ENERGY THAT MAKES A DIFFERENCE

ANNUAL REPORT 2014

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.**

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EDP

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AN ENERGY THAT TRANSFORMS THE ECONOMY

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

ANTÓNIO MEXIA
Chairman of the Executive
Board of Directors

MESSAGE FROM THE CHAIRMAN

Dear Shareholder,

The energy sector is today one of the key architects for a better future, more sustainable, with greater equality, with more opportunities and an indispensable intergenerational balance. EDP fully assumes this role. In 2014 EDP was able to maintain its leading role, both nationally and internationally by anticipating key trends and taking action. In a challenging year, impacted by several imbalances and uncontrollable factors, the perception over the energy sector was still of uncertainty. Nevertheless, EDP was able to overcome this complex scenario.

A CHALLENGING ENVIRONMENT...

As expected, in 2014, some of the imbalances that have negatively affected the environment of the sector over the last few years were still in place. The macroeconomic situation was characterized by stagnant economic growth, despite the improvement in peripheral countries' sovereign risk, leading to an unchanged electricity consumption. Today, consumption is equal to that seen in 2006, thus confirming the loss of a decade of consumption, in a scenario where prices continue to be negatively pressured, due to excess of supply. At the same time, the sector has been subjected to discretionary fiscal policies, which may lead to a higher perception of regulatory risk, if the macroeconomic situation of Portugal and Spain, for example, does not evolve favorably.

The past year also accounts, for the first time, the full effect of the fiscal measures taken in Portugal and Spain, both key markets for the EDP Group. Such measures had a discriminatory component towards a sector that actively and significantly contributes to the economy. It should be noted that in Portugal the evolution of the tariff deficit was, as expected, lower than in recent years. This confirms the downward trend to begin by the end of 2015 and reinforces the sustainability of the Portuguese electrical system.

Moreover, the activity of EDP Group was hindered by a drought in Brazil, one of the most severe droughts ever and whose impacts are still uncertain. The possibility of electricity rationing would have serious impacts, namely on this year´s operation profitability. However, it is important to recognize that measures to help to mitigate the effects of drought are being taken.

Nonetheless, we believe that the year of 2014 is a turning point, considering that the European authorities appear to have a more positive stance towards the electricity sector. Market design is increasingly becoming a central theme in European level discussions and we advocate that it must have as first priority the definition of a clear and stable framework, properly signaling return on projects that are capital-intensive and long-term. Similarly, clean energy, a bet already rooted in the business strategy of EDP, is increasingly important in the discussion. Throughout 2015 we will participate actively in the European debate regarding the future of the sector, in particular its governance model, as well as in the preparation of the Paris Convention, where climate change will be discussed, as well as the commitments required to each country.

The year also marked a new moment in the technological transformation movement that is influencing the energy sector. While wind power is the cheapest source of energy production, even if taking into account the oil price fall, new technologies have become increasingly competitive, such as solar photovoltaic, impacting solar centralised generation. Furthermore, the increasingly active behavior of consumers requires EDP to remain alert for opportunities in decentralised generation. In a context where the energy sector is becoming more dynamic and less static, given the impact of new technologies such as data analysis, the borders of the business are changing. It is critical that EDP remains at the forefront of the discussion and research, fostering a spirit of continuous innovation.

… REQUIRING STRATEGY AND EXECUTION ABILITY…

Considering the aforementioned challenges that the sector is facing, the Executive Board of Directors has defined three clear priorities for the year 2014: (i) the reduction of EDP Group´s net debt, maintaining the current dividend policy; (ii) the stability of the financial results and (iii) operating cost control. These priorities are encompassed in the strategic pillars defined in 2006, namely, controlled risk, superior efficiency and focused growth.

One should note that the success of the strategy designed, namely the financing strategy that targeted the coverage of financing needs up to two years ahead, coupled with the low risk profile and focused growth, was key to the recovering of the investment grade in January of 2015. This is a significant milestone, given the impact on financing costs.

In 2014, the EBITDA of EDP Group reached EUR 3,642 million (+ 1% compared to 2013) while net income increased 4% versus 2013, reaching EUR 1,040 million. To achieve these operating figures, operations in the Iberian Peninsula (+ 2% vs. 2013) had a significant contribution, impacted by higher hydro volume, good energy management, tight cost control and the transfer to the liberalised market of 3 hydro plants that were in CMEC regime. Regarding EDP Comercial activity, we maintain an innovative and competitive momentum and show the ability to develop quality proposals that meet the expectations of our customers. By the end of 2014, we had around 3.1 million electricity customers and 389 thousand gas customers and were leaders in both electricity and gas in Portugal. The year of 2014 also shows a significant development in the sale of energy services – more than 200,000 services – related to energy efficiency and other products, such as Save to Compete, Funciona, e:ficient or the integrated solutions to small and medium enterprises.

In what regards EDP Renováveis, the resiliency of its operation was proven given the 2% reduction in the EBITDA when compared to 2013, despite operating results in Spain falling by 25%, due to the regulatory cuts. On the positive side, we see an increase in installed capacity of 5% for a total of 9.0GW. Despite the mentioned drought situation, EDP Brasil contributed positively to the operating result of the Group, with an increase in its EBITDA of 12% versus 2013, in local currency. Indeed, in addition to the new regulatory framework concerning regulatory receivables, it should be noted the execution of what is controlled by the management, such as the anticipation by 4 months of the commissioning of Jari hydro plant, which allowed a positive impact of BRL 210 million at the turnover level.

In addition, we must mention the positive results that a consistent and broad cost control strategy produced. With this mind-set, we were able to anticipate Opex III targets (130 million Euros) by one year. In 2014, operating costs fell by 6% compared to 2013, remaining stable in EDP Renováveis and falling 3% in EDP Brasil, in Euros.

Concerning net investments, there was a 20% decrease to EUR 1,794 million, from which more than 50% was invested in Portugal. In relation to the consolidated net debt, there was a decrease of EUR 41 million to EUR 17.0 billion. Main contributions came from the continuous implementation of the strategic partnership with China Three Gorges, the asset rotation operations of EDP Renováveis (EUR 215 million) and Portuguese and Spanish tariff deficit securitization (EUR 1.5 billion). Nonetheless, it is important to note that net debt could be lower if not for the impact of the appreciation of the USD (about EUR 400 million).

We were also able to reach for more and create new growth platforms. A consortium that includes EDP Renováveis was awarded with 1,000MW of wind offshore capacity in France and we entered in Mexico, a new and attractive geography, through the signing of a PPA for 180MW with EDP Renováveis, together with the signing of 1,300MW long-term contracts in USA over the last two years, these are remarkable facts. We launched a joint venture with China Three Gorges, Hydro Global JV, which aims to capture the hydro investment potential in emerging markets, with a strong geographic focus in South America, Africa and Southeast Asia. Combined with the sale of 49% of wind farms in Brazil, held by EDP Renováveis, and the sale of 50% of EDP Asia, these operations with CTG enable EDP to compete in new markets and find new opportunities for growth. We believe in the value of these opportunities and in our ability to successfully execute them. With this in mind, we look towards the future, confident that EDP will be able to maintain its growth and value creation ability as showed until now.

... TO ENSURE A LEADING ROLE

In 2014, EDP share performed, once again, above its peer group, clearly signaling a differentiating ability against the sector. EDP delivered a shareholder return rate of 27%, higher than that of European counterparts (19%) and of the Portuguese Index (-25%). As such, we will propose to the General Shareholders Meeting a dividend per share of 0.185 Euros. We stand behind our stable dividend policy that puts us on the forefront at European level, in what regards dividend yield.

In order to maintain a distinctive profile amongst European utilities, EDP presented in May its 2014-2017 business plan. This plan is consistent with the strategy implemented over the past nine years and leads to a balancing between growth and deleverage, maintaining controlled risk and attractive returns at the core of the strategy.

With a strong focus on innovation, sustainability and social action, supported by a corporate attitude based on consistency and excellence, we have a clear vision of our role and how we can impact society. This view is framed within the Principles of Sustainable Development of EDP and in the adherence to the Global Compact, a United Nations initiative.

We recognize that integrity and trust are the core of sustainable success. Centered on strong values, continuous learning and delivery, we are certain that we will continue our path of success and leadership.

Through Fundação EDP, it is clear the importance of our action and support in the areas of social innovation and culture. Among other initiatives, "EDP Solidária" project, for example, received circa 1,000 applications and invested more than 1 million Euros in social innovation projects. We also organized more than 160 events at the Museum of Electricity, which surpassed its visitor’s record.

Because we have a unique vision and consistently demonstrate the ability to perform, we were named once again number one in the world in the Dow Jones Sustainability Index, within utilities, rewarding EDP stance in risk management, stakeholder’s management, human capital development or biodiversity, among others.

In 2015, we will inaugurate the new headquarters, a building that will help to transform positively the way we work, making EDP a more efficient company while offering unique working conditions to its employees. This change comes in the context of similar decisions taken in Porto, Bilbao and São Paulo, combining more efficiency, cost reduction and targeting a better integration within the communities where we operate. Together with the Centre of Arts and Technology – to be inaugurated at the beginning of 2016 – this investment will make a lasting impact in a key area of Lisbon, offering a new center of innovation and culture to the city.

With the involvement, positive attitude, respect and dedication of all employees of EDP Group, coupled with the ability to execute, we believe that we will be able to achieve our goals.

Moreover, we take this opportunity to acknowledge the contribution of the other corporate bodies of the company, namely the General and Supervisory Board, which provided the necessary challenge, support and trust to the team. To all of those that relate to our company, in particular, shareholders, customers, lenders, suppliers, government and regulators we express our appreciation.

2015 will be a challenging year, however, as revealed in the past, we believe in our ability to overcome these challenges and maintain EDP on its path of differentiation and leadership.

ANTÓNIO MEXIA
Chairman of the Executive
Board of Directors

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 in 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**, **1.3 million gas customers**, and almost **12 thousand employees** around the world. On December 31, 2014, EDP had an installed capacity of **22.5GW** and generated **60.2 TWh** during 2014, of which **71%** came from **renewable sources**.

edp IN THE WORLD

PORTUGAL

6,733	EMPLOYEES
5,575,743	ELECTRICITY CUSTOMERS
479,329	GAS CUSTOMERS
9,310	INSTALLED CAPACITY (MW)
25,498	NET GENERATION (GWh)
65%	GENERATION FROM RENEWABLE SOURCES[1]
43,808	ELECTRICITY DISTRIBUTED (GWh)
6,876	GAS DISTRIBUTED (GWh)
2,654	CAPACITY UNDER CONSTRUCTION (MW)

SPAIN

1,898	EMPLOYEES
966,102	ELECTRICITY CUSTOMERS
831,604	GAS CUSTOMERS
6,030	INSTALLED CAPACITY (MW)
14,551	NET GENERATION (GWh)
42%	GENERATION FROM RENEWABLE SOURCES[1]
9,177	ELECTRICITY DISTRIBUTED (GWh)
46,970	GAS DISTRIBUTED (GWh)

FRANCE

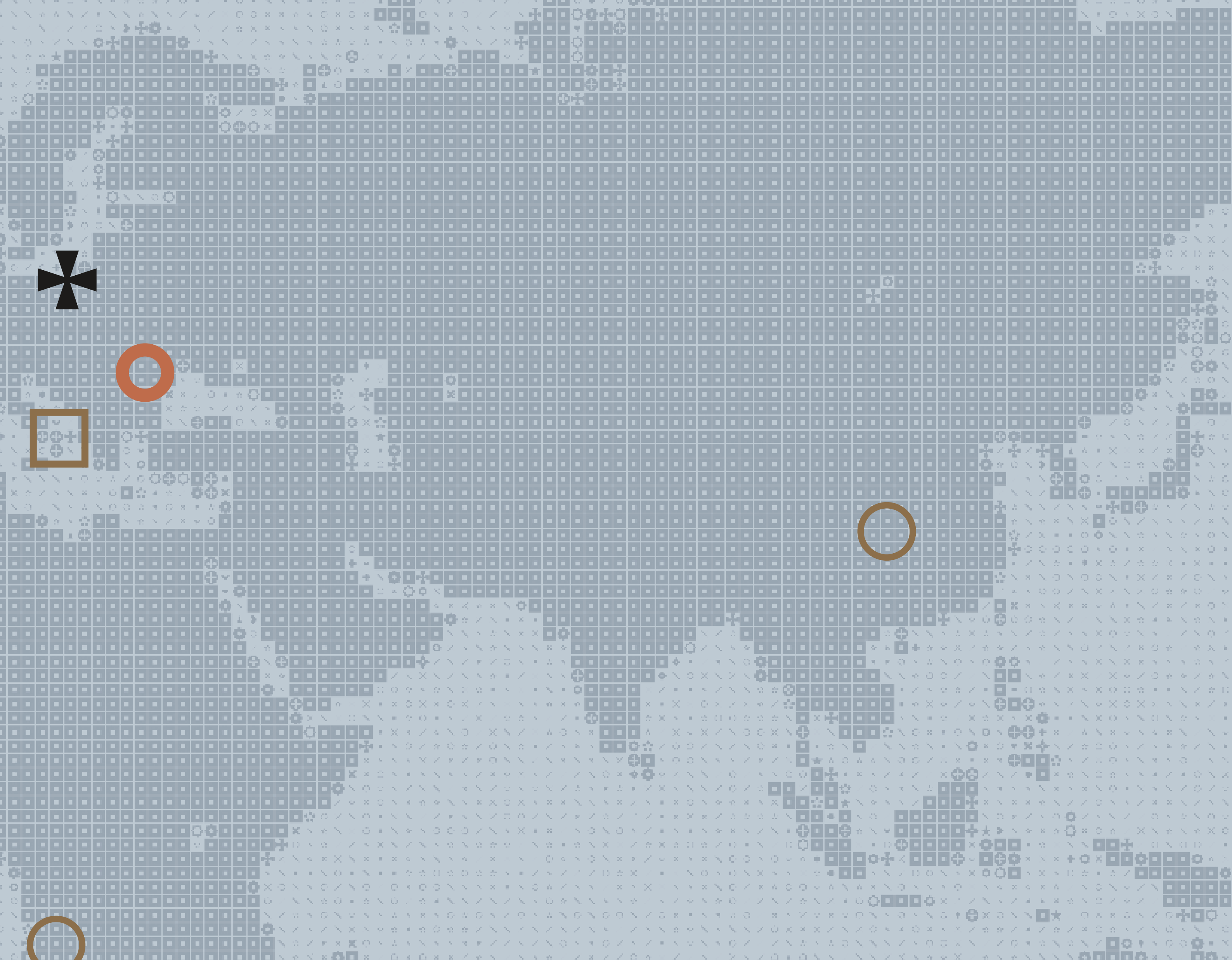
40	EMPLOYEES
340	INSTALLED CAPACITY (MW)
695	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES[1]

BELGIUM

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

ITALY

23	EMPLOYEES
90	INSTALLED CAPACITY (MW)
166	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES[1]



BRAZIL

2,674	EMPLOYEES
3,151,827	ELECTRICITY CUSTOMERS
1,881	INSTALLED CAPACITY (MW)
547	INSTALLED CAPACITY EQUITY[2] (MW)
7,472	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES[1]
26,443	ELECTRICITY DISTRIBUTED (GWh)
120	CAPACITY UNDER CONSTRUCTION (MW)
343	CAPACITY UNDER CONSTRUCTION EQUITY[2] (MW)

POLAND

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

MEXICO

1 | EMPLOYEE

ROMANIA

34	EMPLOYEES
521	INSTALLED CAPACITY (MW)
712	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES[1]

UNITED STATES

311	EMPLOYEES
3,805	INSTALLED CAPACITY (MW)
10,145	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES[1]
299	CAPACITY UNDER CONSTRUCTION (MW)

UNITED KINGDOM

37 | EMPLOYEES

CANADÁ

4	EMPLOYEES
30	INSTALLED CAPACITY (MW)
59	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES[1]

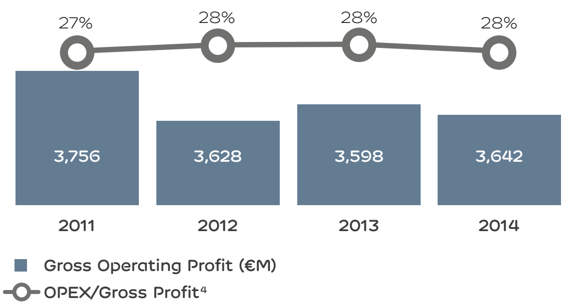
CHINA AND ANGOLA

OFFICES

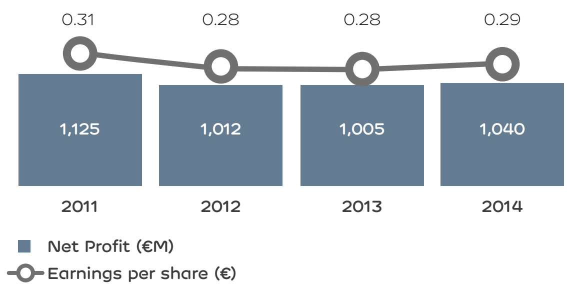
[1] Includes Hydro, Wind and Solar.
[2] Consolidated according to Equity Method.

EDP IN NUMBERS

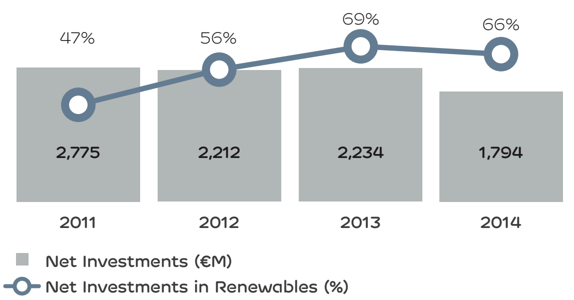
GROSS OPERATING PROFIT



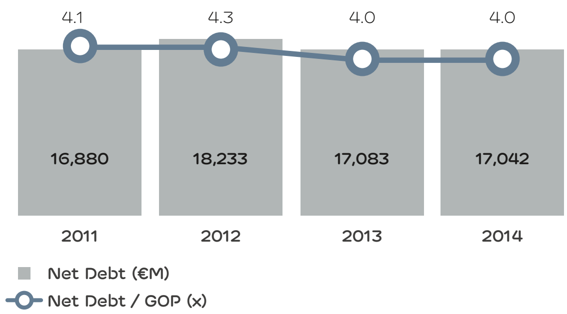
NET PROFIT [1]



NET INVESTMENTS [2]



NET DEBT [3]



NOTE: 2013 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards

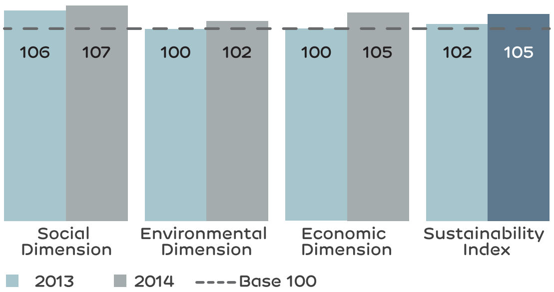
[1] Net Profit attributable to EDP Equity holders.

[2] Includes Capex, Financial Investments and Divestments ("Asset Rotation").

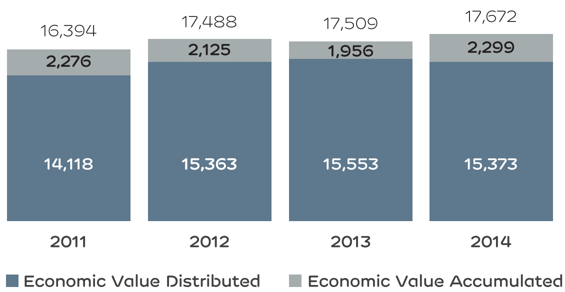
[3] Includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, net investment and fair value hedge and collateral deposits associated to financial debt.

[4] (Supplies and Services + Personnel Costs and Employee Benefits – Curtailment) / (Gross Profit + Income arising from Institutional Partnerships).

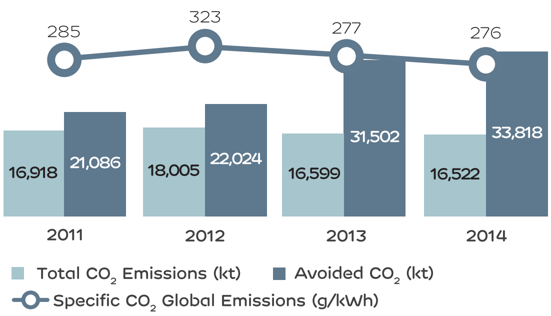
EDP SUSTAINABILITY INDEX



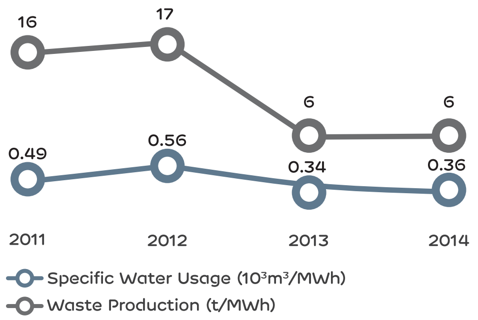
ECONOMIC VALUE GENERATED (€M)



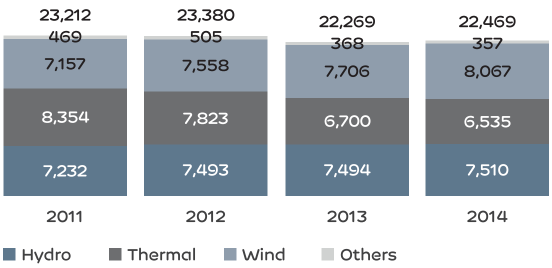
CO_2 EMITED AND AVOIDED



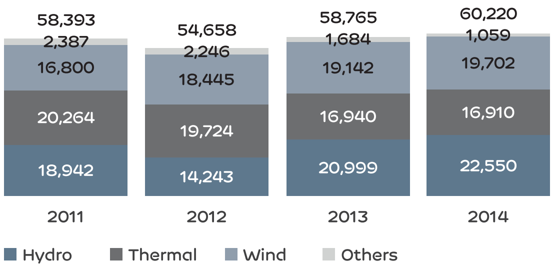
WATER USAGE AND WASTE PRODUCTION



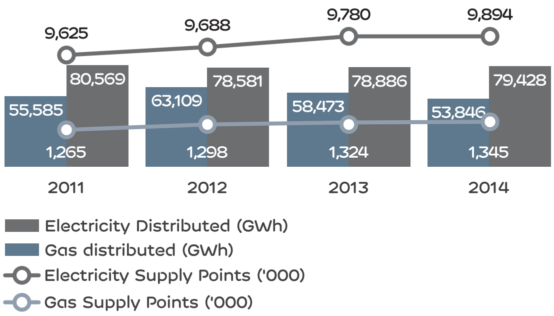
ELECTRICITY GENERATION
INSTALLED CAPACITY(MW)



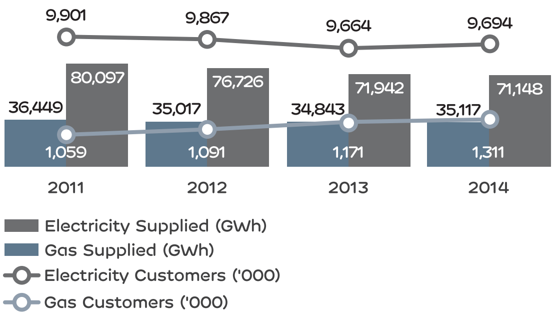
ELECTRICITY GENERATION
NET GENERATION (GWh)



ELECTRICITY
AND GAS DISTRIBUTION

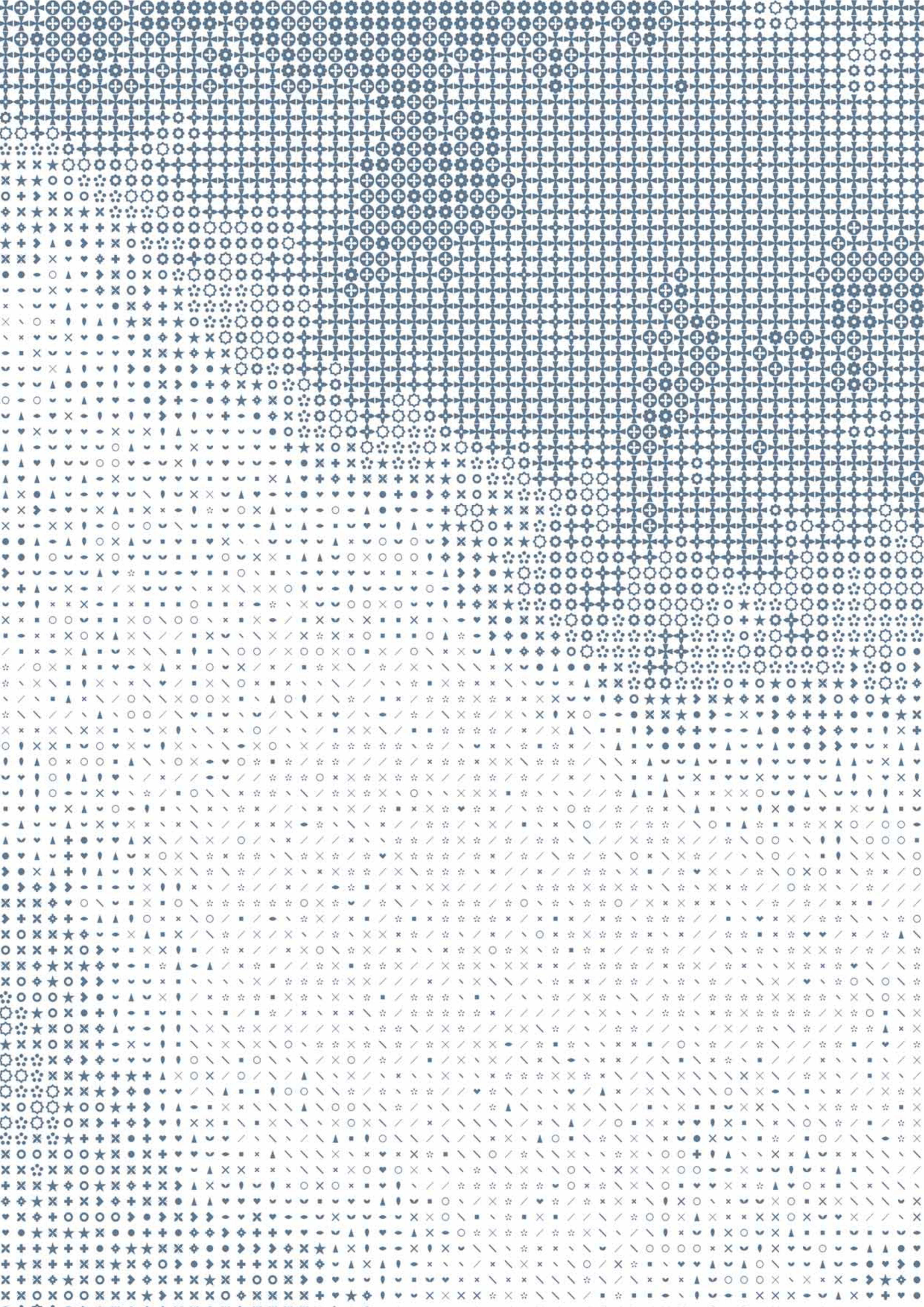


ELECTRICITY
AND GAS SUPPLY



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.

ORGANISATION

GOVERNANCE

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

The separation of management and supervision role 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 dualist model of corporate governance in place in EDP has allowed effective separation of the company's supervision and management in pursuit of the goals and interests of EDP and its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of trust and transparency necessary for its adequate functioning and optimisation.

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

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors at the General Meeting of 20 February 2012, for the three-year period from 2012 to 2014.

The Statutory and Deputy auditors and members of the other corporate bodies, including the Board of the General Meeting, the Remuneration Committee of the General Meeting and the Sustainability and Environment Board were elected at the Annual General Meeting held on 17 April 2012 also for a 3-year term of office, for the period from 2012 to 2014.

BUSINESS STRUCTURE

IBERIA

Portugal | Spain

EDP RENOVÁVEIS

EDP BRASIL

ELECTRICITY GENERATION

IBERIA – Portugal	IBERIA – 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

IBERIA – Portugal	IBERIA – Spain	EDP RENOVÁVEIS	EDP BRASIL	
EDP Distribuição	HC Distribución		Bandeirante	Escelsa
EDP Gás Distribuição	Naturgas Distribución			

ELECTRICITY AND GAS SUPPLY AND TRADING

IBERIA – Portugal	IBERIA – Spain	EDP RENOVÁVEIS	EDP BRASIL	
EDP Serviço Universal	HC Energía		EDP Comercializadora	EDP Grid
EDP Comercial	CIDE HC Energía*			
EDP Gás Serviço Universal	NE Comercializ.			
EDP Gás.Com	HC Gas			

* Equity Consolidated Method

EDP CORPORATE BODIES

BOARD OF THE GENERAL MEETING

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

REVISOR OFICIAL DE CONTAS

KPMG & Associados, SROC, S.A., represented by Vítor Manuel da Cunha Ribeirinho, Certified Auditor, **Permanent Statutory Auditor**
Susana de Macedo Melim de Abreu Lopes, Certified Auditor, **Deputy Statutory Auditor**

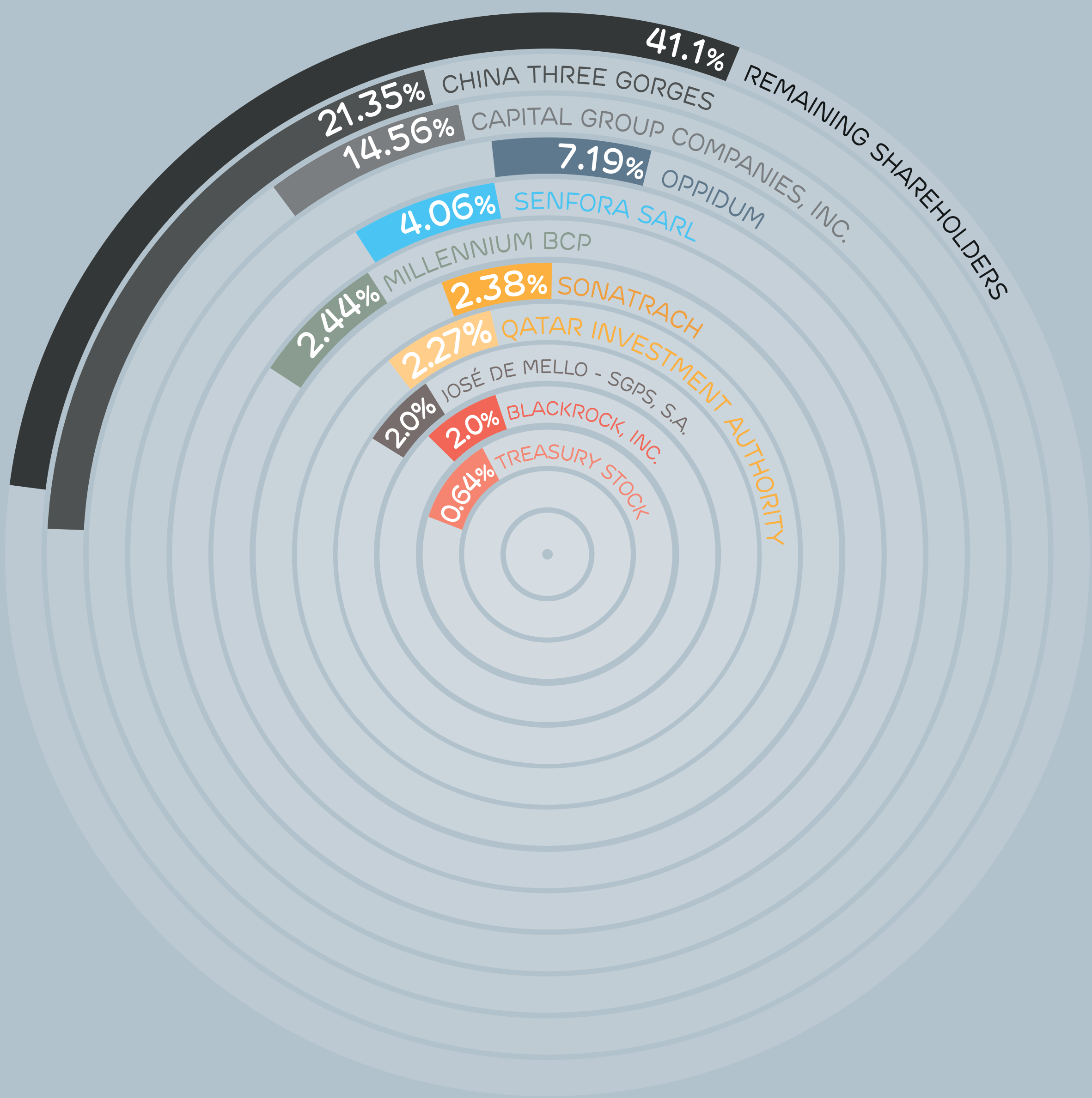
GENERAL SUPERVISORY BOARD

Eduardo de Almeida Catroga, **Chairman**
Dingming Zhang (as representative of China Three Gorges Corporation)
Guojun Lu (as representative of China International Water & Electric Corp.)
Ya Yang (as representative of China Three Gorges New Energy Co. Ltd.)
Shengliang Wu (as representative of CWEI (Europe), S.A.)
Felipe Fernández Fernández (as representative of Cajastur Inversiones, S.A.)
Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)
Mohamed Ali Ismaeil Ali Al Fahim (as representative of Senfora SARL)
Harkat Abderezak (as representative of Sonatrach)
Alberto João Coraceiro de Castro
António Sarmento Gomes Mota
Maria Celeste Ferreira Lopes Cardona
Fernando Masaveu Herrero
Ilídio da Costa Leite de Pinho
Jorge Avelino Braga de Macedo
Manuel Fernando de Macedo Alves Monteiro
Paulo Jorge de Assunção Rodrigues Teixeira Pinto
Vasco Joaquim Rocha Vieira
Vítor Fernando da Conceição Gonçalves
Rui Eduardo Ferreira Rodrigues Pena
Augusto Carlos Serra Ventura Mateus
Nuno Manuel da Silva Amado

EXECUTIVE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia, **Chairman**
Nuno Maria Pestana de Almeida Alves
João Manuel Manso Neto
António Manuel Barreto Pita de Abreu
António Fernando Melo Martins da Costa
João Marques da Cruz
Miguel Stilwell de Andrade

SHAREHOLDERS' STRUCTURE



RECOGNITION

CORPORATE

EDP is world leader of Utilities in terms of Sustainability

EDP is a member of the "Sustainability Yearbook" of RobecoSAM since 2007, and has been included in the Gold Class category since 2009 as one of the world leaders. It is highlighted as the Industry Leader of electric utilities, and the only company occupying this distinction.

EDP is one of the most valuable brands in the world

The value of the EDP brand has appreciated from EUR 2.04 billion to EUR 2.26 billion. This rise led Brand Finance to assign an AA+ grade placing EDP 476th on the ranking.

EDP is again one of the world's most ethical companies in terms of energy

The Ethisphere Institute placed EDP as one of the world's seven most ethical companies of the electricity sector. The Group is included on the international ranking of "The World's Most Ethical Companies" for the third consecutive year.

António Mexia is the best CEO of the utilities sector

The chairman of EDP was declared by Thomson Reuters Extel Europe 2014 as the best European CEO of the utilities sector and the 15th best CEO of a European company. Nuno Alves, a director of the EDP Group, was considered the best CFO of Portugal and closes the Top 25 of financial directors in Europe.

EDP listed on the Euronext Vigeo – World 120, Europe 120, Eurozone 120 Sustainability indices

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

IR Magazine Europe Awards 2014

EDP was placed 10th by IR Magazine in the EuroTop 100. It was a stand-out company in the categories: "Best Investor Relations by a CEO (large capital)", "Best Sustainable Practice", "Best Overall Investor Relations - Southern Europe", "Regional Awards – Southern Europe" and "Best in Sector – Utilities".

EDP is again the world's best utility on the Dow Jones Sustainability indices

EDP was recognised as the best European and worldwide company in the "Utilities: Power, Water and Gas" industry group of the Dow Jones Sustainability indices, for the second consecutive year. The assessment process of ROBECOSAM analysed over 1,800 companies and less than 20% managed to be listed on the index. The assessment considers the impact/risk the company can have based on 25 criteria in the environmental, social, economic and corporate governance areas.

EDP a major winner at the "Meios & Publicidade" Awards, winning five awards at the 2nd edition of the Communication Awards

EDP was awarded silver in the area of internal communication for the edpON intranet and edpON tv, and bronze for the edpON magazine. The "Conciliar" programme was awarded Bronze in the Social Responsibility category. The Grand Union Agency received a Silver Award in the Digital Site category for the re:dy project of EDP. The Communication Awards of "Meios & Publicidade" magazine aim to distinguish the work, companies and agencies that stood out over the course of the previous year.

edpON intranet is the best in Europe

The edpON intranet won in the Corporate Media, Intranet category of the European Excellence Awards 2014. The European Excellence Awards 2014 are given to the best public relations and communication practices in Europe.

EDP remains in the FTSE4Good Index Series

EDP has been listed on the series of FTSE4Good Global indices since 2001. The companies were evaluated according to a new methodology based on a set of about 350 indicators grouped in 14 subjects divided into three pillars (environmental, social and governance).

FTSE4Good

António Mexia is the best CEO in Investor Relations in 2013

The Chairman of the EDP EBD was a winner at the Investor Relations & Governance Awards. EDP also won in the category for best annual report of the non-financial sector. This is the 27th edition of the Investor Relations & Governance Awards. These awards are given by Deloitte, and they distinguish the best practices in investor relations.

EDP wins in 3 categories of the APCE 2013 Grand Awards

EDP was awarded 3 first places in the categories: Intranet (edpON intranet), Best Annual Report (2012 Annual Report) and Best Special Edition (edp life 2012, report of the Group communication activities). The aim of these awards is to acknowledge excellence in organisational communication strategy.

EDP included by Storebrand among its TOP 100

EDP is classified for the Storebrand Trippel Smart and SPP Global Top 100 investment funds and also as an attractive investment for other portfolios.

TOP 100 SUSTAINABLE

EDP holds Prime status, by OEKOM

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

Corporate Responsibility Prime rated by oekom research

EDP is a constituent of Ethibel

Since 2003, EDP has the Ethibel Excellence Investment Register company status by demonstrating superior performance to the average of its sector in terms of Corporate Social Responsibility (CSR). EDP is included in the Ethibel Index Excellence Europe.

member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE

EDP is a constituent of ECPI Indices

ECPI is an analyst and financial service provider that monitors companies based on public information to constitute 86 Environmental, Social and Governance (ESG) indicators.

ECPI Sense in sustainability

PORTUGAL

EDP Comercial receives Gatewit Procurement Award

EDP Comercial, through the State and SME business unit, was one of the winning companies of the first ever Procurement Awards. The Awards are focused on the best supplier companies who apply best electronic public procurement practices in the use of the public procurement platforms.

EDP Distribuição wins Most Effective Recovery of the Year award

The recognition is given by BCI - Business Continuity Institute for the efficient manner in which the company worked on the grid recovery and restoration of service to customers who were deprived of electricity as a result of the Gong storm, which affected mainland Portugal between 19 and 23 January 2013. The award aims to reward the professionals and organisations based in Europe that stand out in their respective areas of business for their business continuity efforts.

EDP wins four “Meios & Publicidade” Awards

EDP won a Silver Award in the category of environment and energy, for the corporate campaigns “The greatest energy is yours" and “The energy that unites us", and also the “Funciona” service campaign. The company also achieved Silver in business sector for its brochures of energy efficiency solutions for SMEs.

EDP wins Workplace Excellence Award in the Industry and Energy sector of the

The Workplace Excellence Award of Heidrick & Struggles is a study of organisational climate and human capital development which analyses the state of the art of human resources practices in Portugal and rewards the entities that invest most and have the greatest focus on this area.

SPAIN

PERFILA project awarded in EnerTIC Awards’ first edition

EnerTIC, the platform of IT companies to improve energy efficiency declared the project led by “Red Eléctrica de España”, in which EDP España takes part, as the best initiative of 2013 in the SmartGrids category.

EDP España wins FM Global award

The FM Global insurance company awarded the Soto Ribera combined cycle power station the Highly Protected Risk prize, for the improvements that have been being undertaken in the risk prevention system.

EDP España receives award for best customer service centre

“Associación Española de Expertos en la Relación con los Clientes” awarded EDP the CRC Gold in the Customer Relations Centre (CRC) category of the Energy segment and the segment of over 1.2 million calls per year. The CRC Gold awards are awarded to companies following a series of external audits by the consultant company IZO.

EDP España recognised by “Red Española de Pacto Mundial de Naciones Unidas”

The United Nations Global Compact, with which EDP España has been actively working since 2004 and consists of the companies making a commitment to 10 basic and universal principles (www.pactomundial.org). All the initiatives undertaken are related in annual progress reports.

EDP RENOVÁVEIS

EDP Renováveis in Poland awarded best place to work

EDP Renováveis was recognized in the category “companies with fewer than 50 employees” by Great Place to Work, for the second consecutive year.

The Project Finance for Pawlowo Wind Farm, developed by EDP Renováveis in Poland, wins EMEA Finance award

EDP Renováveis won an award from EMEA Finance magazine for the financial structuring of the Pawlowo wind farm project signed with the European Bank for Reconstruction and Development. EDP Renováveis also won another award from EMEA Finance magazine in the same category for "Best Sustainability Deal”. This award concerns the projects for the Cernavoda and Pestera wind farm projects in Romania, and the wind energy project in the Polish town of Margonin.

João Manso Neto chosen as 3rd best CEO in Spain in survey by Thomson Reuters

João Manso Neto is among the best CEOs in Spain, according to the Thomson Reuters survey of members of the investors’ community. The CFO of EDP Renováveis, Rui Teixeira, also won an award.

EDP Renováveis selected by the Ethibel Forum for inclusion on the Ethibel PIONEER and EXCELLENCE Investment Registers

The selection for the registers is in acknowledgment of the leadership of EDP Renováveis in terms of Corporate Social Responsibility (CSR).

BRAZIL

EDP Brasil recognised by the “Innovation Champions” ranking of “Revista Amanhã” magazine

EDP was considered one of the 50 most innovative companies in the South of the country, due to its Cenaeel wind farm, in Santa Catarina. EDP stood out as the leader of electricity companies in the energy sector, and was first in the area of innovation. The 500 largest companies in south Brazil are invited to participate in the survey, listed in the “Grandes & Líderes” ranking, prepared by “Revista Amanhã” and PricewaterhouseCoopers.

EDP Brasil wins award for customer respect

EDP won a Gold recognition in the "Customer respect" category of the Smart Contact Center Award 2014 for "EDP solidifying the foundations in terms of Excellence and Customer Respect". The winning project highlighted the physical transition of the call centre of the EDP group distributors, as well as the results of the management of the indicators and customer service.

EDP Brasil awarded the Transparency Trophy by “Associação Nacional dos Executivos de Finanças, Administração e Contabilidade” (ANEFAC)

EDP won the Transparency Trophy in the category Public Limited Company - Net income up to BRL 5 billion. ANEFAC has been giving this award to the most transparent financial statements in Brazil for 18 years, disclosing the results to the community and to stakeholders.

EDP Brasil recognised by Top Employers

EDP was elected, for the third consecutive time, one of the companies with the best people management practices, according to Top Employers Institute.

EDP Brasil remains on the Corporate Sustainability Index (ISE)

EDP is included on the ISE portfolio for the ninth consecutive year. This index, managed by BM&FBovespa, is a tool for evaluating performance among publicly traded companies with regard to social, environmental, economic and corporate governance practices.

REPORTING SCOPE

This EDP's Annual Report, covering the calendar year of 2014, complies with the provisions of CMVM Regulation no. 4/2013, the Portuguese Company Code, and the Regulation on Duties of Disclosure (no. 5/2008). It also aims to report on the performance of the business with regard to sustainability, following the standards of the Global Reporting Initiative, G4, in accordance with the Comprehensive option.

CONSOLIDATION CRITERIA

The non-financial information provided was consolidated in accordance with the accounting standards of the International Accounting Standard Board (note 51 to the financial statements). Additionally, it is published operational, environmental and social information extended to companies consolidated by the equity method when materially relevant (companies listed in pages 360-361).

MATERIALITY OF REPORTING AND STAKEHOLDERS

Trends and issues potentially affecting EDP Group in the short, medium and long term are identified and considered materially relevant for management and for reporting the company's performance. Periodically, material issues are reviewed and adjusted. EDP Group also identifies and characterizes its main stakeholders (page 91) reviewing its expectations and incorporating them into the corporate management and operational strategy.

The following figure shows the results of stakeholder's expectations about the relative importance of each of the 14 issues considered materially relevant comparing its importance to society with the company's view of the importance these same issues have to business. The Materiality matrix is a visual and simple way to highlight the issues with more impact for value creation.

