments |
|---|---|---|---|---|---|---|
| **Receipts from energy sales and services and others** | 554,847 | 4,144,029 | 3,168,601 | 635,794 | 1,272,331 | 9,775,602 |
| **Gross Profit** | 399,338 | 510,632 | 875,107 | 627,390 | 287,098 | 2,699,565 |
| Other income | 4,848 | 16,091 | 22,094 | 81,273 | 134,455 | 258,761 |
| Supplies and services | -31,730 | -94,325 | -194,640 | -120,500 | -70,683 | -511,878 |
| Personnel costs and employee benefits | -8,860 | -27,489 | 3,155 | -33,876 | -62,460 | -129,530 |
| Other costs | -7,826 | -93,455 | -146,975 | -59,679 | -22,535 | -330,470 |
| **Gross Operating Profit** | 355,770 | 311,454 | 558,741 | 494,608 | 265,875 | 1,986,448 |
| Provisions | -7,230 | -1,110 | -934 | - | -4,899 | -14,173 |
| Amortisation and impairment | -76,916 | -124,355 | -168,383 | -222,150 | -56,473 | -648,277 |
| **Operating Profit** | 271,624 | 185,989 | 389,424 | 272,458 | 204,503 | 1,323,998 |
| **Equity method in joint ventures and associates** | 232 | 2,877 | 80 | 10,963 | -11,126 | 3,026 |
| **Assets (31 December 2014)** | 4,034,487 | 7,520,887 | 9,164,652 | 12,584,855 | 3,172,425 | 36,477,306 |
| **Liabilities (31 December 2014)** | 860,932 | 1,410,455 | 2,595,834 | 1,183,479 | 662,920 | 6,713,620 |
| **Operating Investment** | 10,187 | 295,160 | 158,348 | 113,205 | 53,961 | 630,861 |

**Reconciliation of information between Operating Segments and Financial Statements for June 2014**

| Thousands of Euros | |
|---|---|
| **Total Revenues from energy sales and services and other of Reported Segments** | **9,775,602** |
| Revenues from energy sales and services and other from Other Segments | 250,525 |
| Adjustments and Inter-segments eliminations | -2,006,704 |
| **Total Revenues from energy sales and services and other of EDP Group** | **8,019,423** |
| | |
| **Total Gross Profit of Reported Segments** | **2,699,565** |
| Gross Profit from Other Segments | 232,599 |
| Adjustments and Inter-segments eliminations | -233,382 |
| **Total Gross Profit of EDP Group** | **2,698,782** |
| | |
| **Total Gross Operating Profit of Reported Segments** | **1,986,448** |
| Gross Operating Profit from Other Segments | 2,128 |
| Adjustments and Inter-segments eliminations | -2,188 |
| **Total Gross Operating Profit of EDP Group** | **1,986,388** |
| | |
| **Total Operating Profit of Reported Segments** | **1,323,998** |
| Operating Profit from Other Segments | -11,711 |
| Adjustments and Inter-segments eliminations | -24,207 |
| **Total Operating Profit of EDP Group** | **1,288,080** |
| | |
| **Total Assets of Reported Segments (31 December 2014)** | **36,477,306** |
| Assets Not Allocated | 6,321,542 |
| Financial Assets | 4,315,663 |
| Taxes Assets | 590,400 |
| Other Assets | 1,415,479 |
| Assets from Other Segments | 867,344 |
| Inter-segments assets eliminations | -793,175 |
| **Total Assets of EDP Group** | **42,873,017** |
| | |
| **Total Liabilities of Reported Segments (31 December 2014)** | **6,713,620** |
| Liabilities Not Allocated | 24,436,208 |
| Financial Liabilities | 20,309,511 |
| Institutional partnership in USA | 1,801,963 |
| Taxes Liabilities | 1,220,565 |
| Other payables | 1,103,159 |
| Hydrological correction account | 1,010 |
| Liabilities from Other Segments | 1,093,707 |
| Inter-segments Liabilities eliminations | -1,339,662 |
| **Total Liabilities of EDP Group** | **30,903,873** |
| | |
| **Total Operating Investment of Reported Segments** | **630,861** |
| Operating Investment from Other Segments | 28,171 |
| **Total Operating Investment of EDP Group** | **659,032** |