1 - CLIMATE CHANGE
2 - IMPACT ON COMMUNITIES
3 - WELL-BEING, HEALTH AND SAFETY
4 - ENVIRONMENTAL PROTECTION
5 - ENERGY MARKET
6 - INNOVATION
7 - SUSTAINABLE SUPPLY CHAIN
8 - ACCESS TO ENERGY
9 - CUSTOMER
10 - ETHICS AND GOVERNANCE
11 - FINANCIAL SUSTAINABILITY
12 - REPUTATION AND TRUST
13 - CITIZENSHIP
14 - RESPONSIBLE EMPLOYER

This materiality matrix also gives a better understanding of the trend of each material issue. For example, in 2014, "Impact on Communities" raised its importance, when compared to the previous year. In contrast, "Environmental Protection" lost significance.

The methodology used to construct this matrix is described in Annex – G4 Reporting Principles. However, it is important to highlight that the matrix is annually updated and refined, as it happened in 2014, with the incorporation of RepRisk data, and is also aligned with the matrixes of each sub-holding: EDP Brasil, EDP Renováveis and EDP Espanha.

The relationship strategy with EDP's stakeholders, while supporting the identification of material issues, was subject to verification of compliance with AA1000 AS (2008), type 2, by the auditor KPMG, in particular the principle of inclusion, materiality and response (see Annex – G4 Reporting Principles).

Supported by the materiality matrix, strategic guidance and action plans are set. The following table highlights the association between EDP's Material Issues (blue text boxes) and EDP's eight Principles of Sustainable Development.

Additionally, in page 49 are listed the Goals and Targets of EDP also organised in accordance with the same eight Principles helping the alignment between EDP Commitments and the Material Issues identified.

MATERIAL ISSUES 2014 ORGANISED BY EDP'S PRINCIPLES OF SUSTAINABLE DEVELOPMENT

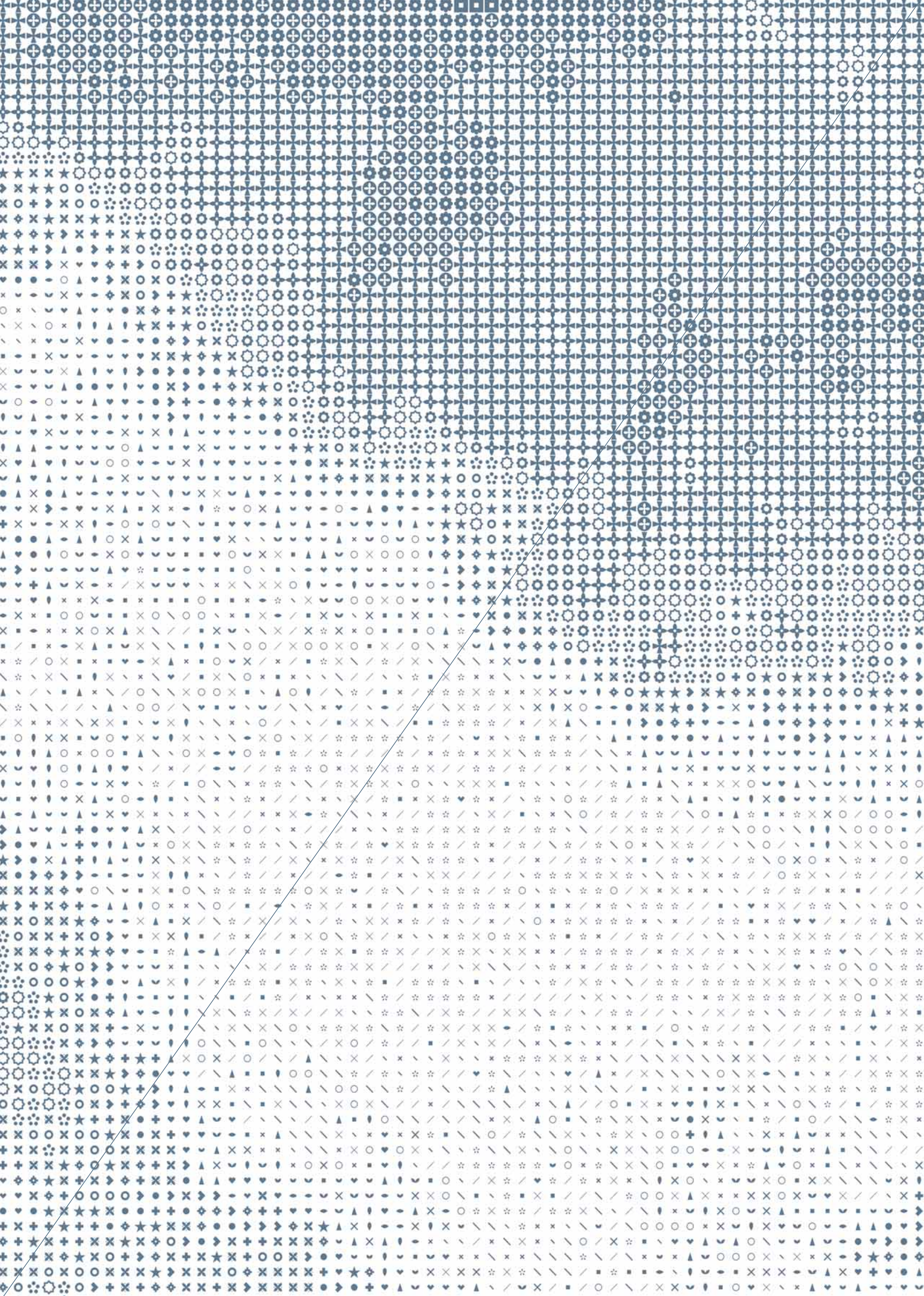
ECONOMIC AND SOCIAL VALUE			TRANSPARENCY AND DIALOG		
11	Finacial Sustainability	Encompasses Risk management, Debt management and Company strategy	12	Reputation and trust	Includes Stakeholder management, Transparency and Institutional Relationships
5	Energy Market	Includes Tariffs and energy prices, Regulation and Market liberalisation			
ECO-EFFICIENCY ANS ENVIRONMENTAL PROTECTION			HUMAN CAPITAL AND DIVERSITY		
1	Climate Change	It combines the promotion of renewable energy and demand-side management	3	Well-being, health and safety	Of employees, service providers and the surrounding community
4	Environmental Protection	Includes Biodiversity, Atmospheric Emissions, Water and Waste	14	Responsible Employee	Encompasses Equity, Diversity and Equal Opportunities, Balance and Retention
INNOVATION			ACCESS TO ENERGY		
6	Innovation	Includes mainly renewable energy tecnhologies, mobility and smart grids	8	Access to energy	Associated with the lack os access to energy/electricity in developing countries.
			9	Client	Encompasses Ethical quality of relations and Technical quality of supply
INTEGRITY AND GOOD GOVERNANCE			SOCIAL DEVELOPMENT AND CITIZENSHIP		
10	Ethics and Governance	Encompasses Governance, Human Rights, Bribery and corruption	2	Impact on Communities	It also Includes the importance of relationships
7	Sustainable Supply chain	Extended to economic, environmental and social dimensions. Includes relationship issues	13	Citizenship	Focused in business social sponsorship

Note: The numbers presented refers back to the chart on the previous page.

OTHER PUBLICATIONS

EDP publishes periodically a set of documents in www.edp.pt, which may be consulted for additional information about its performance in 2014, as well as for verifying the compliance with G4 sustainability standards:

- Reports to the market of quarterly results, which includes the development of non-financial information;
- Sectoral reports, in particular:
  - Social Report
  - Biodiversity Report
  - Ethics Ombudsman's Report
  - Stakeholders Report
- Annual and sustainability reports of the companies EDP Espanha, EDP Brasil and EDP Renováveis. These reports provide more detailed information on the sustainability performance of these companies;
- Management Approach to Sustainability report, published for the first time, which endorses the issues set by G4 methodology and explains the relation between organisational processes and material issues for EDP's activities.



02. STRATEGIC APPROACH

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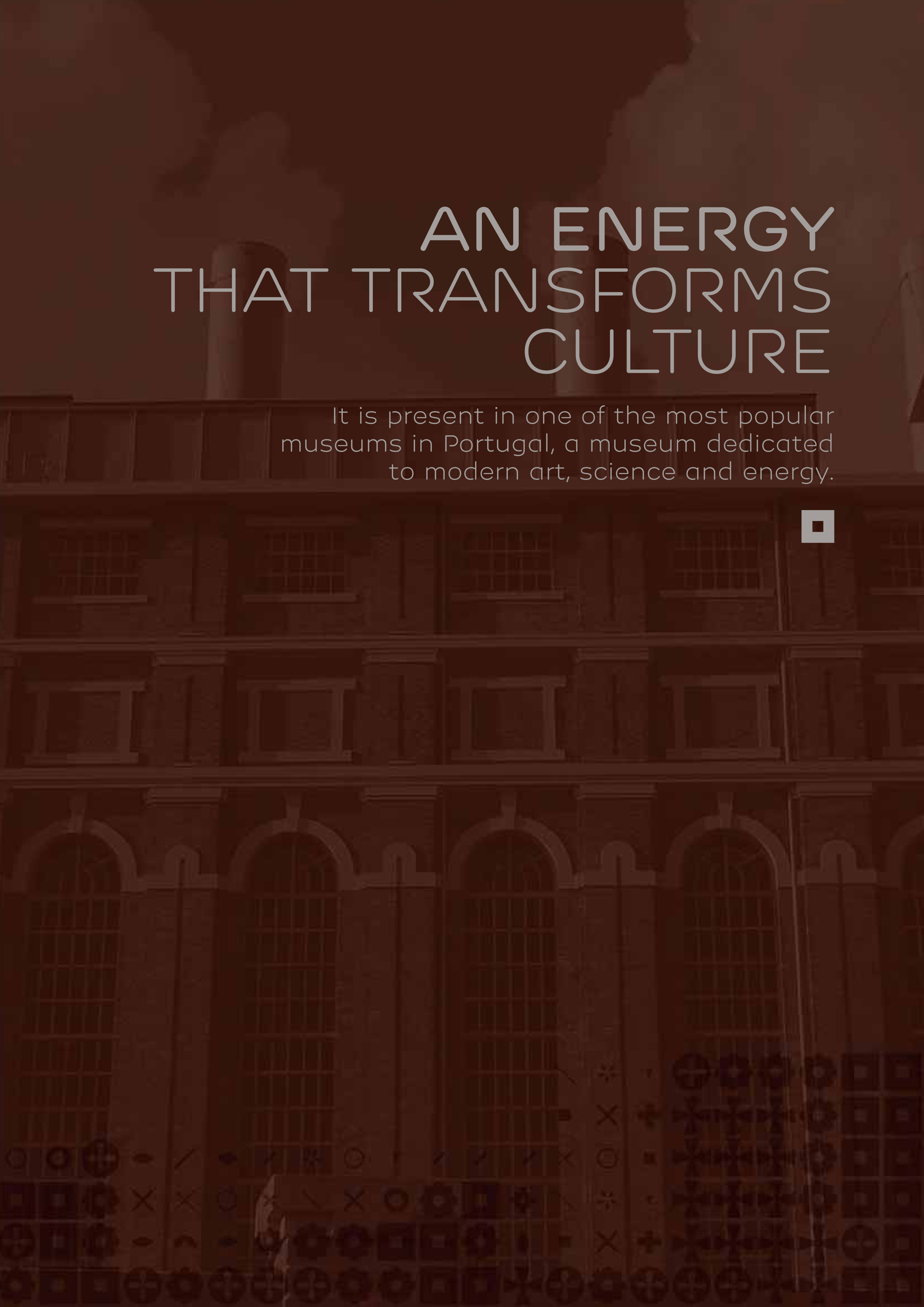


AN ENERGY THAT TRANSFORMS CULTURE

It is present in one of the most popular museums in Portugal, a museum dedicated to modern art, science and energy.

02.

STRATEGIC APPROACH

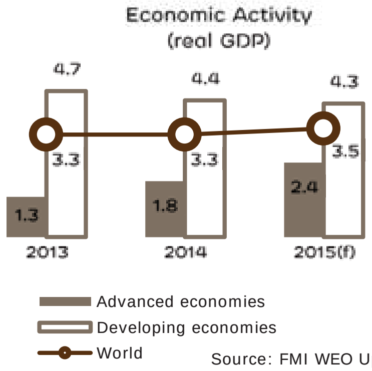
2.1. BUSINESS FRAMEWORK

2.1.1. MACROECONOMIC CONTEXT

In 2014, there have been significant asymmetries in the performance of the world major economies. On the one hand, the United States of America (USA) have shown considerable dynamism, particularly in terms of private consumption and investment, with significant improvements in the labour market. On the other hand, the euro area economies exhibited greater fragility, despite the low levels of interest rates and the economic and financial developments in the "peripheral" countries, while emerging markets decelerated, penalised by the fall of commodity prices and the permanence of relevant structural imbalances. According to the projections from the International Monetary Fund (IMF), in aggregate terms, the rate of expansion of the world economy remained at 3.3%, a figure which stood below the historical standards.

In this context, the performance of financial markets was characterized by more pronounced gains in the US equity indices, as opposed to very moderate gains in Europe and in emerging markets, along with the appreciation of the dollar against the world main international currencies. In the bond market, although in generic terms we have witnessed a sharp decline in the yields of public and private debt securities, the trajectory was more marked in the euro area due to the introduction of new measures of monetary expansion by the European Central Bank (ECB) and the expectations that further measures could be announced in early 2015, including the purchase of government bonds.

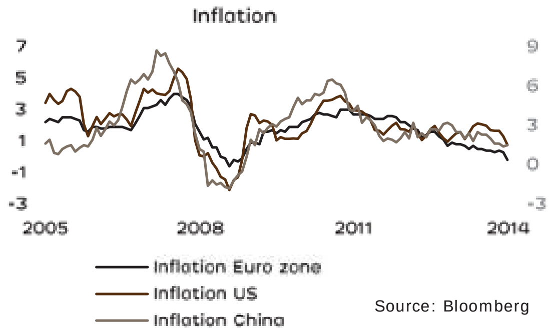
For 2015, the challenges for the global economy are multiple and of diverse nature. The desynchronisation between the economic performance and the US monetary policy against the remaining major world economies entails the risk of intense movements in the forex market, with potentially damaging consequences for the global financial system. In addition, the significant drop in oil prices may have an ambiguous effect on the global economy in that, to the positive impact that arises to the energy importing countries, we should add the adverse effects that are generated in the oil exporting countries. Finally, the prevalence of various geopolitical tension points is also a non-negligible risk.



Source: FMI WEO Update Jan 15

Intensification of deflationary pressures, following the strong oil price fall

In 2014, the inflation rate declined in the majority of the world economies, in a movement that was accelerated in the last quarter of the year, following the sharp drop of the oil price in international markets. In 2015, the permanence of a framework of moderate growth and the outlook of oil prices remaining at levels close to those seen in late 2014 should contribute for the inflation to remain at low levels in global terms.



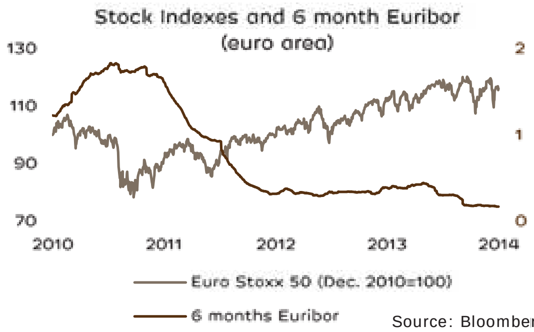
Source: Bloomberg

In 2014, despite the higher volatility framework, the performance of financial markets was characterized by the strengthening of the upward trend of most asset classes. For this situation certainly contributed the progressive reduction of the level of expansionary monetary policy of the US Federal Reserve.

In the equity markets, we highlight the valuations of the major US equity indices, which recorded valuations around 15% as opposed to the much more moderate gains of their European counterparts and of emerging markets. This context of increased demand for US financial assets contributed to the dollar appreciation against the majority of the currencies.

In the debt market, the overall process of reducing inflation, the prospects of moderate growth in the global economy and the maintenance of accommodative monetary policies, determined a widespread decrease of the public and private debt securities' yields. In the euro area, this movement resulted in a significant pressure over the sovereign debt risk premiums of "peripheral" countries, incorporating the expectations that the ECB would announce a sovereign debt purchase programme. Still in the euro area, it should be mentioned that the reduction of the key ECB rates to historic low levels resulted in a decrease of the euro indexing interest rates to very low levels or, in the case of shorter maturities, to values that became negative at the end of 2014.

The strong appreciation of the majority of asset classes, in many cases to levels not seen before, could generate corrective movements in a near future, which may be enhanced by the risks of moderate growth in the global economy.



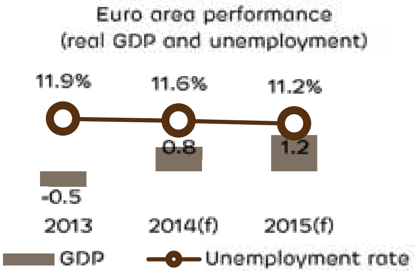
Source: Bloomberg

Source: Bloomb

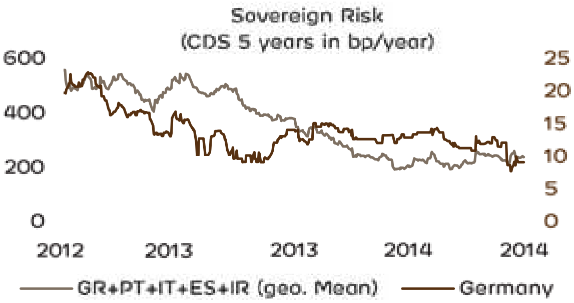
In 2014, the euro area economy grew modestly

In the euro area, the legacy of the sovereign debt crisis continued to penalise the progress of the economic activity. In this environment, despite the reduction of interest rates to levels never seen before and the significant depreciation of the euro, private consumption and investment had very modest levels of growth and the unemployment rate remained at high levels. Still, despite weak, the growth registered in 2014 represents an improvement when compared with the two previous years of contraction.

The weakness of the economic activity along with the decrease of the oil price in international markets, resulted in a decrease of the inflation rate to 0.4% in 2014. Fears that the inflation rate remain at such low levels prompted the ECB to adopt a set of additional measures to stimulate the economic activity and to prevent the realisation of a deflation scenario in the euro area, among which we highlight the reduction of the benchmark interest rate to 0.05%, the purchase of private debt securities and the realisation of special liquidity-providing operations aiming at stimulating lendings. Following the development of the expansionary trend of monetary policy, the euro depreciated, being worth of mentioning the movement outlined against the dollar and the sharp drop on the yields on the euro area Member States' (MS) government bonds, in particular in Germany where historical lows were hit.



Source: FMI WEO Update Jan 15



Source: Bloomberg

In 2015, the trajectory of recovery in the euro area shall continue at a moderate pace, penalised by the lack of investment dynamism and by the week external demand, particularly in emerging markets. To this scenario, we add the risks on the stability of the European project associated with the appearance of new political movements in several MS.

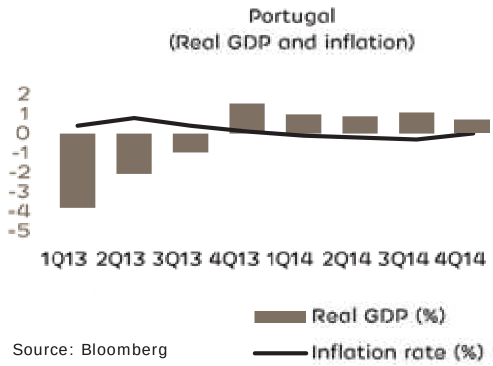
The Portuguese economy returned to positive growth rates in 2014

In Portugal, after three consecutive years of recession, a period of moderate recovery in economic activity began in 2014. This recovery has been driven by the improvement of domestic demand and by the exports growth, and for which the European Commission (EC) estimates that it resulted in a 1% growth rate of GDP for 2014. The improvement of the economic conditions and the fulfilment of the objectives set out in the Memorandum of Understanding defined under the Economic and Financial Assistance Programme (EFAP), signed in 2011, allowed the return of the Portuguese state to financing activities in international financial markets, thus creating conditions for the completion of the EFAP in June 2014, as planned.

The favourable performance of the Portuguese economy, along with the expectations that the ECB could announce a large scale public and private debt purchase programme, with the objective of stimulating the economic activity and of avoiding the materialisation of a deflationary spiral in the euro area, contributed strongly to the reduction of the government and private Portuguese bonds' risk premium.

In 2015, the EC foresees that the performance of domestic demand will continue to take a leading role in the process of economic recovery, influenced by the prospects of an increased employment and disposable income, the oil price decrease and the declining interest rates on bank loans. However, the possibility of a weaker economic performance cannot be excluded.

The new policy framework that will result from the legislative elections scheduled for October 2015 and the risk of further uncertainty on the European economic policy, together with the appearance of new policy frameworks in several countries, namely in Greece, as well as the risks associated with the slowdown of the economic activity of the main Portuguese trading partners, may condition the economic recovery and question the improved financing conditions for the Portuguese firms and families.



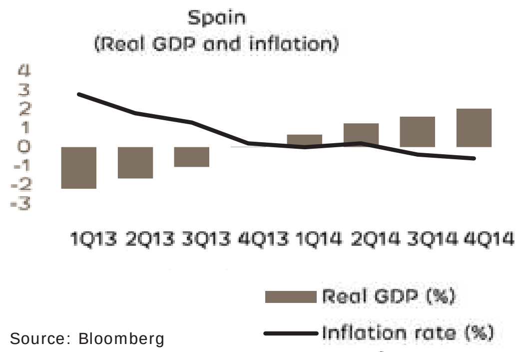
Source: Bloomberg

In 2014, the average annual inflation rate was -0.2%, which represents a decrease when compared to the previous year (0.4%). The decreasing prices trend that has been observed in the last two years is a result of the ongoing restructuring of the Portuguese economy and the reduction of energy and food prices. For 2015, official forecasts point to a relatively modest rise in the inflation rate, taking into account the perspective of maintenance of the descending inflationary pressures, both internally and externally.

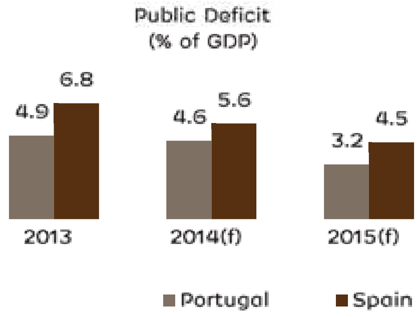
Spain grows for the first time since 2008

In Spain, after five years of recession, following the economic restructuring process that has been implemented to address the macroeconomic imbalances accumulated in the years following the entering to the single currency, the Spanish economy grew 1.4% in 2014. The environment of increasing confidence among the economic agents, fuelled by an increase in disposable income and employment, combined with a very significant improvement of the financing conditions for households and firms, favoured the expansion of consumption and investment. In 2015, the EC foresees the maintenance of the Spanish economic recovery momentum supported by the domestic demand, which should allow to mitigate the risks of a slowing down external demand.

With regard to the evolution of aggregated prices in 2014, the inflation rate was negative (-0.2%), resulting from the food and energy prices decrease and from the structural adjustment process of the economy, which imposed a greater wage moderation. For 2015, the EC projects a slight increase in the inflation rate, the maintenance of a framework with deflationary pressures in the euro area and also low rates of factors utilisation, namely labour.



Source: Bloomberg

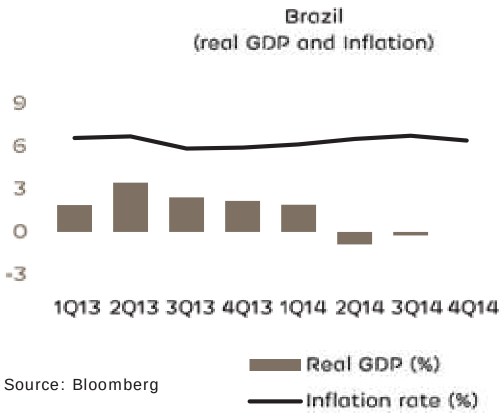


Source: European Comission

The Brazilian economy is expected to stagnate in 2014

In 2014, the Brazilian economy is expected to have stagnated. Contributed to this situation the weakness of the domestic demand, in a context of growing mistrust among the economic agents in relation to the economic policies that have been implemented, the drop in commodity prices and the slowdown of external demand, namely coming from other emerging markets. With this environment, the trade balance deteriorated significantly, as well as the public accounts.

Despite the price control policies, namely in what regards to energy and transportation prices, there has been a rapid increase in the inflation rate during the year, which led to a rise of the interest rates by the Central Bank of Brazil. In 2015, the need for adjustments in regulated prices and the devaluation of the Brazilian Real trend may continue to exert an upward pressure on prices and consequently, impose a tighter monetary policy.



Source: Bloomberg

The performance of the Brazilian financial assets in 2014 was largely influenced by the unfavourable economic environment and by the uncertainty surrounding the outcome of the presidential elections in October. In this context, Bovespa equity index closed the year incurring in marginal losses, and the Brazilian Real depreciated particularly sharply against the dollar following the completion of the assets purchase programme by the US Federal Reserve.

For 2015, the IMF forecasts growth rates very close to zero taking into account the need to adjust the economic policies characterized by as strongly interventionist framework and which were implemented along the last years, the risks associated to a decrease in the commodities prices and the prospects of moderate growth in major economies.

In 2014, the US economy accelerated, by recording a growth rate of 2.4%, which compares with 2.2% in the previous year, resulting from an improvement in employment and consumer confidence and consequently an increase of private consumption and investment. The improvement of economic conditions allowed the US Federal Reserve to continue with its plan of gradually removing the assets purchase programme, which ended in October 2014.

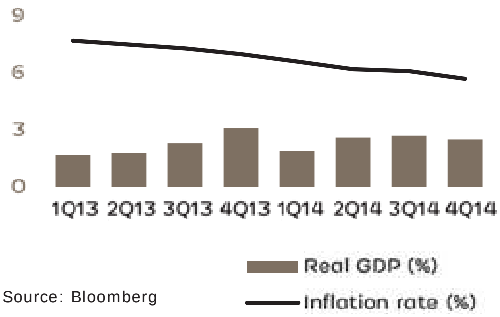
In 2015, the current framework of oil price drop and the expectations of maintaining the generic trend of expansionist monetary and fiscal policies should continue to benefit the North American domestic demand, which shall represent an acceleration of real output. However, this expectation is likely to be penalised by the negative effects of the appreciation of the dollar on the evolution of foreign demand and on the stability of financial markets.

The improvement of the economic conditions in the US led to the completion of the asset purchase programme by the Federal Reserve

The improvement of economic conditions favoured a greater optimism environment among investors, which benefited the US equity markets and the dollar. However, in the debt market the trend was of declining yields on government bonds, reflecting the outlook for interest rates to remain at low levels.

With regard to the evolution of inflation in 2014, the average annual rate stood at 1.6%. In 2015, the inflationary pressures are mainly on the downside and result mostly, from the decrease in oil prices and the appreciation of the dollar.

US
(real GDP and inflation)

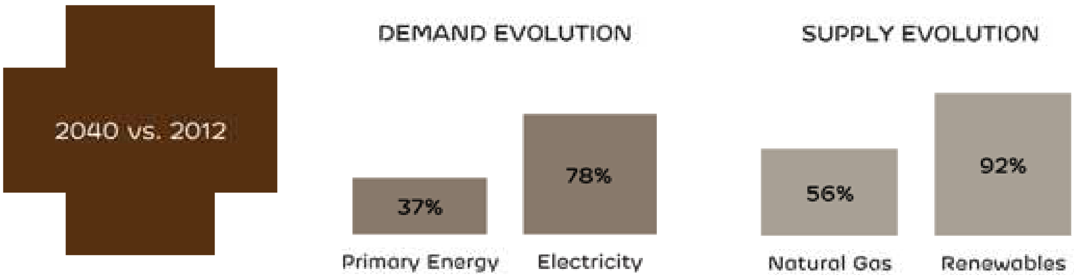


Source: Bloomberg

2.1.2. GLOBAL ENERGY MACRO-TRENDS

The world is changing fast and energy is no exception, being the electric sector the major driver.

The energy sector is witnessing a deep transformation due to shifting supply and demand patterns. The energy map is redesigned, with demand moving to South/East in emerging countries and supply growing in the West, particularly in the Americas. Despite this transformation requiring structural changes at the global energy mix, with relevant impact on the traditional business models, it also encompasses relevant growth opportunities. Additionally, growing environmental concerns lead to new challenges to ensure sustainability in coming years and 2015 will be a reference year in this matter, with the expected global climate change agreement to be settled in Paris by the end of the year. In parallel, the recent Russia/Ukraine conflict, with associated cuts in gas supply, worsened the security of supply issues. Overcoming these challenges will require a new energy paradigm with high levels of investment supported by a strong technological development and innovation, as well as regulatory framework and energy policy fitted to support these changes.



Source: IEA, World Energy Outlook 2014, New Policies Scenario

ENERGY DEMAND

Global demand for energy has been consistently increasing, being expected this trend to continue in the medium/long term as a result of economic and population growth. In particular, the International Energy Agency (IEA) estimates that world's primary energy demand will grow by 37%, up to 2040, despite an expected reduction in energy intensity. Regarding final energy, electricity is the energy form that should register the highest growth, about 78% up to 2040, as result of increasing urbanisation and electricity penetration in new sectors, such as transports.

However, this strong growth is not predicted to come from the traditional historical markets but from the developing countries. In this sense, emerging economies are estimated to capture over 90% of the net growth in energy demand until 2040. The increase in energy consumption should be concentrated in Asia (60% of world's total), Africa, Middle East and Latin America, with China expected to be a clear leader in this subject until 2025, when India should take this position. In the developed countries, demand is expected to stay almost constant.

This high demand growth will lead to strong environmental concerns. Despite the efforts to decarbonize the energy sector and the various measures announced by several governments on the way to achieve an agreement in the United Nations summit in Paris at the end of 2015, the main IEA scenario points to an emissions' increase of about 20% until 2040. This increase in the emissions is consistent with the global temperature increase by 3.6ºC in the long term, which is considerably higher than the 2ºC limit (internationally accepted limit to avoid severer consequences of climate changes). As to mitigate irreversible impacts of climate change, Greenhouse Gas (GHG) emissions should be reduced, by 2050, to 50% of 1990 levels, strong challenges will arise in ensuring environmental sustainability.

ENERGY SUPPLY

Although the supply of all energy forms is expected to grow in the medium / long term, only renewables and natural gas will grow all over the world. With similar growth in absolute terms, natural gas is expected to increase by 56%, while renewables will almost double (+92%) up to 2040. The weight of fossil fuels in the global energy mix should progressively reduce and it is expected that in 2040 each of the three fossil fuels (oil, coal and natural gas), represent 1/4 of the consumption. Renewables and nuclear make up the remainder, contributing with 19% and 7% respectively.

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

Regarding renewables, growth should be divided between traditional bioenergy, hydro, as well as wind and solar, amongst other. Despite strong bioenergy growth, as a result of increasing population in developing countries, its share in the renewables mix is expected to decline from 75% to 58%, up to 2040. Hydro growth should occur also focused on the developing countries, where there is still significant hydro potential to be exploited. In this sense, up to 2040, the other renewables (such as wind and solar) are the ones expected to increase their weight in the renewables energy mix, surpassing even the hydro, due to the recent technological evolution with a strong impact on the cost reduction of these technologies. In particular, it is estimated the United States, China and Europe to lead renewables growth, up to 2040. The electric sector will be the driver of renewable growth and the weight of these sources in the electricity generation mix will increase from the current 21% to 33% in 2040.

ELECTRIC SECTOR

Electricity is expected to be the final energy form that will have the highest growth and increase in all sectors and world regions. Currently, electricity represents only 18% of energy final consumption, a figure that should reach 23% in 2040. The strong electricity demand growth will be sustained by organic growth in the demand along with two additional factors: access to electricity and replacement of traditional fuels for electricity.

Currently, still about 1.3 billion people are without access to electricity (18% of world’s population, mainly in Africa and Southeast Asia). More than 80% of the increase in electricity consumption in the world will occur in non-OECD countries, driven by the economic development in these regions and associated with the growth of electrification rate. The same economic growth, increasing urbanisation and industrialisation of these societies sustain the organic growth of electricity consumption.

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

The installed capacity should increase from 5,950GW in 2013 to 10,700GW in 2040, which implies an addition of 7,200GW during this period, of which about 2,450GW will be necessary to replace power plants that will reach their end of useful life. This need for renewal of the fleet is more acute in developing countries, particularly in Europe. Overall, the IEA estimates that in the period 2014-2040 is necessary to invest $20.8 trillion in the power sector, of which 58% will be directed to generation, with the rest going to transmission and distribution networks.

The electricity generation mix should undergo a major transformation, with the decline of the share of fossil fuels (especially coal and oil) and the strong increase of the renewables’ weight, which will grow from 5% weight in today's mix for 17% in 2040 (excluding hydro). Both hydro and nuclear technologies should almost double the amount of electricity generated in this period, keeping the weight in the mix of approximately 16% and 12%, respectively.

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

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

2.1.3. EDP MARKETS' ENERGETIC AND REGULATORY FRAMEWORK

2.1.3.1. EUROPEAN MARKET

RECENT EVOLUTIONS IN THE ELECTRIC SECTOR

On the demand side, 2014 was another year with a significant fall of electricity consumption in Europe. Indeed, we have been witnessing a strong destruction of consumption since it peaked in 2008, and has not yet recovered to pre-crisis values. In response to the challenges faced by the European industry in terms of competitiveness, it has been specialising in low-energy-intensive sectors. On the other hand, the new Energy Efficiency Directive, with effect from mid-2014 reinforces the implementation of energy saving measures, with binding obligations for Member States. Therefore, the gains in energy intensity and energy efficiency should dictate a slow recovery in consumption.

On the supply side, renewables have been increasing their penetration in the mix, despite some regulatory uncertainties. From the combination of falling demand with the increase of renewables, consumption fueled by conventional thermal production has been decreasing, with strong impacts on the operating systems of thermal power plants and, consequently, on the economic viability of some of those plants. Additionally and despite the slight recovery in CO_2 price in 2014, it is still considerably low. The CO_2 low price, combined with coal and natural gas prices, allow coal-powered production to remain more competitive than the combined cycle and natural gas plants (CCGT) in most European markets, thereby obstructing the path of decarbonisation advocated by the European Union (EU).

KEY REGULATORY LANDMARKS

In January 2014, the EC presented the paper "A policy framework for climate and energy in the period from 2020 to 2030", with a set of proposals on energy and climate policy for the EU. After a negotiation process between the various MS, the European Council (23-24 October 2014) adopted the following objectives for 2030: i) a European target for Greenhouse Gas (GHG) emissions' reduction of 40% by 2030, compared to 1990; ii) a binding target of at least 27% renewable energy at EU level (non-binding goal at the level of MS, unlike what happens with renewable targets for 2020); iii) an indicative energy efficiency target of 27%; iv) an indicative target of 10%/15% for interconnections to be achieved in 2020/2030. The EC also proposed to implement a restructuring of the Emission Trading System (ETS), establishing a reserve mechanism system for market stability from 2021 onwards, as well as a new governance system to achieve energy policies, based on national plans prepared by the MS. A preliminary analysis of these proposals shows overall positive impacts, although there are still many uncertainties, namely about the ETS restructuring, the renewables' support schemes and the renewables' goals, given the absence of binding national targets.

In April 2014, the EC published the document that defines the rules for the granting of State aid regarding environmental protection and energy: "Environmental and energy aid guidelines for 2014-2020" (EEAG). These guidelines came into effect on July 1st, 2014, with the most relevant topics for EDP's activities being renewables and capacity compensation mechanisms. In what concerns the renewables' support, EEAG determined a progressive integration of renewables in the market. From 2016, all new renewable remuneration mechanisms imply the need to sell energy directly in the market (including taking responsibility for deviations), and it will be possible to receive an additional premium on market price. From 2017, the premium should be determined solely through a competitive process opened to all technologies (for example, an auction). With regard to the capacity remuneration mechanisms, EEAG determine that they can be adopted only as a last resort and MS should be able to clearly demonstrate the reasons why the market is unable to guarantee security of supply. With the demonstrated need for capacity mechanisms, these should be competitive, opened (including to other MS), transparent and non-discriminatory, properly encouraging new and existing generation capacity, as well as alternative technologies (demand-side response and storage technologies).

Following detailed investigations on state aid, in July 2014, the EC established that the contracts for difference for renewables and the capacity market, recently adopted in the UK, are in accordance with the competition rules. In October 2014 the EC also settled that the contract for differences established with EDF to build a nuclear power plant in the UK complies with the rules of state aid. The favorable results of these investigations are an important milestone in recognizing the need for structural reorganisation in the electricity market design, essential to attract the necessary investment in low-carbon technologies, generally characterized by a strong fixed cost component and very low variable costs or even virtually zero.

TOWARDS A NEW MARKET DESIGN

As noted above, the developments towards a low carbon economy leads to a sector increasingly based in fixed costs. Not only investment in low-carbon technologies are capital intensive (such as renewable and nuclear) but also the management of renewable intermittency is achieved through storage, interconnections and under-utilisation of thermal power backup, that is, a structure of mostly fixed costs.

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

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

Current marginalist energy-only market design does not ensure economic-financial sustainability for low-carbon technologies with high fixed costs

Recognizing this conditions, many European countries are introducing or considering the adoption of capacity remuneration mechanisms and/or fixed remuneration (such as tariffs and contracts for difference), to complement their energy markets. Although there is a general overcapacity in Europe and, in particular, in the Iberian Peninsula, it is crucial to ensure a positive environment that promotes the necessary investments in the medium term and prevent the closure of unprofitable plants in the current model, though essential for security of supply.

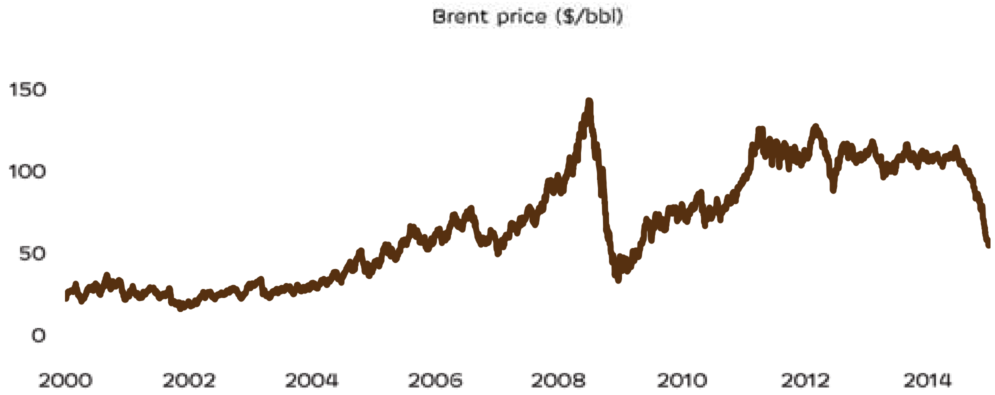
Therefore, it is critical re-designing existing European markets towards a total cost market.

FUEL AND CO_2

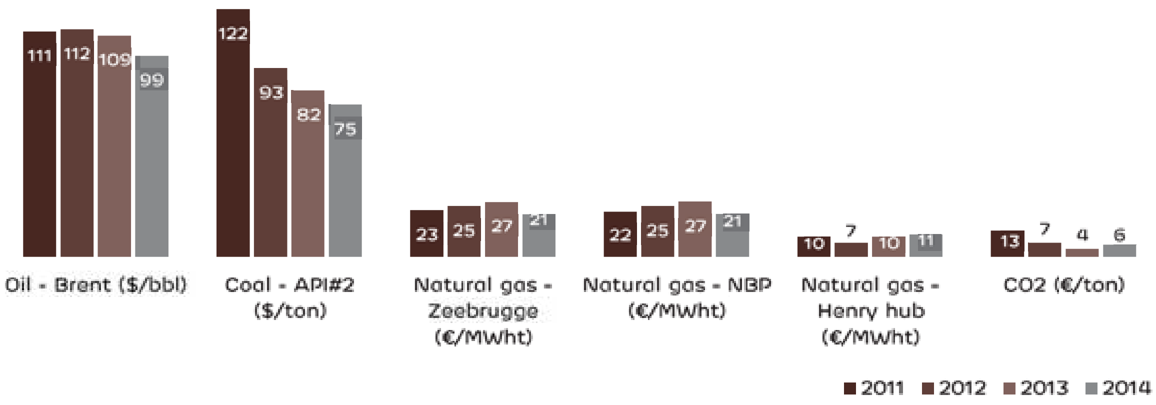
2014 was clearly impacted by a **stiff drop in oil prices** since mid-year. With effect, up until June 2014, Brent prices were around $110/bbl, value around which it has been fluctuating since 2011. The year closed with prices of around $55/bbl, ie, down to half of the mid-2014 value.

The relatively high prices recorded by mid-2014 were primarily the result of two effects: i) strong demand, particularly driven by countries such as China and ii) restrictions in generation capacity caused by conflicts in countries such as Iraq and Libya. The high prices established conditions to make unconventional oil holdings in the US and Canada (only the US added 4 million barrels/day to world supply since 2008, which is a very significant amount given that its production was about 5 million barrels/day in 2008) economically viable. More recently, the growth of oil consumption was slowing down and countries like Iraq and Libya increased their generation. With all this, the conditions for excess capacity in the market were created, thus pushing prices down.

Following the decrease in oil prices, it was expected that the Organization of the Petroleum Exporting Countries (OPEC) would cut the production, as a reaction. However, that's not what happened. OPEC decided to maintain production levels with the expectation that the falling prices cool down the oil boom in North America. Given this decision, prices continued to fall, reaching values already below $50/bbl in January 2015.



Fuel and CO_2 annual average prices



Contrary to what happens with oil price, **natural gas price** continues to be dictated by regional markets. Thus, 2014 saw a fall of gas price in European markets and a slight rise in the US index. Still, in 2014, the gas price in the US was almost half the price in Europe. The price of these markets is largely determined by regional dynamics between supply and demand, the latter being strongly influenced by winter temperatures and consequent heating needs.

Coal price fell 9% in Europe, during 2014, registering an average value of $75/ton. This fall was largely influenced by the strong ruble devaluation. The Russian currency depreciated by 50% over 2014 as a result of sanctions imposed by Western countries due to conflict in Ukraine and influenced by the decrease in oil prices. In late 2014, the price of the European Index API#2 recorded values below $60/ton, with the futures' market pointing to prices around this value by 2017.

For the **CO_2 price** in the European market (EU-ETS, Emission Trading System), it significantly increased 50% in 2014, compared to 2013. However, the observed average value of €6/ton remains low, a result of the structural surplus of allowances mainly due to the drop in demand as a result of the economic crisis. Despite the backloading process (removal of 900Mton from the volume to be auctioned in 2014-2016 to re-enter the auction for 2019-2020) has started in March 2014, the impact on price was insufficient to cause the reversal of order of merit between coal and gas in most European electricity markets.

IBERIAN ELECTRICITY AND GAS MARKET

ELECTRICITY

In 2014, the decrease in electricity consumption remained in most European markets, as a result of energy efficiency improvements and reduction in energy intensity, as well as influenced by mild temperatures, both in winter and summer. The drop registered in the Iberian Peninsula was, specifically:

- **-0.7%** : smooth decrease in **Portugal**
- **-1.2% :** consumption continues to decrease in **Spain**

Correcting for temperature and working days effects, the consumption in the Iberian Peninsula was practically stagnated in comparison with 2013 (0.0% in Portugal and -0.2% in Spain).

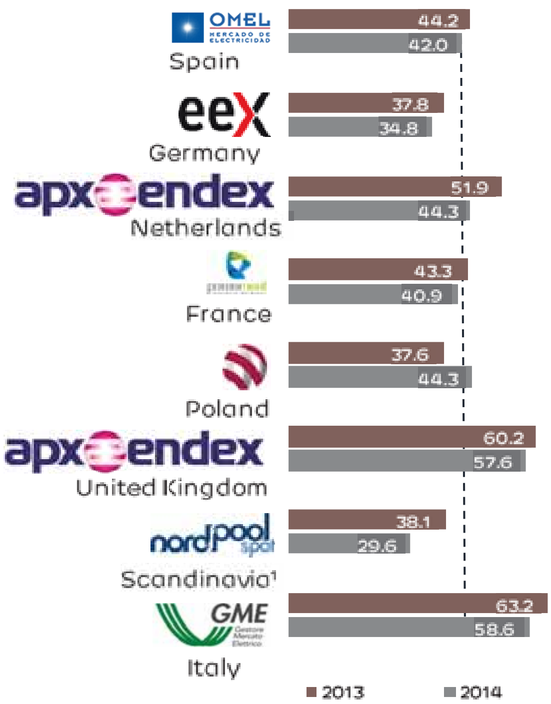
Although 2013 was a wet year, 2014 registered even higher HPI (hydro production index). In Portugal, HPI was 1.27 and 1.20 in Spain. WPI (wind production index) was also above average (1.11 in Portugal). On the other hand, cogeneration generation reduced both in Portugal and Spain, mainly following the closing of generation installations, resulting from the reduction applied in this units' remuneration.

As a consequence of the evolution in consumption in special regime generation (SRP), the residual thermal demand remained almost unchanged in 2014 (facing 2013). There was an increase in the coal operating regime, over natural gas (on average, Iberian CCGT worked less 800 equivalent hours in 2014). This dynamic reflects the clear competitiveness that coal generation still has over natural gas, resulting from fuel prices and low CO_2 prices, defeating the purpose of decarbonisation of the sector.

Reflecting the fall in fuel prices and the increased renewables' generation, prices of wholesale electricity markets in Europe showed a general decline, compared to 2013. In particular, in the Iberian market (MIBEL), prices went down to €42/MWh. These prices were enough to sustain positive margins in coal power plants, while CCGT kept negative margins. CCGT remuneration came mainly from sales in markets complementary to the daily market and the capacity payments, in Spain.

The wholesale electricity markets in Europe showed a general decline in 2014, compared to 2013.

Wholesale power prices in European markets
€/MWh

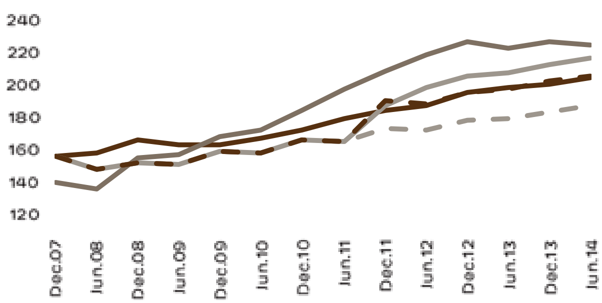


[1] In Nordpool, about 75% of electricity generation is hydro and nuclear
Source: Reuters; agents

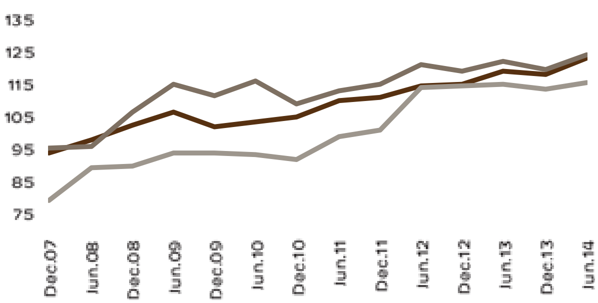
Regarding the supply, there has been a growing liberalisation in the sector. By the end of 2014, the liberalised market represented 78% of the total electricity supply in Portugal and 85% in Spain.

The final selling prices for domestic clients remain above EU average, both in Portugal and in Spain, being this true after the VAT increase in October of 2011 from 6% to 23% in Portugal. If VAT in Portugal was equal to the average value of this tax applied in the EU countries, electricity prices in Portugal would be in line with the European average. For industrial customers, prices in Portugal have remained below the EU average, while prices in Spain are slightly above average.

Electricity prices for domestic customers[1] (€/MWh)



Electricity prices for industrial customers[2] (€/MWh)



UE28 | Spain | Portugal | PT w/o VAT increas | PT w/ average UE28 VAT

Source: Eurostat
[1] Prices for Dc range (annual consumption between 2,500 and 5,000kWh), including all taxes.
[2] Prices for Ic range (annual consumption between 500 and 2,000MWh), excluding VAT and other recovered taxes.

NATURAL GAS

Consumption of natural gas is typically divided into two main uses: conventional consumption (domestic and industrial consumption, which includes cogeneration units) and the electricity sector consumption. In 2014, consumption of electricity sector represented less than 16% of total consumption (17% in Spain and 7% in Portugal).

In 2014, natural gas consumption decreased in both uses: conventional (-6.2% in Portugal and -9.8% in Spain), as a result of the fall of cogeneration units and mild temperatures, and the use of the electricity sector (-5.5% in

Portugal and -8.8% in Spain), related to the loss of competitiveness of natural gas compared to coal. Overall, the fall in natural gas demand in the Iberian Peninsula was:

- **-6.1% :** continued decrease in consumption in **Portugal**
- **-9.6% :** continued decrease in consumption in **Spain**

This drop in demand led to a need to turn into international markets of high volumes of natural gas contracted, and the market demonstrated a strong flexibility to manage disruptions in demand.

REGULATION

PORTUGAL

Under the financial adjustment programme, the Portuguese Government has launched a series of regulatory packages affecting the energy sector since 2012, with an estimated impact in the energetic sector of approximately €3/€3.5 billion, during the period of the financial adjustment programme. In 2014, was first applied the extraordinary contribution to the energy sector (CESE) and will remain in 2015. CESE is translated in a 0.85% tax on the electricity, oil and natural gas sectors' fixed tangible and intangible assets, representing a revenue of about €150 million, which is assigned to the Fund for Systemic Sustainability of the Energy Sector (FSSSE), created in 2014. Two-thirds of the FSSSE until the limit of €100 million, will be used to finance the social and environmental policies from energy sector, related with energy efficiency measures. The remaining will be used for the reduction of the tariff deficit of the National Electricity System.

Throughout 2014 was in progress the Green Tax Reform (GTR), which culminated in the publication of the law of GTR on the last day of the year. Overall, the GTR will generate a revenue of about €150 million in 2015, which will be canalized to fund the relief of tax personal income. The main measures that will contribute to tax revenue are: i) creation of a CO_2 tax applied to transport and indexed to ETS prices (€95 million), ii) introduction of 8 cents plus VAT tax per plastic bag lightweight (€40 million) and iii) increase on vehicles tax according to CO_2 emissions (€28 million).

In 2014, were also published several laws related to the sector's activities, including on the over-equipment of wind farms, electric mobility and distributed energy. In October, the government also approved extending the scope of eligibility for social electricity tariff for application from 1/1/2015, which will cover 500,000 consumers. The costs will be borne by the producers in the ordinary regime.

SPAIN

The Spanish government announced a number of regulatory changes in order to reduce the tariff deficit, following the reform started in July 2013 by RDL 9/2013 and in December 2013 with the new Law 24/2013 of the Electricity Sector. Regulatory reform remained ongoing throughout 2014 with the publication of several measures, of which highlights the approval of RD 413/2014, introducing a change in the remuneration of renewable installations, cogeneration and waste, which led to a substantial reduction of system costs. There are still some measures for capacity payments pending to be published (according to the Energy Planning Report 2015-2020 published in December, the Ministry of Industry foresee the hibernation of 6,000MW CCGT), marketing and extra-peninsular.

In March 2014 was approved a new methodology for determining the price to be applied to small clients that choose to continue in the regulated market. Starting in 01/04/2014, this new methodology replaced the previous tariff of Last Resort and eliminates the CESUR auctions to keep the energy costs included in the regulated tariffs. This new system indexes the price to the small clients to the pool price. The CNMC proposes that clients be charged based on real time measurements from 01/04/2015.

In June 2014, the Spanish Government announced the creation of the National Fund for Energy Efficiency, endowed with €350 million per year. With this fund, Spain aims to achieve a reduction of 11.3Mtep in consumption by 2020 (vs. 16Mtep a reduction consumption goal set to Spain). From the reduction, 6.4Mtep shall be assumed by suppliers, who are required an annual contribution (€100 million in 2014), while not implemented a mechanism of white certificates.

At the end of the year, took place the first auction of interruptible industrial customers. In November and December were contracted, respectively, 2,000MW and 1,020MW of interruptible capacity with a total cost to the system of €500 million, to be passed by all demand (~ €2/MWh additional cost for supply).

In December the rule allowing utilities to transfer the tariff deficit of 2013 was published, with which the companies complete all the securitisation process of tariff deficit previous to 2014. Also in December, was admitted in the Congress a draft law amending the Law of Hydrocarbons from which stands out the creation of the Organised Gas Market Operator entity.

2.1.3.2. EDP RENOVÁVEIS' MARKETS

EUROPE

Europe was a first mover and was the first region to see a real take-off in wind additions and share of wind output in total power mix. In 2014 renewable power installations accounted for 21GW (or 79%) of new power capacity installations of 27GW, according to EWEA. With nearly 12GW of new capacity, wind accounted for 44% of new installations, totaling a cumulative installed capacity of 120GW. About 7% of the power produced is now derived from wind energy. This has mostly been achieved through suitable remuneration schemes and the main reason for putting in place such incentives was originally a political push mainly motivated by environmental concerns.

According to the European Renewable Energy Council, the EU is in line with its 2020 targets, but the situation varies for each country. Italy and Romania are expected to meet their targets while France, Poland and Spain are expected to lag behind.

The regulatory push has been a success from the perspective of wind development and penetration. However, in the context of a worldwide recession, which triggered an increasing focus on costs efficiency and competitiveness we have seen as a consequence some remuneration schemes reduced over the recent years. This reorientation and rationalisation of renewables support is likely to restrain wind development in Europe.

In **Spain**, following the new remuneration framework introduced in 2013, standard remunerations were defined following the definition of typified parameters, published in February 2014, which classified all possible wind farms by their year of first operation. In order to calculate the standard remuneration, the regulation takes into account the revenues that were generated in the past and estimate the premium that is necessary to achieve a 7.4% return pre-tax, throughout the whole regulatory life of the wind farms. The standard parameters that define this remuneration can be modified every three years.

In **France**, the government began to prepare a new comprehensive law in 2014 meant to completely reshape the energy sector. The Government is considering moving from current fixed feed-in tariff scheme to a more market-oriented scheme. The draft establishes a system whereby generators could receive a premium support payment on top of the market price for electricity (Contract for Difference type scheme as in UK). However, the implementation of this new support system will require consultations by the ministry and the process is unlikely to produce quick results.

In **Italy** an auction system based on capacity quotas has been established. A third tender for onshore wind received applications for 1.3GW with only 365MW awarded, meeting the available capacity but leaving potential wind power in an indeterminate state. There is uncertainty on future development as current regulation does not foresees additional tenders and the cap on support set by law in 2012 for non-photovoltaic renewable energy sources is close to be met.

In **Poland**, the green certificates (GC) market is presently oversupplied with an excess of around 5 TWh of GCs in the market. In this context, GC price has departed from the level of penalties and prices are falling. To prevent this, there is a new draft of the Renewable Energy Sources Act developing a complete change of the present support system based in Green Certificates towards a centralised tendering scheme for new renewable energy. Under the proposed new remuneration scheme operating renewable installations would be entitled to choose between the current Green Certificate system and participation in tenders. This new bill is expected to come into force in 2017.

In **Romania**, it was published the new GC quota for 2014 of 11.1% and for 2015 of 11.9%. The proposed new quotas are well below the original values included in the previous version of Romanian Renewable Energy Sources Law and currently there is no visibility on whether the quota will exist for 2016 onwards. The aim of the quota reduction may be to reduce the amount of investment in renewables after some years of fast growth. Assuming that a similar reduction is done in the quota in the upcoming years and provided that the quota would have to be recalculated every year the likelihood of a permanent oversupply and very few annual installations is high.

In **U.K.** during 2014 the Electricity Market Reform came into effect, introducing the Contract for Difference (CfD) mechanism. The first contract for difference allocation round was announced and the allocation framework was disclosed. The first allocation round was expected for October but delayed until February 2015 due to third party appeals. The budget for this round is £155 million in 2016/17 and £235 million until 2020/21 for "less established technologies" (among which offshore wind is included). The Department of Energy & Climate Change (DECC) has also indicated that it intends to hold the second allocation round in October 2015. The size of this budget has raised concerns that many offshore projects may not be able to secure funding.

Overall, Europe should continue to grow consistently, even if at a slower pace. Improving wind economics and still stimulating green targets partially offset a less substantial regulatory support.

The focus has now shifted to growth at reasonable cost from a system cost competitiveness perspective, with also a reintroduced emphasis on security of supply, aiming to combine: i) cost competitiveness and affordability; ii) reliability and security of supply; iii) energy efficiency and ambitious green targets.

Wind power will remain a key technology in reaching these goals. About 95 GW of installed capacity additions are needed up to 2020, representing nearly 50% of total global capacity additions ex Asia-Pacific, and this justifies Europe should remain a core market for wind.

AMERICA

Growth in the US is expected to be 6.5GW per year until 2017. This increase will come from the need to meet environmental (RPS) targets and wind energy competitiveness. Incentives as production tax credits (PTCs) and the prevalence of long-term bilateral power purchase agreements (PPAs) also play a key role.

The US administration has also recently (June 2014) demonstrated increased disposition to establish climate change policies, such as the Clean Power Plan by the US Environmental Protection Agency (EPA), a plan to help cut carbon pollution from the power sector by 30% by 2030 (against 2005 levels). Power plants are responsible for about one-third of all US greenhouse gas emissions. This plan implies greater reliance on gas, but also on alternative energy sources and especially wind.

US Congress has recently approved, in the mid of December 2014, a one-year tax extension of the federal production tax credits for wind power through the end of 2014. PTCs are currently crucial, but their relative importance is likely set to decrease over time. The economics of wind power in the US are rapidly improving, needing lower PPA prices, to the point where wind is competitive on its own in some areas against other traditional technologies, on a 'new-build' basis. The various RPS and other environmental goals will still represent a substantial incentive, PTCs notwithstanding.

Demand growth in the U.S. market could also be motivated by other existing forces, such as the planned coal capacity retirements. Approximately 42 GW of coal capacity has been announced to retire through 2020 of which we expect wind to absorb a significant share in the replacement of such retirements. Furthermore, renewable energy generation becomes more competitive as a direct result from coal retirement.

Regarding RPS targets in place to encourage renewable energy demand, we estimate 22 GW of wind will need to be added until 2020 in order to fulfil compliance with targets already established.

Brazil and **Mexico** are the main emerging wind hubs in the Latin America. The regulation and remuneration of wind energy is a diverse mix of national schemes.

In **Brazil**, regulation initially focused on the PROINFA framework, established in 2002, which set a target in terms of capacity additions. The policy then evolved to embrace competitive but regulated auctions, with long-term PPAs reserved for wind only. Some preferential financing is provided by Brazilian development agencies and tariff incentives are put in place for some end-users to contract wind energy directly. Since 2009, new laws, including incentives for the establishment of local supply chains, gradually allowed wind to compete against other technologies, including thermal, through regulated auctions. The winning projects secure long-term PPAs with distribution companies. This new round of regulation is widely credited with being responsible for the recent take-off in Brazilian wind.

In **Mexico** there are no large-scale incentives or feed-in tariffs, but some tax incentives such as the assets being allowed to be fully depreciated in their first year of operation. The current system is similar to the U.S. framework, and relies on bilateral PPAs, typically over 15-20 years. At the end of 2013, the authorities of the country started a reform process to end the historical power monopoly and move closer to a liberalised energy market. This is also an opportunity for a new framework for wind remuneration, along with other needed reforms. Actually, the government now targets 10 GW to be installed by 2022 and 2GW additions per year.

2.1.3.3. ELECTRICITY MARKET IN BRAZIL

Unfavorable energetic scenario: hydrology and low reservoir levels

Electricity market in Brazil was a reflection of the country's poor economic dynamics. In 2014, total electricity consumption reached 473,395GWh, 2.2% above 2013's mark. Industrial sector (178,055GWh) fell by 3.6%, reflecting the crisis effect on commercial partners, the fall in the commodities prices and by a restrictive monetary policy that aims to contain inflation rate. On the other hand residential and commercial consumption rose 5.7% and 7.3%, respectively.

2014 was a challenging year, strongly impacted by low hydro. Drought worsened and hydro plants reservoir levels reached the worst index since the 2001' rationing. Hydro reservoirs in the Southeast and Center-west regions, that account for 70% of the country's installed capacity, reached 19% by the end of the year, 13% lower than the value registered in 2001. Low hydro levels and insufficient rainfall keep translating into strong thermal dispatch and high electricity spot prices, which peaked to a record R$822.83/MWh.

REGULATORY SCENARIO

During 2014, the Brazilian regulatory framework continued to suffer the consequences of Provisory Measure n. 579/2012, that established an average 20% reduction of the electricity tariffs in all Brazilian states and the extension of concessions that ended between 2015 and 2017.

This set of circumstances, prompted a response from the government that in 7th of March 2014 published *Decreto* nº 8.203/2014, that authorizes the use of financial resources from *Conta de Desenvolvimento Energético (CDE)* to face the payment of costs from the exposure to the short term market in “Câmara de Comercialização de Energia Elétrica – CCEE” in January 2014. The government also announced in the 13th of March 2014, support measures to the national electric sector: additional financial contribution from National treasury to CDE reaching 4 billion brasilian real and the execution of an “old energy” auction in April, on energy to be delivered starting May.

Further, in the 1st of April 2014, *Decreto* 8.221/2014 empowered CCEE to create and manage *Conta no Ambiente de Contratação Regulada - CONTA-ACR*, designed to cover, during 2014, costs that exceed tariff coverage relating: i) short positions ii) charges of thermal dispatch.

On the 25th of April 2014 CCEE closed the financing deals for R$11.2 billion for Conta-ACR. In August there was the need to close a new financing deal for an extra R$6.5 billion. Funds in Conta-ACR showed insufficient to face the accounting of November and December deficits, forcing ANEEL to delay the payment while it fetches new funding. This pack of measures weren’t enough to avoid a distress situation in Distribution Companies cash-flow.

In May 2014, ANEEL established that the exceeding financial resources in *Conta de Energia de Reserva – CONER,(Resolução Normativa* nº 613/2014), would be delivered to the distribution companies with the purpose of reducing the impact of tariff deficit. CONER is a specific account managed by the CCEE for performing operations associated with hiring and usage of reserve energy. The charge is paid by free market and residential customers and finances the production of energy from wind, biomass and small hydro plants (PCH’s). The energy reserve is hired by auction price, but is settled by the spot market price (PLD). When PLD is low, the consumer has to pay the difference, but when the PLD is high, the consumer gets a credit that is passed by the distributor through the tariff.

Taking into account the new paradigm of the electricity sector and the fact that the PLD has remained at high levels, ANEEL initiated public hearings and in November 2014 approved new energy prices in the spot market (PLD) for the year 2015, reducing by 53% the ceiling cost of electricity, which will go down from the current R$822.83/MWh to R$388.48/MWh, whilst the minimum price was increased from R$15.62/MWh to R$30.26/MWh.

In January 2015, Bandeiras tarifárias started to be applied as defined in *Resolução Normativa* nº. 547/13 da ANEEL. Electricity bill will be invoiced according to a system in which the green, yellow and red flags will indicate whether the energy will cost more or less, due to the power generation conditions. The attribution of each flag is signaled monthly by ANEEL, according to information provided by the *Operador Nacional do Sistema* (ONS), the power generation capacity of the country. Every month, based on ONS information, ANEEL will establish the *Bandeiras tarifárias* for the next month.

2.2. STRATEGIC AGENDA

FULFILMENT OF STRATEGIC PRIORITIES

The strategic architecture adopted by EDP in 2006 is based in three pillars – **controlled risk, superior efficiency and focused growth** – and has proven to be adequate considering the changing business environment, especially in what concerns the European Utilities sector. In 2012, EDP presented its Business Plan for 2012-2015, which is focused on cash-flow generation and on the creation of new growth opportunities, determining then the following priorities for the period of 2012-2015:

- Proactive management of the legal/regulatory agenda, keeping EDP's unique low risk business profile;
- Competitive refinancing and accelerated deleveraging ensuring the increase of cash-flow generation;
- Focus on opex and capex efficiency creating sustained long-term growth opportunities;
- Growth oriented to value creation, ensuring a stable and attractive shareholders' return;
- Successful execution of the strategic partnership established with China Three Gorges (CTG).

2014 was profitable in the fulfilment of these priorities.

The **management of the legal/regulatory agenda** has been a top priority for EDP. In Iberia, the focus has been in the measures proposed by regulators on both sides of the borders to fight the tariff deficit and in the fiscal changes in Portugal. EDP has assumed a proactive position, contributing to solutions that aim the system's sustainability. In Brazil, EDP has followed attentively the search for regulatory solutions that allow the regular electricity distribution activity's development, in a context of high purchase prices as a result of the unfavourable hydrological regime in the last three years. The regulatory impacts in Iberia, the volatility in energy purchase prices in Brazil resulting from low hydrology and the Brazilian Real depreciation in the last three years have been penalizing the earnings' growth, which stand below the goals defined on May 2012. Nevertheless, EDP maintains a clearly distinctive low risk profile, which has enabled to mitigate the previous negative impacts, expressed both in the weight of 89% of regulated activities in 2014, higher than the Business Plan target (85%) and in the 70% of renewable installed capacity, in line of the 2015's target.

In the **competitive refinancing and accelerated deleveraging** some decisive steps were taken during 2014, even though the target of Adjusted Net Debt/EBITDA of 3.0x is now more difficult to achieve, mainly due to the regulatory and fiscal impacts already mentioned. Investment in 2014 fell to €1.8 billion in line with 2013 market announcement, when adjusted of an "asset rotation" operation of EDP Renováveis signed in 2014 but expected to be concluded in early 2015. As for the execution of the strategic partnership with CTG, of the €2 billion, until the end of 2014 were already agreed about €1.2 billion. Additionally it was concluded in 2013 the sale of the gas transmission business in Spain in the amount of €0.2 billion and it was agreed in 2014 the sale of gas distribution assets held by the EDP Group in Murcia and in other regions of Spain, which are not contiguous to existing operations. In 2014, it was also concluded the sale of the tariff deficit in Portugal in an amount higher than €1.2 billion, €0.5 billion above initial targets. This deleveraging effort has been recognized by the rating agencies, which have reflected in their latest EDP's rating reviews, in 2015, the expectation of reduction of its financial risk profile which justified the upgrade to investment grade by two of the agencies.

In a period of great uncertainty, the **focus on the Opex and Capex efficiency** has **been a constant**, attested by the successfully anticipation of OPEX III efficiency program results, which allowed EDP to exceed, in 2014, the €130 million of savings that were estimated for 2015. Regarding the investment, there was a significant effort to reduce the value invested in relation to EBITDA, explicitly with a ratio of about 56% in the last three years and converging with the defined goal to the 2012-2015 average of 50%. The savings verified by the centralised procurement of EDP Group had also a decisive contribution (€123 million in 2014).

In terms of **growth oriented to value creation**, and regarding the development of the hydro plan in Portugal, after entry into service in 2011/12 of the repowerings of Alqueva, Picote and Bemposta, remain the ongoing construction work for 5 new hydroelectric projects: Baixo Sabor and Ribeiradio/Ermida new power plants, in the final stage of construction, with a total of 254MW and entry into service projected for the first half of 2015; the last two repowerings - Venda Nova III and Salamonde II – with conclusion expected until the end of 2015 and a total installed capacity higher than 950MW; and Foz-Tua new power plant, with 263MW of installed capacity, to be installed until 2016. At EDP Renováveis level, during 2014 were installed 439MW of wind capacity and 32MW of solar capacity, the majority of this growth occurring in the United States of America (299MW of wind and the first 30MW of solar). Additionally in North America, it is worth noting EDP Renováveis entry into Mexico. In Brazil, highlight to the anticipation of the operational start-up of Jarí hydroelectric power plant (373MW, 50% EDP), having its first generation unit initiated the operational start up in September and the second one in November, three and a half months and one and a half months before foreseen, respectively. Also in Brazil, it remains the construction works of the hydroelectric power plants of Cachoeira Caldeirão (219MW, 50% EDP) and São Manoel (700MW, 33% EDP), with entry into service estimated to 2017 and 2018, respectively. In achieving the goal of creating growth opportunities, during 2014 EDP signed long-term energy sale contracts matching 350MW in wind projects in the USA and 180MW in Mexico, and was awarded with 1,000 MW of wind offshore capacity in France to the partnership in which EDP Renováveis holds a non-controlling shareholding position.

In 2014, in what concerns the shareholders' return, EDP has complied with its dividend distribution policy having distributed a unitary dividend of €0.185. Furthermore, EDP's share price has increased by 21% in 2014. Considering the dividend paid, the total shareholder's return in 2014 reached 27%, 8 p.p. above the *Euro Stoxx Utilities Index* and more than 50 p.p. above PSI20.

2014 saw important steps towards the execution of the strategic partnership with CTG

The **execution of the strategic partnership with CTG** has also been a management priority, most notably in 2014 the following facts:

- Conclusion of the sale of a 50% stake in the companies holding the rights to develop the Cachoeira Caldeirão and Jarí hydroelectric power plants, in Brazil;
- Conclusion of the sale of a 33.3% stake in the company holding the rights to develop the São Manoel hydroelectric power plant, in Brazil;
- Agreement to sell an equity shareholding of 49% in both operational and under development wind farms in Brazil;
- Sale of a 50% stake in EDP's subsidiary "EDP Ásia – Investimento e Consultoria, Limitada", that holds a 21.2% stake of "Companhia de Electricidade de Macau – CEM, SA";
- Creation of a research center for new energy technologies, aiming at strengthening the capabilities of both companies and deepen the joint pursue of new business opportunities.

STRATEGIC AGENDA FOR 2014-2017

In 2014, at the Investors Day held in May, EDP presented its new Business Plan until 2017, based on the commitment of balance between growth and financial deleverage, preserving the low risk and the focus in efficiency and in the delivery of attractive returns.

EDP's **growth commitment** is consolidated in an expectation of EBITDA and Net Income increase of about 5% per year until 2017 (based in the 2014 forecast presented in Investors Day). This expectation is based, on the one hand, in the execution of the current hydro investment plan, and on the other, in the creation of growth opportunities both at EDP Renováveis level, where wind and solar technologies prevail, and at the selective analysis of international expansion optionalities.

Thus, installed capacity is expected to grow by 18% comparing to 2013, totalling in 2017 about 26.7GW (including equity method consolidation capacity), of which at least 75% will arise from renewable sources. The entry into service of 2.8GW of hydro capacity (of which 1.5GW in Portugal and 1.3GW in Brazil) and the consolidation in EDP Renováveis scope, from 2015 onwards, of 534MW of wind capacity related to ENEOP, will contribute to this growth.

The **financial deleveraging** effort will remain unchanged, with a target of an Adjusted Net Debt/EBITDA of 3.0x in 2017. This commitment will be achieved through the thorough control of the investments paired with the execution of the partnership with CTG and the asset rotation policy to be implemented by EDP Renováveis.

The diversification in terms of markets and regulatory environments, seeking whenever possible to ensure long term energy sale contracts, will allow EDP to maintain its renowned **low risk profile**, namely being one of the most regulated names amongst integrated european utilities with a weight of EBITDA from its regulated activities above 70% of total EBITDA.

The global external recognition of EDP's sustainable practices also contributes to this profile, and this objective is reflected in EDP's strategic agenda, which integrates several goals around the three pillars of sustainability – environmental dimension, economical dimension and social dimension.

The maintenance of a leading position in **efficiency** is also a commitment of the Business Plan, which contemplates the extension of the savings of Opex III efficiency program to €180 million per year by 2017, allowing EDP to reduce the OPEX/Gross Profit ratio to 26% in 2017.

Lastly, in what concerns the **shareholder's return**, EDP commits to the maintenance of a €0.185 dividend per share per year as a floor, targeting a payout ratio in the 55%-65% range of the recurrent net profit.

GOALS

Balancing growth & financial deleverage
Maintaining controlled risk & attractive returns

STRATEGIC AGENDA

Continue to grow	Financial Deleveraging	Low risk profile	Improve Efficiency	Attractive returns

TARGETS

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

(1) Adjusted for Regulatory Receivables

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

2.3. GOALS AND TARGETS

Objectives	Goals	Date	Status	Observations
1. ECONOMIC AND SOCIAL VALUE				
To focus on growth maintaining the financial deleveraging	EBITDA Average Annual Growth Rate: ~5% per year *	2014-2017	NEW	
	Net Profit Average Annual Growth Rate: ~5% per year *	2014-2017	NEW	
	Installed capacity of 26,7 GW **	2017	NEW	
	Average Annual Net Investments of ~€1.6bn per year	2014-2015	NEW	
	Average Annual Net Investments of ~€1.2bn per year	2016-2017	NEW	
	Adjusted Net Debt/EBITDA: ~3.0x	2017	NEW	
To preserve a low risk business profile	Regulated & LT Contracted EBITDA > 70% of total EBITDA	2017	NEW	
	Renewable installed capacity > 75% of total installed capacity	2017	NEW	
To promote internal efficiency	OPEX III cost savings of €180M/year by 2017	2017	NEW	
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		€0.185 per share payed
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		Page 86
To strenghten an appropriate environmental management of EDP's activities	Achieve 100% of certified installed capacity according to ISO 14001	2020	NEW	Page 71
To contribute actively to the preservation of the environment and biodiversity	Globally extend environmental externalities evaluation	2017	NEW	
3. INNOVATION				
To promote competitiveness and productivity through innovation	Maintain a financing budget of €20M/year for Research & Development projects	2017	NEW	
	Extend Inovgrid project to more 100 thousand clients in seven new places in Portugal	2015		Page 73
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		Page 22
	Identify and assess ethical risks of EDP Group	2014		Page 80
	Exceed 80 points in the corporate index Ethicis	2020	NEW	
Extend Sustainability to the supply chain	Develop new supply chain Indicators and comply with G4	2015	NEW	
5. TRANSPARENCY AND DIALOGUE				
To report transparently and ensure an open and trusting relationship with stakeholders	Set up an external Stakeholders Board, as an advisory corporate board, to support EDP's strategy	2014		Page 91
	Complete the report of GHG emissions, scope 3	2015		Page 85
	Report in accordance to the new Global Reporting Initiative Standards - G4	2015		Page 26
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		Page 96
To implement an action plan for the Diversity Policy	Between 10 and 15 initiatives	2015		Page 95
Extend EDP's training model to the Group	Implement EDP's University in Brazil	2014		Page 93
To keep a high level of employee satisfaction	Maintain employees' Global Satisfaction above 80%	2013-2015		Page 92
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	NEW	
	Ensure that ICEIT and DEC are above the levels set by Regulators	2014-2015		Page 74
8. SOCIAL DEVELOPMENT AND CITIZENSHIP				
To enhance a close relationship between the company and the society	Guarantee an allocated budget to "Fundação EDP" up to 0.1% of the Group's turnover	2012-2015		Annual goal, approved by the General Assembly
	Increase the number of volunteering partnerships by 50% until 2015, compared to 2012	2012-2015		Page 106
	Relaunch the Social Stock Exchange, reaching €2.5M and 10 client companies	2015		Page 106

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

2.4. RISK MANAGEMENT

2.4.1. SUMMARY OF KEY RISKS, RESPONSIBLES AND MANAGEMENT STRATEGIES

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

EDP Group's taxonomy of risks

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

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

  In terms of energy market risks, there are significant uncertainties associated with fluctuations in the pool and other commodities prices, volatility of renewable energy production volumes (particularly at hydro level), volatility in energy consumption and narrowing of sales margins. As most plants are covered by medium and long term energy sale contracts, risk is largely mitigated at the pool and fuel price level, in the case of thermal power stations (for example Sines in Portugal), and at the pool price in the case of wind and hydro plants (as well as the risk of renewable's hydro volume in the case of Portugal). In Iberia, the risks associated with plants subject to market risk (pool and commodities price) are monitored and managed by the EDP's Business Unit for Energy Management (UNGE), who are responsible for negotiating contracts for coal, gas and CO_2 allowances and for hedging the fuel price risk (in cooperation with the Financial Management Department). Fluctuations in energy consumption (in addition to impacts of the pool price, cited above) are reflected as a small impact on the permitted revenues of the distribution business (to the extent that this variable is one component – amongst other – of the variable remuneration indices). The Group manages its exposure to the various energy market risks through an active strategy of diversification across multiple technologies, geographies and business lines.

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

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

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

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

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

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

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

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

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

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

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

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

  In terms of strategy risks (internal), EDP Group identifies and actively follows the main issues associated with major corporate decisions (for example associated with investment decisions, relation with partners, internal governance and corporate planning in its various forms). For example, a rigorous process is established for investment decisions, consistent with the Group strategy and with pre-established criteria, which is conducted by the Business Analysis Department, where the analysis, decision and monitoring of the projects is discussed in formal forums (Investment Committees).

2.4.2. PERSPECTIVE ON THE RISKS RELATIVE MATERIALITY AND POTENTIAL EVOLUTION

The Group regularly quantifies its main risks at corporate level, in close coordination with the various Business Units. This quantification contemplates a perspective of average loss and expected maximum loss (95% confidence interval), taking into account estimated probabilities of materialisation and impacts according to multiple scenarios and prospects (2015, 2017 and medium-long term), and performing an aggregation by category of risk that takes into account potential correlations between the various risk natures.

In terms of key messages, we highlight the following:

- **Business risks, in the short term, tend to have a reduced level of maximum loss.** This results from the significant percentage of the production portfolio covered by long term contracts (with remuneration not subject to fluctuations in electricity market prices and hydro volumes) and the regulated distribution portfolio in the various geographies. On the other hand, it should be noted that there is currently a high (cyclical) risk associated with the (reduced) hydro production in Brazil, due to the extreme drought context (already considered the worst drought in over 80 years), which forces power producers to meet their short positions through purchases at high market spot prices.

  In the medium term it is expected that business risks will assume greater prevalence, due to i) the expiry date of the CMEC's mechanism in Portugal (a mechanism that will be finally revised in 2017), ii) the increase in installed capacity of power plants operating in the liberalised market and iii) the potential negative impact of periodic changes to the regulatory models of the distribution business (also impacting at the financial risk level). EDP Group will continue to act proactively in order to manage and mitigate these risks, either through the maintenance of its strategy of diversification (in technological, geographical and by line of business), or through the adoption of hedging mechanisms.

- **The current environment negatively impacts the volume of financial risks** (in terms of maximum loss), mainly due to the cyclical risk related to the downgrade of the rating of the Iberian financial counterparts where the Group applies part of its liquidity, as well as, to a lesser extent, to the Group's own level of debt (favoured by the regulated nature of most of the its businesses, reflected in a low risk profile and consistency in terms of results). The EDP Group believes that the completion of the Financial Assistance Program in Portugal, together with the approval and implementation of measures at national and European level that will strengthen the European financial system, will allow for a gradual recovery of the investment grade classification of the Iberian financial institutions. On the other hand the EDP Group has established, as a strategic priority, the reduction of its leverage and has acted proactively in this regard. For these reasons EDP Group expects that this category of risks will be reduced to levels of materiality lower than the ones in the business category, in a medium-term horizon.

  As for the remaining risks, we highlight the mitigation of risk of exchange rates (essentially limited to EUR-BRL, since the net exposure in USD, CAD and PLN is balanced and a significant proportion of the income denominated in other currencies is pegged to the EUR), inflation (since part of the remuneration of regulated activities and PPA contracts is inflation-linked, but also due to the focus on stable markets) and valuation of financial assets (as a result of a conservative risk policy, with a reduced weight of strategic financial assets and treasury based in short-term bank deposits). On the other hand, it is worth noting that the risk of customer default has structurally weakened in Spain (compared to Portugal), due to the higher weight of the B2B segment, and that in Brazil the risk is mitigated either by existing financial collateral that mitigates the loss or by partial recovery through the regulated tariff.

- **The operational risks have a relevant value of expected loss but lower volatility than the previous risks.** The main areas that contribute to this result are related to i) the projects under development and construction (investment plans at EDP Brazil and EDP Renewables, Hydro Plan in Portugal), ii) operation of physical assets (in terms of incidents as well as operational losses) and iii) risks of a legal/litigation nature.

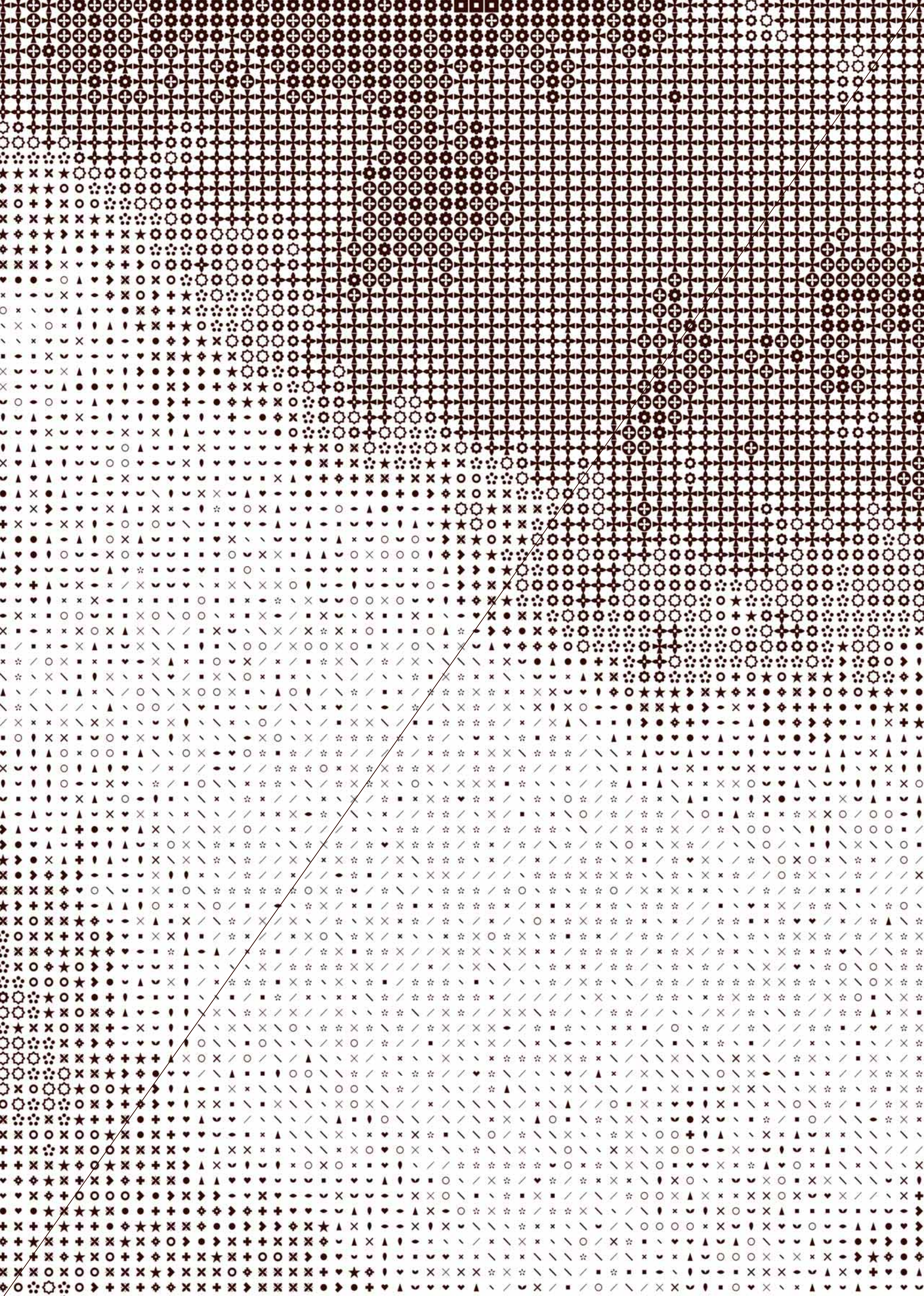
  In addition to the aforementioned management and mitigation measures, it should also be noted that many of these risks, particularly the most frequent and/or of less uncertainty, are in many cases already included in the budgets of the various Business Units, either through specific budget items, budgetary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

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

- **The risks of strategic nature have a relatively small order of magnitude** (@ 95% confidence interval), but can, in extreme cases and in the medium-long term, result in a significant impact to EDP Group if materialised, so the Group will remain attentive to any future developments.

- **Finally, in terms of reputational risk, the Group is in line with the best positioned international peers.** In terms of its definition, EDP Group considers the reputational risk not as a risk in itself, but as one of the dimensions of impact of each of the taxonomy risk factors (business, financial, operational or strategic). Given the diverse nature and multiplicity of causes that can generate reputational impacts, each one of EDP Group's employees has the responsibility to manage and mitigate this same risk.

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



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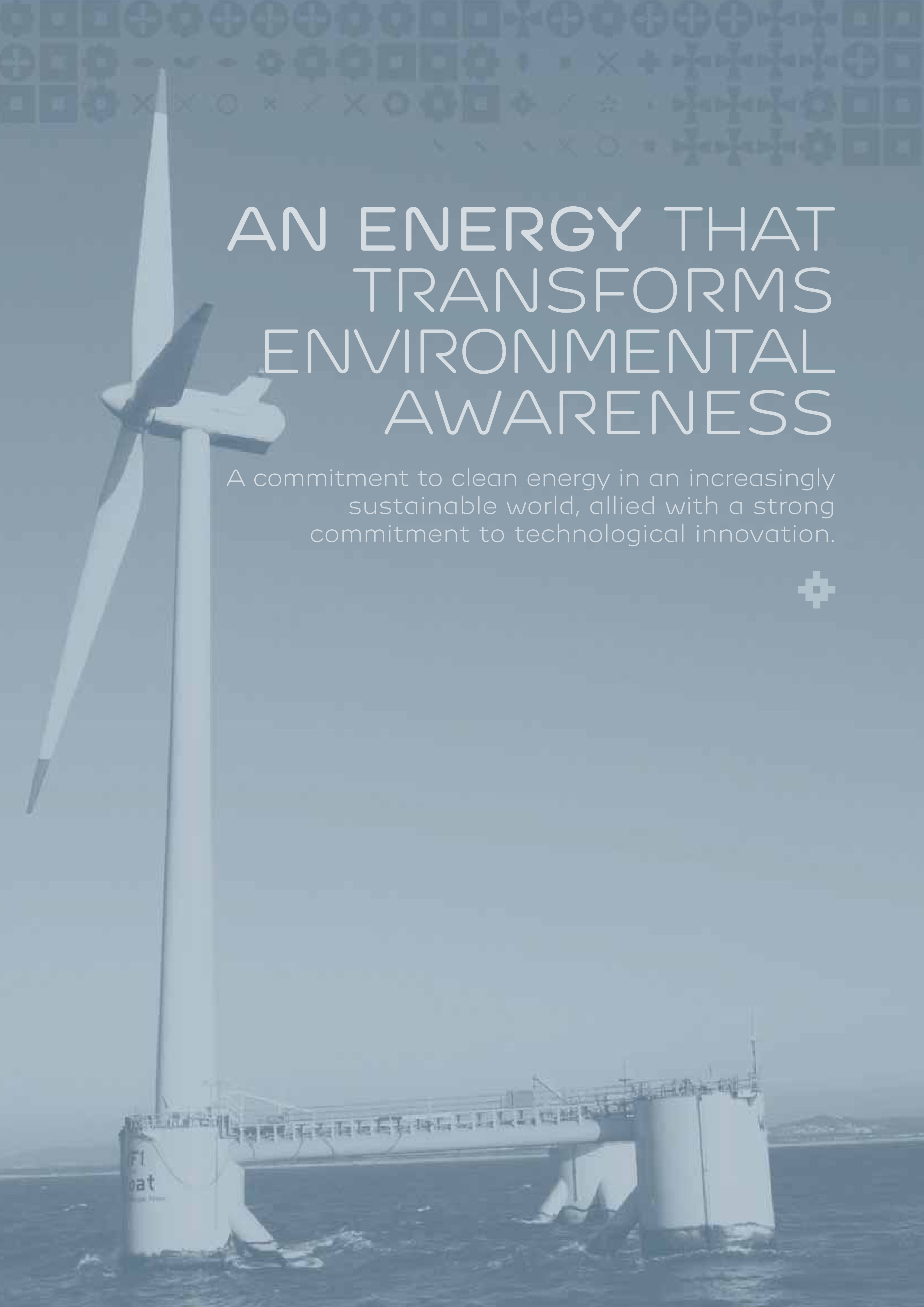
ENVIRONMENTAL INDICATORS 109
SOCIAL INDICATORS 112



AN ENERGY THAT TRANSFORMS ENVIRONMENTAL AWARENESS

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

03.

PERFORMANCE

3.1. FINANCIAL SUSTAINABILITY

In 2014, the energy sector continued to be affected by several macroeconomic and regulatory factors, further reinforcing the idea that this is no longer a defensive sector but a cyclical sector. In this challenging environment, the defined strategic agenda was adequate to change, allowing a balanced approach, flexible, pragmatic and a strong ability to anticipate.

In this difficult context, EDP was able to achieve positive results, with net profit attributable to shareholders of EUR 1,040 million, supported on its low risk profile which allowed an increase in EBITDA and a strong focus on efficiency and cost control. These results supported the strong performance of the share, allowing a positive total shareholder return of 27%, higher than the European utilities index (+19%) and the PSI20 index (-25%).

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

EDP GROUP'S BUSINESS EVOLUTION

EDP GROUP

In 2014, the EDP Group's net profit attributable to EDP Shareholders reached EUR 1,040 million, compared with EUR 1,005 million in 2013. Net profit increased 6%, supported by a 4% increase in EBIT and a good performance at financial results.

INCOME STATEMENT – EDP GROUP

EUR Million	2014	2013	Δ %
Gross Profit	5,367	5,451	-2%
Net Operating costs	1,725	1,853	-7%
EBITDA	3,642	3,598	1%
EBIT	2,193	2,118	4%
Net Profit for the period	1,264	1,194	6%
Net Profit attributable to EDP shareholders	1,040	1,005	4%
Non-controlling interests	223	189	18%

Consolidated EBITDA rose by 1% year-on-year (+EUR 44 million), to EUR 3,642 million in 2014, impacted by an adverse ForEx impact (-EUR 56 million); weaker results in generation in Brazil due to severe drought (-EUR 112 million year-on-year) and adverse regulatory changes in Iberia. Note that EBITDA includes: (i) in 2013, +EUR 56 million from the sale of gas transmission assets in Spain; (ii) in 2014, +EUR 81 million net impact from restructuring issues (impact from new Collective Labour Agreement (CLA), net of costs with anticipated pre-retirement program), +EUR 131 million from the sale of a 50% equity stake in Jari and Cachoeira-Caldeirão hydro plant to China Three Gorges (CTG) and +EUR 64 million from the legal framework change in regulatory receivables in Brazil (in the fourth quarter of 2014).