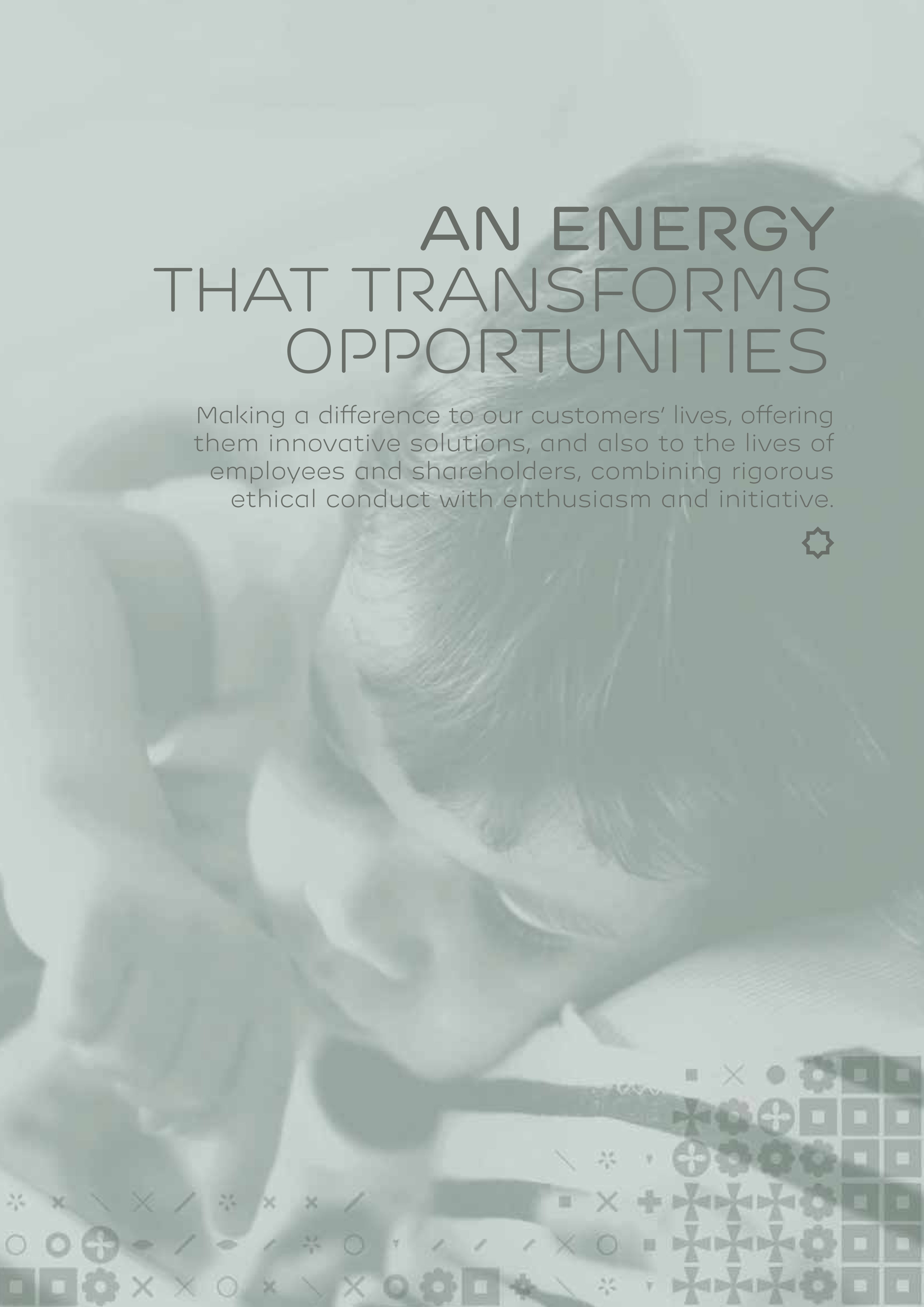
| | Total of Reported Segments | Other Segments | Adjustments and Inter-segments eliminations | Total of EDP Group |
|---|---|---|---|---|
| **Other income** | **258,761** | 17,099 | -20,919 | **254,941** |
| **Supplies and services** | **-511,878** | -149,411 | 238,882 | **-422,407** |
| **Personnel costs and employee benefits** | **-129,530** | -81,898 | 10,857 | **-200,571** |
| **Other costs** | **-330,470** | -16,260 | 2,373 | **-344,357** |
| | | | | |
| **Provisions** | **-14,173** | -3,592 | - 10 | **-17,775** |
| **Amortisation and impairment** | **-648,277** | -10,248 | -22,008 | **-680,533** |
| | | | | |
| **Equity method in joint ventures and associates** | **3,026** | 5,721 | -614 | **8,133** |

# ANNEXES



# AN ENERGY THAT TRANSFORMS OPPORTUNITIES

Making a difference to our customers' lives, offering them innovative solutions, and also to the lives of employees and shareholders, combining rigorous ethical conduct with enthusiasm and initiative.