The new CLA reached with the 64 unions representing EDP's employees in Portugal (~6,700 employees) in July 2014 resulted in a positive impact of EUR 129 million in the second quarter of 2014, corresponding to the change in the present value of the group's future liabilities: EUR 87 million booked in Regulated Networks, EUR 23 million in Long Term Contracted Generation, EUR 6 million in Liberalised activities and EUR 13 million at the Holding level. Additionally, EDP launched an anticipated early-retirement program in Iberia, which resulted in a EUR 48 million cost in the fourth quarter of 2014: EUR 30 million in Regulated Networks, EUR 11 million in Long Term Contracted generation, EUR 3 million in Liberalised activities and EUR 4 million at the Holding level.

EBITDA

EUR Million	2014	2013	Δ %
Long Term Contracted Generation in Iberia	671	717	-6%
Liberalised Activities Iberia	416	333	25%
Regulated Networks Iberia	1042	1023	2%
Wind Power	903	921	-2%
Brazil	619	601	3%
Other	-9	3	-
Consolidated	**3.642**	**3.598**	**1%**

EDP Group's net operating costs totalled EUR 1,452 million (-6% year-on-year) driven by the successful execution of our corporate efficiency program OPEX III, a 3% cut in workforce and BRL depreciation versus Euro. Other net operating costs stood at EUR 272 million in 2014, -EUR 39 million year-on-year, impacted by capital gains on the disposal of the aforementioned equity stakes and property in Brazil (EUR 76 million in 2013; EUR 131 million in 2014). Generation taxes in Spain and clawback in Portugal totalled EUR 137 million in 2014.

Amortisations and impairment (net of compensation from depreciation and amortisation of subsidised assets) decreased 2% year-on-year to EUR 1,397 million in 2014, mostly reflecting: i) extension of the useful life since 1 of October 2013 of our CCTGs (from 25 to 35 years) and of some of our coal plants in Spain; ii) impairments at some of our special regime facilities in Spain accounted in 2013 amounting to EUR 31 million; iii) impairment at hydro project in Portugal (Alvito) accounted in the second quarter of 2014 amounting to EUR 27 million; iv) higher impairments at EDP Renováveis (EUR 27 million in 2014 versus EUR 12 million in 2013 related to projects under development); v) an accelerated depreciation of some distribution assets in Brazil in 2013 (EUR 21 million); and vi) forex impact mostly due to EUR/BRL evolution (-EUR 10 million).

Financial results decreased 18% year-on-year to EUR 572 million in 2014. Interest expenses rose 10% year-on-year reflecting a higher average cost of debt, up from 4.4% in 2013 to 4.7% in 2014. Capitalised financial costs reached EUR 169 million in 2014, up EUR 40 million year-on-year, driven by a higher level of works in progress, namely in new hydro in Portugal. Gains on the sale of financial investments amounted to EUR 118 million in 2014 on the sale of 50% of EDP Asia to CTG. Other financials also include a EUR 78 million gain with the tariff securitisation deals versus EUR 50 million in 2013.

Results from associated companies amounted to EUR 15 million in 2014 with the main contributions to this item coming from: i) EDP Renováveis's 40% equity stake in ENEOP in Portugal (EUR 13 million both in 2014 and 2013); ii) our 21% stake in CEM in Macau (EUR 14 million in 2014 versus EUR 13 million in 2013); and iii) our 50% equity stake in our companies from Pecém that rose by EUR 12 million year-on-year, to -EUR 38 million in 2014 but was negatively impacted by the provisioning of expected unavailability penalties for the next 60 months. Note that the start-up of Jari hydro plant during the second quarter of 2014 allowed a contribution from our 50% equity stake of EUR 13 million.

Non-controlling interests increased 18% year-on-year to EUR 223 million in 2014, driven by higher net profit at the level of EDP Brasil and by EDP Renováveis' sale of minority stakes in wind farms without loss of control. All in all, net profit attributable to EDP shareholders increased 4% year-on-year to EUR 1,040 million in 2014.

NET INVESTMENTS

EUR Million	2014	2013	Δ %
Long-Term Contracted Generation Iberia	36	57	-37%
Liberalised Activities Iberia	559	529	6%
Regulated Networks Iberia	388	296	31%
Wind & Solar Power	731	675	8%
Brazil	178	421	-58%
Other	-98	256	-
EDP Group	**1,794**	**2,234**	**-20%**

Net investments amounted to EUR 1.8 billion in 2014 (versus EUR 2.2 billion in 2013), including EUR 1,872 million of capex, EUR 137 million of financial investments and EUR 215 million of proceeds from asset rotation deals by EDP Renováveis.

Financial investments/divestments totalled EUR 201 million in 2014. Financial divestments include: (i) +EUR 134 million from the conclusion of the sale to CTG group of 50% equity stakes in Jari and Cachoeira Caldeirão hydro projects; (ii) +EUR 94 million proceeds from the sale of 50% stake in EDP Asia, owner of a 21% equity stake at CEM; and (iii) +EUR 109 million proceeds from EDP Renováveis' disposals of 49% equity stakes in wind portfolios in France and Canada (including shareholder loans, cash in amounted to EUR 215 million). Financial investments in 2014 are mainly related to the subscription of rights issue at Millennium BCP (EUR 45 million), some success fees related to the development of our wind business and to EDP Brasil's equity contributions to Cachoeira-Caldeirão hydro project.

Consolidated capex amounted to EUR 1,872 million in 2014. Excluding a cash-grant cashed-in by EDP Renováveis in January 2013 (EUR 91 million), related to a USA wind farm installed in the fourth quarter of 2012, capex in 2014 was 8% lower year-on-year (-EUR 153 million). Maintenance capex was 5% lower year-on-year (-EUR 33 million), at EUR 623 million in 2014. Expansion capex totalled EUR 1,249 million in 2014, fully devoted to the construction of new hydro and wind capacity.

Capex in hydro capacity under construction in Portugal amounted to EUR 499 million and comprised 3 new plants and 2 repowerings: 254MW expected to be commissioned in the first half of 2015; 963MW expected to start up operations in the second half of 2015; and 263MW due in the second half of 2016. Capex in new wind and solar capacity (EDP Renováveis) totalled EUR 710 million, mostly allocated to capacity additions in 2014 (+393MW mostly concentrated in the fourth quarter of 2014) and to 443MW of capacity under construction, of which 299MW in the US. In Brazil, capex totalled EUR 119 million in 2014 and was mostly devoted to maintenance works at our distribution business.

NET DEBT

EDP Group's consolidated net debt as at December 2014 amounted to EUR 17,042 million, resulting from a gross nominal debt of EUR 19,769 million deducted mainly by (i) an amount of cash and equivalents and financial assets at fair value through profit or loss of EUR 2,625 million, which was held, mainly, at EDP S.A., EDP Finance BV and EDP Servicios Financieros (EUR 1,954 million), Group's Brazilian subsidiaries (EUR 257 million), and EDP Renováveis (EUR 369 million), and (ii) collateral deposits in the amount of EUR 429 million.

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

EDP maintained in 2014 its policy of centralizing funding at EDP S.A., EDP Finance BV and EDP Sucursal, which represented 89% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings (5%) and project finance debt, from the subsidiaries of the EDP Renováveis Group (5%) and EDP Produção Group (1%).

In January 2014, EDP Finance BV issued a USD 750 million bond with a coupon of 5.25% and 7 year maturity. In April, EDP Finance BV issued a 5 year Eurobond in the amount of EUR 650 million with a coupon of 2.625%. In September EDP Finance BV issued a Eurobond in the amount of EUR 1,000 million with a coupon of 2.625%, maturing in January 2022. Finally in November, EDP Finance BV issued a USD 750 million bond, maturing in January 2020 with a coupon of 4.125%. These issues allowed EDP to reach different markets and investors, strengthen its liquidity position in the currencies most relevant for its activity and increase average debt life.

In June 2014, EDP signed a five-year revolving credit facility ("RCF") in the amount of EUR 3,150 million which can be drawn in Euros and USD. This RCF replaced the EUR 2,000 million RCF signed in 2010 that was due to mature in November 2015, keeping the same purpose as backup credit facility. During the second semester, EDP contracted several bilateral financings in USD with maturity of 5 years to prepay USD 750 million of USD 1,050 million of a bilateral loan with Bank of China signed in 2012 with maturity in 2015.

During 2014, EDP monetized approximately EUR 1,262 million of Portuguese tariff deficit: i) in February, EDP sold for approximately EUR 150 million, a portion of the 2013 tariff deficit related with special regime generation and the respective interest; ii) in March, EDP securitized, by means of a true sale without recourse to Tagus – *Sociedade de Titularização de Créditos*, S.A., a portion of the 2013 Tariff Deficit, and respective interest, for an amount of EUR 750 million; iii) in June, EDP sold for approximately EUR 214 million, a portion of the 2014 tariff deficit related with special regime generation and the respective interest, and iv) in December, EDP securitized, by means of a true sale without recourse to Tagus – *Sociedade de Titularização de Créditos*, S.A., a portion of the 2012 Tariff Deficit, and respective interest, related to CMEC for an amount of EUR 237 million.

In February 2014, the Group, through EDP Renováveis, contracted project finance for wind projects in Poland (Relax Wind Park III) in the total amount of PLN 301 million, with maturity of 14 years. In April project finance for Canadian wind projects was also closed in the total amount of CAD 49 million and maturity of 10 years. In August, the Group contracted project finance for wind projects in Poland (Korsze Wind Farm) in the total amount of PLN 216.5 million, with maturity of 8 years.

Maintaining a prudent financial management policy, by end of 2014 EDP had access to EUR 3,449 million of available credit lines and EUR 100 million of commercial paper with underwriting commitment, fully available. Additionally the Group has a EUR 1,000 million Euro Commercial Paper programme (ECP) at EDP SA level and a EUR 500 million "Pagarés" programme at Hidrocantabrico. Both programmes are not committed, being used for the Group short term treasury management. As at 31 December, the total amount issued of ECP and "Pagarés" amounted to EUR 230.4 million.

In 2014, the average cost of debt of the EDP Group was 4.7% and approximately 48% of its debt and borrowings had a fixed rate.

In terms of currencies, Euro continues to be the main funding currency of EDP (71%). The USD financing contracted to fund the capex of the Group's US of America subsidiary justifies the exposure to USD of 22%.

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 corporate credit 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 Investors Service Limited ("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 deleveraging strategy against the background of a slowly improving Portuguese economy.

LONG-TERM CONTRACTED GENERATION IN IBERIA

EBITDA from long-term contracted generation fell by 6%, to EUR 671 million in 2014, impacted by the transfer of 3 hydro plants to our merchant portfolio following the termination of respective PPAs and by production stoppage in several special regime thermal plants. In turn, the establishment of the new Collective Labour Agreement in Portugal in July 2014 enabled a positive EUR 23 million change in the present value of future liabilities, booked as net operating costs, partly offset by an anticipated early retirement program costs of EUR 11 million.

Gross profit from PPA/CMEC was EUR 44 million lower year-on-year in 2014, at EUR 725 million, mainly due to the transfer of 3 hydro plants to our merchant portfolio (EUR 60 million gross profit in 2013). Following the end in December 2013 of PPA, our hydro plants Bemposta I, Picote I and Miranda are now operating in the liberalised market since 1 January 2014 (804MW; 2.5TWh energy production in an average hydro year; EUR 24/MWh price implicit in PPA).

The annual deviation between market gross profit under CMECs assumptions and gross profit under actual market conditions totalled EUR 100 million in 2014, reflecting essentially the low spot prices in the first half of 2014. This amount is due to be received in up to 24 months through access tariffs. Deviation at hydro plants totalled EUR 16 million as the impact from a production 29% above CMEC's reference was overwhelmed by an average realised price 29% below CMEC's reference. In turn, market gross profit at our Sines coal plant stood EUR 84 million below the CMEC's reference, due to shorter volumes (-7%) and average clean dark spread (18%) below the CMEC's reference.

Gross profit from special regime generation was EUR 32 million lower year-on-year, at EUR 66 million in 2014, driven by the shutdown of a cogeneration plant in Portugal (Energin, 44MW) in January 2014 and by the interruption of production in most of our Spanish thermal plants (74MW, 80% of total capacity) in February 2014, as remuneration terms proposed and in place since July 2013 make its operation unprofitable. Mini-hydro plants in Portugal presented flat gross profit year-on-year, as higher volumes were offset by lower average tariffs.

LIBERALISED ACTIVITIES IN IBERIA

EBITDA from liberalised activities was EUR 83 million higher year-on-year, at EUR 416 million in 2014, driven by: (i) a stronger contribution from hydro production (42% weight in generation mix in 2014 versus 32% in 2013); (ii) improved volume and margins in the electricity supply business in Portugal; (iii) higher results derived from the successful management of volatility in the energy markets; and (iv) +EUR 27 million year-on-year of gross profit from gas supply and trading activities, mostly in the first half of 2014.

As a result of the end of PPAs at 3 hydro plants in December 2013, 804MW of hydro capacity was transferred from the long term contracted portfolio to liberalised generation portfolio (2.4TWh in 2014). Additionaly, hydro output increased 45% year-on-year, helped by the even rainier 2014 (versus a rainy 2013). The higher contribution from hydro justified a 20% drop in the average generation cost. Regulatory-wise, 2014 EBITDA was hit by an overall impact in Iberia of -EUR 43 million year-on-year (generation taxes and reduction in capacity payment in Spain; and by the clawback in Portugal).

In the electricity business, gross profit rose by 22% in 2014, to EUR 789 million, driven by a higher average unit margin (up from EUR 15.7/MWh in 2013 to EUR 16.3/MWh in 2014).

Total volume sold rose by 10% to 51TWh in 2014, reflecting increases in sales to retail (+10%) and in the wholesale market (+14%). Our generation output met 43% of electricity sales to final clients. Average sourcing cost fell by 9% year-on-year supported by a cheaper generation mix (-20% year-on-year on higher contribution from hydro) and cheaper electricity purchases derived from selective wholesale buying in the period. Average selling price was 6% lower in 2014, as a result of: (i) a 2% decline in average selling prices to retail clients derived from lower cost of electricity and competition; and (ii) a 16% fall in the average selling prices in the wholesale market (supported by lower revenues in complementary markets and slightly lower pool prices).

In the liberalised generation activity in the Iberian market, output from our generation plants (unadjusted for hydro pumping) was 13% higher in 2014, mainly prompted by a higher contribution from hydro plants in the wake of stronger hydro resources and the switch of 3 hydro plants from PPA/CMEC portfolio to merchant portfolio, in January 2014. The rise in hydro output was partially offset by lower production at our CCGTs (-0.3TWh), whilst our coal plants production was flat year-on-year.

Output from our coal plants was flat year-on-year in 2014, mainly due to lower load factors in Spanish domestic coal generation in the fourth quarter of 2014 versus the fourth quarter of 2013. Average load factor reached 50% in 2014. Total generation from Spanish domestic coal was 808GWh in 2014. Average production cost declined by 4%, to EUR 38/MWh, supported by a lower coal cost.

Output from our CCGT plants declined by 19% year-on-year in 2014, driven by low competitiveness of gas versus coal, implying a 1p.p. decline in average load factor, to 4% in 2014. Average production cost reached EUR 107/MWh in 2014, driven by low dilution of gas procurement fixed costs as plants were almost stopped.

Our hydro generation rose by 45% in 2014, fuelled by additional capacity in the portfolio (804MW transferred from the long term contracted portfolio following PPA maturities). The average cost of hydro production fell from EUR 4.2/MWh in 2013 to EUR 2.6/MWh in 2014, reflecting a less intensive pumping activity derived from very high level of hydro reserves. Pumping activity is concentrated at our Alqueva plant, at an average cost correspondent to a 51% discount to the average pool price (versus 52% in 2013).

Overall, average production cost was 20% lower year-on-year, at EUR 25.9/MWh in 2014, reflecting the higher contribution from the cheaper technology, hydro (42% of total output in 2014 versus 32% in 2013).

The Portuguese Government, in order to ensure the balance of competition in the wholesale electricity market, has implemented measures that set the payment by the producer under the ordinary regime, fixing the payment per MWh injected into the network, with an impact of EUR 12 million in 2014 (EUR 2 million in 2013) and set in April 2014, the general guidelines of the revisibility calculation concerning the participation of CMEC plants in the secondary regulation market band, as well as the principles of the prices formation.

In Spain, RDL9/2013 (July 2013) established: i) a decrease in capacity payments for CCGTs from EUR 26/kW to EUR 10/kW, although doubling the remaining payment period; and ii) the funding of the social tariff by vertically integrated companies. As a result of this, revenues from capacity payments were EUR 11 million lower year-on-year in 2014. Additionally, generation taxes in place since January 2013 amounted to EUR 101 million in 2014, EUR 22.5 million above 2013, on higher coal purchases.

In the electricity business in Spain, electricity volume supplied to our clients in the free market increased by 2% year-on-year to 16.8TWh, in 2014, accompanied by a 12% increase in the number of clients supplied, in line with EDP's strategy to focus on the most attractive customer segments. Market share, reflecting solely retail volumes, was almost flat year-on-year, at 9% in 2014.

In the electricity business in Portugal, electricity volume supplied to EDP clients in the free market in Portugal advanced 19% year-on-year, to 15.6TWh in 2014, propelled by a 60% expansion of our client base. EDP's market share in the free market rose by 1p.p. year-on-year in 2014, to 45%, in line with EDP's strategy to focus on the most attractive residential/SMEs segments.

Our gas sourcing activity in 2014 was based on an annual 3.6bcm portfolio of long term contracts, whose flexibility has been enhanced through several contract renegotiations (including take-or-pay flexibility). Moreover, rather than solely using volumes available for electricity generation and for the sale to clients in the free market, EDP was able to divert part of its take-or-pay gas volumes to wholesale markets, where conditions were more attractive. As a result, gas supplied rose 2% year-on-year to 39.5TWh (3.4bcm) in 2014, as sales in wholesale markets increased 73% year-on-year, offsetting the 30% decrease in sales to final clients and the 25% drop in consumption at our CCGT power plants.

Volumes of gas supplied to our clients in Spain rose by 8%, to 30.8TWh in 2014, as a result of a focus on wholesale trading opportunities, and following a 4% expansion in the client portfolio. Market share, reflecting solely retail volumes, fell by 2p.p. to 4% in 2014.

Gas volume supplied to EDP clients in Portugal fell by 30% year-on-year to 3.7TWh, in 2014, reflecting a more selective policy of clients contracting and the loss of two large industrial clients (cogeneration plants), in the third quarter of 2013 and the first quarter of 2014. This was partially compensated by the volume increase in the 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 389,000 in December 2014, corresponding to more 165,000 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 19 million), to EUR 1,042 million in 2014, impacted by a EUR 56 million gain booked on the sale of gas transmission assets in the first quarter of 2013, an EUR 87 million gain derived from the new Collective Labour Agreement in the second quarter of 2014 and from EUR 8 million gain in gas distribution in Portugal which was partially mitigated by an anticipated pre-retirement program (-EUR 30 million). Adjusted for these impacts, EBITDA from regulated networks in Iberia was 1% higher year-on-year (+EUR 9 million), at EUR 976 million in 2014, mainly driven by tight cost control focused on OPEX efficiency programme.

Gross profit was 1% lower year-on-year (-EUR 22 million) in 2014, reflecting: (i) in Portugal, a lower return on RAB in both electricity and gas distribution derived from the lower sovereign risk, fast clients' switching to free market and, in the electricity business, the adverse revenues update for 'GDP Deflator-X'; (ii) in Spain, negative impact from regulatory changes in gas distribution.

Regulatory receivables in Iberia include tariff adjustment in electricity and gas in Portugal and Spain and the revisibility component associated to CMEC. Regulatory receivables in Iberia fell by 14% in 2014 (-EUR 369 million versus December 2013), from EUR 2,686 million in December 2013 to EUR 2,317 million in December 2014, driven by both Portugal (-EUR 107 million) and Spain (-EUR 262 million).

EBITDA from electricity distribution and last resort supply in Portugal rose 13% (+EUR 78 million) year-on-year, to EUR 696 million in 2014, mainly impacted by a EUR 87 million gain stemming from the new Collective Labour Agreement booked in the second quarter of 2014, which was partially mitigated by the anticipated pre-retirement program (-EUR 27 million). Excluding this gain, EBITDA rose by 3% year-on-year (+EUR 17 million), to EUR 636 million in 2014, supported by tight cost control.

In 2014, distribution grid regulated revenues was 1% lower year-on-year (-EUR 15 million), at EUR 1,201 million, mainly driven by a lower return on RAB (8.26% set for 2014 versus 8.56% in 2013) and adverse update for 'GDP Deflator-X'. In 2014, electricity distributed slightly decreased by 0.1% year-on-year, impacted by the low voltage segment.

Last resort supplier regulated revenues fell by 10% (-EUR 9 million), to EUR 77 million in 2014, mainly reflecting consumers' fast switching to the free market: in the last 12 months, c34% of consumers have moved away from the regulated market. As part of the rules and calendar defined for the phasing out of regulated tariffs in Portugal, EDP Serviço Universal can no longer contract new clients as from 1 January 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 our last resort supplier dropped 34% year-on-year, to 9.2TWh in 2014. Total clients supplied declined 1,287 thousands year-on-year to 2,520 thousands in December 2014 (41% of total), mostly driven by the residential segment.

On 15 December 2014, ERSE published a final version of electricity tariffs for 2015 and the parameters underlying the next regulatory period (2015-2017) for our electricity distribution and last resort supply activities in Portugal setting a 3.3% tariff increase for normal low voltage segment, applicable to all the residential clients in the regulated market (out of the Social Tariff) and a 14% reduction in the social tariff, which conveys no additional costs for the electricity system.

EBITDA from our electricity distribution activity in Spain was 8% lower year-on-year (-EUR 10 million), at EUR 108 million in 2014, explained by the lower revenues from new grid connections (application of IFRIC18). Regulated revenues were 1% higher year-on-year, already fully reflecting the impact from regulatory changes during 2013. Electricity distributed by EDP Espanha (HC group), mostly in the region of Asturias, was flat year-on-year, at 9.2TWh in 2014.

EBITDA from gas distribution in Spain in 2013 included a EUR 56 million gain stemming from the sale in the first quarter of our transmission gas assets to Enagas. Excluding this effect, EBITDA was flat at EUR 181 million in 2014 due to: i) -EUR 5 million in regulated revenues reflecting regulatory changes in 2014, compensated by ii) tight cost control. Volume of gas distributed fell by 9% year-on-year, to 47TWh, dragged by lower consumption for electricity generation purposes, mainly cogeneration plants and milder weather conditions.

EBITDA from gas distribution in Portugal advanced by 15% year-on-year (+EUR 7 million), to EUR 57 million in 2014, boosted by the recovery of costs related to underground occupation (EUR 8 million). Regulated revenues were flat year-on-year impacted by a lower return on RAB in the regulatory year 2013/14 booked in the second quarter of 2014 (based on a rate of return of 8.41% versus preliminary rate of 9%). Notwithstanding the 4% growth in the number of supply points, prompted by the continuing effort of new client connection in the region operated by EDP, volume distributed was 1% lower year-on-year, at 6.9TWh in 2014.

EDP RENOVÁVEIS

EDP Renováveis owns, operates and develops EDP Group’s wind and solar capacity. As of December 2014, EDP Renováveis operates 9GW, of which 886MW equity-method accounted: 533MW in Portugal (40% stake in ENEOP), 174MW in Spain and 179MW in US. EDP Renováveis EBITDA is mainly derived from PPA-contracted and regulated tariff schemes (89% of output), geographically widespread: 40% in North America, 25% from Spain, 15% from Portugal and the rest derived in France, Poland, Romania, Belgium, Italy and Brazil.

EDP Renováveis’s EBITDA fell by 2% year-on-year (-EUR 17 million) to EUR 903 million in 2014 mainly driven by low-price environment and regulatory changes in Spain. EBITDA also reflects a contribution of the adjustment to the selling price to CTG of 49% of the wind business in Portugal (+EUR 17 million in 2014 in the wake of lower corporate taxes in Portugal). Forex impact on EBITDA year-on-year change was only -EUR 2 million, mainly stemming from the depreciation of BRL versus Euro.

Electricity output rose 3%, to 19.8TWh in 2014, following broadly stable wind resources and a 5% portfolio expansion (+393MW, of which 375MW in the fourth quarter of 2014), to 8.1GW in December 2014. Average selling prices fell 6% year-on-year to EUR 59/MWh, driven by a 10% fall in Europe, which offset the higher average selling price in North America (+5% on higher merchant prices and higher contribution from PPA contracted capacity) and Brazil (+12% in BRL). Lower average price in Europe was prompted by the low average realised pool price in Spain (EUR 35/MWh in 2014), derived from the new regulatory landscape and low pool prices; and by lower price of green certificates in Romania.

In North America, installed capacity reached 3,835MW in December 2014, the bulk of which long-term contracted schemes (85% of total) and in USA (3,805MW in the USA, 30MW in Canada). New capacity additions in 2014 (+329MW) were fully concentrated in US and in the fourth quarter of 2014: +299MW of wind and +30MW of solar. EBITDA advanced 9% (+USD 40 million), to USD 477 million, driven by a 4% increase in output and 5% rise in average selling price, on higher contribution from PPA contracted capacity, and higher gas prices and Renewable Energy Credits (‘REC’) prices. The increase in output was prompted by a slightly stronger wind resources (+1 p.p. on average load factor, at 33%) and higher average capacity in operation.

EDP Renováveis’s growth plans in the USA are backed by PPA-contracted new projects, reinforcing the group’s low risk profile. In 2014, EDP Renováveis secured PPAs for projects totalling 530MW: 25MW in operation (15-year PPA for Rail Splitter wind farm in Illinois), 200MW to be commissioned in 2015 (20-year PPA for Waverly wind farm in Kansas), 150MW due in 2016 (15-year PPA for 100MW and a 20-year PPA for 50MW, in Texas); 155MW for 2017 (20-year PPA for RECs in New York). As of December 2014, EDP Renováveis had 299MW of new wind capacity under construction in US, due to be commissioned in 2015 (200MW at Waverly in Kansas; 99MW from Rising Tree South in California). Additionally, EDP Renováveis secured 3 institutional equity financing structures in 2014 (totalling USD 332 million), for an interest in the 200MW Headwaters (USD 190 million) and 99MW Rising Tree North (USD 109 million), both wind projects; and for an interest in 30MW Lone Valley solar PV project (USD 33 million). In August 2014, EDP Renováveis signed an agreement with Fiera Axium, to sell a minority stake in a wind farm portfolio of 1,101 MW located in the US. The financial closing is pending from the customary regulatory approvals and is expected for the first quarter of 2015.

In Canada, EDP Renováveis has a 30MW wind project ('Northleaf'), under a 20-year feed-in tariff scheme. In 2014, output reached 59GWh, on an average load factor of 27%, and average selling price stood at USD 132/MWh. In 2014, EDP Renováveis signed a project finance structure amounting to CAD 49 million and sold a 49% stake in this project, cashing in EUR 17 million.

In Mexico, EDP Renováveis established, in April 2014, an agreement with Industrias Peñoles, a leading Mexican mining company, for an Electricity Supply Agreement under self-supply regime for the energy produced by a wind farm currently designed for 180MW, expected to be installed in 2016. The contract is set in USD and for a 25-year period. The project, located in a region with very strong wind resource in the State of Coahuila in the north of Mexico has an expected load factor above 40%.

In Spain, according to the new regulatory framework approved in June 2014 and applicable as from July 2013 onwards, wind farms are remunerated at 7.4% (Spanish 10-year yields + 300bps), split between pool price and a 20-year capacity complement per MW, which varies with the year of commissioning. In line with this, 91% of our installed capacity is entitled to receive a capacity complement per MW. Every 3 years, there will be reviews as to correct deviations from the expected pool price (EUR 49/MWh – regulator scenario).

EDP Renováveis EBITDA in Spain fell by 25% (-EUR 75 million), to EUR 227 million, year-on-year in 2014. Electricity output fell by 5% year-on-year to 5.2TWh (-11% year-on-year in the fourth quarter of 2014) and average price reached EUR 67/MWh (versus EUR 81MWh in 2013), driven by a low realised pool price of EUR 35/MWh (EUR 45/MWh in the fourth quarter of 2014), EUR 5 million attributable to regulatory adjustments due on the standard production and EUR 161 million attributable to capacity complement (of which, EUR 3 million related to 2013).

In Portugal, EDP Renováveis owns a portfolio with 624MW: 2MW of solar PV (installed in April 2014) and 622MW of wind capacity (51% owned by EDP and 49% owned by CTG). Also in the wind business, EDP Renováveis holds a 40% equity stake in ENEOP consortium (equity consolidated), with 533MW attributable to EDP Renováveis. In line with Memorandum of Understanding signed by EDP Renováveis and CTG in December 2013, once ENEOP's assets are split between its shareholders, EDP Renováveis will sell 49% of its share in ENEOP to CTG – execution of the Memorandum of Understanding is expected to occur in 2015.

EDP Renováveis EBITDA in Portugal rose 4%, to EUR 134 million in 2014, driven by a 4% year-on-year increase in output, prompted by higher load factor (30% versus 29% in 2013) and an average selling price 1% lower reflecting the declining marginal tariff as working hours increase.

In European markets outside of Iberia, EBITDA rose by 5% year-on-year (+EUR 8 million) to EUR 169 million in 2014, driven by a 17% increase in output in the wake of higher average capacity on stream. In 2014, EDP Renováveis added 60MW of wind capacity to its portfolio: +22MW in Poland, +20MW in Italy and +18MW in France. As of December 2014, EDP Renováveis has 16MW under construction: 10MW in Italy and 6MW in Poland.

In France, EDP Renováveis operates 340MW. In 2014, average tariff was stable at EUR 90/MWh and output was stable on the back of capacity additions and an average load factor 0.7pp lower year-on-year. As part of the asset rotation strategy, EDP Renováveis sold 49% equity shareholding and outstanding shareholders loans in an operating wind farm portfolio in France (270MW net) to a fund led by EFG Hermes - total proceeds of EUR 160 million in the fourth quarter of 2014. Also, in 2014, EDP Renováveis concluded the sale to Axpo Group of 49% equity shareholding and outstanding shareholders loans in a wind portfolio of 100MW (EUR 38 million).

In Belgium, where our wind power is sold under PPA, the 71MW in operation delivered an average selling price of EUR 110/MWh, reflecting a lower PPA price for the new capacity added in the third quarter of 2014.

In Italy, where EDP Renováveis operates 90MW, average selling tariff was 13% lower year-on-year, at EUR 119/MWh in 2014, supported by the lower price of capacity recently added under the new regime versus the old regime.

In Poland, EDP Renováveis operates 392MW. Wind output advanced 47% year-on-year, to 793GWh in 2014, mainly reflecting higher average capacity on stream and stable load factor (24% following a particularly weak fourth quarter 2014). Average selling price decreased by 1% year-on-year to PLN 396/MWh. In 2014, EDP Renováveis signed a project finance structure for 70MW of wind in Poland, amounting to PLN 220 million.

In Romania, EDP Renováveis operates 521MW of wind (471MW) and solar PV (50MW). Output was broadly stable at 712GWh (653GWh wind-based), reflecting higher average MW in operation and lower average load factor (-2p.p. year-on-year, to 22%). Average selling price fell by 22% year-on-year to RON419/MWh, reflecting the sale of green certificate at the floor of its regulated collar. In 2014, EDP Renováveis signed a project finance structure for 50MW of solar, amounting to EUR 30 million.

In Brazil, EDP Renováveis operates 84MW of wind capacity. In 2014, EBITDA rose by 15%, to BRL 48 million, propelled by a 12% rise in the average selling price (BRL 346/MWh, reflecting PPA update for inflation) and by a 3% increase in output, backed by an average load factor 1pp higher year-on-year, at 32%. In December 2014, EDP Renováveis agreed to sell to a CTG's subsidiary in Brazil (CWEI Brasil) a 49% equity stake in 84MW in operation and 237MW under development: CWEI Brasil will invest BRL 365 million (including BRL 101 million of estimated future equity contributions) and the financial closing, pending regulatory approvals, is expected to occur in the first half of 2015.

EDP BRASIL

EDP Brasil's contribution to consolidated EBITDA rose by 3% year-on-year (+EUR 18 million), to EUR 619 million in 2014, although negatively impacted by a depreciation of the Brazilian real versus the Euro (-EUR 55 million). In local currency, EBITDA increased 12% year-on-year (+BRL 210 million) to BRL 1,933 million in 2014, reflecting: i) a legal change allowing the recognition of the distributors tariff adjustment that implied a modification of the concession contracts for electric distribution companies (+BRL 157 million year-on-year); ii) a BRL 408 million gain on the sale of 50% equity stakes in Jari and Cachoeira Caldeirão hydro plants to CWEI (CTG); and iii) BRL 67 million of gains related to the sale of property and asset's revaluations, and booked in 2013 at the level of our distribution business. Excluding these impacts, overall EBITDA would have come down 18% year-on-year to BRL 1,326 million in 2014, while EBITDA from distribution would have stayed relatively flat on stable regulated gross profit. Generation and Supply EBITDA went down 24% year-on-year (-BRL 235 million), given low Generation Scaling Factor (91% in 2014) and the subsequent generators' need to purchase energy at abnormally high market prices.

In 2014, electricity sector distribution companies faced record highs in terms of electricity purchases costs: i) low rainfall reflected into abnormally high thermal dispatch and high costs with thermal power; ii) demand came out higher than initially expected; and iii) distribution companies had to cope with involuntary short contracting positions in a high market prices environment. In April 2014, the Electricity Trading Chamber - CCEE created an account called *Conta-ACR* to help compensate distribution companies for the higher costs incurred in 2014 – BRL 17.8 billion of financing were contracted and transferred to distribution companies, partially compensating for the higher costs incurred from February 2014 until October 2014, and new financings are being discussed to cover for November/December 2014 shortfall. In the meantime, ANEEL has also been passing-through some of these higher costs to consumers through the annual tariff readjustments.

EBITDA from our electricity distribution activity in Brazil went up by BRL 89 million year-on-year to BRL 922 million in 2014, reflecting: i) a legal framework change that enabled the recognition of tariff adjustments from distribution companies in 2014, BRL 599 million of regulatory receivables were recognised at gross profit level, of which BRL 199 million relate to previous years (versus a BRL 42 million net impact from tariff deviations/CDE contributions accounted for in 2013); and ii) lower gains on sale of property and asset's revaluations in 2013 (-BRL 67 million year-on-year). Excluding these impacts EBITDA stood flat at BRL 723 million in 2014, reflecting stable regulated gross profit in 2014, as the result of negative impacts from higher costs with grid losses (+BRL 55 million year-on-year) and Escelsa's last regulatory review (lowering the return on the regulated asset base from 10% to 7.5% from August 2013 onwards) were offset by higher volumes distributed (versus the regulator's expectations) and favourable settlements related to previous years.

As mentioned, 2014 gross profit includes the tariff adjustment. In the fourth quarter, regulatory receivables totalling BRL 599 million were therefore accounted for at gross profit level, of which BRL 199 million refer to the amount of regulatory receivables as of December 2013.

Volumes of electricity sold went up 3% year-on-year in 2014, translating a 5% increase in the 'residential, commercial and other' segments, justified by a wider client base. Volumes sold to the industrial segment decreased 2% year-on-year, reflecting the migration of clients to the free market as well as lower national industrial production. At the same time, volumes distributed to industrial clients in the free market stood flat at 9.9TWh in 2014, down 2% quarter-on-quarter, reflecting the cooling of the industrial production in São Paulo.

EBITDA from our electricity generation activities in Brazil went down 30% year-on-year (-BRL 269 million) to BRL 638 million in 2014, reflecting low Generation Scaling Factor (91% in 2014 versus 99% in 2013), and the subsequent need to purchase energy at an abnormally high market prices (average electricity spot price went up 162% year-on-year to BRL 697/MWh in 2014).

Electricity volumes sold stood relatively flat at 8.9TWh in 2014. Average selling price went up 8% year-on-year, translating PPA prices inflation updates as well as short-term contracts (for 2014) closed at higher prices. Generation Scaling Factor stood at 91% in 2014 (versus 99% in 2013) and 88% in the fourth quarter of 2014 (versus 104% in the fourth quarter of 2013). During periods of low rainfall, the associated generation deficit implies that hydro generators have to purchase energy at market prices to meet their PPA obligations. In 2014, EDP Brasil was able to mitigate the negative impact of low Generation Scaling Factor through short-term sales contracted at higher prices, which all together translated into +BRL 339 million year-on-year of additional costs with energy purchases (BRL 345 million in 2014 versus BRL 6 million in 2013).

Within the scope of EDP's strategic partnership with CTG, EDP Brasil sold to CWEI: i) 50% equity stakes in Jari and Cachoeira Caldeirão hydro plants for BRL 420.6 million (June 2014); and ii) a 33.3% stake in the São Manoel hydro project (November 2014) – CWEI will assume future equity commitments of the projects under construction. Under IFRS 10, all of these projects are equity-method accounted.

Electricity supply gross profit rose 49% year-on-year (+BRL 38 million) to BRL 114 million in 2014, reflecting a favourable long position and higher volumes supplied to clients, benefiting from higher spot prices.

VALUE CREATION TO SHAREHOLDERS

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

The year 2014 was marked by the recovery of the European utilities sector increasing 19%, being one of the sectors with the best performance (fourth best performance of nineteen European super-sectors). The sector benefited from improved macroeconomic outlook and higher regulatory stability after several changes in the past years.

In this context, EDP stock closed the year with a return of 21%. Based on the payment of dividends to shareholders held on May 29, 2014 (€ 0.185 per share) which implied a dividend yield of 5.7% (based on December 31th closing price), generating a total shareholder return for 2014 of 27%.

DIVIDEND DISTRIBUTION POLICY

EDP has followed a sustained policy of dividend distribution that seeks to reconcile strict compliance with the relevant provisions of the law and Articles of Association and division among all its shareholders of a significant portion of the value created by the Group, in keeping with the specific conditions of the company and market. This policy is designed to enable shareholders to obtain an adequate return on their investment without compromising the company's value.

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

Year	Approval Date	Payment Date	Gross Dividend
2006	12/04/2007	04/05/2007	€ 0.110
2007	10/04/2008	08/05/2008	€ 0.125
2008	15/04/2009	14/05/2009	€ 0.140
2009	16/04/2010	13/05/2010	€ 0.155
2010	14/04/2011	13/05/2011	€ 0.170
2011	17/04/2012	16/05/2012	€ 0.185
2012	06/05/2013	23/05/2013	€ 0.185
2013	12/05/2014	29/05/2014	€ 0.185

For the 2013 financial year, the Executive Board of Directors of EDP submitted to the approval of the General Meeting of Shareholders of 12 May 2014 a proposal for the appropriation of the net profit 676.5 million euros of which was for distribution to shareholders in the form of dividends. The proposal was approved by a majority of votes (99.9769%) at the General Meeting and a gross dividend of € 0.185 per share was paid on 29 May 2014.

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

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

FACTORS INFLUENCING CHANGE IN EDP SHARE PRICE

2014 was a positive year for the most important market indexes, in spite of a negative outcome for the Portuguese equities' market, whose main index, the PSI20, plummeted as much as 27%, relative to 2013. In turn, the Stoxx Europe 600 index showcased a 4% gain, in a year marked by volatility. On the other side of the Atlantic, the most observed North-American indexes yielded more consistent gains, in fact overcoming several valuation records, more than anything as an effect of the positive news concerning the USA's economic recovery, but also due to the liquidity available resulting from the FED's accommodative monetary policy. The Asian markets registered also a positive year, particularly Shanghai, whose main index's valuation rose for more than 50%, therefore registering the biggest worldwide rise in all equity indexes, in 2014. Japan, in turn, had also a positive year, as Nikkei index rose around 7%, while the Japanese central bank maintained monetary easing policy, started over in 2013.

Within Europe, the several equity markets did not evolve in tandem, however. In fact, the Portuguese and Greek indexes suffered losses close to 30%, although for different reasons. Whilst in Greece the devaluation resulted from renewed political turmoil, in Portugal, on the other hand, it was investor's distrust in the financial system that spurred equities' devaluation, particularly in August due to the plummeting that ensued Banco Espírito Santo's collapse. The backdrop in the first part of the year in Portugal was, nevertheless, to some extent positive, given the termination of the Troika's adjustment program and the return to sovereign debt markets.

The financial rescue program indeed ended in May 2014, while the Portuguese government re-entered the primary debt markets in March.

In spite of the negative sentiment in the Portuguese equities market, EDP's share had a positive year, trading up by 21% relative to 2013. EDP's equity share benefited, on one hand, of the positive year for European utilities, and, on the other hand, of an environment of low interest rates, mostly due to the monetary policies taken, which might have impacted positively the share's valuation. On another level, and when differentiating amongst Portuguese equities' risk profiles, EDP might have stood out on the back of its geographically diversified asset portfolio.

In terms of shareholder structure changes, it is worth noting that Iberdrola sold its EDP complete 6.66% shareholdings during the first half of 2014, while Capital Group increased its shareholdings.

3.2. ACTIVITIES

3.2.1. ELECTRICITY GENERATION

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

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

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

With more than 22.4GW of installed capacity in the end of 2014, EDP generates electricity essentially from renewable sources (71%) and is present in the generation activity in 12 countries. EDP has 56% of its installed capacity in Iberia (excluding EDP Renováveis), 36% in EDP Renováveis and 8% in Brazil.

EDP is the largest electricity producer in Portugal, generating 23.8 TWh in 2014 and the fourth biggest in Spain (9.4 TWh in 2014).

EDP Renováveis is a leading global renewable energy company (wind and solar), operating in Europe (4.3GW of installed capacity), North America (3.8GW) and Brazil (84MW). In Europe, EDP Renováveis ensures its presence in Portugal (where it is the largest operator, with more than 600MW of installed capacity), Spain (third biggest operator, with 2.2GW of installed capacity), France, Poland, Romania, Belgium, Italy and United Kingdom. In North America, EDP Renováveis is also the third biggest operator and is currently present in three countries: US, Canada and Mexico. Despite having a small dimension (82MW), EDP Renovávies is present in three countries with solar photovoltaic energy: Portugal, Romania and the US.

In Brazil, including both ordinary and special regime generation, EDP is the fourth largest electricity generator and is present in 10 states. Its portfolio consists of 15 hydro plants, one coal plant and 3 wind farms. Jarí hydro plant (373MW, 50% EDP), in Amapá is a partnership with CTG and Pecém coal plant (720MW, 50% EDP), in Ceará, is a partnership with Eneva.

1,480MW hydro under construction in Portugal

At the end of 2014, EDP has 5 new hydro plants under construction in Portugal, that account for 1,480MW. 2 new hydro plants – Baixo Sabor (173MW) and Ribeiradio/Ermida (81MW) – and 2 new repowerings - Venda Nova III (756MW) and Salamonde II (207MW) – are due to start operations during 2015. During 2016, Foz Tua plant (263MW) will start operations.

In the context of the environmental impact statements (EIS) of the Baixo Sabor and Foz Tua hydroelectric projects, a set of compensatory measures is ongoing, aimed at reversing the trend of socio-economic degradation of the regions. Of note is the annual contribution of ~EUR 375,000 to the Baixo Sabor Financial Fund, which is intended to develop projects capable of creating economic and social value and which generate employment. EDP also promotes a programme for the self-creation of employment with emphasis on the use of the endogenous resources of the Foz Tua region. This programme benefitted 109 people and fostered the creation of about 20 new companies and more than 40 new jobs, in 2014.

EDP contributed EUR 471,000 to the Nature and Biodiversity Conservation Fund in 2014. It is guaranteed that around 50% of the amount is channelled to the "Regional Vale do Tua" Nature Park (about 25,000 ha), which aims to contribute to nature conservation, enhancing the territory's natural and cultural heritage and promoting the sustainable social and economic development of local communities.

EDP plans to have the coal-fired thermal power station in Portugal and the Aboño (Group 2) and Soto (Group 3) power stations in Spain fully equipped with desulphurisation and denitrification systems by 2017. This process, already completed in Portugal, will end after the implementation of denitrification facilities in the Spanish power stations, expected to be completed by 2016 and 2017, respectively. This investment allows the extension of the useful life of these coal-fired power stations, and the absolute reduction of NOx emissions.

Entry in Mexican Energy market - project of 180MW

In 2014, EDP Renováveis completed ten projects in five countries, including its first solar project in the US, located in California, and two more wind farms - *Rising Tree North* (99MW) and *Headwaters* (200MW), also in the US. Also in North America, EDP Renováveis has entered the Mexican energy market signing a long-term electricity supply agreement, for the energy of 180MW wind farm to be installed in 2016. In Europe, EDP Renováveis through its consortium with GDF Suez, Neon Maritime and AREVA was selected to develop, construct and operate 1GW of offshore wind energy in France that will become operational by 2021. During 2014 also worth noting the conclusion of EDP Renováveis' certification process by ISSO 14001 and OHSAS 18001 to more than 90% of its net installed capacity in the US.

EDP Renováveis value creation strategic plan is supported by three pillars with defined goals: selected growth, increased profitability and self-funding model (Cash-flow of operations and Asset rotation). By 2017, EDP Renováveis plans that 60% of its growth will be in the US, a market with low risk due to fiscal incentives and power purchase agreements. In addition, EDP Renováveis plans to enter in selected emerging markets that have long term agreements (20%), and in Europe (20%) in projects with low risk profile. EDP Renováveis promotes the growth of its activity through self-funding, whether through asset rotation or through cash-flow from operations. Asset rotation involves the company selling minority stakes (typically 49%), at projects in development or already in operation, generating the necessary cash-in to finance the development of new projects. In 2014, four transactions of asset rotation have been closed, the last one at the end of the year, was signed in Brasil with China Three Gorges, in the context of the ongoing strategic partnership. In the other three transactions, involving assets located in the US, Canada and France, the counterparts were different infrastructure funds.

Worst drought in 8 decades in Brazil

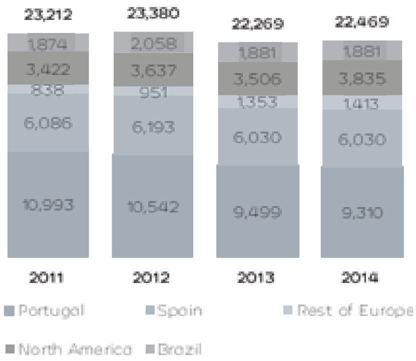
Brazil is facing its worst drought in 84 years, which is negatively impacting Brazilian Electricity Sector, namely generators and distributors. In periods of exceeding hydro production the *Mecanismo de Realocação de Energia* (MRE) distributes the gains to all the participants in the system, called secondary energy gain. During periods of low rainfall, the associated generation deficit is deducted from the physical guarantee of the central, causing revenue losses. A low Generation Scaling Factor (average GSF) implies that hydro generators have to purchase energy to meet their PPA obligations. In 2014 GSF stood at 90.6%. Generation deficit is essencially explained by low hydro reservoirs in *Sistema Interligado Nacional* (SIN), translating into strong thermal dispatch and high electricity spot prices.

In 2014, EDP expanded its installed capacity, with the completion of Jarí hydro power plant, that was initially due in Jan-15 but started commercial operations ahead of schedule (1^{st} generating unit started 3.5 months ahead and the 2^{nd} unit 1.5 months). Also in 2014, within the scope of EDP's strategic partnership with CTG, EDP Brasil sold 50% equity stakes in Jari and Cachoeira Caldeirão (219MW, 50% EDP) and 33.3% of São Manoel (700MW, 33,3% EDP). During 2014, also noteworthy, EDP Brasil agreed the purchase of ENEVA's 50% stake in Pecém I coal plant. The conclusion of this operation is pending approval by competent authorities.

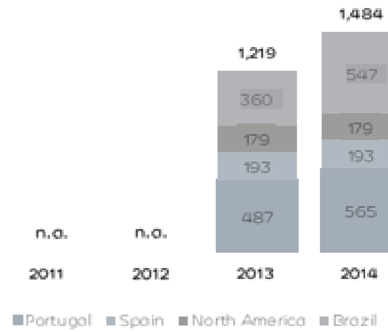
The São Manoel power station located on the River Teles Pires, between the states of Mato Grosso and Pará, is under construction and directly impacts on the indigenous communities of Munduruku, Kayabi and Apiaká do Pontal. Various alternatives were studied for the power station site in order to minimise the environmental and socio-economic impact, also avoiding the flooding of the lands of the Kayabi indigenous community.

The management, mitigation and compensation of the impacts caused on these communities are covered by a Basic Environmental Plan of the Indigenous Component consisting of several specific programmes for each of these communities in order to promote their involvement and participation and transparency. The programmes that are implemented encompass several thematic areas, in particular interaction and communication, education, support for productive activities, and enhancement of indigenous culture. It is important to note that one of the goals of the Social Interaction and Communication Programme is to ensure a permanent channel of two-way communication with indigenous communities, through a care, queries and complaints system (radio, internet or telephone), installed in all the villages located in the immediate regions of the River Teles Pires.

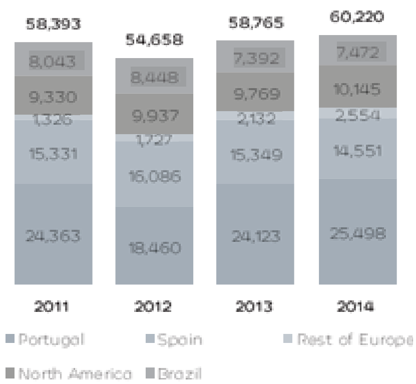
INSTALLED CAPACITY
(MW)



INSTALLED CAPACITY EQUITY[2]
(MW)



NET ELECTRICITY GENERATION
(GWh)



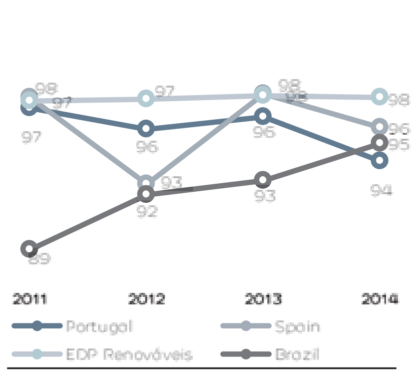
	Un.	2014	2013	2012	2011
INSTALLED CAPACITY	**MW**	**22,469**	**22,269**	**23,380**	**23,212**
Contracted Generation in Iberian Market	**MW**	**4,745**	**5,593**	**6,687**	**6,688**
PPA/CMEC	**MW**	**4,470**	**5,274**	**6,221**	**6,221**
Hydro	MW	3,290	4,094	4,094	4,094
Coal	MW	1,180	1,180	1,180	1,180
Fuel	MW	-	-	946	946
Special Regime	**MW**	**274**	**318**	**466**	**467**
Portugal - Hydro	MW	157	157	157	157
Portugal - Thermal	MW	24	68	167	168
Espanha - Thermal	MW	93	93	142	143
Liberalised Electricity Generation in the Iberian Market	**MW**	**7,777**	**7,123**	**7,122**	**7,575**
Portugal	**MW**	**4,035**	**3,380**	**3,382**	**3,835**
Hydro	MW	1,996	1,176	1,178	921
CCGT	MW	2,039	2,039	2,039	2,039
Fuel	MW	-	165	165	875
Spain	**MW**	**3,743**	**3,743**	**3,740**	**3,740**
Hydro	MW	426	426	426	426
CCGT	MW	1,698	1,698	1,698	1,698
Coal	MW	1,463	1,463	1,460	1,460
Nuclear	MW	156	156	156	156
EDP Renováveis	**MW**	**8,149**	**7,756**	**7,597**	**7,159**
Portugal	MW	624	619	615	613
Spain	MW	2,194	2,194	2,310	2,203
Rest of Europe	MW	1,413	1,353	951	838
North America	MW	3,835	3,506	3,637	3,422
Brazil	MW	84	84	84	84
EDP Brazil	**MW**	**1,797**	**1,797**	**1,974**	**1,790**
Hydro	MW	1,797	1,797	1,794	1,790
Coal	MW	-	-	180	-
Capacity under Construction	**MW**	**3,096**	**2,866**	**3,357**	**4,013**
Portugal [1]	MW	2,654	2,642	2,642	2,884
EDP Renováveis	MW	443	224	158	386
Brazil [1]	MW	-	-	558	743
Capacity under Deactivation	**MW**	**1,866**	**1,713**	**766**	**56**
Portugal	MW	1,866	1,713	766	56
Installed Capacity Equity [2]	**MW**	**1,484**	**1,219**	**n.a.**	**n.a.**
Portugal [1]	MW	32	32	n.a.	n.a.
Spain [1]	MW	19	19	n.a.	n.a.
EDP Renováveis	MW	886	808	n.a.	n.a.
Brazil [1]	MW	547	360	n.a.	n.a.
Capacity under Construction Equity [2]	**MW**	**343**	**592**	**n.a.**	**n.a.**
Brazil	MW	343	592	n.a.	n.a.
NET ELECTRICITY GENERATION	**GWh**	**60,220**	**58,765**	**54,658**	**58,393**
Contracted Generation in Iberian Market	**GWh**	**18,158**	**19,093**	**14,813**	**18,522**
PPA/CMEC	**GWh**	**17,160**	**17,454**	**12,567**	**16,137**
Hydro	GWh	9,031	9,512	3,919	9,265
Coal	GWh	8,129	7,942	8,647	6,879
Fuel	GWh	-	-	1	-6
Special Regime	**GWh**	**997**	**1,639**	**2,246**	**2,385**
Portugal - Hydro	GWh	631	583	253	438
Portugal - Cogeneration	GWh	214	486	1,177	1,105
Espanha - Cogeneration	GWh	153	570	817	841
Liberalised Electricity Generation in the Iberian Market	**GWh**	**15,063**	**13,323**	**13,184**	**15,196**
Portugal	GWh	**5,841**	**4,006**	**3,020**	**5,292**
Hydro	GWh	5,335	3,227	1,513	1,220
CCGT	GWh	507	780	1,507	4,072
Fuel	GWh	-	-	-	-
Spain	GWh	**9,222**	**9,316**	**10,164**	**9,904**
Hydro	GWh	947	1,098	621	584
CCGT	GWh	656	654	1,598	2,754
Coal	GWh	6,414	6,407	6,714	5,354
Nuclear	GWh	1,204	1,157	1,230	1,212
EDP Renováveis	**GWh**	**19,763**	**19,187**	**18,445**	**16,802**
Portugal	GWh	1,652	1,593	1,444	1,391
Spain	GWh	5,176	5,463	5,106	4,586
Rest of Europe	GWh	2,554	2,132	1,727	1,326
North America	GWh	10,145	9,769	9,937	9,330
Brazil	GWh	236	230	231	170
EDP Brasil	**GWh**	**7,236**	**7,162**	**8,217**	**7,873**
Hydro	GWh	7,236	7,162	8,190	7,873
Coal	GWh	-	-	26	-
Steam	GWh	938	1,588	2,254	2,042

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

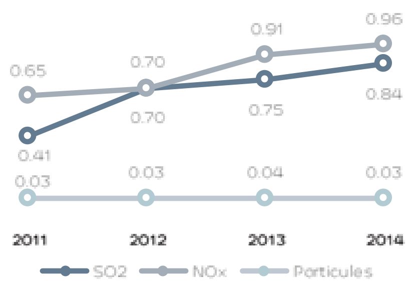
	Un.	2014	2013	2012	2011
TECHNICAL AVAILABILITY					
Portugal [1]	%	**94**	**96**	**96**	**97**
Hydro	%	95	97	95	97
CCGT	%	89	98	97	96
Coal	%	97	92	93	99
Fuel	%	-	-	100	100
Mini-hydro	%	91	94	94	93
Cogeneration	%	100	93	96	91
Spain [1]	%	**96**	**98**	**93**	**98**
Hydro	%	100	100	100	100
CCGT	%	98	98	94	99
Coal	%	94	98	92	97
Nuclear	%	90	87	91	90
Cogeneration	%	99	96	92	90
Waste	%	88	92	86	87
EDP Renováveis	%	**98**	**98**	**97**	**97**
Portugal	%	98	98	98	98
Spain	%	97	98	98	97
Rest of Europe	%	98	97	97	98
North America	%	98	98	97	98
Brazil	%	98	98	98	96
Brazil [1]	%	**95**	**93**	**92**	**89**
Hydro	%	95	93	92	89
GENERATION EFFICIENCY					
Conventional Thermal	%	36	36	36	36
CCGT	%	47	36	51	52
Cogeneration	%	81	36	76	73
Waste	%	68	69	63	66
ENVIROMENTAL INDICATORS					
Installed power certified	%	96	77	76	70
Primary Energy Consumption	TJ	161,240	167,187	197,389	192,654
Total Emissions					
CO_2	kt	16,522	16,599	18,005	16,919
NOx	kt	16	17	16	9
SO_2	kt	14	14	16	15
Particles	kt	0.59	0.64	0.75	0.66
Avoided CO_2	kt	33,818	31,502	22,024	21,086
Waste sent for final disposal	t	346,551	349,520	625,272	538,377
Dangerous waste	t	5,917	8,320	4,183	21,617
Waste valorization	%	56	58	64	71
Sub-products	t	431,811	374,339	302,700	375,971
Cooling water	m3x103	1,628,154	1,601,073	1,613,929	1,444,350
Raw water	m3x103	5,120	5,467	8,394	7,552
Potable water	m3x103	75	106	90	69
EMPLOYEES AND SECURITY					
Employees	#	2,891	3,057	3,110	3,023
OSHAS 18 001(installed capacity)	%	97	74	72	58
On-duty accidents	#	3	8	6	12
On-duty accidents contracted workers	#	112	143	134	136
Fatal on-duty accidents	#	0	1	1	0
Fatal accidents of contracted workers	#	3	4	4	0

[1] Excludes EDP Renováveis

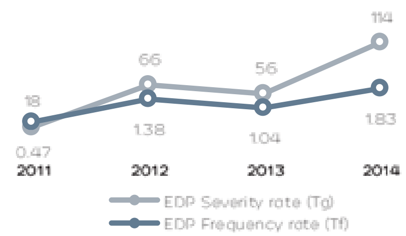
TECHNICAL AVAILABILITY (%)

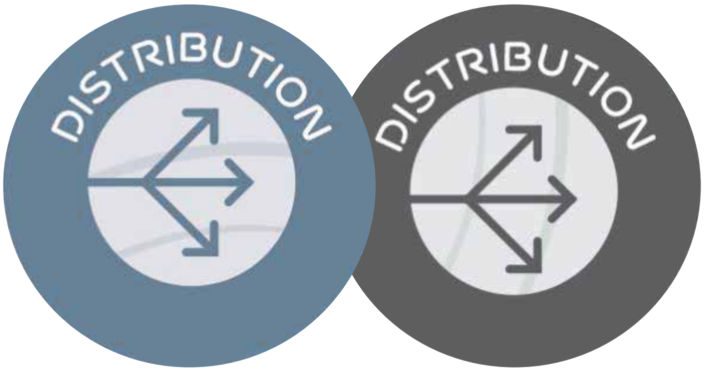


SPECIFIC EMISSIONS FROM THERMAL (g/kWh)



ACCIDENTS AT WORK





3.2.2. ELECTRICITY AND GAS DISTRIBUTION

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

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

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

Distribution activity is regulated by national regulatory authorities.

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

EDP Group is present in the electricity distribution activity in three geographies: Portugal, Spain and Brazil, representing in 2014 79,428GWh, distributed by 440,379 km of grid.

In the Iberian Peninsula, EDP develops its gas distribution activity through 14,797 km of grid, having distributed in 2014 53,846GWh.

In Portugal, EDP's presence in the electricity distribution market spreads across the mainland and in the gas activity in the northern coast region. In Spain, EDP ensures electricity distribution in some autonomous communities, especially in Asturias region, Basque country, Cantabria and Murcia. In Brazil, EDP is present in electricity distribution in the State of Espírito Santo and in the State of São Paulo, through EDP Escelsa and EDP Bandeirante, respectively.

Since 2009, levels of electricity distribution registered a decrease in Iberian Peninsula, affected by a weak macroeconomic context in the euro area periphery. The year of 2014 was no exception, presenting 52,985GWh distributed by EDP in Iberian Peninsula, reaching figures of 2005.

Gas volumes distributed have also decreased over the past years, achieving in 2014 in the Iberian Peninsula 53,846GWh distributed, reaching the minimum value registered since 2011.

ICEITs in Portugal and in Spain reached the 2nd best mark ever

Despite this adverse context, EDP maintains focus in efficiency and quality of service, keeping appropriate investment levels and registering historically high levels of quality of service. The Installed Capacity Equivalent Interruption Time (ICEIT) indicators scored the second best historical mark in Iberian Peninsula, with 61 min. in Portugal and 29 min. in Spain. SAIFI (System Average Interruption Frequency Index) registered, in Portugal 1.59 interruptions for domestic customers and small business (low voltage) and 1.87 interruptions for business customers (medium voltage).

Electricity grid losses reach 10% in Portugal (8% less than in 2013). In order to provide greater accuracy in losses calculation, EDP is implementing the installation of telemeters in all transformation stations. Telemetry reached 80% of distributed energy at the end of 2014 and is estimated to achieve 100% by the end of 2015.

Despite the adverse economic context, gas distribution kept the increase of supply points in Iberian Peninsula, with growths of 4% in Portugal and 1% in Spain.

In Brazil, quality of technical service is based in two indicators: Average Interruption Duration per Consumer Unit (DEC) and Frequency Interruption Duration per Consumer Unit (FEC). In 2014, EDP Bandeirante achieved a DEC of 7.6 hours and a FEC of 5.3 hours, which implies a reduction of 6% and 3%, respectively when compared to 2013. EDP Escelsa presented in 2014 a DEC of 10.4 hours, which correspond to an increase of 5% compared to last year and a FEC of 6.5 hours, corresponding to a 12% increase. Quality indicators were below regulatory target, as a result of adverse weather conditions, upset by the persistent client focus and incentives to improve quality. Regarding operational indicators, Distribution business in Brazil has been marking increasing electricity distribution volumes in last years, accumulating since 2009 an increase of over five thousands GWh, reaching 26,443GWh in 2014.

The electricity distribution business strategy of the EDP Group is also focused on the implementation of smart grids and related services, in order to meet the challenges of the future and become a benchmark in electricity distribution.

> Electricity distribution business strategy of EDP Group is also focused on the implementation of smart grids

The core activity of InovGrid, an EDP company in Portugal, is the development of smart electricity grids. This activity has taken on increasing importance in recent times, and it was even recognised as a European project of reference in this area, in 2013. The extension of the Inovcity Évora programme to 6 other towns led to about 100,000 smart meters being installed. These smart meters permit the closer monitoring of users' consumption habits and boost the capacity for implementation of energy efficiency services.

Also to be highlighted is the start of the modernisation of the grid in Asturias with the implementation in 2014 of the first Inovcity project in Spain, at Pola de Siero. 7,000 meters and 30 concentrators were installed and 523 km of lines covering the area were inspected.

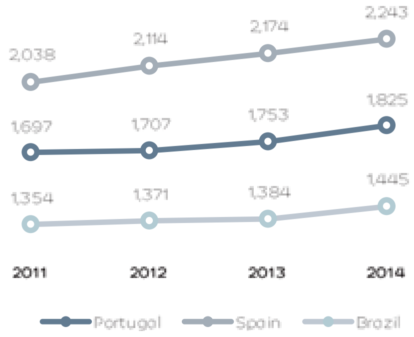
In Brazil, EDP has been developing the country’s largest integrated Smart Grid project, which began in the city of Aparecida in São Paulo state. This was extended to the municipalities of Domingos Martins and Marchal Floriano in 2013, and a total of 15,400 meters have so far been installed.

Studies have shown that these investments can contribute to a reduction in electricity consumption of approximately 4%, with a positive impact on emissions avoided.

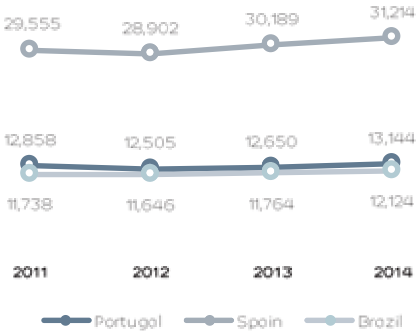
Guaranteeing business continuity has been a growing concern of the distribution activity. The existing emergency response plans in Portugal are being reviewed in the light of ISO 22301 concerning Business Continuity Management Systems. The aim is to obtain certification in 2015. The ClimGrid Project in Brazil is developing more detailed forecasting systems for weather phenomena, fostering greater agility and efficiency in distribution grid maintenance actions.

At the end of 2014, EDP 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.

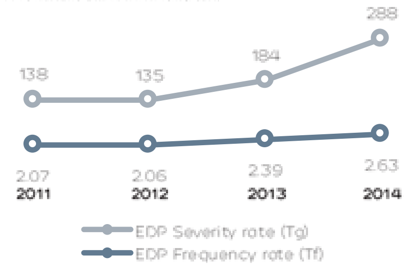
ELECTRICITY SUPPLY POINTS PER EMPLOYEE (#)



ELECTRICITY DISTRIBUTED PER EMPLOYEE (MWh/#)



ACCIDENTS AT WORK



	Un.	2014	2013	2012	2011
ELECTRICITY					
ELECTRICITY DISTRIBUTED	**GWh**	**79,428**	**78,886**	**78,581**	**80,569**
Portugal	GWh	43,808	43,858	44,655	46,508
Spain	GWh	9,177	9,147	9,003	9,517
Brazil	GWh	26,443	25,880	24,923	24,544
ELECTRICITY SUPPLY POINTS	**'000**	**9,894**	**9,780**	**9,688**	**9,625**
Portugal	'000	6,083	6,076	6,095	6,138
Spain	'000	659	659	659	656
Brazil	'000	3,152	3,045	2,934	2,832
GRID EXTENSION	**Km**	**336,440**	**334,169**	**334,064**	**331,028**
Portugal	**Km**	**223,523**	**222,476**	**223,734**	**222,627**
Overhead lines	Km	175,615	174,813	174,293	173,469
Underground lines	Km	47,909	47,663	49,442	49,158
Spain	**Km**	**23,395**	**23,293**	**22,986**	**22,652**
Overhead lines	Km	18,499	18,469	18,397	18,250
Underground lines	Km	4,896	4,824	4,589	4,402
Brazil	**Km**	**89,522**	**88,400**	**87,344**	**85,749**
Overhead lines	Km	89,332	88,242	87,344	85,749
Underground lines	Km	189	158	n.a.	n.a.
SUBSTATIONS	**#**	**617**	**618**	**619**	**602**
Portugal	#	416	411	414	411
Spain	#	57	57	58	56
Brazil	#	144	150	147	135
GRID LOSSES					
Portugal	%	10	11	9	8
Spain	%	4	4	4	3
Brazil	%	11	12	12	11
SERVICE QUALITY					
Portugal					
Installed Capacity Equivalent Interruption Time[1]	Min	61	84	58	75
System Average Interruption Frequency Index					
Medium Voltage	#	2	2	2	2.4
Low Voltage	#	2	2	2	2.5
System Average Interruption Duration Index					
Medium Voltage	Min	94	105	88	126
Low Voltage	Min	81	109	96	134
Spain					
Installed Capacity Equivalent Interruption Time[1]	Min	29	38	28	39
Brazil					
Average Interruption Duration per Consumer					
Bandeirante	Horas	8	8	9	9.4
Escelsa	Horas	10	10	10	10.4
Frequency of Interruptions per Consumer					
Bandeirante	#	5	6	6	6.2
Escelsa	#	6	6	6	6.4
ENVIRONMENTAL INDICATORS					
Installed power certified	%	32	30	27	21
Waste sent for final disposal	t	15,013	20,296	21,052	15,954
Dangerous waste	t	2,912	3,571	418	512
Waste valorization	%	89	93	99	98
Distribution grid in protected areas					
Overhead lines	km	13,612	13,502	13,651	13,304
Underground lines	km	974	947	13,465	875
EMPLOYEES AND SECURITY					
Employees	#	5,808	5,970	6,023	6,030
On-duty accidents	#	21	19	23	25
On-duty accidents contracted workers	#	53	56	53	64
Fatal on-duty accidents	#	0	2	0	2
Fatal accidents of contracted workers	#	4	4	9	4

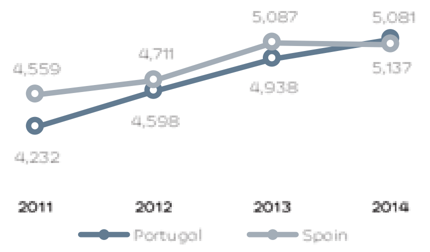
[1] ICEIT in MV grid, excluding extraordinary effects.

GÁS

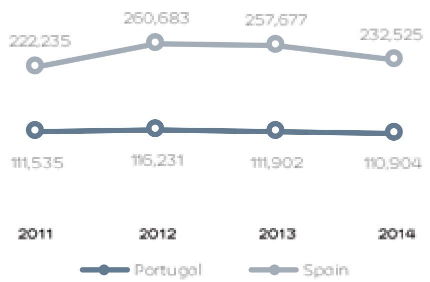
	Un.	2014	2013	2012	2011
GAS DISTRIBUTED	**GWh**	**53,846**	**58,473**	**63,109**	**55,585**
Portugal	GWh	6,876	6,938	7,323	7,138
Spain	GWh	46,970	51,535	55,786	48,447
GAS SUPPLIED	**'000**	**1,345**	**1,324**	**1,298**	**1,265**
Portugal	'000	319	306	290	271
Spain	'000	1,026	1,017	1,008	994
GRID EXTENSION	**Km**	**14,797**	**14,480**	**14,641**	**14,240**
Portugal	Km	4,653	4,484	4,321	4,125
Spain [1]	Km	10,143	9,996	10,321	10,115
ENVIRONMENTAL INDICATORS					
Installed power certified	%	100	100	100	100
Waste sent for final disposal	t	24	34	51	34
Dangerous waste	t	1	2	2	2
Waste valorization	%	99	98	97	34
EMPLOYEES AND SECURITY					
Employees [2]	#	260	258	273	256
On-duty accidents	#	1	5	2	3
On-duty accidents contracted workers	#	2	4	16	4
Fatal on-duty accidents	#	0	0	0	0
Fatal accidents of contracted workers	#	0	0	0	0

[1] The number of km in 2011 and 2012 includes the gas transport in Spain.

GAS SUPPLY POINTS PER EMPLOYEE (#)



GAS DISTRIBUTED PER EMPLOYEE (MWh/#)



3.2.3. ELECTRICITY AND GAS SUPPLY

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

In regulated markets, energy supply is attributed to the distributors. With the market liberalisation, these activities are separated, allowing new market agents to enter. Thus, all commercial matters are dealt between customers and suppliers and the contact with the distributor comes down to network connection, readings and other technical matters.

In most European countries, the electricity and gas markets' liberalisation processes were carried out in stages, starting by higher consumption and voltage level customers.

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

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

EDP is present in the electricity supply activity in Portugal, Spain and Brazil and has more than 9.6 million customers in those geographies. In the gas sector, this presence is only Iberian, where EDP has over 1 million customers.

The customer relationship management is crucial for EDP, which has given strong relevance to the focus on clients and to improve the quality of services provided. EDP has been building up a position of brand awareness in the energy market, aiming to be an engaging company with which customers relate to. The innovation associated with the extended range of integrated electricity and gas products and services in Iberia has been one of EDP's milestones in this activity during the recent years. From EDP's portfolio of offers in the liberalised market, stand out:

- FUNCIONA: electricity and gas equipments' installation review service and technical assistance.

- ENERGY AUDIT: service that allows better understanding of energy consumption at home and associated bill reduction.
- SAFE INVOICE: guarantees EDP invoice payment in case of Involuntary Unemployment, Temporary Disability, Invalidity and Accidental Death.
- ENERGY CERTIFICATION: classifies the energy performance in a scale from A+ to G and recommends a set of improvement measures.
- RE:DY: system that manages, monitors and measures energy usage.

EDP also offers differentiating proposals, closer to the customers and their aspirations, which more than captivating and retaining customers, are proximity, relationship and engagement proposals, such as:

- EDP COMMUNITY: a community from customers to customers, with reductions from essential goods to leisure time, games and promotions. With a network of partners from north to south of Portugal, customers can enjoy exclusive benefits whenever they wish, simply and with no cost. For small businesses, EDP Community gives the possibility to have a unique web page and a set of useful tools to promote the business, in exchange for a discount or an offer to other community members.

- **STRATEGIC PARTNERSHIPS:** EDP has hundreds of new service locations, through exclusive partnerships in the energy sector.
- **EDP MOBILE:** is a relationship channel to use in smartphones and tablets, which allows customers to configure their energy contracts, send meter readings and outwit common situations that occur when there is no electricity.

During 2014, the number of EDP Group electricity customers remained stable over the previous year, showing the offsetting between the regulated customers' drop and the successful capture of most of those customers in the liberalised market.

The number of EDP's liberalised electricity customers grew 48%, reaching 3.8 million customers. In Portugal, a new milestone was surpassed, attaining 3 million customers (+60% vs 2013). In Brazil, during 2014, EDP recorded its higher number of customers in the liberalised market, which represents a 77% increase over 2013.

Regarding electricity sales, the relative increase did not follow the customers' growth, not only because most of them are residential customers, but also due to the decreasing demand in Iberia. In Portugal, the liberalised electricity sold increased 19%, which was not enough to compensate the drop in regulated market sales (-34%), following the switching to the liberalised market (34%). In Spain, the volume supplied increased 2% in 2014, driven by new customers captured. In Brazil, the regulated customers supplied by the distributors grew by 3%, which was reflected in a 3% increase in the energy supplied to these customers.

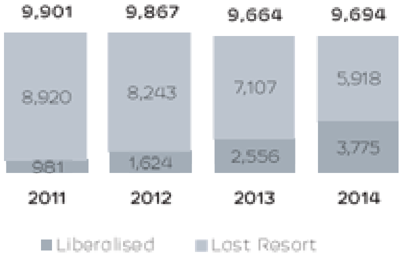
In Portugal, most of the customers switching to the liberalised market have been choosing EDP as a supplier and the company is market leader in all electricity segments and in B2C gas segment. In Spain, EDP is the supplier with the largest growth both in electricity and gas sectors.

> In Portugal, EDP intends to maintain its leading market position, ensuring the focus on added value propositions to the customers.

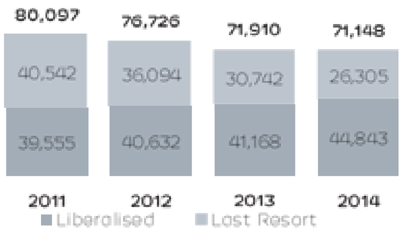
During 2014, the number of EDP's gas customers in Iberia increased 12%, reaching 1.3 million. In Portugal, EDP has seen its liberalised costumers' portfolio grow 74%, ending the year with about 390 thousand customers. This growth is also a result of the successful campaigns on dual offering, launched during the year and reinforces EDP's leadership in B2C liberalised gas in Portugal. The volume of gas sold in Portugal fell by about 30% since the impact of some cogeneration plants closure was stronger than the expansion of the customer base. In Spain, gas sold was 8% higher than the previous year, reflecting EDP's strategy of focusing in more attractive segments and the increase in customers' base.

It is also worth to highlight "cliente edp 365" programme, which intends to prepare all employees in Portugal to be EDP representatives, reinforcing the company's goal to engage in improving its relationship with the customers in the transition to the liberalised market. This programme is based in five thematic pillars: i) energy market framework; ii) EDP as a single brand; iii) players in the Portuguese energy market; iv) approach and targeting customers and v) EDP Comercial's portfolio of products and services.

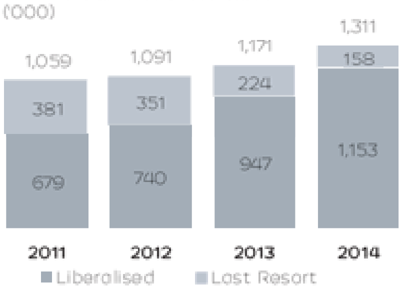
NUMBER OF ELECTRICITY CUSTOMERS
('000)



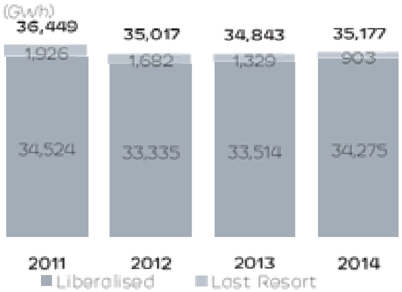
ELECTRICITY SUPPLIED
(GWh)



NUMBER OF GAS CUSTOMERS
('000)



GAS SUPPLIED
(GWh)



	Un.	2014	2013	2012	2011
ELECTRICITY					
NUMBER OF CUSTOMERS	'000	9,694	9,664	9,867	9,901
Portugal	'000	5,576	5,718	5,884	6,054
Last Resort	'000	2,520	3,807	5,031	5,772
Liberalised Market	'000	3,056	1,911	853	282
Market Share EDP - Liberalised Market	%	86	84	80	77
Spain	'000	966	901	1,048	1,016
Last Resort	'000	247	256	278	317
Liberalised Market	'000	719	645	771	699
Market Share EDP - Liberalised Market	%	3.5	3.2	4.6	4.6
Brazil	'000	3,152	3,045	2,934	2,832
Last Resort[1]	'000	3,151	3,045	2,934	2,832
Liberalised Market	'000	0.57	0.32	0.25	0.14
Social Tariff	'000	327	330	265	254
Special Needs	'000	0.79	0.81	0.87	0.84
Green Tariff	'000	683	586	519	424
ENERGY SUPPLIED	GWh	71,148	71,942	76,726	80,097
Portugal	GWh	24,861	27,105	29,603	33,710
Last Resort	GWh	9,247	14,016	19,767	24,579
Liberalised Market	GWh	15,613	13,089	9,835	9,132
Market Share EDP - Liberalised Market	%	45	44	40	42
Spain	GWh	17,317	17,039	20,251	21,362
Last Resort	GWh	513	608	709	833
Liberalised Market	GWh	16,804	16,400	19,543	20,529
Market Share EDP - Liberalised Market	%	9	10	11	11
Brazil	GWh	28,970	27,798	26,872	25,024
Last Resort[1]	GWh	16,544	16,119	15,618	15,130
Liberalised Market	GWh	12,425	11,679	11,254	9,895
Social Tariff	GWh	605	572	488	399
Special Needs	GWh	2	2	1	1
Green Tariff	GWh	15,180	14,703	14,804	14,476
Energy Services Invoicing	€M	66	53	46	45
GAS					
NUMBER OF CUSTOMERS	GWh	1,311	1,171	1,091	1,059
Portugal	GWh	479	375	319	272
Last Resort	'000	90	151	263	270
Liberalised Market	'000	389	224	56	15
Spain	'000	832	796	772	788
Last Resort	'000	68	73	88	111
Liberalised Market	'000	764	723	685	677
ENERGY SUPPLIED	GWh	35,177	34,843	35,017	36,449
Portugal	GWh	4,345	6,290	7,464	8,191
Last Resort	GWh	626	975	1,349	1,405
Liberalised Market	GWh	3,719	5,315	6,115	6,786
Market Share EDP - Liberalised Market	%	8	11	16	0
Spain	GWh	30,833	28,553	27,553	28,259
Last Resort	GWh	277	354	333	521
Liberalised Market	GWh	30,556	28,199	27,220	27,738
Market Share EDP - Liberalised Market	%	4	5	9	9

[1] Regulated Customers supplied by Distribution

3.3. ETHICS

3.3.1. MAIN INDICATORS

3.3.1.1. CODE OF ETHICS DISSEMINATION AND TRAINING

2014 was marked by the dissemination and adaptation of the new EDP Code of Ethics in all EDP Group.

The new code is the result of collective thinking to standardise the text in the different countries. The current publication is now common to the entire Group, incorporating only differences of detail to strengthen or better adapt the content to the local context.

The publication of the new Code of Ethics throughout the Group was an excellent opportunity to develop an ambitious and innovative training programme in ethics, with an eLearning component that is, for the first time, identical for all business units and all hierarchical levels.

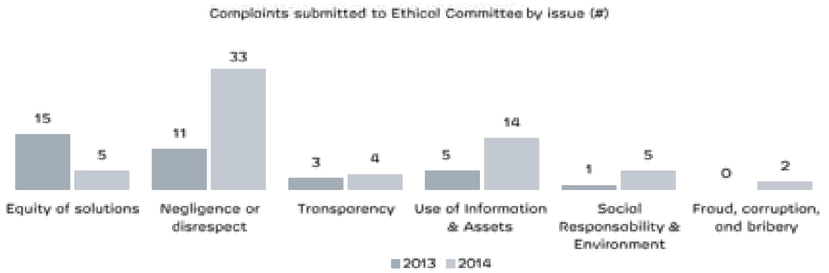
With a three hour period, the training session covered mainly the importance of ethics in business – for companies and for society. The way ethics is managed inside EDP, its tools and procedures, as well as ethic risks, were also explained.

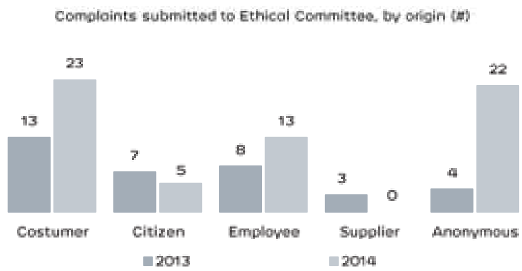
The training session ran until the end of 2014 and covered 79% of employees in Portugal. In 2015 the programme will be extended to the other EDP companies and on-site sessions will be structured based on the results of the Ethic Risk Assessment Programme, described in chapter 3.3.2.

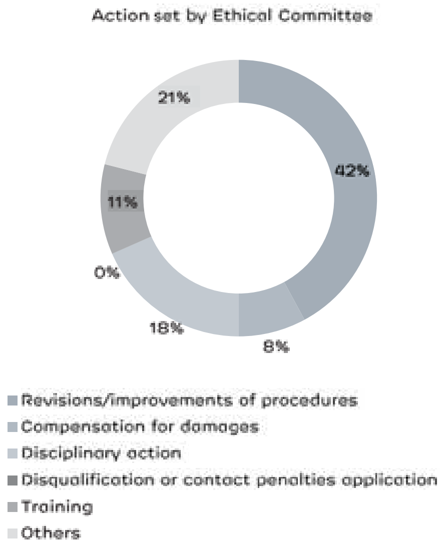
3.3.1.2. COMPLAINTS

The number of standardised processes opened in 2014 increased about 80% compared with the previous year.

Of the 220 registered complaints, only 63 gave rise to new processes submitted to EDP's Ethics Committee, according to the regulations ("standardised processes"), with the remainder having undergone summary processing in the business units involved, as they do not fall in the ethics field ("simplified processes").







Regarding 2013, the initiatives defined by the Ethics Committee are mostly directed to review and improve procedures and the training/qualification of employees or suppliers. The significant number (29%) of initiatives classified as "other" include: performance monitoring of processes, assessment of the effectiveness of initiatives, reporting to criminal investigation authorities, etc.

3.3.1.3. EXTERNAL RECOGNITION

In 2014, EDP was again recognised by Ethisphere (for the 3rd consecutive year) as a company with one of the best ethical management performances. EDP improved its overall score by 4.4 points from 2013, maintaining its above average positioning on the ranking of the World Most Ethical Companies (page 22).

Also in the evaluation of Score Brand, the corporate image recorded and increase by 7.3 points regarding the performance of the ethical sector.

3.3.1.4. *ETHICIS* – CORPORATE ETHICS PERFORMANCE INDEX

Since 2013, EDP monitors and assesses its ethical performance through the Ethicis index. In 2014, the index had a positive variation of about 3 points over the previous year and was strengthen with additional indicators, which increased, substantially, the trust on this process.

This change partially justifies the decrease observed in some dimensions, such as Suppliers and Communication, as well as the increase of Reputation.

Just like last year, EDP has published its Annual Ethics Ombudsman Report, which details the various initiatives of the year and is available at www.edp.pt> edp> corporate governance> ethics.

3.3.2. ASSESSMENT OF ETHICS RISK

The ethical risk analysis project has started. This project is supported by several departments at the Corporate Centre level, such as the Ethics Ombudsman, Internal Audit, Risk Management, Sustainability and Legal Offices, and aims to create a common ethical risk assessment tool for the EDP Group. The main outputs of this project will support the on-site training to take place in 2015.

3.3.3. HUMAN RIGHTS

On Human Rights, EDP Group's decisions are based on the principles of Sustainable Development and the Code of Ethics, which expresses our main practices of human rights and labour protection.

Following the review of the Code of Ethics, in 2015 EDP will start a human rights monitoring programme, in accordance with the guiding principles on business and human rights, from United Nations Human Rights Council’s Ruggie Framework.

The Ethics Ombudsman hotline is a preferred channel of complaint, participation and presentation of Ethics’ questions as well as to human rights and labour matters. It is also a means available and accessible in relation to human rights and labour issues related to supply chain – it should be noted that compliance with the prohibition on the use of undocumented workers and child labour, in addition to contractually established and explicit assumption of EDP’s suppliers qualification process, is susceptible of verification for inspective actions carried out at the operational level.

3.3.4. ANTI-CORRUPTION

EDP implemented several mechanisms - such as the Code of Ethics of EDP Distribuição, SCIRF (Internal Control System for Financial Reporting) - and identification of ethical risks by the Ombudsman - to ensure compliance with ethical and legal standards related to bribery and corruption, on an internal level (employees, including leaders) as well as on the supply chain.

Also, EDP participates in some collaborative initiatives studying, identifying and preventing corruption risks and to improve transparency, as the project Gestão Transparente.Org (www.gestaotransparente.org) which provides a free web-based tool and a consistent library of laws, information and good-practices to share with other companies, individuals or any organization.

Specifically, EDP maintains clear anti-bribery standards that are communicated to employees in relevant positions and conducts periodic risk assessments for bribery and corruption risks as well as periodic evaluations and benchmarking of our anticorruption programme and initiatives. Our Group does not allow 'facilitation payments' as a matter of policy.

Training is provided to employees in higher risk areas on how to recognize corruption red flags and act consequently, including finance, accounting, sales and procurement areas, as well as personnel dealing authorities and regulators.

Particularly with our supply chain, EDP's agency or distribution agreements, or intermediary contracts, include explicit provisions regarding compliance with ethical conduct standards and specific provisions regarding compliance with applicable bribery and corruption laws.

In harmony with our Code of Ethic's provisions, EDP's hotline and some other reporting mechanisms are available to use for suppliers, agents, intermediaries and their employees.

3.4. INNOVATION

3.4.1. APPROACH TO INNOVATION

EDP completed in 2014 the implementation of the new governance model for innovation, started the previous year. This model is based on four strategic areas of innovation for the EDP Group:

- Cleaner Energy;
- Smarter Grids;
- Customer-Focused Solutions;
- Data Leap.

This new governance model dictated that the mechanisms of articulation between EDP Inovação and the Group's other business units continued to be solidified in 2014, and adjustments in the organisational structure of EDP Inovação are undertaken to ensure it is fully aligned with the requirements of the new model.

The continued investment in Research and Development (R&D) activities led EDP Inovação to apply to the National Innovation Agency, in December 2014, for recognition of suitability to undertake R&D activities.

The investment in R&D+i on the Iberian Peninsula was EUR 27.2 million.

In Brazil, according to the regulatory obligation in the concession contracts, electricity distributors allocate 0.2% of their net operating revenue to R&D projects and generation companies allocate 0.4% of this revenue. The investment in 2014 was EUR 2.19 million by the distribution companies and EUR 2.24 million by the generation companies.

N.E.W. R&D Centre

Inaugurated in October 2014 in Labelec facilities, N.E.W. is a joint initiative between EDP and CTG, focused on New Energy Technologies, with the ambition of becoming progressively a reference in this sector.

This collaborative approach to R&D in the energy sector, based on a consistent participation in earlier stages of technology/knowledge development, aims at creating sustainable value for both EDP and CTG.

N.E.W. R&D Centre is initially focusing its activities in four major priority R&D areas:

- Energy Storage and Energy Management;
- Smart Grids;
- Flexibility in Hydro and Thermal Assets;
- Offshore Wind.

For each of the strategic areas we highlight the most important projects of the year:

CLEANER ENERGY

This area aims to contribute to the creation of new opportunities in the EDP Group in the field of clean energy, either by supporting the development of new technologies or by contributing to the improvement of existing solutions, with the end goal of reducing greenhouse gas emissions.

Project	Description	Country
Carbiotor2014	Cleanear and sustainable use of coal for co-combustion of coal and biomass, to minimise CO_2 emissions.	Spain
Life Biogrid	New biogas purification systems (unicellular algae + cryogenic systems), converting it into renewable natural gas suitable for injection in gas infrastructure and for use in vehicles.	Spain
Predictive maintenance of wind turbine blades	Advanced maintenance of wind turbines, by installing optical fibre-based sensors to predict the state of the wind turbine blades, allowing action to be taken in advance to prevent significant damage and outage.	Portugal
Sunlab	Photovoltaic modules performance test platform (6 different technologies), in different weather conditions (4 locations) and different positions, in order to determine the relationship between energy generation and these variables and subsequently develop decision support tools, adapting the best technologies to each location and position.	Portugal
Trimares	Submarine Robot designed to make autonomous inspections, mapping and data collection in aquatic environments (e.g. dams).	Brazil

SMARTER GRIDS

EDP aims to lead in this strategic pillar, through the development of smart grid infrastructure and applications focused on the customer and operations.