EDP – Energias de Portugal, S.A.
Executive Board of Directors

**STATEMENT**

With reference to 1st half of 2015 financial year, and according to nº 1, item c) of article 246º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.º 2 of the aforementioned article.

Lisbon, 30th of July 2015

António Luís Guerra Nunes Mexia, Chairman

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Fernando Melo Martins da Costa

João Manuel Veríssimo Marques da Cruz

Miguel Stilwell de Andrade

Miguel Nuno Simões Nunes Ferreira Setas

Rui Manuel Rodrigues Lopes Teixeira

EDP – Energias de Portugal, S.A.

Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira

Senior Accounting Officer

Corporate Centre

**STATEMENT**

With reference to the first half of 2015 financial year, and according to nº 1, item c) of article 246º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.º 2 of the aforementioned article.

Lisbon, 30th of July 2015

Conselho Geral e de Supervisão

**STATEMENT**

Pursuant article 246º of Securities Code (CVM), to the best knowledge of each of the signatories, the information referred in article 246º, n.º 1, paragraph a) of CVM, on **2015 first semester**, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of **EDP – Energias de Portugal, S.A.** and subsidiaries included in the consolidation perimeter, and that the interim management report includes a fair review of the information required pursuant to article 246º, n.º 2 of CVM, including an indication of important events that have occurred during **2015 first semester**, and the impact on the respective financial statements, together with a description of the principal risks and uncertainties for the **remaining six months of 2015.**

Lisbon, 30th July 2015

Eduardo de Almeida Catroga – *Chairman* (as representative of China Three Gorges Corporation)

Alberto Joaquim Milheiro Barbosa

António Sarmento Gomes Mota

Dingming Zhang

Dingming Zhang (as representative of CWEI (Europe), S.A.)

Ferhat Ounoughi (as representative of Sonatrach)

Guojun Lu (as representative of China International Water&Electric Co.)

João Carvalho das Neves

Maria Celeste Ferreira Lopes Cardona

Mohamed Al Fahim (as representative of Senfora BV)

Shengliang Wu (as representative of CWEI (Portugal), Sociedade Unipessoal, Lda.)

Ya Yang (*as representative of China Three Gorges New Energy Co.*)

Luís Filipe Marques Amado – *Vice-Chairman*

António Manuel de Carvalho Ferreira Vitorino

Augusto Carlos Serra Ventura Mateus

Felipe Fernández Fernández (as representative of DRAURSA)

Fernando Maria Masaveu Herrero

Ilídio da Costa Leite de Pinho

Jorge Braga de Macedo

Maria del Carmen Fernández Rosado

Nuno Manuel da Silva Amado (as representative of Banco Comercial Português)

Vasco Joaquim Rocha Vieira

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# LIMITED REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

**(This report is a free translation to English from the Portuguese version)**

## Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim consolidated financial information for the six month period ended 30 June 2015, of EDP – Energias de Portugal, S.A. which includes: the condensed consolidated statement of financial position (with a total assets of Euros 42,320,524 thousand and total equity attributable to the shareholders of Euros 8,629,631 thousand including a consolidated net profit of Euros 586,809 thousand) and the condensed consolidated statements of income, cash flows, changes in equity and comprehensive income for the six month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the condensed consolidated financial statements and the additional financial information were extracted from the accounting records.

## Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group and the consolidated result of its operations, the consolidated cash-flows, the consolidated changes in equity and the consolidated comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4 Our responsibility is to verify the above mentioned consolidated financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

## Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim consolidated financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim consolidated financial information;
- if the interim consolidated financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on non usual significant transactions.

6 Our review also included the verification that the consolidated financial information included in the Management Report is consistent with the documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

## Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information for the six month period ended 30 June 2015, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 30 July 2015

**KPMG & Associados**
**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**
Represented by
Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081)

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# LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

**(This report is a free translation to English from the Portuguese version)**

## Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim financial information for the six month period ended 30 June 2015, of EDP – Energias de Portugal, S.A. which includes: the condensed statement of financial position (with a total assets of Euros 20,609,004 thousand and total equity of Euros 6,967,078 thousand including a net profit of Euros 457,913 thousand) and the condensed statements of income, cash flows, changes in equity and comprehensive income for the six month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the condensed financial statements and the additional financial information were extracted from the accounting records.

## Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of financial information which gives a true and fair view of the financial position of EDP, the result of its operations, the cash-flows, the changes in equity and the comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4 Our responsibility is to verify the above mentioned financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

## Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim financial information;
- if the interim financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on non usual significant transactions.

6 Our review also included the verification that the financial information included in the Management Report is consistent with the documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

## Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six month period ended 30 June 2015, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 30 July 2015

**KPMG & Associados**
**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**
Represented by
Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081)

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## SUGGESTIONS:

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edp