Project	Description	Country
Innpacto Redox 2015	Development of an innovative system for high capacity power storage, based on redox flow Vanadium batteries of 30 kW.	Spain
Localiza 2013	Locating failures in medium voltage distribution grids, through an algorithm to locate short-circuits in grids, and classification of the type of failure found	Spain
Predis	Grid management optimization programme based on distributed forecast of unbundled consumption and generation in real time, based on Big Data technology	Portugal
Sinapse	Implement an automated channel of information exchange between EDP and external partners over the internet (M2M-Machine-to-Machine platform), so that they can notify EDP of anomalies in the electricity supply in real time and without human intervention, fostering the quick restoration of the service.	Portugal
Smart Grid Laboratory	Smart Power Grids Laboratory (REI) in the Polytechnic School of São Paulo University.	Brazil
Sustainable	Development and demonstration of a new paradigm of distribution operation, leveraging information from smart meters and short-term forecasts to manage distribution systems in a more efficient and cost-effective manner, and allowing the large-scale installation of intermittent distributed renewable resources.	Portugal
Trafo BTZero Transformer	Centralised monitoring system designed to eliminate customer access to the power grid not controlled by a meter, thus minimising non-technical losses.	Brazil

CUSTOMER-FOCUSED SOLUTIONS

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

Project	Description	Country
ELLENA2015	New techniques for providing energy advice to domestic customers using natural language messages, generated from an analysis of their consumption profiles obtained from the new smart meters.	Spain
Enrima	Participation of EDP under the Seventh Framework Programme for Research and Technological Development of the European Union (FP7) in order to develop an integrated management system to support the decision making of public spaces and building managers, labeled as energy efficient, which will optimise their operation, minimise costs, manage risks and meet the power, efficiency and emission reduction requirements.	Spain
Nanocomet	Development of a robust, reliable and low cost device for the simultaneous detection of natural gas leaks (methane) and carbon monoxide emissions, and that minimises the high false alarm rate of detectors currently commercially available.	Spain
Observatory of customers' behaviour	Feasibility/assessment of the impact of new solutions in the electricity distribution services.	Brazil
Pre-payment	Pilot project to assess the reaction of customers to the pre-payment system in a smart grid environment, enabling customers to monitor their consumption in real time and better manage electricity consumption.	Brazil

DATA LEAP

This is a cross-sectional area of leverage for the development of Information and Communication Technologies (IT) to support innovation in all areas of business. The initiatives in this area focused in particular on new technologies and market trends, such as:

- Big Data - which enhances agility in the market, operational optimisation and the creation of new products and services;
- Searching – which leads to greater simplification and speed in accessing information, either internally and externally;
- Cloud Computing - which allows flexible management of the IT infrastructure, streamlining the allocation of technical resources and reducing the investment necessary.

Project	Description	Country
Big Data Global Data Store	Creation of a non-intrusive, neutral and scalable information repository, with the technology used in the Big Data pilot, exploring new information-processing mechanisms in EDP, using both internal and external sources.	Portugal
Low cost Big Data infrastucture	Implement a big data infrastructure with used hardware (PCs) that would normally be sent for recycling. This infrastructure will be used for research and development in the big data area, thereby avoiding costs with external services.	Portugal
Pregas2013	Development of a forecasting and operating optimisation tool for the Sidergás cogeneration power plant, based on available information and the analysis of historical data.	Spain
SIASE	Analytical intelligence system of the electricity sector, aimed at developing a tool for the consolidation of diverse information in the electricity sector and facilitate its consultation by the company.	Brazil
Unstructured data analysis	Automated analysis of unstructured data (e.g. data available on the web and media, or free text entered in comments fields), allowing patterns to be identified and collecting valuable information for the company.	Portugal

3.4.2. SUPPORTING INNOVATION INITIATIVES

In addition to the projects described in the four strategic areas, EDP also develops projects aimed at improving the operation of its assets, has a risk capital fund for investment in cleantech – EDP Ventures - and promotes internal and external initiatives to encourage innovation and entrepreneurship.

By the end of 2014, EDP Ventures had invested over EUR 19 million in cleantech companies and innovative funds and made an additional commitment to invest EUR 2 million in the future. The following investments stand out:

- Arquiled - LED lighting solutions;
- Feedzai - real time big data solutions;
- Zypho - drain water heat recovery solution for showers and baths;
- Principle Power - floating platform for offshore wind energy;
- International cleantech funds (USA and UK);
- Support the implementation of pilots among Portuguese start-ups (Egg Electronics, Vertequip and Eggy) and Business Units of the EDP Group (EDP Comercial, EDP Renováveis and EDP Produção).

Concerning external initiatives to promote better links between the business and academic environment, fostering entrepreneurship and strengthening EDP's image as a Group that is committed to innovation, the following are highlighted:

- EDP Innovation Award - The EDP Innovation Award is an incentive of the EDP Group, in Portugal and Brazil, to support the development of new business projects focused on technological or business model innovation in the energy sector clean technology. The 6th edition was held in Portugal in 2014. The winner, BeOn Micro, received a cash prize of EUR 50,000. This winning project is a micro-inverter of reduced size and cost compared to the competition (www.premioedpinovacao.edp.pt).

  The 4th edition of this prize in Brazil was completed early 2014, having been selected and awarded (BRL 45,000 prize money) the following projects: detection and monitoring system of gas in pipes; energy management system for organic waste and effluents from low-income communities; and low cost micro-generators. The 5th edition of this award began in 2014 and will be concluded in January 2015 (www.edp.com.br/pesquisadores-estudantes/Premio_EDP_2020/Noticias/Paginas/default.aspx).
- EDP Starter – In 2014, this innovative concept to support entrepreneurship (acceleration of great ideas from small businesses), supported the development of 18 startups, generating new jobs, contributed to the growth of Portuguese business and the projection of national technology in international markets (find out more at www.edpstarter.com).

3.5. ENVIRONMENT

3.5.1. DECARBONISING THE SECTOR

EDP has continued its effort in 2014, aligned with the worldwide objective of fighting climate change, to reduce greenhouse gas (GHG) emissions, in particular through:

- Increased power generation from renewable energy sources (+ 1.27 TWh compared to 2013);
- Reduction of primary energy consumption from fossil fuels throughout the value chain (minus 6,270 TJ compared to 2013);
- Reduction of direct (scope 1) and indirect emissions (scopes 2 and 3)
- Promoting energy efficiency improvement in final energy use (page 100).

Increased power from renewable energy sources

+1.27TWh

compared to 2013

3.5.1.1. GENERATION FROM RENEWABLES

The installed capacity in renewable energy raised from 15.7 GW in 2013 to 15.8 GW in 2014, currently representing 71% of the total capacity of the EDP Group. Renewables contributed to about 73% to total production of the group, converging on the goal set for 2020 (75%). This result is mainly due to the increase of the contribution from hydroelectric power plants in Portugal, as a result of the high hydrological index (1.27, i.e. 27% above the average hydrological year).

3.5.1.2. SUPPLY EFFICIENCY

Generation activity from fossil fuels favoured the coal-fired power plants on the Iberian Peninsula, as in previous years, with residual contribution from the combined cycle natural gas-fired power stations. In terms of primary energy consumption, the slight increase in coal was offset by a decrease in natural gas use in combined cycle power stations and in the various cogeneration plants sold off, resulting in an overall reduction of 3.7% compared to 2013.

This combination of the operating conditions lead to a slight decrease on the overall efficiency of EDP's power generation assets (68.3% in 2014 vs. 68.7% in 2013).

3.5.1.3. CO_2 EMISSIONS AND MANAGEMENT

A 0.5% decrease of direct GHG emissions – scope 1 - was recorded as a result of the aforementioned operating conditions. Indirect emissions related to electricity consumption (scope 2) declined about 5% compared to 2013, mainly due to the reduction of distribution losses, which account for around 80% of this indicator. Indirect emissions induced by the company upstream and downstream in its value chain (scope 3) also declined about 13% compared to 2013.

CO_2 eq. Emissions(kt)	Un.	Group	Portugal	Spain	Brazil	North America	Rest of Europe
		2014					
SCOPE 1							
Stationary combustion	kt	16.521,6	7.763,0	8.758,5	n/a	n/a	n/a
SF6 Emissions	kt	7,1	4,3	0,9	1,8	0,1	0,0
Company fleet	kt	18,1	11,2	1,3	4,7	0,7	0,2
Natural gas consumption	kt	0,5	0,0	0,2	n/a	0,2	0,0
Natural gas losses	kt	4,0	0,7	3,3	n/a	n.a.	n/a
SCOPE 2							
Electricity consumption in office buildings	kt	9,6	6,1	1,2	0,8	1,4	0,1
Electricity losses	kt	1.807,8	1.191,4	92,6	523,8	n/a	n/a
Renewable plants self-consumption	kt	397,0	343,4	28,4	2,6	16,3	6,3
SCOPE 3							
Purchased goods and services (C01)	kt	37,5	37,5	n/a	n/a	n/a	n/a
Capital Goods (C02)	kt	231,7	17,7	62,4	2,4	109,0	40,2
Fuel and energy related activities (C03)	kt	6.728,2	2.794,9	936,5	2.996,9	n/a	n/a
Upstream transportation and distribution (C04)	kt	955,1	899,8	0,0	55,3	n/a	n/a
Business Travels (C06)	kt	7,7	2,8	4,9	0,0	*	*
Use of sold products (C11)	kt	7.104,4	877,5	6.226,9	n/a	n/a	n/a

* Included in Spain

CO_2 eq. Emissions(kt)	Un.	Group	Portugal	Spain	Brazil	North America	Rest of Europe
		2013					
SCOPE 1							
Stationary combustion	kt	16.599,2	7.841,2	8.758,0	n/a	n/a	n/a
SF6 Emissions	kt	9,2	7,0	0,9	1,1	0,2	0,0
Company fleet	kt	18,9	11,8	1,7	5,0	0,1	0,2
Natural gas consumption	kt	1,0	0,1	0,8	n/a	0,2	0,0
Natural gas losses	kt	5,1	0,5	4,7	n/a	n/a	n/a
SCOPE 2							
Electricity consumption in office buildings	kt	9,7	6,9	1,3	0,7	0,7	0,0
Electricity losses	kt	1.861,0	1.402,5	96,1	362,5	n.a.	n/a
Renewable plants self-consumption	kt	465,8	419,3	28,4	1,8	13,3	3,0
SCOPE 3							
Purchased goods and services (C01)	kt	34,8	34,8	n/a	n/a	n/a	n/a
Capital Goods (C02)	kt	232,8	17,8	62,7	2,4	109,6	40,4
Fuel and energy related activities (C03)	kt	8.489,6	5.341,8	1.248,6	1.899,2	n/a	n/a
Upstream transportation and distribution (C04)	kt	1.462,4	847,4	541,7	73,3	n/a	n/a
Business Travels (C06)	kt	4,8	3,6	1,2	0,0	*	*
Use of sold products (C11)	kt	7.068,7	1.302,2	5.766,5	n/a	n/a	n/a

* Included in Spain

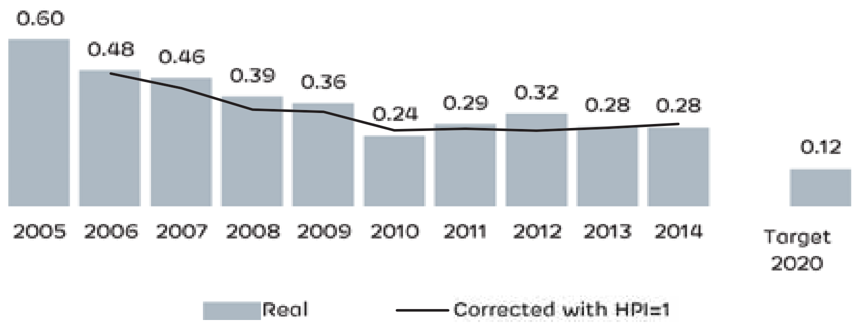
GHG emissions are also reported under the Carbon Disclosure Project (CDP). EDP obtained a score of 96/100 for reporting and B for performance in 2014. The document with the details of the answers given to the CDP is available from the websites www.cdp.net and www.edp.pt> sustainability> environment> climate change> carbon disclosure project.

Specific emissions also recorded a decrease of 0.6% compared to 2013, in line with the emissions changes under scope 1, thus maintaining the downward trend of recent years and convergence to the goal agreed for 2020: 0.12 tCO_2/MWh.

33.8Mt

of CO_2 emissions avoided.

This represents more than two times the direct emissions of EDP Group



The use of renewable energy to replace fossil fuels led to a total CO_2 emissions avoided of 33.8Mt (7% more than 2013).

EDP has maintained a hedging strategy in the management of carbon credits, aiming to minimise the risk of exposure to this market. The acquisition of allowances is made on the secondary market and through OTC transactions (over-the-counter), to cover emissions from the thermal power stations on the Iberian Peninsula which form part of the EU ETS-European Emissions Trading Scheme (see note 48 to the financial statements).

3.5.1.4. ADAPTATION TO CLIMATE CHANGE

EDP manages the risk associated with climate change through adaptation measures which include: diversification of the generation mix, project rules that safeguard against the risk of flooding, working hand-in-hand with the civil protection authorities and weather forecasting agencies, contingency plans, among others.

EDP also promotes the resilience of the company to climate change, through its participation in the public discussion of policies or strategies, for example the Portuguese Adaptation Strategy; taking part in different forums and working groups, such as Eurelectric, the BCSD, among others. See EDP's answers sent to CDP for more information (www.edp.pt).

3.5.2. ENVIRONMENTAL IMPACTS MANAGEMENT

3.5.2.1. MANAGEMENT SYSTEMS AND POLICIES

EUR 83.7M

environmental costs and investments

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

A Corporate Environmental Management System (SIGAC) has been implemented and certified since 2008, according to ISO 14001. This system covers "the corporate management of environmental policies and strategic plans for the environment, environmental information and the environmental performance of the EDP Group organisations". This system regulates and promotes the harmonisation and extension of the environmental certification of facilities and activities, whether through the ISO 14001 requirements or the European Community Eco-Management and Audit Scheme (EMAS).

The effort to environmentally certify Group facilities and activities is mainly focused on the operating activities, with the design, construction and decommissioning phases managed according to their different specifications and controlled under the SIGAC. In 2014, the increase of 25% in the certified installed capacity was mainly due to EDP Renováveis in the United States of America.

The EDP Group has 82% and 29% of net installed capacity in Portugal and Spain, respectively, covered by EMAS system registration.

Operational objectives and targets are annually defined, associated with the environmental management systems and incorporated in the Group's Environment and Sustainability Operational Plan. These objectives and targets of all generation centres with EMAS registration can be viewed at www.edp.pt> sustainability> environment> management systems, and in the relevant Environmental Statements.

During 2014, the investment costs and environmental expenditures totalled EUR 83.7 million which detail is described in Note 53 to the financial statements.

Certification of the EDP Comercial Environmental Management System

EDP Comercial obtained the certification of its environmental management system in July 2014 by Lloyd´s Register, according to the ISO 14001:2004 standard.

This environmental certification is a capital gain for the positioning of EDP Comercial in the market.

Under the scope of the Environment Management Systems procedures and other complaint channels, 194 environmental claims were registered, which were duly followed.

3.5.2.2. WATER RESOURCES

Water is an essential resource for EDP's business. EDP published the Corporate Water Management Policy in 2012, which aims to promote the sustainable management of this resource as well as assess the exposure of the firm's activities to water stress (www.edp.pt> sustainability> environment> water> corporate water management policy).

EDP calculated its water footprint in 2014, obtaining the following values, 804hm^3/year for 2014, while in 2013 it registered 944hm^3/year.

EDP has also been developing an analysis of the risk linked to water management, having assessed its exposure to the risk of shortages and competing uses.

As part of the adequate management of water resources, EDP has been monitoring potential scarcity, checking the quality of water and sediments, checking the impact of the activity on fish fauna, taking action to transport fish, supporting scientific research on the ecological flows and biodiversity. However, this year was characterized by weak inflows in Brazil, which led to a high rate of fish mortality in the region of hydroelectric power station Luís Eduardo Magalhães (Tocantins). This occurred due to their retention in puddles created by the reduced river flow. As a corrective measure, a dam shall be installed downstream in order to regulate the water level.

The use of water in the generation of electricity from coal is predominantly intended for use in cooling circuits (99.6%), which is subsequently returned to the environment with a slight increase in temperature that is periodically controlled. The temperature of the waste water remained within the limits in 2014 specified on the different environmental licences.

The quality of effluents is periodically monitored, as envisaged in the respective environmental licences and legislation in force. Detailed information can be found at www.edp.pt> sustainability> environment> performance.

EDP has implemented various initiatives as part of its operational management, with the aim of reducing consumption and increasing efficiency in the use of this resource. This has contributed to a continuous improvement of its management, as verified in the indicators recorded. Two examples of the measures are the installation of rainwater catchment systems by EDP Renováveis and the implementation of the EDPway project in Aboño.

EDP has annually published since 2008 the Water Disclosure Project, which describes the ongoing initiatives in more detail. This report is available at www.cdp.net and can be read at www.edp.pt> sustainability> publications.

2.5.2.3. BIODIVERSITY

EDP has been explaining the management approach to impacts on biodiversity through its Biodiversity policy, which has the ultimate aim of seeking to achieve an overall positive balance as a result of the impact resulting from its business activity. Today there are four main areas of focus:

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

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

The management of impacts on biodiversity arising from operational activities is addressed in the framework of the certified environmental management systems. In the new generation centres under construction or in operation, particularly the hydroelectric plants in Portugal and in Brazil, there is also the long-term approach to minimization, compensation and monitoring throughout the project life cycle. This approach is of special focus when the hydroelectric projects are located in areas of conservation interest, for example the European Natura 2000 network in Portugal and the Amazon and Atlantic forest and Cerrado biomes in Brazil, considered to be hot spots of biodiversity due to their ecological sensitivity given the high degree of endemism and danger of species' extinction.

The following hydroelectric power station construction projects are to be highlighted in 2014, as a result of relevant initiatives to manage and offset the impacts on biodiversity:

Portugal

Projects	Stand-out Initiatives in 2014
Baixo Sabor	
Impacts on the ZPE and SIC of the Sabor and Maçãs Rivers and marginally on the SIC of Morais 2,331ha of the 3,002ha of the two reservoirs of this hydroelectric plant are located in the Sabor and Maçãs Rivers SIC, including 557 ha occupied by priority habitats.	The compensation/offsetting measures implementation plan recorded an implementation rate of 89%, and should be fully implemented in 2015. In relation to the measures concerning the priority habitats of high conservation value, ~ 293 ha were planted for increased densities and 600 ha are to benefit from a fire risk reduction plan implemented in a buffer area covering 1,923 ha. An integrated environmental monitoring programme was established, to be deployed in the filling stage and during operation of the BS hydroelectric plant - integrated environmental monitoring plan (PIMA) – over a period of 10 years. The end of this period is also the first major reporting milestone to evaluate the success of efforts to mitigate the impact. Creation of a protected area-Tua Sabor Natural Park, giving territorial contiguity to the existing Vale do Tua Natural Park. 3% annual financial contribution out of the generation´s annual average net value addressed to the biodiversity fund.
FOZ TUA	
The reservoir will flood a total area of 457 ha of protected habitats.	Proposal of maintenance/recovery measures for an area of habitat 1.5 times greater (686 ha) was presented. Set of ongoing measures designed to benefit species diversity of terrestrial and aquatic flora and fauna. 3% annual financial contribution out of the generation´s annual average net value addressed to biodiversity conservation.
VENDANOVA III AND SALAMONDE II	
As these are repowerings the environmental impact is less significant. The EIA process envisages measures for the mitigation and compensation/ offsetting and monitoring of various environmental factors.	At Salamonde II, the following was undertaken: - Updating the map of Acacia spread and of other invasive species, in an area of 24.8ha; - Recovery of natural vegetation monitoring in areas that have undergone Acacia control/eradication intervention, since 2012, in a total area of 0.1ha. - Monitoring areas of autochthonous species, over the entire envisaged area (0.1ha) - Acacia control initiatives, planned for an area of 0.1 ha in the zone of the heap. At Venda Nova, the follow-up of specific actions to control invasive species has taken place in order to ensure its success.

BRAZIL [1]

Projects	Stand-out initiatives in 2014
Santo Antônio do Jari [2]	
Affects 4,799ha of the Amazonian region considered of high biodiversity value, in the state of Amapá.	The implementation of impact mitigation and monitoring actions continued, for example: - Prevention of accidents with fauna; - Rescue of imprisoned fauna and ichthyofauna; - Collection of germoplasms and forest recovery with native species in an area of about 5 ha.
CACHOEIRA CALDEIRÃO	
Affects 3,170ha of the Amazonian region considered of high biodiversity value, in the state of Amapá, and 3,020ha in the Amapá State Forest.	The implementation of impact mitigation and monitoring actions continued, for example: -Prevention of accidents with fauna; -Rescue of imprisoned fauna and ichthyofauna from the pools formed by the cofferdams.
SÃO MANOEL	
Located on the Teles Pires river (border of the municipalities of Jacareacanga, in Pará state, and Paranaíta, in Mato Grosso state), it will occupy an area of 6,600ha, with a perimeter of 392km. The reservoir will imply the deforestation of 4,800ha.	Rescue of ichthyofauna trapped in the first diversion cofferdam (~22,000kg, and more than 100 different species) as well as territorial fauna, during the removal of vegetation to set the building yard. The procedure was conducted to select companies to award the contract to monitor the biotic environment. The start of work was planned for January 2015.

(1) The described power stations are consolidated under equity method.
(2) The first generating unit of the Jari Hydroelectric Power Station (123.3 MW of power), came into operation in September 2014

In Spain, EDP Renováveis has implemented a restoration programme in most of its facilities, in order to avoid problems arising from erosion and to improve the landscape integration. Initiatives of planting and hydroseeding on hillsides and restructuring and improvement of drainage structures were performed in 2014. A total of 0.8ha underwent hydroseeding and 6,711 units were planted in the integration into 0.5ha of landscape. The satisfactory results encourage the continuation of measures of this nature in 2015.

In the distribution sector in Portugal, the protection of birdlife remains the main focus. 52.9km of power lines and 45 support pylons were signalled in 2014. These measures are implemented and agreed under a collaboration agreement established between EDP, the national environment authorities and NGOs. This is in force since 2003.

3.5.2.4. ATMOSPHERIC EMISSIONS

Atmospheric emissions are one of the most significant environmental aspects of the EDP Group's activities. The main emissions resulting from burning are NOx, SO_2 and particles, in addition to CO_2 given the characteristics of the combustion process (page 84). These pollutants are continuously and/or periodically monitored, in order to check compliance with the emission limit values established by the laws in force.

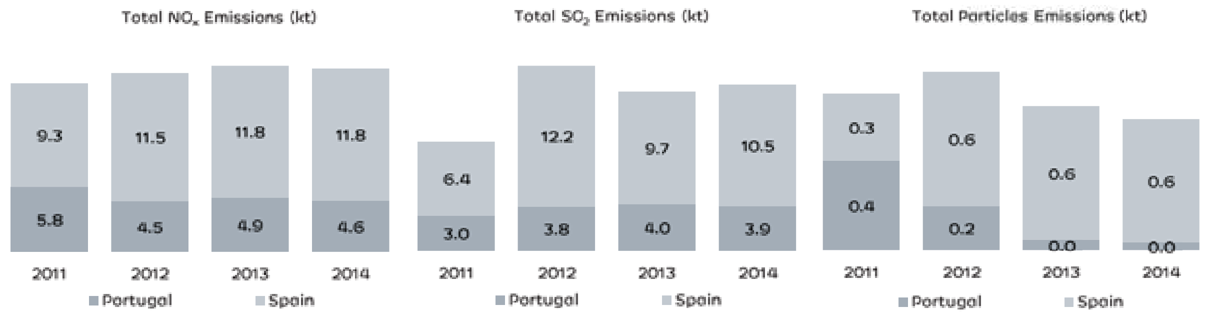
The increase of the generation portfolio from renewable sources and the investment in more efficient gas treatment systems has reduced the specific emissions of these gases.

The detail of the atmospheric emissions by facility can be found at www.edp.pt> edp> business units> electricity generation.

Denitrification system in Spain

EDP began the construction of denitrification facilities at the Aboño (Group 2) and Soto (Group 3) Power Stations and they are expected to come into operation in 2016 and 2017 respectively.

The aim of this project is to reduce NOx emissions by 80% and will involve an investment of EUR100 million which will extend the life of these power stations until 2035.



3.5.2.5. WASTE AND BY-PRODUCTS

Project of recovery of fly ashes from coal - Ashfoam2014

Energy recovery of fly ash produced at coal power stations through its use in the production of metal matrix composites.

This project held in collaboration with the "Instituto de Materiais das Astúrias" analyzes different separation processes and classification of particles of fly ash constituents. Also studies different paths for building composites from aluminum matrix using fly ash as reinforcement.

The management of EDP waste follows the procedures of environmental management systems where there is a continuous effort to reduce production and its harmfulness at source, as well as increase the percentage of waste destined for recovery. The total quantity of waste routed to the final destination (362,031 tons) fell significantly (2%) due to lower thermoelectric generation.

EDP's electricity generation activities produce large quantities of fly ash and slag from burning coal and gypsum from the process of desulphurization of atmospheric emissions. EDP has made an effort to search for new markets to sell the by-products (coal fly ash and gypsum) it produces which has resulted in an increase of 15% of the amount sold.

The provision of the services of electricity distribution and new generation projects generate waste. The service provider is responsible for this waste, which is accounted for by the company.

In Portugal, the distribution services activity produced about 13,000 tons of waste, 93.5% of which was routed to recovery processes. In the works to build new hydroelectric plants, 1,578,119 tons of waste were routed to a final destination, 99.9% of which was sent for recovery.

A kind of waste that deserves a special attention is the equipment contaminated with PCB, at concentrations less than 500 ppm. Under current legislation, these can remain in operation until the end of its useful life. However, EDP is to bring forward its removal by giving priority to this type of equipment under its replacement plans. 118 tons of waste containing PCB were sent to a final destination in 2014.

3.5.2.6. EMERGENCY RESPONSE AND PREVENTION

EDP has procedures for the identification and processing of near misses, in a preventive manner, in order to prevent and minimise any negative impact. All facilities have emergency plans where they identify the risks that can occur, how to act and the human and material resources available on site, ensuring that employees or service providers are aware of these practices. The facilities test their emergency plans through periodic drills (page 96).

Although seven accidents and 66 environmental near misses occurred in all the Group's facilities, the implemented mechanisms and the response capacity of the local teams allowed the situation to be managed without significant environmental damage to the surroundings.

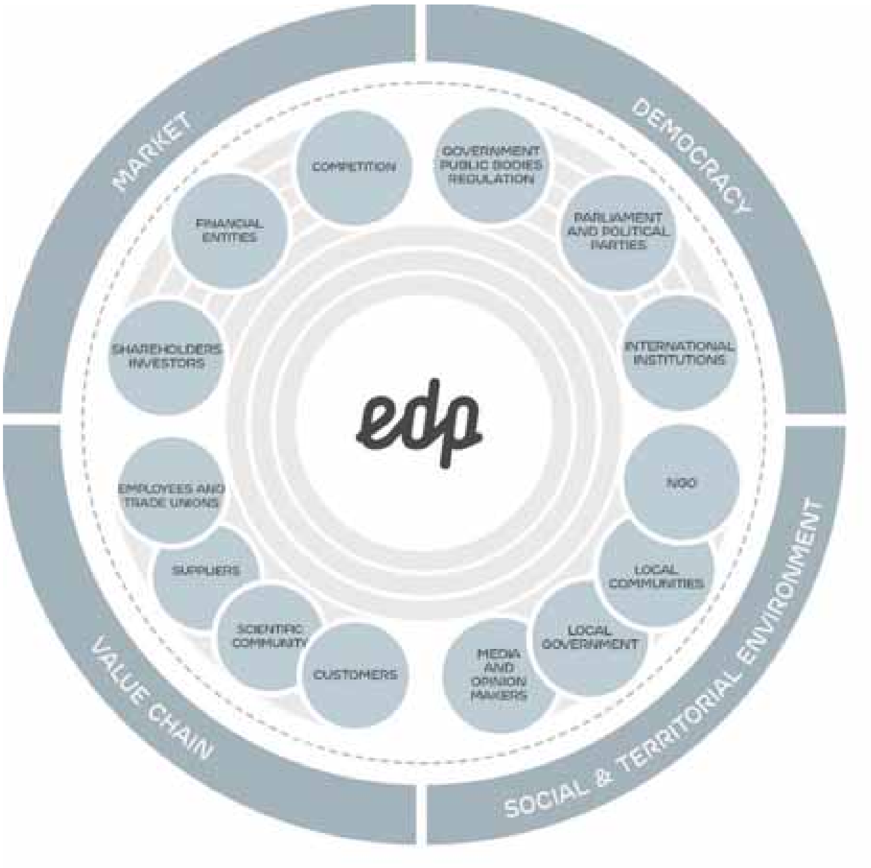
Several small spills were registered, mostly in the distribution activity, which resulted mainly from vandalism. These occurrences were managed without environmental damage.

3.6. STAKEHOLDERS

Stakeholder management is an exercise of sharing and transparency of the companies in their relationship with society and, in particular, with the entities they impact on or which are impacted by their activities.

In the framework of the EDP Group's sustainable development principles, the Stakeholder Relations Policy of EDP aims to build and strengthen trust relationships, share knowledge and relevant information, anticipate challenges and identify new opportunities for cooperation.

This Policy sets a Stakeholders Segmentation Model organized into four segments, as shown in the following figure:



The main objective of the adequate management of its stakeholders is to reinforce confidence in the Company, anticipating and managing risks of established relationships. Accordingly, in addition to improve their performance, EDP creates value for the various stakeholders in all the countries where it operates.

2014 was marked by the strengthening of the stakeholder relations policy of the EDP Group, and by the start of the alignment of the stakeholder management methodology in the different countries of the Group, namely EDP España and EDP Brasil, aiming to manage the inherent risk and identify the main opportunities.

EDP has also been reinforcing its management structures, working to strengthen its internal procedures by implementing cross-cutting methodologies, in particular ComPro – an engagement project with local communities.

EDP will strengthen, in 2015, the methodological alignment of stakeholder management in the different countries where it is present and will publish a Stakeholders' Report for the first time.

Results concerning some of the stakeholder segments of the Group, in particular the value chain and social and territorial environment, due to the central role that they take in the business are presented next. Also of note are some operational initiatives to strengthen the relationship with some of the different stakeholder segments of the EDP Group.

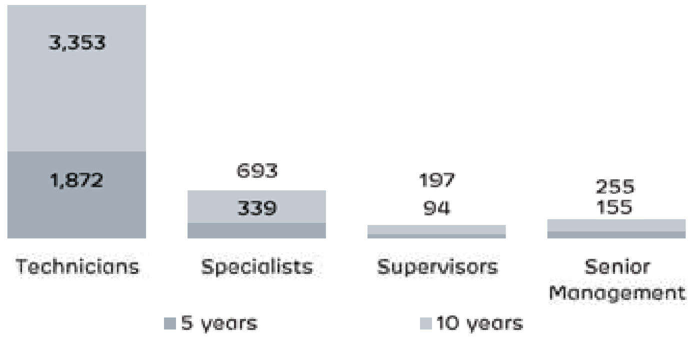
Go to www.edp.pt> sustainability> stakeholders for additional information.

3.6.1. EMPLOYEES

The governance model, which aims to implement the human resources strategy established to respond to emerging business needs, is based on a common and cross-cutting platform of the main human resources processes and policies of the different companies in the different countries. EDP annually publishes a Social Report in which it details its management model and the different operationalization initiatives. This report is available at www.edp.pt.

11,798
Total of employees in EDP Group

Employees eligible for retirement (#)

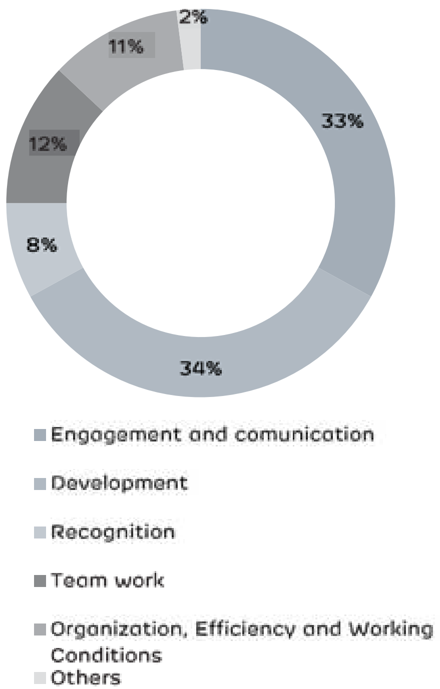


615 new employees joined EDP in 2014, although the overall balance of the number of employees was negative, recording a slight reduction to 11,798 compared with 12,171 in 2013. This reduction is mainly on the Iberian Peninsula, through early retirements, resulting from the streamlining of the organisation in Portugal and the integration of the gas and electricity business in Spain. The number of employees also decreased due to the layoff of employees resulting from the difficult business climate in Brazil, as a result of the extreme drought that the country is experiencing. The number of employees in the United States of America and in the countries in the rest of Europe grew, aligned with the company's strategic growth in the wind and solar businesses. These values also justify the variation in staff turnover recorded during the year. It is estimated that the impact of departures due to retirement/early retirement will continue to be reflected in the staff turnover over the next few years, due to the important renewal of the workforce in the next 5 to 10 years.

3.6.1.1. EMPLOYEE SATISFACTION

The satisfaction of employees and its systematic measurement are essential factors in the development and effectiveness of any company's performance. The global satisfaction survey of the Group's employees is conducted biennially to monitor its evolution. The last study was conducted in 2013 and the result of the overall satisfaction index was 80 points out of 100. This information was gauged during 2014 through a brief questionnaire sent to a sample of ~50% of employees of different countries. The overall satisfaction index remained in line with the result of the previous year, reflecting the effectiveness of the various measures already carried out and implemented in the different businesses.

Employees satisfaction
Implemented measure by category



3.6.1.2. ATTRACT AND RECRUIT

The attractiveness strategy has focused on strengthening and consolidating the company's image in the different segments. There are five main lines of activity:

- Promotion: Disclose the initiatives and opportunities existing in the EDP Group, from academia to social networks (ex: Linkedin) in order to attract potential candidates. EDP Group was present in 2014 at 25 Jobshops;
- Networking: Expand the sharing of experiences and knowledge among the academic community;

- Competition: Encourage the technical and professional university population to apply their knowledge to the development of projects based on critical aspects of the sector, aimed at the development of students' skills and the identification of potential candidates for positions in the EDP Group. Ex: University Challenge and Global Management Challenge;
- Partnerships: Establish strategic partnerships with education institutions and other entities, which comprise privileged relationship channels in the attractiveness context of the EDP Group. In 2014 were 31 the University Partnerships of the EDP Group;
- Development: Permit the approach of candidates to the labour market through training courses and the development of a specific programme for young talents (EDP Trainee Program). We awarded 888 Internships and we started the 2nd edition of the EDP Trainee Program.

EDP Trainee Program

The 2nd edition of the EDP Trainee Program has begun. It is a global programme that won market recognition for its unique and differentiating nature. The number of vacancies and countries covered has been extended this edition. Approximately 4,000 applications were received, and the 25 trainees who initiated this challenge were chosen through a rigorous selection process.

3.6.1.3. DEVELOP

EDP views employee development as an integrated cycle that begins on the first day of work at the company and which is promoted over time, shaped by a transparent assessment model. Professional development is done through an approach focused on the retention of critical business knowledge and the creation of a culture of dialogue and individual development based on the diversity of shared experiences.

3.6.1.3.1. TRAINING AND CAPACITY BUILDING

EDP supports the implementation of its strategy and its competitiveness on a culture of continuous individual and collective learning, investing in the qualification and personal and professional development of its employees.

EDP University (UEDP) is the structure created to develop employees' skills, facilitate the capturing and sharing of knowledge generated within the Group and ensure the maintenance of the expertise that ensures the sustainability of the business. UEDP focused its actions during 2014 on a training offer addressed at technical staff. This is a process that has been progressively implemented. UEDP is also expanding its training model to Brazil, the operationalization is expected to be finished by the end of 2016. The delay of the initiative was mainly due to the adverse conditions faced by the business in the region. Also of note is a strategic training programme for the commercial area – Cliente edp 365, detailed on page 77.

Our Sustainable Way to Future

EDP promoted an internal seminar, targeted at EDP's top executives and the Board of Directors. This workshop aimed to reinforce the internal knowledge of future trends in sustainability focusing on the behavior of ESG (Environmental, Social and Governance) markets, to improve the coordination of internal practices. The meeting, lasting one afternoon, gathered approximately 100 participants.

The volume of training for the Group represented more than 500,000 hours in 2014, an increase of ~25% from the previous year, mainly in Portugal. This increase reflects EDP's effort to develop corporate initiatives and the development of forms of distance learning (e-learning and blended). The latter forms accounted for 17% of the total volume of training conducted in Portugal.

3.6.1.3.2. MOBILITY AS A DEVELOPMENT PROCESS

The key initiative of Human Resources in 2014 was the development of a Corporate Program of internal mobility on a global scale, planned and closely linked to the ongoing development of their employees. The programme aims are to:

- Reinforce the culture and knowledge sharing and promoting the interaction between employees with different experiences and backgrounds;
- Increase employee satisfaction and productivity;
- Enhance the employee and strengthen their competencies in order to encourage their behaviour to take on new challenges and responsibilities;
- Optimise costs with external recruitment and minimise integration risks.

The policy and the internal mobility programme were approved in 2014. A number of initiatives have been planned for an internal mobility program of short and long term, involving EDP Group. In 2014 a total of 808 employees had mobility, slightly below the 823 recorded in 2013.

3.6.1.3.3. KNOWLEDGE MANAGEMENT

The EDP Group's concern is to ensure the maintenance of knowledge within the company. EDP, as part of its generational renewal, has been to value and recognise the knowledge and experience of its most experienced employees, enhancing critical knowledge transmission mechanisms. The highlight initiatives in 2014 were as follows:

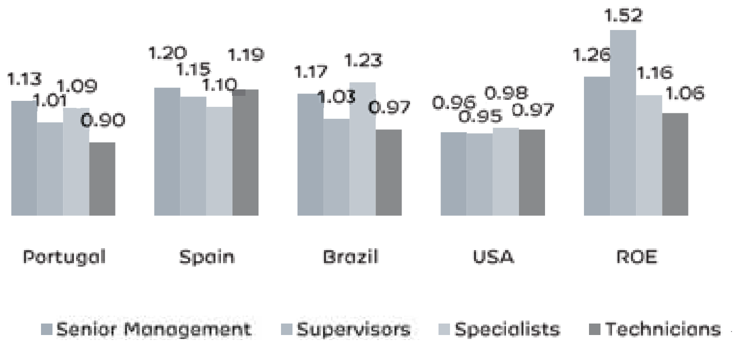
- Valuing Experience Programme: the 4th edition kicked off with 142 participants. The programme is aimed at employees working for more than 30 years in the Group. Its goal is to acknowledge their accumulated experience fostering sharing within the organisation. Sharing projects have already benefitted more than 3,600 employees of the EDP Group. More than 800 employees have taken part in the programme since the 1st edition.

- TOP Project - Organisational Transformation of Generation: This project, completed in 2014, aimed to ensure the retention of critical knowledge, given the departure of a significant part of the workforce due to the approach of retirement age. A knowledge management governance model was structured and implemented and a set of initiatives implemented, in particular critical knowledge mapping, due to its critical nature, with the consequent drawing up of knowledge transfer plans and the creation of an expertise centre for the generation activity.

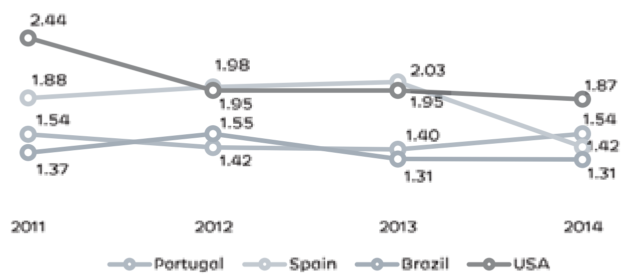
3.6.1.4. RECOGNISE AND REWARD

The remuneration for work must reward knowledge, skills, performance and the energy of the company staff. Accordingly, the compensation and benefits system reflects the values and culture of EDP, continuously looking to refine and improve the salary systems while continuing to respect the agreements reached at all levels of the relationship with employees and/or those representing them.

Salary ratio M/F by profession category



Ratio EDP minimum wage/National minimum wage



The assessment of potential and performance implemented in the company aims to align employees with the defined value creation strategy. This process is divided between the assessment of the employees' skills and their compliance with the objectives defined the previous year. 95% of the permanent staff were assessed during 2014.

Of note in 2014 is the reduction of the ratio of the national minimum wage to the wage practiced by EDP España arising from the new collective labour agreement that revised the wages downwards, accompanied by newly hired employees with a lower basic wage than that offered the previous year.

3.6.1.4.1. BENEFITS FOR EMPLOYEES

All employees of the EDP Group in all countries have guaranteed health care and protection systems besides the public health services of each country, and outside the scope of those public systems.

The EDP Group believes that its employees must have the tools that provide them with the prevention, diagnosis, and treatments that ensure not only better health but also superior quality of life.

The EDP Group continues to study and apply more flexible benefits, aligned with the life cycle of employees, giving them the option to choose according to their needs and family size. In this context, EDP fosters pension plans, personal accident, life and health insurance, among other benefits. In some cases, medical care may also be granted to workers already retired or in early retirement.

3.6.1.5. FOSTER DIVERSITY

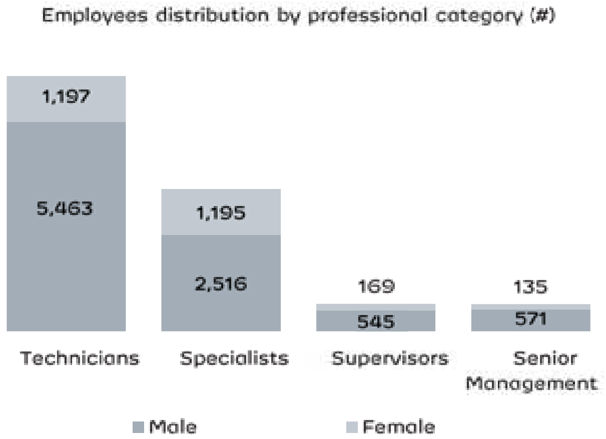
Gender equality, diversity of nationality, the integration of people with disabilities and other vulnerable sectors as well as the integration of several generations are priority areas of intervention in this field.

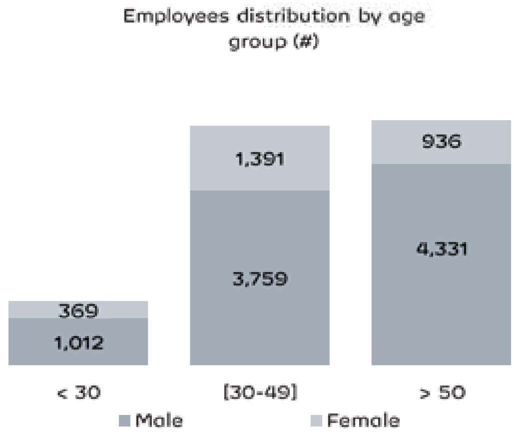
There was a slight increase of female participants in corporate development programmes in 2014, resulting from the obligation to ensure predefined proportionality of gender in the target audience of these programmes.

Moreover, an internal study on barriers existing for women to move up the hierarchy to professional management positions was prepared based on the female perception of 365 employees. The results, still being analysed, will help to design new future action plans.

Given the nature of the business, the female presence (23%) is still substantially lower than men (77%).

In terms of the integration of people with special needs, the number of employees (189) declined from 2013 (197), although in percentage terms there was no change (1.6%). Over the next two years EDP will establish all roles that can be performed by people with special needs in order to increase the number of such employees.





Note: Not included the Executive Board of Directors

3.6.1.6. LABOUR RELATIONS

EDP maintains a constructive and collaborative stance with the official entities and representatives of workers - the workers' committees and trade unions. These relations are operationally implemented in each country by local teams that guarantee contact and relations with the different entities.

In the EDP universe, 48% of the Group's employees are members of trade unions. The largest percentage is in Portugal (which is the country with the largest number of employees in total).

In EDP Brasil, although no large-scale negotiating process occurred there due to the macroeconomic situation of the country, the company maintained constructive dialogue with eight trade unions, holding approximately 10 monthly meetings within the framework of two negotiating processes: Labour Agreements and Profit Sharing.

New Collective Labour Agreements in Iberia

In Portugal, EDP reached the agreement with all the trade unions representing workers, which led to a new Colletive Labour Agreement. This agreement covers about 6,700 workers who are now all encompassed by the same rules.

In Spain, the HC Group also signed a new agreement with three of the four trade unions present at the negotiations (SOMA FIAG, UGT and CCOO). This new agreement has a duration of 5 years, which translates into a period of stability in labour relations in the company. The exceptions in this coverage are workers of the most senior segments and those with individual employment contracts.

3.6.1.7 WELLBEING, HEALTH AND SAFETY

EDP annually evaluates its performance considering the strategic objective: "Zero accidents, no personal injury." EDP has built a culture of prevention and safety to ensure compliance with this commitment. Through this culture it promotes safe practices mirrored in the Occupational Health and Safety Policy applicable to employees and external service providers.

A corporate Occupational Health and Safety Management System (OHSMS) is implemented, based on the OHSAS 18001 standard and following the guidelines of the International Labour Organization and expressed in internal rules. Operationally, the companies decide to directly adopt the OHSMS or use it as a reference and develop a safety management system specifically geared to their activities.

The EDP Group currently has 97% of its net installed capacity certified, 12% in the electricity distribution and 100% in the gas activity, corresponding to 26% of employees.

Reward regular practice of sports

EDP organised, for the 7th time in Portugal, the EDP Sports and Physical Fitness Award.

This is intended to distinguish employees who have stood out in the practice of amateur activities, including the participation in events, tournaments or physical fitness programmes.

The prevention, safety, health and welfare of employees topics are covered in agreements with the trade unions and the participation of workers in the management of these issues is encouraged, through their representation on the Safety Committees and Subcommittees. 513 meetings were held in 2014, with 83% of workers represented.

The details of the most relevant activities and commitments made by the company can be found at www.edp.pt> sustainability> prevention and safety.

A research project on the evaluation of the determinants of psychosocial risks in the companies in Portugal and Spain concluded that, in this scope, the health and safety of employees is not shown to be at risk. This study led to the development of an information and awareness program on this topic. Also noteworthy in 2014 is the focus on preventing occupational stress. The aim is to provide employees with tools for the balanced management of stress, particularly among the most vulnerable groups of employees, especially employees doing shift work.

3.6.1.7.1. REDUCTION OF ACCIDENTS

The implementation of the company's annual occupational health and safety programme was based on a set of measures to prevent occupational accidents, leading to a reduction of the accident rate and the severity of the accidents. The programme included training and drills for EDP workers and external service providers, permanent assessment and monitoring of work risks and the implementation of an inspections plan and internal and external audits of EDP facilities and construction works.

214 occupational accidents occurred with one or more days of absence among all EDP employees and external service providing companies. Unfortunately, 8 of these accidents, occurring among external service providers, were fatal, not having occurred fatal accidents involving EDP employees. This fact is associated with the large number of construction hydro power plants in progress in the Group and the high employee turnover rate among external service providers.

EDP adopts the identification and analysis of near misses as a good practice, in order to anticipate the occurrence of more serious events. The proactive management of these situations led to the registration of 187 near misses. The causes of these were analysed and preventive and corrective actions were established to control them.

Outside of the scope of the company, 9 fatal accidents of electrical origin were also recorded in EDP facilities or equipment, involving persons who are not part of the Company's operations. This high number is related to the contact of construction machinery in voltage lines (5) and communication network maintenance near electricity grid equipment (1). There also occurred 2 fatal accidents by electrocution during leisure activities and another one by contact with the electric grid during a storm.

3.6.1.7.2. TRAINING AND RAISING AWARENESS

In line with this commitment, EDP employees and the employees of contractors and subcontractors are given training whenever necessary, to ensure they carry out their duties in a safe manner. A total of 18,857 training courses were held in 2014, corresponding to 235,325 hours and involving 75,069 employees and external service providers.

Aware of the importance that road prevention has in the safety of workers the company continues to invest in initiatives to promote road safety. The programme includes training in defensive driving and off-road driving as well as a large communication campaign.

3.6.1.7.3. EMERGENCY RESPONSE PREPARATION

As part of emergency management, 332 (41 in Portugal, 89 in Spain, 40 in Brazil, 76 in the USA and 86 in the rest of Europe) drills were held at different industrial facilities, office buildings and at construction sites throughout the EDP Group, to test the effectiveness of the emergency plans. These drills involved outside bodies such as civil defense agencies, firefighters and the police. Currently, EDP is reviewing its internal safety plans in Portugal. This process should be concluded in 2015.

3.6.2. CUSTOMERS

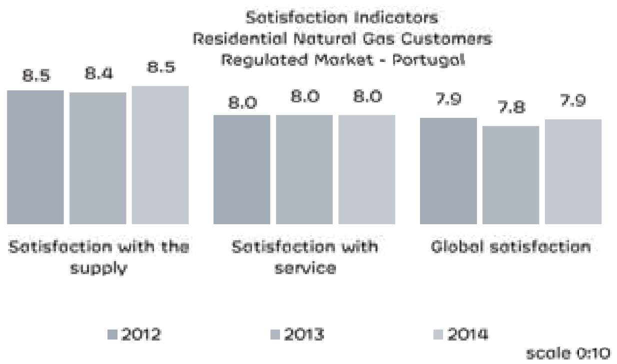
The supply of energy and services in the free market requires increasingly greater customer orientation, with special focus on continuous improvement of the customer experience, ensuring their maximum satisfaction.

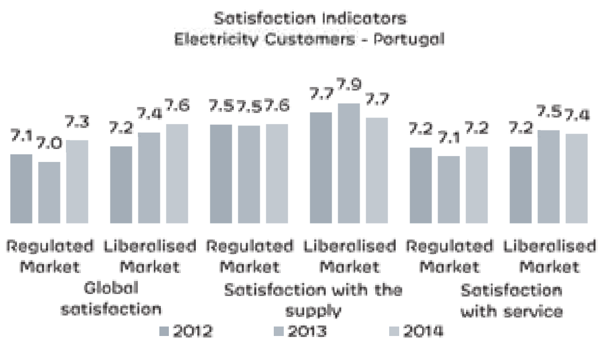
An internal programme to raise the awareness of all employees in Portugal was developed in 2014 in order to move the company closer to the customer in the transition to the free market – Cliente edp 365.

The programme promoted the development of initiatives for the training of employees, the segmentation of products and services offers to meet the needs of different types of customers and strengthening the strategy of communication channels to improve service quality.

3.6.2.1. CUSTOMER SATISFACTION

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





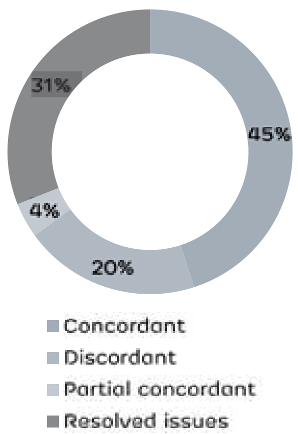
3.6.2.1.1. CUSTOMER RELATIONSHIP

Good energy in the communities and agents of good energy

Projects that aim to enhance awareness of the rational and safe use of electricity, in Brazil.

EDP monitors accident rates involving electricity and the population, and develops educational campaigns on its safe use. The warnings are broadcast on radio and television programmes, newspapers, in electricity bills, leaflets available in stores, on the site, over social media. Safety guidance is also provided on information screens at EDP's stores.

Orientation of Ombudsman Answer



The diversity of customer segments and products means that a complex mesh of communication channels exists for customers, optimised and focused so that the company can respond with quality and efficiency to customers' requests.

In Portugal, EDP provides a platform that gives access to a range of features, which include viewing the current account and the most recent bills, consumption history, and communicating meter readings - edpOnline (https://edponline.edp.pt). Customers who have more than one installation can access all the aggregated information on the different consumption sites, easily managing all their accounts through one simple registration. All these features are accessible in Portugal via smartphone or tablet with EDP Mobile.

In Brazil, similar to what already exists in the Iberian Peninsula, a website dedicated to customers is already being developed, which will be implemented in 2015. This website will give access to exclusive data such as meter readings, contract prices and the advantages of each customer.

In Spain, EDP paid 5 fines related to customer relationship for violation of privacy and loss of customer data, in the total amount of EUR 126,986.

In Brazil due to non-compliance in supply and use of products and services, EDP was fined EUR 1,665,093. These fines were due to electronic equipment failures and supply outages.

In Portugal, the Ombudsman received 2,358 complaints in 2014, 81% of which were related to electricity. Most of these complaints (72%) concerned issues related to supply and readings/billing/payment.

Improvements were made to the Ombudsman process and to the site (www.provedordocliente.edp.pt) to raise the level of overall customer satisfaction. Consequently, the response time to customer was reduced by 8 business days, which represents an improvement of over 30%.

3.6.2.1.2. IMPROVING TECHNICAL QUALITY

The distribution system operators follow specific procedures to guarantee technical standards of quality and service continuity as defined by the regulatory authorities.

In order to describe service continuity provided to the customer, EDP uses a set of general indicators (page 74) and individual indicators for different voltage levels: number of interruptions and total duration of interruptions.

Supply disconnections for reasons imputable to the customer often involve situations of non-payment of bills. After payment of the debt by the customer, the reconnection should be guaranteed within a deadline defined by the regulatory authorities.

In Portugal, there were 315,532 electricity disconnections due to non-payments. EDP complied with the deadlines for reconnect customers in 98% of the cases. For 295,743 residential customers, reconnection was realised in less than 12 hours and in less than 8 hours for other 1,493 customers. For cases where the customer have paid an additional fee for urgent reconnection (13,221 cases), EDP took less than 4 hours to regularize the situation.

EDP complied with the regulatory deadlines concerning the natural gas business in 97% of the cases. In less than 12 hours for 5,928 residential customers and in less than 8 hours for other 282 customers. Taking into account urgent reconnections, 168 were done in less than 4 hours.

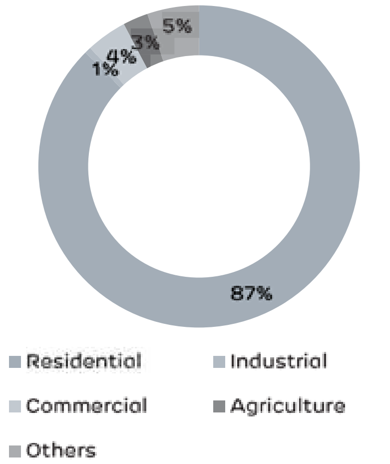
In Spain, there were 13,059 reconnections after payment. Of these, 5,624 were reconnected in less than 24 hours, 3,902 in less than 48 hours, 1,338 between 48 hours and 1 week and 2,195 after one week.

In Brazil, there were 296,244 disconnections. In 76% of the cases the reconnection was established in less than 24 hours, 22% between 24 hours and one week, and 2% one week after payment.

3.6.2.2. INNOVATING IN CUSTOMER SERVICE

3.6.2.2.1. PRODUCTS AND SERVICES

Distribution of Customers by type of use



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

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

EDP launched the Comunidade edp (edp Community) programme in Portugal in 2014, which aims to strengthen the relationship of the company with its customers on the free market in Portugal. It is a community of customers for customers, which provides discounts applicable to a network of local partners throughout the country, allowing the customers to enjoy exclusive benefits that are simple and free of charge.

This programme also allows the registration of small businesses and their free publicising through an exclusive web page. The only condition defined is the provision of discounts on their services to other members of the Comunidade edp (https://comunidade.edp.pt).

For residential customers, in Portugal, are mentioned the latest products and services and/or those that stand apart for contributing to the more sustainable use of resources:

Residential Customers

Heat pumps	Solar energy	Re:dy	Energy2move
More efficient water heating solution, which includes economisers for reducing water consumption.	Solar energy solutions for self-consumption.	System that manages, monitors and measures energy usage.	Electrical mobility offer, with discounts on the electricity and gas bill.

EDP provides customers of the residential segment and business segment with an installation and maintenance service for electricity and natural gas equipment. This service increases the customers' household safety and provides technical assistance whenever required - Funciona and Funciona Plus.

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

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

In Spain, all electricity supplied to residential and small customers has a certificate of origin for energy from 100% renewable sources. Business customers only receive a certificate of origin when they request such.

Like in Portugal, in addition to the electricity and natural gas offers, EDP España also offers the Funciona Plus and Funciona Luz services.

For the business and large customers segment, in addition to the energy advisory services and integral maintenance of the high-voltage transformer (Serviço Integra), EDP launched a new service that gives access to up-to-date information concerning their supply contracts – ACTIR. This service facilitates the energy management of the companies, which have available a system of control and supervision of consumption.

In Brazil, in addition to the supply of electricity in the regulated market, EDP has sought to expand its products and now offers a diverse set of services (www.edp.com.br).

The company invested in the consolidation of new energy services businesses in 2014, boosting the development of distributed photovoltaic generation projects and the dissemination of the concept of smart electricity grids.

3.6.2.2.2. PROMOTING ENERGY EFFICIENCY

EDP promotes end-use energy efficiency through the development of new innovative products and services, as a way of directing customers to more sustainable consumption habits.

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

EDP in Portugal has a specific programme for promoting energy efficiency, available on an exclusive web platform – www.eco.edp.pt – where consumers can find information and recommendations on the subject, as well as energy efficiency and CO_2 emissions simulators and a practical guide for efficient homes.

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

A new tendering procedure (PPEC 2013-2014) was launched in 2013, in which EDP had 16 measures approved, which represent 40% of all the measures approved and 65% of the available funding. It is estimated that the implementation of these measures, to be developed in the period 2014-2015, will result in savings of 1,073,087MWh and 397,042 tons of CO_2 avoided, taking into account the lifetime of the installed equipment.

In particular for the business sector in the Iberian Peninsula, EDP supports the implementation of energy efficiency projects through the Save to Compete programme (www.savetocompete.com), which identifies measures to reduce energy consumption, promoting their implementation and funding through the savings generated.

Since the launch of the programme in Portugal (2012) and in Spain (2013), 235 applications have been registered. By the end 2014, the programme has already provided savings of 39 GWh, leading to EUR 4.7 million bill reduction and avoiding 20,000 tons of CO_2. These results are registered online and can be viewed on the Save to Compete website.

Other projects were also developed in Spain throughout 2014, namely the participation in the ENRIMA and the Elenna2015 projects (page 83).

The investment in energy efficiency in Brazil attained BRL 25.7 million in 2014, allowing energy savings estimated at 30,631 MWh and a reduction in peak demand of 13,345 kW. The amount spent is established on the basis of the electricity sector legislation, which defines the annual investment of 0.5% of the net operating income of distributors in energy efficiency programmes.

The initiatives carried out aim to show to society the importance and the cost-effectiveness of actions to fight energy waste and improve energy efficiency of equipment, processes and final energy use (www.edp.com.br/inovacao-sustentabilidade/programa-de-eficiencia-energetica):

Energy efficiency in public buildings	Good solar energy	Good energy in schools
Initiatives to improve lighting and cooling systems of public buildings, through the substitution of low energy efficiency equipment, and encouraging the participation of consumers.	Raising the awareness of low-income customers to the safe and efficient use of electricity. Replacing bulbs, implementation of solar heating systems (collectors and tanks) and installation of smart showers.	Training teachers to fight energy waste and raise the awareness of the school community for the efficient and safe use of energy.

In 2014, on a Group level, the percentage of customers with electronic bill and telemetering reached 14.6% and 3.7%, respectively. For both indicators, there was an increase of 2.3p.p. concerning the electronic bill and 0.5p.p. regarding telemetering.

3.6.2.2.3. ACCESS TO ENERGY

EDP has allocated part of its investment to maintenance, universal contribution to the access to energy and modernisation of network infrastructures, as well as the incorporation of technologies to improve quality of supply and higher focus on Customers.

The electrification of the areas where EDP operates in Portugal and in Spain is completed, so EDP’s activity is focused on ensuring a high quality service to all consumers, paying particular attention to the most vulnerable segments.

EDP has developed projects in Brazil in partnership with local authorities to improve or maintain access to electricity and consumer assistance services, particularly to economically vulnerable customers.

With the aim of promoting access to energy in remote regions in a sustainable and safe manner, EDP Brasil supports the Ilha Montão de Trigo project. This project forms part of the Company's energy efficiency programme and it takes electricity to an island community located in an area that is not covered by the "Luz para Todos" programme of the Federal Government. It uses distributed micro-generation solutions as well as the installation of solar panels with photovoltaic systems for the generation of electricity and to heat water.

There are also social support programmes for economically vulnerable customers in countries where EDP operates.

In Portugal, customers who are in a position to benefit from social support formalize their application with the respective electricity supplier companies, which checks their eligibility with the social security institutions. There are 3 different types of social support that are cumulative: social rates for natural gas and electricity and Extraordinary social support for energy consumers (ASECE).

The Ministry of Industry in Spain created a special rate for customers with installed power below 3 kVA and socio-economic difficulties (pensioners, large families and the unemployed).

The social tariff for electricity in Brazil is charged to low income families, giving discounts that vary according to the conventional tariff established for each company. The company agrees with these customers a flexible payment arrangements, giving them the opportunity to negotiate their debt payments in up to 50 interest-free instalments.

Moreover, the EDP distributor companies in Brazil establish partnerships with local government institutions to encourage the community to legalize connections under the social tariff.

EDP also develops access to energy projects, through its corporate business unit A2E, in geographies where it does not have distribution and supply activities. In 2014, EDP carried out studies and development of projects in Saint Tome and Prince, Mozambique and Peru, based on micro-generation solutions in remote locations. These solutions consist of mini-grids with generation, distribution and sale of electricity to rural areas, using renewable technologies (photovoltaics, biomass, and micro-wind turbines).

3.6.3. SUPPLIERS

2,087
strategic suppliers

The development of sustainable management of EDP's supply chain is a key factor for creating value and the company's success in the open and global markets where it operates, both in terms of operational efficiency and cost savings, and in the context of risk management, corporate reputation and corporate responsibility.

The relationship based on trust and shared value creation with suppliers results in the joint capacity to innovate, contributing significantly so that EDP remains leader in its areas of operation and is a factor generating competitiveness in the markets where it operates.

“EDP is recognised as a world leader of the energy sector and it has a clear vision about its role in society and about how its relationship with its stakeholders, including suppliers, should be. We stand for concepts like innovation, good practices and social responsibility and by creating opportunities for our suppliers we believe that we maximise our contribution to society."

Chairman of the EBD, January 2015

3.6.3.1. SUPPLIERS AND GLOBAL PROCUREMENT

The operational framework of the sustainable management of the supply chain is through a set of instruments, articulated in principles, policies and systems that ensure consistency across the business and promote adequate levels of performance. The sustainable management of the supply chain in particular is defined by the following main instruments:

- Sustainable Development Principles;
- Adherence to international principles and standards such as the Global Compact and ILO standards;
- Code of Ethics;
- Stakeholder Relationship Policy;
- Commitment to Healthy Competition Practices;
- Global Procurement Unit and Local Purchasing Structures;
- SINERGIE: which includes the Supplier Qualification System - supported on the international Acchiles system -, the Procurement Manual, Supplier Evaluation Systems and the Risk Matrix;
- Development of partnerships such as the Bettercoal initiative and Edpartners.

7,200 new indirect jobs

A study of the quantification of the impacts generated by EDP's business in the economy, environment and society fields was conducted in 2014, in Spain.

From the standpoint of job creation, impacting heavily on the chain of suppliers, EDP induced 7,200 indirect jobs. This study will now be extended to other countries.

These guidelines are extended by an important set of practices, which include:

- The mandatory requirement that suppliers sign commitments to use good practices and ensure legal compliance in the technical and economic areas and also in the environmental, social and ethical fields;
- The extension of the commitments to use good practices and ensure legal compliance to subcontracted suppliers;
- Audits at the supplier qualification stage;
- Inspections and audits of the supplier performance assessments;
- Training suppliers;
- Monitoring impacts through dialogue channels and news analysis.

New Metrics

EDP has identified a number of opportunities for improvement in the monitoring of its supply chain related to the standardisation of procedures, establishing metrics and indicators common to all countries, and with increased reporting depth on its suppliers, in all material aspects.

Accordingly, a process to improve the management of the supply chain that entailed a review of the system of centralisation of procurement and procedures, was initiated in 2014. The verification of compliance with sustainability criteria by suppliers was increased in the assessment of the performance of current suppliers. These improvements will have an impact in 2015. An exhaustive review of the indicators defined by the international performance reporting methodologies on sustainability will also be performed in 2015, in order to ensure full compliance with that established.

EDP develops business related to the generation, distribution and supply of energy and energy services, with particular emphasis on organisational growth based on clean technologies. This strategy guides the company to investment opportunities in a growing number of countries, which are implemented through partnerships with usual suppliers and also in the relationship with new suppliers, sometimes operating in new social and regulatory arenas.

EDP acts in all segments of the energy business in Brazil, Spain and Portugal. In the other countries, EDP undertakes the business of wind and photovoltaic generation. This determines how the supply chain management of EDP is organised and also the kind of risks it is exposed to.

EDP, which has about 19,400 suppliers distributed over multiple countries, divides its business into various procurement categories. These categories correspond to sub-chains specialised by nature: fuels, hydroelectric and thermal generation, wind and photovoltaic generation, grids, construction, IT, general services.

In this way, acquiring fuels, equipment and services is of material significance in the supply chain. EDP promotes the outsourcing of specialised services through the formal system of continuous contracts, construction services, maintenance and customer service.

The continuing contracts system implies a pre-qualification of suppliers. This comprises the examination of their technical, economic, environmental and social performance, and, during the operational phase, the systematic assessment of legal and contractual compliance.

The procurement activity did not register any structural changes during 2014 with impact on the geographical origin of supplies or amendment of policies and priorities. However, in Portugal for example, the migration from regulated markets to the liberalised energy markets caused increased use of outsourcing solutions for customer service, to satisfy consumers requesting the amendment of contracts and the development of new consumer services.

The work performed by outsourcing, and the volume of jobs created by this, has significant expression in the business operations of EDP as a whole. The contracts established with outsourcing companies require that the contractors comply with the EDP Code of Ethics, which includes legal compliance with collective bargaining and labour rights.

LOCAL SUPPLIERS (1)

	Un.	Group	Portugal (2)	Spain (2)	Brazil (2)	EDPR NA	EDPR EU+BR
Suppliers							
Suppliers	#	19,439	5,411	2,711	3,438	4,066	3,813
Local	%	97	91	97	99	99	98
Strategic	#	2,087	665	370	426	316	310
Turnover							
Turnover	€M	2,719	1,136	214	546	534	290
Local	%	97	95	95	100	98	98

(1) Fuel purchases not included. See 3.6.3.2 chapter.
(2) EDPR not included.

About 10.7% of the 19,439 suppliers of EDP are deemed to be strategic. EDP has closer relations with these, both from the risk control perspective and for the development of partnerships. The international Achilles platform is the key tool used by EDP to characterise new suppliers as regards their environmental, employment and human rights practices and their impact on the society.

The annual turnover is the key indicator for segmenting suppliers. The strategic level corresponds to a minimum invoicing total of 75 thousand euros per year, which ensures that the suppliers providing services in a continuous manner and those operating on behalf of EDP, as well as those providing construction work, raw material suppliers and the suppliers of systems that are critical to the performance of EDP, are all encompassed in a simple manner.

The engagement practices of EDP with its strategic suppliers include, for example:

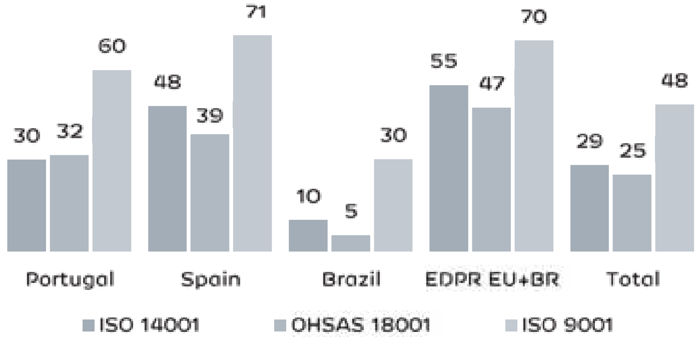
- Sending out to strategic suppliers of EDP assessment surveys which translate into improvement initiatives.
- The annual organisation of Edpartners (www.edpartners.edp.pt) which promotes, in one year, the prize for the best sustainability practices of suppliers with significant media coverage of the achievements and, the following year, promoting an international meeting among EDP suppliers, thus fostering networking.
- The holding of thematic meetings that aim to promote improvements aligned with the priorities of EDP. The Health and Safety meetings and prizes for suppliers provided by EDP are examples of this.

Overall procurement activity of the EDP Group in 2014 totalled EUR 2,719 million. These values do not include purchases of fuel for electricity generation and supply nor the acquisition of electricity in the market. The table above shows the breakdown of the data according to the main geographical structure of the activity.

The business relationship with suppliers is based on specifications, subject to market consultations or tendering procedures, with pre-established and transparent rules for all. EDP also offers online tools that give the system great predictability. These include an online negotiating system and automation of the processes of procurement validation and payment authorisations. Moreover, through surveys sent to its strategic suppliers, EDP formally identifies possible needs for improvement in its operational relationships. The suppliers have contact centres and independent lines of complaint, such as the Ethics Ombudsman.

To ensure transparency in the relationship between EDP and suppliers in all circumstances likely to create conflicts of interest, EDP applies the "Regulations on conflict of interest and transactions between related parties of EDP", established by the GSB.

Certified strategic suppliers (1) (%)



(1) Number of suppliers registered on the Corporate Supplier Registration system from the EDP Group.

Excluding the acquisition of energy and energy sources, 97% of purchases are made from local suppliers, as a result of the weight of the supply of services and intermediation of the national offices of the major technology firms. EDP does not make any form of discrimination of suppliers and products with regard to national or regional origin. EDP does not promote positive discrimination linked to socioeconomic characteristics of suppliers.

In 2014, 54% of the suppliers delivering over EUR 75,000 in goods and services - strategic suppliers - are registered in the Supplier Registration System (SRF). Of these, 48.4% have quality management systems that have been certified by independent entities. 28.5% and 25.3% of companies are certified with regard to environmental management and safety systems, respectively.

3.6.3.2. SUPPLIERS AND FUEL PURCHASES

EDP bought EUR 834 million in natural gas in 2014 for the Spanish market operations and EUR 222 million for the Portuguese market. LPG purchases amounted to EUR 1.44 million exclusively for the Portuguese market. The purchase of coal for Spain amounted to EUR 130 million and for Portugal it totalled EUR 195 million. The services associated to these purchases elevated to Eur 24 million.

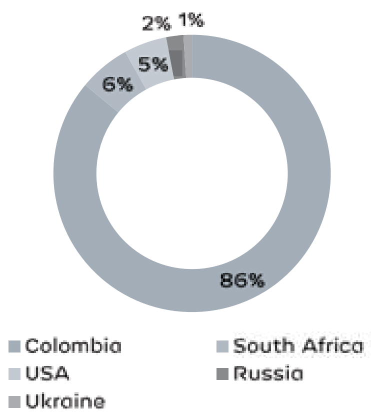
The purchase of fuels and services associated with their acquisition was directed at 48 suppliers. Most coal and gas raw material comes from foreign suppliers.

SUPPLIERS AND PURCHASES OF FUEL

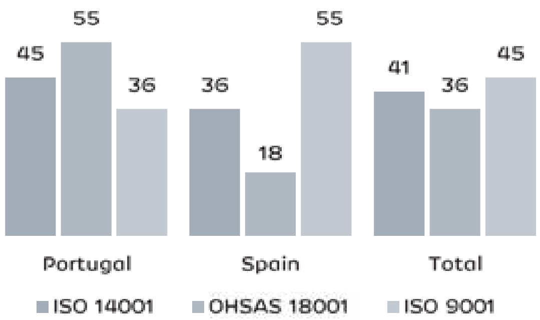
	Un.	Group	Portugal	Spain
Suppliers				
Suppliers	#	33	21	12
Local	%	15	7	8
Strategic	#	22	11	11
Turnover				
Turnover	€M	349	208	141

Note: Fuel purchases and services associated included.

Coal origin



Certified coal strategic suppliers (%)



In its supply chain, EDP has identified the extraction and transport of coal as the activity with the greatest exposure to the risk of social, employment, human and environmental impact.

EDP has associated with the international Bettercoal initiative. This is an association of energy companies that ensures more effective monitoring and mitigation of the risks and ensures continuous improvement of sustainability through an annual plan of audits of the coal mines and the promotion of a code of conduct of good practices among suppliers.

3.6.4. COMMUNITY

EDP voluntarily promotes and supports social, cultural and environmental initiatives with the purpose of contributing to the sustainable development of the companies and upholding its strategic vision, opening up to society and enhancing its reputation. EDP specifies the results it intends to achieve, and evaluates projects it is involved in using the LBG (London Benchmarking Group) methodology.

3.6.4.1 SOCIAL INVESTMENT

The EDP Group's voluntary total investment amounted to EUR 26.3 million (see table below) roughly the same value of contributions as the previous year, EUR 27 million.

Close to 81% of the entire investment was in the form of direct monetary contribution, 5% resulted from donations in kind and volunteering performed during working hours under EDP's Conciliar programme. The costs of development and management of the projects was 14% of the total investment and contributed to attract support from other entities.

EDP's investment was directed towards 728 different projects from 1,237 entities and promoting organisations. It was possible assess the degree of objective achievement for 75% of the projects (i.e. 548 projects), through the LBG methodology. The organisations reported, among other indicators, that 4,626,924 people benefitted or contacted with the projects and initiatives.

728

projects supported

Eur 26.3M

of total investment

Social programmes (health, education, welfare and economic development) obtained 44% of the funds, art and culture projects obtained 33%, environmental projects accounted for 8.5% and projects of other areas received 14.5% of the investment. 94% of all the invested funds were encompassed under the EDP strategic guidelines and respective foundations. About 6% corresponded to sporadic, non-structural requests, or associated with brand promotion.

77.8% of all investment in the community was concentrated in Portugal, while 10.8% was in Spain, 6% in Brazil and 5.4% in other countries.

EDP initiatives leveraged contributions supported by other entities for the social projects in the community during 2014. EUR 459,194.69 were obtained through external entities and EDP employees contributed EUR 47,006.8. Part of the donations from EDP employees (46%) was channelled through EDP's wages payment system.

INVESTMENTS IN THE COMMUNITY (€) (1)

	2014 (2)	2013	2012	2011
CATEGORY	**22,577,548**	**23,349,361**	**14,831,512**	**20,397,239**
Nonstrategic investment	450,758	1,424,720	2,641,330	1,677,376
Strategic investment	21,113,332	19,485,248	10,626,216	14,220,185
Commercial initiative	1,013,458	2,439,393	1,563,966	4,493,958
Not applicable				5,720
NATURE	**22,577,548**	**23,349,361**	**14,831,512**	**20,397,239**
Education	4,039,760	3,956,229	3,099,908	3,335,096
Health	1,689,097	1,836,327	1,118,569	723,878
Economic development	1,438,385	5,070,549	1,116,830	2,909,176
Environment	1,939,015	1,163,368	728,911	1,877,078
Art and culture	7,420,933	5,459,532	4,527,648	5,526,203
Social welfare	2,766,742	3,989,792	2,870,075	1,602,737
Emergency response	7,640	32,673	32,344	65,300
Others	3,275,977	1,840,891	1,337,228	4,357,771
TYPE	**22,577,548**	**23,349,361**	**14,831,512**	**20,397,239**
Cash contributions	21,206,580	22,807,123	14,535,732	18,889,685
Kind contributions	813,399	238,101	23,559	1,330,315
Working time contributions	557,569	304,137	272,220	177,239
MANAGEMENT COSTS	**3,676,277**	**3,625,300**	**2,652,758**	**306,851**
TOTAL VALUE OF CONTRIBUTIONS (INCLUDING MANAGEMENT COSTS)	**26,253,825**	**26,974,661**	**17,484,270**	**20,704,090**

(1) Determined according to the LBG methodology.

(2) Not yet validated by Corporate Citizenship

The main initiatives of the investment in the community in 2014 are highlighted in the following table:

PROJECTS	RESULTS	COUNTRY
Community Banks and Decent Housing Associação Ateliê de Ideias	6 community banks promote the improvement of the homes of 63 families, 252 beneficiaries, in 7 communities of Espírito Santo in Brazil.	Brazil
Dentists for Good Turma do Bem	15,255 volunteer dentists who treat, in their own clinics, 50,450 young deprived patients with dental needs.	Portugal and Latin America
EDP Solidarity	75 beneficiary organisations of support for projects that address priority social situations.	Portugal
Electricity Museum	244,700 people visited the permanent exhibition and temporary exhibitions.	Portugal
Foz Tua Entrepreneurship Programme	Support the creation of 30 business plans of new entrepreneurs. EUR 1.4 million investment in the region and 42 jobs created.	Portugal
Oviedo University – Scholarships	Scholarships for 175 university student interns in EDP.	Spain
Planting native trees in a burnt forest area	10,000 trees planted in Valledo, an area devastated by forest fires. One tree planted for every new registration for electronic invoicing.	Spain
Social Inclusion through Football Project - Associação Atlética Atenas	250 children from the Palmas and Peixe neighbourhoods in a project for the development of their academic skills through educational assistance and football.	Brazil
"Viva nuestra Energía" Programme	Electricity educational unit for 62,086 primary school children.	Spain
World Energy Competition Casa Redonda	Creation of an information website on energy for use by 131 teachers, 3,500 students.	Brazil

3.6.4.2. VOLUNTEERING

2,248
EDP volunteers

EDP's volunteering programme, launched in 2011 aims to contribute to the development of the third sector and to raise the awareness of employees to the surrounding social realities, deepening the relationship between EDP and communities. The programme fosters skills volunteering, promoting the meeting of employee's skills and capacities with the needs of social organisations. EDP also develops its own projects, the major one of which is the Parte de Nós initiative.

In April, EDP's Conciliation and Equality Committee approved the Group's strategy for volunteering, established the management model and the structure of the international team. This measure contributed to the consolidation of the programme in various countries through cooperation between Fundação EDP, the human resources department of the Corporate Centre and the Group units and companies. Social organisations and EDP employees can register at the website www.voluntariado.edp.pt in order to take part in the programme.

The Volunteering Programme mobilised the participation of a total of 2,248 EDP employees in 2014, which corresponds to a total of 17,946 working hours donated to the beneficiary organisations. It is very significant that EDP's initiatives, through the commitment of its employees, also attracted 2,891 non-employees. The number of employees involved rose 27% from 2013, and the number of working hours provided by the company rose 33%.

In the first half of the year, 606 EDP employees underwent volunteer training through the e-learning platform of the EDP University.

EDP, promoting the work and successes of its Volunteering Programme, delivered an award to the team with the best solidarity project (the Electricians' Pool was the winner), EDP's three volunteers of the year, and the partner organisation of the EDP Volunteering Programme (Leigos para o Desenvolvimento).

At the corporate level, EDP has stepped up the number of partnerships with institutions of the third sector. The 46 protocols signed (8 more than in 2013) are an indication of this. In Portugal, EDP is a member of GRACE – Reflection and support group to corporate citizenship – and also Junior Achievement Portugal. Internationally, it is a member of the International Association for Volunteer Effort (IAVE) and its Global Corporate Volunteer Council (GCVC).

Project	Goal	People envolved
Electricians' Pool	Repair of faults in the homes of the elderly	29 EDP volunteers, 20 projects
LEAN Schools	Teach LEAN (tool for process's optimization) to teachers, academic support staff and students	In progress in Alenquer, Abrigada, Constância, Figueira da Foz.
Parte de Nós Christmas	Volunteer Program promoting Christmas inclusion and well-being	829 EDP volunteers, 127 initiatives
Parte de Nós Environment	Raising awareness on invasive species	2,215 EDP volunteers and their families, 27 initiatives
Schools - Entrepreneurship	Foster entrepreneurship among young people from primary school age up to university level	85 EDP volunteers, 88 classes

3.6.4.3. ENGAGEMENT WITH LOCAL COMMUNITIES

EDP actively promotes transparent engagement with local communities in the countries where it operates, seeking to establish and strengthen solid and lasting relationships. The main goal of this engagement is to build relationships of trust and knowledge and information sharing, meeting the expectations of the communities.

One of the programmes that reflects the voluntary policy of engagement with local communities is the "EDP Solidária Barragens" programme, geared to support social projects. This programme was created in 2009. It has supported 42 projects and 7,000 people since then, in a total of EUR 900,000. 10 projects of regional social welfare institutions were supported in 2014, in a total of EUR 185,000. EDP has also launched a new edition of the programme, for which it has received 77 applications. The winners of this new edition will be known in February 2015.

EDP also contributes, besides voluntary social investment, to socio-environmental measures associated with projects it has ongoing in several areas where it operates, which are not limited to compulsory commitments. In this field EDP prioritises actions promoting local development.

Various programmes have been developed in relation to the hydroelectric construction projects in progress, with the objective of minimising and mitigating environmental and socio-economic impacts.

In Portugal several actions have been developed guided by a Social Investment Policy. This policy was developed in order to operationalize, at local scale, the Stakeholders' Relations Policy of the EDP Group, seeking to harmonize procedures and methodologies (for more information see www.a-nossa-energia.edp.pt).

In Brazil, the measures to manage the impact of the relocation of families and communities affected by these projects are of note.

PORTUGAL

Projects	Stand-out initiatives in 2014
Baixo Sabor	According to the DIA agreement of the BS hydroelectric plant, EDP has annually contributed to the Baixo Sabor Financial Fund. This fund is managed by the Baixo Sabor Municipalities Association through established protocol with the Institute for Nature Conservation and Forestry. In 2014 EDP invested EUR 375,000 on projects to create jobs, as well as economic and social value, in the perspective of nature conservation. EDP voluntarily develops projects which aim to meet the needs of local communities. The entrepreneurship programme developed in the Baixo Sabor region is an example of this, with an investment in the region of ~Eur 1 million (more information at www.a-nossa-energia.edp.pt).
Foz Tua	EDP promotes, as established in the DIA agreement of the FT hydroelectric plant, a programme for the self-creation of employment that plays a decisive role in the socio-economic development and promotion of endogenous resources, with a total investment in the region of ~Eur 1.4 million.

Brazil (1)

Projects	Stand-out initiatives in 2014
Jari (2)	The construction of the Jari Hydroelectric Plant included improvement works to the town Vila de Iratapuru, which is partially impacted by the project. The reconstruction of the town was based on a participatory management process with the involvement of residents, who actively collaborated in the project development. This project involves the construction of 34 homes (18 families already in the process of relocation), basic infrastructure and also facilities for collective use. An alternative system of energy supply was also built - a solar power plant.
Cachoeira Caldeirão	The building of the Cachoeira Caldeirão Hydroelectric Plant will cause around 2,600 ha to be flooded, encompassing approximately 10 ha of the urban area of Porto Grande city. Although the Environmental impact study had initially identified a lower number of relocations, the implementation of the project on the ground showed the need to resettle 726 families. In order to promote the participation and engagement of these communities, various socio-environmental programmes are being developed, involving the creation of bilateral communication channels with local populations as well as education, housing, agricultural development, social assistance and heritage projects.
São Manoel	The São Manoel Hydroelectric Plant is still under construction on the River Teles Pires. Measures are being developed to mitigate socio-environmental impacts and projects for the engagement of local communities, especially indigenous communities. See page 69 for further information.
Itapeti São José	The construction of the Itapeti São José power distribution line – São Paulo unit – involved the relocation of 17 families, identified in the environmental study of the project. This process was developed in partnership with Mogi das Cruzes City Council, responsible for the construction of the housing. EDP was responsible for providing the support infrastructure.
Ilha Montão de Trigo	The Ilha Montão de Trigo project, located in São Paulo state in an environmental protection area, is to be noted. It consists of a distributed microgeneration system based on photovoltaic panels to produce electricity and for the solar heating of water. This programme benefits a community of 18 houses, a church, a school and a community centre.

(1) The described power stations are consolidated under equity method.
(2) The first unit of Jari Hydroelectric Power Station came into operation in September 2014.

3.6.5. INITIATIVES WITH OTHER RELEVANT STAKEHOLDERS

EDP undertook several initiatives over 2014 with relevant Group stakeholders. The following stand out:

HIGHER EDUCATION INSTITUTIONS

- EDP initiatives with universities providing information about the company and the energy sector;
- Visits to EDP projects;
- Creation of an internal and cross-cutting group for EDP's strategic relationship with higher education institutions.

LOCAL GOVERNMENT

- Energy Management Seminar, organized by EDP Comercial, to discuss the opportunities and challenges arising from the liberalisation of the sector;
- Installation of new technologies and making new consumption management resources available by EDP Distribuição, with the aim of promoting energy efficiency and the reduction of costs in the municipalities;
- Visits to EDP projects;

CONSUMER ASSOCIATIONS

- Regular meetings with consumer associations to address issues such as the liberalised market, complaints, fraud and electric mobility.

PARLIAMENT

- Regular meetings between EDP and members of the parliamentary economy and environment committees.

3.7. COMPLEMENTARY INDICATORS

3.7.1. ENVIRONMENTAL INDICATORS: 2014

		2014					
	Un.	Group	Portugal	Spaim	Bazil	North America	Rest of Europe
ENVIRONMENTAL CERTIFICATION (ISO 14001)							
Production facilities certified	#	294	96	104	6	27	61
Net maximum installed capacity certified	MW	21,353	9,210	5,804	1,506	3,476	1,357
Net maximum installed capacity certified	%	96	99	99	80	91	96
Substations certified	#	175	114	56	5	n/a	n/a
Installed capacity of substations certified	MVA	9,726	4,207	5,235	284	n/a	n/a
Installed capacity of substations certified	%	32	24	99	4	n/a	n/a
Gas distribution certified	%	100	100	100	n.a	n/a	n/a
Revenues from certified installations	%	54	57	68	13	97	98
PRIMARY ENERGY CONSUMPTION	**TJ**	**161,512**	**85,517**	**75,903**	**76**	**13**	**3**
Coal	TJ	134,676	78,589	56,086	n/a	n/a	n/a
Fuel Oil	TJ	391	207	183	n/a	n/a	n/a
Natural Gas	TJ	12,886	6,503	6,380	n/a	3	0
Blast Furnace Gas	TJ	11,247	n/a	11,247	n/a	n/a	n/a
Coke Gas	TJ	691	n/a	691	n/a	n/a	n/a
Diesel Oil	TJ	175	66	109	n/a	n/a	n/a
Iron and Steel industry gas	TJ	1,187	n/a	1,187	n/a	n/a	n/a
Fuel for vehicle fleet	TJ	259	151	19	76	10	3
ENERGY INTENSITY [1]	**MJ/EUR**	**10.5**	**11.1**	**17.6**	**0.1**	**0.3**	**0.2**
ELECTRICITY CONSUMPTION							
Generation internal consumption	MWh	2,568,611	1,916,679	593,079	19,372	27,478	12,002
Administrative services	MWh	34,117	21,704	4,781	6,188	1,260	184
Grid losses	%	9.4	10.3	3.9	11.3	n/a	n/a
GHG EMISSION							
Direct Emissions (scope 1)	$ktCO_{2eq}$	16,551	7,779	8,764	7	1	0
Indirect emissions (scope 2)	$ktCO_{2eq}$	2,214	1,541	122	527	18	6
Other indirect emissions (scope 3)	$ktCO_{2eq}$	15,065	4,630	7,231	3,055	109	40
GHG EMISSIONS INTENSITY [2]	**$kgCO_2/EUR$**	**1.15**	**1.12**	**2.01**	**0.19**	**0.05**	**0.03**
CO2 AVOIDED	**$ktCO_2$**	**33,818**	**14,281**	**5,610**	**3,194**	**8,604**	**2,129**
TOTAL EMISSIONS							
CO_2 [3]	kt	16,522	7,763	8,759	n/a	n/a	n/a
NO_x	kt	16.4	4.6	11.8	n/a	n/a	n/a
SO_2	kt	14.4	3.9	10.5	n/a	n/a	n/a
Partículas	kt	0.6	0.0	0.6	n/a	n/a	n/a
Mercury	kg	111	57	54	n/a	n/a	n/a
SF6	kg	310	188	38	80	3	1
OVERALL SPECIFIC EMISSIONS							
CO_2 [3]	g/kWh	276	321	1,001	n/a	n/a	n/a
NO_x	g/kWh	0.3	0.2	1.3	n/a	n/a	n/a
SO_2	g/kWh	0.2	0.2	1.2	n/a	n/a	n/a
Partículas	g/kWh	0.0	0.0	0.1	n/a	n/a	n/a
SPECIFIC THERMAL EMISSIONS							
CO_2	g/kWh	971	843	1,123	n/a	n/a	n/a
NO_x	g/kWh	1.0	0.5	1.5	n/a	n/a	n/a
SO_2	g/kWh	0.8	0.4	1.3	n/a	n/a	n/a
Partículas	g/kWh	0.0	0.0	0.1	n/a	n/a	n/a
WATER COLLECTED BY SOURCE							
Ocean	$10^3 x m^3$	1,612,252	1,175,298	436,954	n/a	n/a	n/a
River or stream	$10^3 x m^3$	16,591	3,966	12,625	n/a	n/a	n/a
Reservoir	$10^3 x m^3$	11	n/a	n/a	11	n/a	n/a
Artesian well	$10^3 x m^3$	94	79	0	15	n/a	n/a
Well	$10^3 x m^3$	15	4	0	11	0	0
Municipal Services	$10^3 x m^3$	3,046	2,241	729	72	3	1
Other private entity	$10^3 x m^3$	1,565	467	1,095	0	3	0
USE OF WATER							
Cooling water	$10^3 x m^3$	1,628,154	1,179,259	448,895	n/a	n/a	n/a
Row water	$10^3 x m^3$	5,120	2,665	2,455	n/a	n/a	n/a
Potable water	$10^3 x m^3$	266	128	21	110	6	1
WASTEWATER							
Wastewater from generation with treatment	$10^3 x m^3$	2,736	691	2,045	n/a	n/a	n/a
Discharge into sea	$10^3 x m^3$	1,613,846	1,175,837	438,009	n/a	n/a	n/a
Discharge into inland and estuary water	$10^3 x m^3$	7,350	1,769	5,582	n/a	n/a	n/a

	Un.	Group	Portugal	Spaim	Bazil	North America	Rest of Europe
				2014			
WASTE SENT TO FINAL DISPOSAL							
Total waste	t	362,031	68,743	279,963	12,533	703	89
Total hazard waste	t	8,841	6,201	1,414	934	227	65
Recovered Waste	%	57	12	66	99	78	86
MAIN WASTE CATEGORIES							
Fly ash	t	239,865	15,616	224,249	n/a	n/a	n/a
Used oils	t	509	244	122	21	92	31
PCB	t	118	57	61	0	0	0
Metals	t	2,433	581	133	1,512	207	0
Gypsum	t	11,366	4,434	6,932	n/a	n/a	n/a
BY-PRODUCTS							
Gypsum	t	233,737	181,671	52,066	n/a	n/a	n/a
Ash and Slag	t	198,075	198,075	0	n/a	n/a	n/a
DISTRIBUTION IN PROTECTED AREAS							
High voltage distribution grid in protected areas	km	1,154	902	102	150	n/a	n/a
Overhead	km	1,140	888	101	150	n/a	n/a
Underground	km	14	14	1	0	n/a	n/a
Medium voltage distribution grid in protected areas	km	13,432	8,824	749	3,860	n/a	n/a
Overhead	km	12,472	7,912	704	3,856	n/a	n/a
Underground	km	960	912	45	4	n/a	n/a
Subestations in protected areas	#	36	20	8	8	n/a	n/a
FLOODED AREAS BY RESERVOIRS	**ha**	**3,334**	**3,074**	**260**	**0**	**n/a**	**n/a**
ENVIRONMENTAL INVESTMENT AND EXPENSES							
Investment	'000€	39,023	15,450	5,303	10,704	6,022	1,545
Expenses	'000€	44,645	16,521	25,021	2,275	3	825
COMPLIANCE							
Environmental fines ans penalties	'000€	78	15	63	0	0	0
Environmental complaints	#	194	58	6	71	13	46

(1) Primary energy consumption by turnover.
(2) Scope 1 and Scope 2 emissions by turnover.
(3) Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions.

ENVIRONMENTAL INDICATORS: 2013

	Un.	Group	Portugal	Spain	Brazil	North America	Rest of Europe
				2013			
ENVIRONMENTAL CERTIFICATION (ISO 14001)							
Production facilities certified	#	268	99	112	6	0	51
Net maximum installed capacity certified (1)	MW	17,053	8,678	5,839	1,506	0	1,029
Net maximum installed capacity certified (1)	%	77	93	99	80	0	73
Substations certified	#	154	93	56	5	n/a	n/a
Installed capacity of substations certified	MVA	8,686	3,167	5,235	284	n/a	n/a
Installed capacity of substations certified	%	30	19	100	4	n/a	n/a
Gas distribution certified	%	100	100	100	n.a	n/a	n/a
Revenues from certified installations (1)	%	32	20	67	14	0	89
PRIMARY ENERGY CONSUMPTION	**TJ**	**167,782**	**88,403**	**79,290**	**80**	**5**	**3**
Coal	TJ	131,247	76,311	54,936	n/a	n/a	n/a
Fuel Oil (1)	TJ	392	264	128	n/a	n/a	n/a
Natural Gas (1)	TJ	23,044	11,663	11,378	n/a	3	0
Blast Furnace Gas	TJ	10,719	n/a	10,719	n/a	n/a	n/a
Coke Gas	TJ	842	n/a	842	n/a	n/a	n/a
Diesel Oil	TJ	96	6	90	n/a	n/a	n/a
Iron and Steel industry gas	TJ	1,173	n/a	1,173	n/a	n/a	n/a
Fuel for vehicle fleet	TJ	268	160	23	80	2	3
ENERGY INTENSITY (2)	**MJ/EUR**	**10.9**	**11.0**	**18.2**	**0.1**	**0.3**	**0.2**
ELECTRICITY CONSUMPTION							
Generation internal consumption	MWh	2,665,638	2,018,656	595,989	18,519	23,990	8,484
Administrative services	MWh	36,842	23,001	4,938	7,511	1,249	143
Grid losses	%	9.9	10.1	4.0	11.6	n/a	n/a

	Un.	2013 Group	Portugal	Spain	Brazil	North America	Rest of Europe
GHG EMISSION							
Direct Emissions (scope 1) (1)	$ktCO_{2eq}$	16,633	7,861	8,766	6	0	0
Indirect emissions (scope 2)	$ktCO_{2eq}$	2,336	1,829	126	365	14	3
Other indirect emissions (scope 3)	$ktCO_{2eq}$	17,293	7,548	7,621	1,975	110	40
GHG EMISSIONS INTENSITY (3)	**$kgCO_2$/EUR**	**1.21**	**1.12**	**1.98**	**0.16**	**0.04**	**0.01**
CO2 AVOIDED	**$ktCO_2$**	**31,502**	**12,677**	**6,537**	**2,933**	**7,274**	**2,079**
TOTAL EMISSIONS							
CO_2 (1) (4)	kt	16,599	7,841	8,758	n/a	n/a	n/a
Nox (1)	kt	16.7	4.9	11.8	n/a	n/a	n/a
SO_2 (1)	kt	13.7	4.0	9.7	n/a	n/a	n/a
Partículas (1)	kt	0.6	0.0	0.6	n/a	n/a	n/a
Mercury	kg	232	21	211	n/a	n/a	n/a
SF6	kg	403	307	43	47	0	6
OVERALL SPECIFIC EMISSIONS							
CO_2 (1) (4)	g/kWh	277	334	939	n/a	n/a	n/a
Nox (1)	g/kWh	0.3	0.2	1.3	n/a	n/a	n/a
SO_2 (1)	g/kWh	0.2	0.2	1.0	n/a	n/a	n/a
Partículas (1)	g/kWh	0.0	0.0	0.1	n/a	n/a	n/a
SPECIFIC THERMAL EMISSIONS							
CO_2 (1)	g/kWh	903	771	1,065	n/a	n/a	n/a
Nox (1)	g/kWh	0.9	0.5	1.4	n/a	n/a	n/a
SO_2 (1)	g/kWh	0.7	0.4	1.2	n/a	n/a	n/a
Partículas (1)	g/kWh	0.0	0.0	0.1	n/a	n/a	n/a
WATER COLLECTED BY SOURCE							
Ocean	$10^3 x m^3$	1,586,479	1,119,362	467,117	n/a	n/a	n/a
River or stream	$10^3 x m^3$	16,116	4,315	11,775	n/a	n/a	n/a
Reservoir	$10^3 x m^3$	26	n/a	n/a	26	n/a	n/a
Artesian well	$10^3 x m^3$	105	105	n/a	n/a	n/a	n/a
Well	$10^3 x m^3$	57	7	n/a	48	2	0
Municipal Services	$10^3 x m^3$	3,195	2,418	697	76	3	1
Other private entity	$10^3 x m^3$	2,361	1,244	1,116	0	0	0
USE OF WATER							
Cooling water (1)	$10^3 x m^3$	1,601,073	1,123,723	477,351	n/a	n/a	n/a
Row water (1)	$10^3 x m^3$	5,467	3,580	1,887	n/a	n/a	n/a
Potable water	$10^3 x m^3$	347	149	42	150	5	1
WASTEWATER							
Wastewater from generation with treatment (1)	$10^3 x m^3$	2,744	872	1,872	n/a	n/a	n/a
Discharge into sea	$10^3 x m^3$	1,588,206	1,120,023	468,183	n/a	n/a	n/a
Discharge into inland and estuary water (1)	$10^3 x m^3$	6,441	1,934	4,507	n/a	n/a	n/a
WASTE SENT TO FINAL DISPOSAL							
Total waste (1)	t	370,410	62,758	289,789	17,330	482	51
Total hazard waste	t	11,903	6,598	2,952	2,089	241	23
Recovered Waste (1)	%	60	35	63	99	76	71
MAIN WASTE CATEGORIES							
Fly ash	t	267,037	34,912	232,125	n/a	n/a	n/a
Used oils (1)	t	658	279	181	67	128	3
PCB	t	95	47	48	0	0	0
Metals	t	2,114	434	162	1,432	87	0
Gypsum	t	26,112	18,094	8,018	n/a	n/a	n/a
BY-PRODUCTS							
Gypsum	t	157,721	112,568	45,152	n/a	n/a	n/a
Ash and Slag	t	216,619	216,619	0	n/a	n/a	n/a
DISTRIBUTION IN PROTECTED AREAS							
High voltage distribution grid in protected areas	km	1,117	902	102	113	n/a	n/a
Overhead	km	1,102	888	101	113	n/a	n/a
Underground	km	15	14	1	0	n/a	n/a
Medium voltage distribution grid in protected areas	km	13,332	8,765	744	3,823	n/a	n/a
Overhead	km	12,400	7,878	702	3,820	n/a	n/a
Underground	km	932	887	42	3	n/a	n/a
Subestations in protected areas	#	36	20	8	8	n/a	n/a
FLOODED AREAS BY RESERVOIRS	**ha**	**3,334**	**3,074**	**260**	**0**	**n/a**	**n/a**
ENVIRONMENTAL INVESTMENT AND EXPENSES							
Investment (1)	'000€	42,712	20,066	3,402	17,056	374	1,814
Expenses (1)	'000€	57,262	19,854	35,375	1,479	73	481
COMPLIANCE							
Environmental fines ans penalties (1)	'000€	236	25	211	0	0	0
Environmental complains	#	273	53	128	46	30	16

(1) The figures were adjusted due to the IFRS 11.
(2) Scope 1 and Scope 2 emissions by turnover.
(3) Primary energy consumption by turnover.
(4) Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions.

3.7.2. SOCIAL INDICATORS: 2014

	Un.	2014					
		Group	Portugal	Spain	Brazil	North America	Rest of Europe
EMPLOYMENT							
Employees	#	11,798	6,733	1,898	2,674	316	177
Executive Board of Directors	#	7	7	0	0	0	0
Senior Management	#	706	398	158	74	54	22
Supervisors	#	714	344	227	86	42	15
Specialists	#	3,711	1,831	710	855	184	131
Technicians	#	6,660	4,153	803	1,659	36	9
Permanent	#	11,524	6,493	1,891	2,654	316	170
Fixed-term contract	#	222	208	6	1	0	7
Part-time	#	33	2	28	0	1	2
Male employees	%	77	79	75	77	68	66
Executive Board of Directors	%	100	100	0	0	0	0
Senior Management	%	81	81	78	84	83	86
Supervisors	%	76	78	74	81	74	47
Specialists	%	68	68	71	62	74	68
Technicians	%	82	83	77	83	6	11
Employees with special needs	#	189	107	24	58	0	0
Foreign employees	#	162	27	49	17	38	31
Turnover	%	6.12	5.37	2.26	8.85	18.83	12.87
New employees	#	615	248	26	244	66	31
Employees leaving	#	853	489	56	240	50	18
Employees average age	years	46	49	46	38	39	35
Average age of new admissions	years	30	28	32	31	34	31
Average age of leaving	years	50	56	52	40	38	38
Seniority of leaving	years	24	33	25	10	4	3
M/F ratio of new admissions		2.82	3.96	1.44	2.44	2.47	2.25
Absenteeism rate	%	3.46	3.53	3.25	3.80	1.71	n/k
Pay ratio by gender (M/F)		1.01	0.96	1.16	0.98	1.23	1.39
Employees entitled to parental leave	#	330	143	82	69	18	18
Employees that took parental leave	#	279	141	82	20	18	18
Retention rate of employees who took parental leave	%	98	100	99	96	78	100
Personnal costs	000€	581,512	314,179	128,848	113,071	22,904	2,510
Employee benefits [1]	000€	54,512	22,771	13,898	12,461	4,917	465
Ratio of the annual total compensation for the organization's highest-paid individual of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual)		n/a	6.39	5.51	13.85	3.80	n/a
Ratio of percentage increase in annual total compensation for the organization's highest-paid individual of significant operations to the median percentage increase in annual total compensation for all employees (excluding highest-paid individual)	%	n/a	0.00	0.00	1.10	0.00	n/a
TRAINING							
Total hours of training	hours	516,659	255,865	74,936	169,233	6,635	9,991
Environment	hours	5,009	2,341	661	1,024	570	413
Sustainable development	hours	912	166	226	520	0	0
Ethics	hours	7,310	7,277	0	0	33	0
Quality	hours	2,245	1,597	147	425	76	0
Languages	hours	32,124	8,699	18,888	661	0	3,876
Information systems	hours	67,323	54,847	5,110	6,905	46	416
Other	hours	401,737	180,939	49,905	159,698	5,910	5,286
Average training per employee (h/p)	h/p	44	38	39	63	21	56
Senior Management	h/p	37	41	45	9	14	48
Supervisors	h/p	65	65	70	75	28	51
Specialists	h/p	42	51	40	27	20	57
Technicians	h/p	43	30	29	84	27	74
Employees with training	%	95	100	94	81	78	85
Training costs	000€	9,687	6,616	1,385	837	289	561
LABOUR RELATIONS							
Collective employment agreements	%	92	97	84	99	0	33
Trade union membership	%	48	59	18	50	0	0
Union Structures	#	29	21	3	4	0	1
Hours lost due to strikes	hours	21	21	0	0	0	0
Staff engaged in further study	#	30	30	n/k	n/k	n/k	n/k
Professional Internships	#	329	184	0	145	0	0
Academic internships	#	494	155	310	0	14	15

	Un.	Group	Portugal	2014 Spain	Brazil	North America	Rest of Europe
HEALTH AND SAFETY							
Installed capacity certified by OSHAS 18.001	MW	21,553	9,217	5,848	1,534	3,655	1,298
Installed capacity certified by OSHAS 18.001	%	97	99	100	82	95	92
On-duty accidents	#	33	24	2	6	1	0
Fatal on-duty accidents	#	0	0	0	0	0	0
EDP frequency rate (Tf)		1.57	2.11	0.61	1.07	1.99	0.00
EDP severity rate (Tg)		119	188	32	44	2	0
Total days lost due to accidents	#	2,496	2,139	106	250	1	0
Occupational diseases	#	1	1	0	0	0	0
Rate of occupational diseases		0.09	0.09	0.00	0.00	0.00	0.00
Fatal accidents of contracted workers	#	8	7	0	1	0	0
Contracters working days	#	4,841,880	2,586,434	574,910	1,363,874	228,471	88,191
Contracters frequency rate (Tf)		4.88	7.10	3.70	1.65	1.64	5.67
EDP and contracters frequency rate (Tf_total)		3.71	5.33	2.41	1.45	1.72	4.06
Fatal accidents envolving non workers [2]	#	9	2	0	7	0	0
HEALTH AND SAFETY TRAINING							
Sessions	#	823	191	351	100	140	41
Employees	#	14,253	7,562	3,151	1,910	1,508	122
Hours of training	hours	69,642	22,004	15,182	29,311	2,284	861
Conctracters sessions	#	18,034	15,720	195	1,015	913	191
Contracters employees	#	60,816	53,243	1,071	5,054	500	948
Contracters hours of training	hours	165,683	50,522	800	101,271	12,552	538

(1) In the value of employees benefits was not included the cost of past service corresponding to a change of plans due to the new Collective Labour Agreement resulting in a reduction of liabilities of EUR 129,020 thousand and increase in liabilities under the workforce reduction program of EUR 48,434 thousand.

(2) Acident with people - the general public.

SOCIAL INDICATORS: 2013

	Un.	Group	Portugal	2013 Spain	Brazil	North America	Rest of Europe
EMPLOYMENT							
Employees [1]	#	12,171	6,983	1,927	2,796	300	165
Executive Board of Directors	#	7	7	0	0	0	0
Senior Management	#	761	447	158	77	53	26
Supervisors	#	911	345	381	91	57	37
Specialists	#	3,451	1,735	572	895	157	92
Technicians	#	7,041	4,449	816	1,733	33	10
Permanent [1]	#	11,969	6,814	1,919	2,773	300	163
Fixed-term contract	#	147	138	7	0	0	2
Part-time	#	27	2	24	0	1	0
Male employees [1]	%	77	79	75	76	67	67
Executive Board of Directors	%	100	100	0	0	0	0
Senior Management	%	82	82	80	83	83	88
Supervisors	%	76	80	73	78	70	70
Specialists	%	67	68	72	62	73	64
Technicians	%	82	83	77	83	3	20
Employees with special needs	#	197	120	17	60	0	0
Foreign employees	#	179	28	50	39	36	26
Turnover	%	6.16	4.39	1.95	12.94	11.51	10.86
New employees	#	713	205	28	419	37	24
Employees leaving	#	795	417	49	288	31	10
Employees average age	years	46	49	45	38	39	35
Average age of new admissions	years	30	29	33	31	34	32
Average age of leaving	years	49	55	50	41	36	33
Seniority of leaving	years	23	33	23	12	3	3
M/F ratio of new admissions		2.69	4.70	1.10	2.40	1.80	1.70
Absenteeism rate	%	3.26	3.13	3.35	3.80	2.06	n/k
Pay ratio by gender (M/F) [2]		1.02	0.97	1.19	0.96	1.27	1.45
Employees entitled to parental leave	#	290	113	87	56	24	10
Employees that took parental leave	#	287	112	85	56	24	10
Retention rate of employees who took parental leave	%	97	100	100	84	100	90
Personnal costs [1]	000€	576,912	n/k	n/k	n/k	n/k	n/k
Employee benefits [1]	000€	54,864	n/k	n/k	n/k	n/k	n/k
Ratio of the annual total compensation for the organization's highest-paid individual of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual)		n/a	6.54	5.54	13.82	3.86	n/a
Tatio of percentage increase in annual total compensation for the organization's highest-paid individual of significant operations to the median percentage increase in annual total compensation for all employees (excluding highest-paid individual)	%	n/a	n/k	n/k	n/k	n/k	n/a

	Un.	Group	Portugal	2013 Spain	Brazil	North America	Rest of Europe
TRAINING							
Total hours of training	hours	410,734	155,086	77,309	170,509	2,304	5,525
Environment	hours	4,938	2,088	1,091	1,212	0	547
Sustainable development	hours	884	557	267	60	0	0
Ethics	hours	206	26	0	180	0	0
Quality	hours	7,831	6,323	180	1,328	0	0
Languages	hours	31,875	10,463	20,428	566	24	394
Information systems	hours	24,103	12,768	7,325	3,580	112	318
Other	hours	340,897	122,861	48,019	163,583	2,168	4,266
Average training per employee (h/p)	h/p	34	22	40	61	8	33
Senior Management	h/p	32	33	47	18	2	17
Supervisors	h/p	44	57	39	59	3	14
Specialists	h/p	40	40	53	34	10	46
Technicians	h/p	30	11	30	77	13	36
Employees with training	%	86	81	97	92	73	82
Training costs	000€	7,931	4,864	1,649	864	350	204
LABOUR RELATIONS							
Collective employment agreements	%	82	80	86	94	0	36
Trade union membership (1)	%	39	61	21	n/k	0	0
Union Structures	#	37	23	4	7	0	3
Hours lost due to strikes	hours	1,764	1,720	44	0	0	0
Staff engaged in further study	#	18	18	n/k	n/k	n/k	n/k
Professional Internships	#	239	96	0	143	0	0
Academic internships	#	730	212	468	0	24	26
HEALTH AND SAFETY							
Installed capacity certified by OSHAS 18.001	MW	16,354	7,900	5,900	1,477	0	1,077
Installed capacity certified by OSHAS 18.001	%	74	83	100	79	0	80
On-duty accidents	#	42	25	9	8	0	0
Fatal on-duty accidents	#	4	1	1	2	0	0
EDP frequency rate (Tf)		1.98	2.17	2.68	1.42	0.00	0.00
EDP severity rate (Tg)		128	169	179	32	0	0
Total days lost due to accidents	#	2,725	1,944	601	180	0	0
Occupational diseases	#	8	5	0	3	0	0
Rate of occupational diseases		0.70	0.17	0.00	0.53	0.00	0.00
Fatal accidents of contracted workers	#	8	5	0	3	0	0
Contracters working days	#	5,632,310	2,528,342	585,507	2,280,442	70,676	167,343
Contracters frequency rate (Tf)		4.95	6.38	2.78	4.28	3.54	0.75
EDP and contracters frequency rate (Tf_total)		4.00	4.85	2.73	3.60	1.93	0.62
Fatal accidents envolving non workers (3)	#	7	4	0	3	0	0
HEALTH AND SAFETY TRAINING							
Sessions	#	857	198	445	151	25	38
Employees	#	9,112	3,505	4,022	1,372	96	117
Hours of training	hours	84,058	15,937	11,741	54,892	535	954
Conctracters sessions	#	12,471	10,760	282	672	587	170
Contracters employees	#	58,359	37,766	751	16,012	3,227	603
Contracters hours of training	hours	207,271	46,386	760	149,069	10,648	408

(1) The figures were adjusted due to the IFRS 11.
(2) The figures for Spain were adjusted due to recalculation of data base.
(3) Acident with people - the general public.

04. CORPORATE GOVERNANCE

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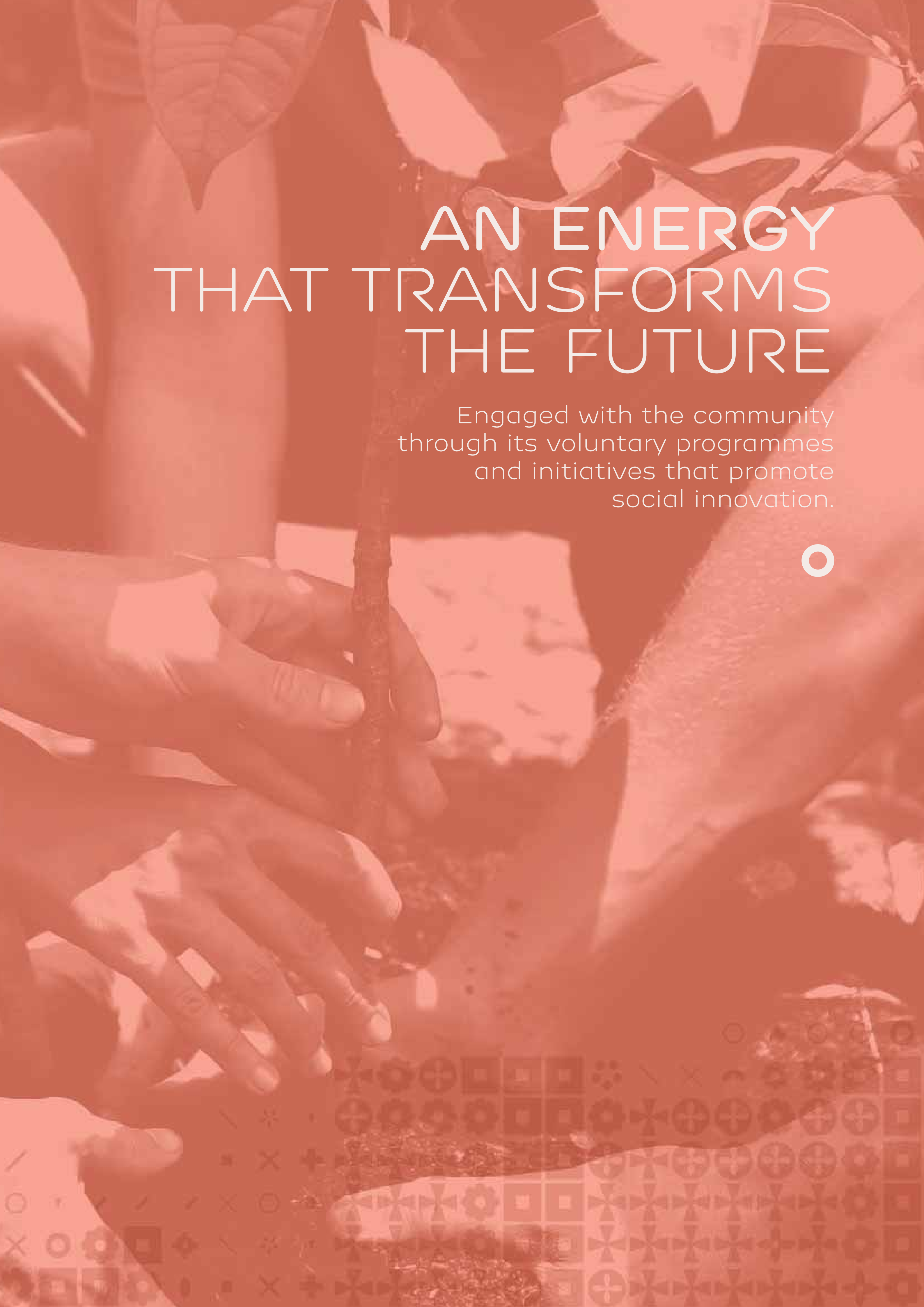

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04.

CORPORATE GOVERNANCE

PART I – INFORMATION ON OWNERSHIP STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. OWNERSHIP STRUCTURE

I. CAPITAL STRUCTURE

1. CAPITAL STRUCTURE

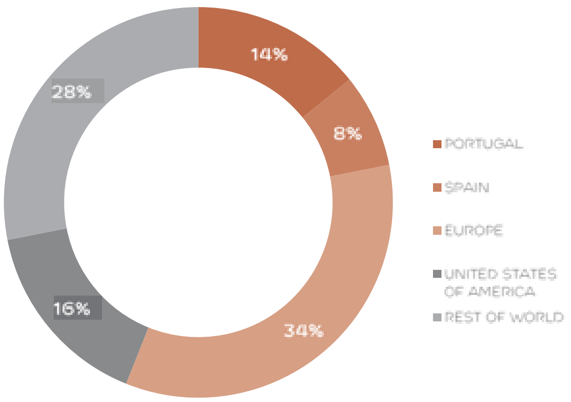
EDP's share capital to the amount of EUR 3,656,537,715.00 is represented by 3,656,537,715 shares.

Although the Articles of Association still refer to Category B shares, such reference is not reflected on EDP's shareholders structure. Accordingly, on 14 February 2013 Parpública – Participações Públicas (SGPS), S.A. used accelerated bookbuilding to sell the 151,517,000 Category B shares with a face value of 1 euro each, equivalent to 4.14% of EDP's share capital, that it still owned. As a result of the settlement of this operation, on 19 February 2013, Parpública – Participações Públicas (SGPS), S.A. has decreased to 0% of EDP's share capital. As mentioned in Article 4 (5) of EDP's Articles of Association, Category B shares only continue to be in this category if they are owned by public bodies. Their transfer to non-public bodies results in their conversion into Category A shares. Therefore, as a result of the transfer of the shares owned by Parpública – Participações Públicas (SGPS), S.A. and their automatic conversion into Category A shares, there are no Category B shares.

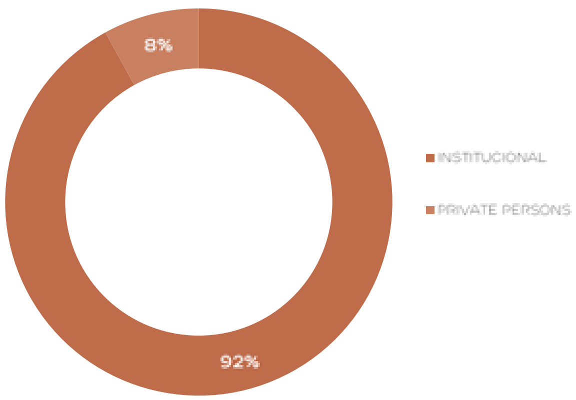
EDP's share capital is therefore represented exclusively by 3,656,537,715 Category A shares, which are ordinary and have a face value of 1 euro each.

The geographical and investor type breakdown of the EDP shareholder structure on 31 December 2014 was as follows:

BREAKDOWN OF SHAREHOLDER STRUCTURE BY GEOGRAPHY



BREAKDOWN OF SHAREHOLDER STRUCTURE BY INVESTOR TYPE



Source: Interbolsa

2. RESTRICTIONS ON SHARE TRANSFERABILITY

In statutory terms (article 4(4)), category B shares are the shares to be re-privatised, which have restrictions on their ownership - they may only be held by public bodies. However, this rule was no longer applicable following the extinction of category B shares described in the previous paragraph.

The ordinary shares (or category A), which presently represent the complete share capital, are not subject to any limitations in terms of transferability, given that, according to the Portuguese Securities Code, shares traded in the market are fully transferable.

3. TREASURY STOCK

As at 31 December 2014, EDP owned 23,488,399 treasury stock shares, corresponding to 0.64% of the share capital and 0.64% of the voting rights.

4. CHANGE OF COMPANY CONTROL

EDP is not a party to any significant agreements that come into effect, are amended or cease in the event of a change of company control following a takeover bid (except normal market practice in terms of debt issue).

5. DEFENSIVE MEASURES

EDP has not taken any measures to prevent takeover bids that would put the interests of the company and its shareholders at risk. The supplementary rules on this matter remain thus in force.

On this subject, it is important to note that, pursuant to Article 14 (3) of EDP's current Articles of Association, votes cast by a shareholder on his own behalf or representing another will not be considered if they exceed 25% (twenty-five percent) of all the votes corresponding to the share capital.

Although EDP's Articles of Association impose this limitation on the exercise of voting rights, under which votes cast by a shareholder on his own behalf or representing another will not be considered if they exceed 25% (twenty-five percent) of all the votes corresponding to the share capital (pursuant to the allocation of voting rights set out in Article 20 (1) of the Securities Code), this limitation is not a measure to prevent successful takeover bids.

In fact, the inability of the limitation on voting rights to prevent the success of a takeover bid is the result of EDP's current capital structure, in which the largest shareholding is 21.35%, and of the compliance of the deliberative quorum of two-thirds of the votes cast, which is set out in EDP's Articles of Association for an amendment to the company agreement on this matter with Article 182 (2) of the Securities Code.

No defensive measures have been taken aimed at or resulting in serious erosion of EDP's assets in the event of transfer of control of the company or a change in the composition of the Executive Board of Directors, thereby prejudicing the free transferability of the shares and free appraisal by the shareholders of the performance of the members of the Executive Board of Directors.

6. SHAREHOLDER AGREEMENTS

Pursuant to Article 7 of EDP's Articles of Association, shareholder agreements regarding the company must be communicated in full to the Executive Board of Directors and the General and Supervisory Board by the shareholders that have signed them in the 30 (thirty) days following their conclusion.

According to information provided to the company by the shareholders, the Executive Board of Directors is aware of the existence of a single shareholder agreement, which was entered into on 11 April 2007 by Parpública - Participações Públicas (SGPS), S.A. ("(Parpública"), Caixa Geral de Depósitos, S.A. ("CGD") and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("(Sonatrach").

Under the terms of this shareholder agreement, which were announced publically, Parpública and CGD made the following commitments:

- To support the continued membership of Sonatrach (or of a person indicated by it) in EDP’s General and Supervisory Board, provided that Sonatrach maintains a shareholding of at least 2% (two percent) of EDP's share capital and the strategic partnership remains in effect; and
- To refrain from promoting, supporting and/or voting in favour of any change in EDP's Articles of Association that prevents the continued membership of Sonatrach (or of a person indicated by it) in EDP's General and Supervisory Board.

Although Parpública has sold its shareholdings in EDP's share capital and CGD does not own a qualifying shareholding in EDP's share capital, according to information at EDP's disposal this does not represent automatic cessation of the effects of the shareholder agreement. EDP has not been informed of any agreement to revoke or amend the said shareholder agreement.

II. SHAREHOLDINGS AND BONDS OWNED

7. QUALIFYING HOLDINGS

Pursuant to Article 8 (1) (b) of CMVM Regulation 5/2008, we are providing the following information on qualifying holdings owned by EDP shareholders as at 31 December 2014 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	508,190,069	13.90%
Capital Income Builder	176,852,153	4.84%
Income Fund of America	134,952,000	3.69%
Capital World Growth and Income Fund	103,410,508	2.83%
Capital Guardian Trust Company	17,780,506	0.49%
Capital International Limited	3,212,585	0.09%
Capital International Sárl	2,025,773	0.06%
Capital International, Inc.	1,098,323	0.03%
Total	**532,307,256**	**14.56%**
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.		
INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)		
Stakes held by companies in a control or group relationship		
Senfora SARL	148,431,999	4.06%
Total	**148,431,999**	**4.06%**
The company Senfora SARL a Luxembourg 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.		

Shareholder	Nº of Shares	% Capital with 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 Luxembourg II Sárl	82,868,933	2.27%
Total	**82,868,933**	**2.27%**
The company Qatar Holding Luxembourg II Sárl is fully owned by Qatar Holding LLC, a company wholly owned by Qatar Investment Authority.		
JOSÉ DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.		
Stakes held by companies in a control or group relationship		
José de Mello Energia, S.A.	73,249,881	2.00%
Stakes held by Governing Bodies		
Members of the management and supervisory bodies	35,829	0.00%
Total	**73,285,710**	**2.00%**
The company José de Mello Energia, SGPS,S.A. Is fully owned by José de Mello Participações II, SGPS, S.A., which capital in fully owned by José de Mello - Sociedade Gestora de Participações Sociais, S.A.		
BLACKROCK, INC.		
Stakes under management by companies in a control relationship		
BlackRock (Netherlands) B.V.	322,768	0.01%
BlackRock Advisors (UK) Limited	6,350,788	0.17%
BlackRock Advisors, LLC	160,104	0.00%
BlackRock Asset Management Australia Limited	203,075	0.01%
BlackRock Asset Management Canada Limited	473,971	0.01%
BlackRock Asset Management Deutschland AG	5,155,677	0.14%
BlackRock Asset Management Ireland Limited	9,906,691	0.27%
BlackRock Financial Management	102,299	0.00%
BlackRock Fund Advisors	11,415,217	0.31%
BlackRock Fund Managers Limited	780,661	0.02%
BlackRock Institutional Trust Company, National Association	25,044,436	0.68%
BlackRock International Limited	9,073	0.00%
BlackRock Investment Management (Australia) Limited	145,989	0.00%
BlackRock Investment Management (UK) Ltd	47,089	0.00%
BlackRock Investment Management, LLC	3,311,143	0.09%
BlackRock Japan Co Ltd	2,947,809	0.08%
BlackRock Life Limited	6,101,003	0.17%
iShares (DE) I InvAG mit Teilgesellschaftsvermogen	790,452	0.02%
Total	**73,268,245**	**2.00%**
EDP (TREASURY STOCKS)	**23,488,399**	**0.64%**
REMAINING SHAREHOLDERS	**1,503,059,748**	**41.10%**
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 inherent votes to the category shares, emitted for a shareholder, in proper name or as representative of another one, that 25% of the totality of the corresponding votes to the capital stock exceeed.

On 22 January 2015, Senfora S.A.R.L., a company organised under the laws of Luxembourg, noticed EDP that it had transmitted, on 21 January 2015, over-the-counter, to Senfora B.V., a company organised under the laws the Netherlands, 148,431,999 ordinary shares, representing 4.06% of the share capital and voting rights of EDP.

On 3 February 2015, José de Mello Energia, S.A. noticed EDP of the sale, over-the-counter, in a private offer for qualified investors, of a 73,249,881 ordinary shares, representing 2.00% of the share capital and voting rights of EDP. The sale was executed under an accelerated book building process occurred on 29 January 2015.

Subsequently to this operation, José de Mello Energia, S.A., no longer holds any qualified shareholding in EDP. The same occurs for José de Mello Participações II, SGPS, S.A. ("JM II"), full owner of the share capital of JME, as well as for José de Mello, SGPS S.A., which fully owns the share capital of JM II.

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

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The table below shows the financial instruments held by members of Executive Board of Directors and the changes from 2013 to 2014, as required by Article 447 (5) of the Company Code.

Financial instruments owned by members of the Executive Board of Directors were as follows:

	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.		EDP - Energias do Brasil, S.A.	
Executive Board of Directors	Nº Shares 31-12-2014	Nº Shares 31-12-2013	Nº Bonds 31-12-2014	Nº Bonds 31-12-2013	Nº Shares 31-12-2014	Nº Shares 31-12-2013	Nº Shares 31-12-2014	Nº Shares 31-12-2013
António Luís Guerra Nunes Mexia	41,000	41,000	0	0	4,200	4,200	1	1
Nuno Maria Pestana de Almeida Alves (4)	125,000	125,000	0	25	5,000	5,000	1	1
João Manuel Manso Neto	1,268	1,268	0	0	0	0	0	0
António Manuel Barreto Pita de Abreu (1)	34,549	34,549	0	0	1,810	1,810	41	41
António Fernando Melo Martins da Costa (2) (4)	34,299	13,299	0	50	1,480	1,480	0	0
João Manuel Veríssimo Marques da Cruz (3)	3,878	3,878	0	0	1,200	1,200	0	0
Miguel Stilwell de Andrade	126,576	111,576	0	0	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.

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

3) The shares of EDP Renováveis were not previously referenced by mistake.

4) The bonds held reached maturity and were redeemed on December 8, 2014.

In 2014, the members of the Executive Board of Directors performed the following operations on financial instruments.

Member of Corporate Body	Company	Security	Date	Quantity	Operation	Avg. Purchase Price (euros)
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	08/08/2014	1,476	Purchase	3.077
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	08/08/2014	1,000	Purchase	3.078
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	08/08/2014	52	Purchase	3.078
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	08/08/2014	1,550	Purchase	3.078
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	08/08/2014	1,702	Purchase	3.079
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	08/08/2014	1,798	Purchase	3.079
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	08/08/2014	774	Purchase	3.079
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	08/08/2014	4,450	Purchase	3.079
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	08/08/2014	2,198	Purchase	3.080
António Fernando Melo Martins da Costa	EDP - Energias de Portugal	Shares	11/12/2014	21,000	Purchase	3.306

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

The table below shows the financial instruments owned or imputable to the members of the General and Supervisory Board, and the changes from 2013 to 2014, as required by Article 447 (5) of the Company Code.

Financial instruments owned and/or imputable to members of the General and Supervisory Board were as follows:

GENERAL AND SUPERVISORY BOARD [1]	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.	
	Nº Shares 12-31-2014	Nº Shares 12-31-2013	Nº Bonds 12-31-2014	Nº Bonds 12-31-2013	Nº Shares 12-31-2014	Nº Shares 12-31-2013
Eduardo de Almeida Catroga	1,375	1,375	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
Felipe Fernández Fernández (em representação da Cajastur Inversiones, S.A.)	0	0	0	0	0	0
José de Mello Energia, S.A.	73,285,710	168,097,034	0	0	0	0
Luís Filipe da Conceição Pereira (em representação da José de Mello Energia) [2]	4,233	1,459	150	150	1,200	1,200
Senfora SARL	148,431,999	148,431,999	0	0	0	0
Mohamed Al Fahim (em representação da Senfora SARL)	0	0	0	0	0	0
Sonatrach	87,007,443	87,007,443	-	-	0	0
Harkat Abderezak (em representação da Sonatrach)	0	0	0	0	0	0
José Maria Espírito Santo Silva Ricciardi [3]	-	0	0	0	2,320	2,320
Alberto João Coraceiro de Castro [4] [6]	6,917	6,917	0	5	3,080	3,080
António Sarmento Gomes Mota	0	0	0	0	0	0
Maria Celeste Ferreira Lopes Cardona	0	0	0	0	0	0
Fernando Maria Masaveu Herrero [5]	264,709,056	264,709,056	0	0	0	0
Ilídio da Costa Leite de Pinho	1,647,516	0	0	0	0	0
Jorge Avelino Braga de Macedo	0	0	0	0	0	0
Manuel Fernando de Macedo Alves Monteiro [6]	0	0	0	60	0	0
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	0	0	0	0	0	0
Vasco Joaquim Rocha Vieira	3,203	3,203	0	0	60	60
Vítor Fernando da Conceição Gonçalves	0	0	0	0	0	0
Rui Eduardo Ferreira Rodrigues Pena [6]	4,541	4,541	0	35	1,500	1,500
Augusto Carlos Serra Ventura Mateus	0	0	0	0	0	0
Nuno Manuel da Silva Amado	0	0	0	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 shares of EDP - Energias de Portugal are held by his wife, Maria Manuela Silva Casimiro Pereira who is also the owner of all shares of EDP Renováveis. Were also awarded to his wife 2,774 shares acquired at a price of € 3.5 on 12.06.2014, as payment in kind of a part of the annual bonus granted in accordance with both the company's and the individual performances during the year 2013.
3) Resigned on May 9, 2014
4) The shares of EDP - Energias de Portugal and EDP Renewables include 94 and 380 shares, respectively, held by his wife, Ana Maria Ferreira Lopes.
5) 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.
6) The bonds held reached maturity and were redeemed on December 8, 2014.

In 2014, the members of the General and Supervisory Board performed the following operations with EDP shares:

Member of Corporate Body	Company	Security	Date	Quantity	Operation	Avg. Purchase Price (euros)
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	21/02/2014	278,758	Compra	2.967
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	25/02/2014	545,000	Compra	3.049
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	27/02/2014	823,758	Compra	3.077

Other operations with financial instruments in which EDP's share was used as an underlying asset were also performed and are according to the description in the Annex VI.

9. SPECIAL POWERS OF THE MANAGING BODY WITH REGARD TO DECISIONS TO INCREASE SHARE CAPITAL

The Executive Board of Directors has the powers enshrined in the law and Articles of Association to perform its duties, which are indicated in detail in point 21.

Regarding approval of decisions on share capital increases, the Executive Board of Directors has the power to approve one or more share capital increases up to an aggregate limit of 10% of the current share capital in the amount of EUR 3,656,537,715.00, via the issue of Category A shares to be subscribed by new entries in cash, in accordance with the issue terms and conditions that it defines. The draft decision must be submitted to the General and Supervisory Board subject to a majority of two-thirds of votes of the respective members (Article 4 (3) of EDP's Articles of Association). The General Meeting of Shareholders held on 17 April 2012 decided to approve the renewal for five years of the Executive Board of Directors' authorisation pursuant to Article 4 (3) of the Articles of Association. The Executive Board of Directors has not yet used this renewed power to increase EDP's share capital.

The Executive Board of Directors also has the power to submit proposals to the General Meeting for approval of increases in share capital after receiving a favourable opinion from the General and Supervisory Board. In these case, the General Meeting is responsible for approving the decision to increase the share capital (Article 17 (2) (g) and 11 (2) (c) of EDP's Articles of Association).

10. SIGNIFICANT BUSINESS RELATIONSHIPS BETWEEN OWNERS OF QUALIFYING HOLDINGS AND THE COMPANY

In the course of its activity and irrespective of their relevance, EDP concludes deals and performs operations under normal market conditions for similar operations with different entities, particularly with financial institutions, including owners of qualifying holdings in EDP's share capital and companies related to them.

On 11 May 2012, after the strategic partnership agreement concluded with China Three Gorges Corporation ("CTG") came into effect in December 2011, this company (and three other group companies) took a place on EDP's General and Supervisory Board.

Under the execution of the strategic partnership with China Three Gorges Corporation, on 30 December, 2014, EDP agreed with ACE Asia – partly held by CWEI Hong Kong Company Limited ("CWEI HK"), a subsidiary 100% owned by CTG – the sale of 50% of EDP Ásia – Investimento e Consultoria, Limitada ("EDP Ásia"). EDP Ásia detains 21.2% of the shareholdings of Companhia de Electricidade de Macau – CEM, S.A., which detains the exclusivity of the transmission, distribution and commercialisation of power operations in the Special Administrative Region of Macau.

Similarly within the scope of development of the abovementioned partnership, EDP Brasil reached, on 6 December, 2013, with CWE Investment Corporation ("CWEI"), a subsidiary entirely held by CTG, a Memorandum of Understanding which establishes the main orientations for the partnership, aimed at future co-investments between EDP Brasil and CWEI, and foresees the participations of both parts in co-projects in Brazil. Accordingly, on 28 June, 2014, EDP Brasil concluded the sale of a 50% shareholding in the company owning the right to develop the Jari hydropower project (373 MW), as well as the sale of a 50% shareholding in the company owning the right to develop the Cachoeira Caldeirão hydropower project (219 MW). Additionally, in 20 November, 2014, EDP Brasil concluded the sale of 50% of its 66.67% shareholding in the company Energia São Manoel, S.A. (700 MW).

On 29 December, 2014, EDP Renováveis agreed with CWEI (Brasil) Participações, Ltda ("CWEI Brasil"), a subsidiary fully owned by CTG, the sale of a 49% shareholding in the wind projects currently operating and under development in Brazil. The scope of this transaction includes 84 MW in operation and 237 MW under development. The conclusion of this transaction is subject to regulatory approvals and is expected to occur in the first semester of 2015.

The CWEI Brasil's abovementioned investments are to be considered within the scope of the strategic partnership agreement, particularly in relation to the total investment of EUR 2 billion to be executed by CTG until 2015 (includes operational investment financing) in projects, in operation and under development, of renewable power.

During 2014, and in addition to financial intermediation services rendered by Banco Comercial Português, S.A. ("BCP"), this bank joined the syndicate of banks included in the Revolving Credit Facility entered into by EDP in the form of Club Deal, with a share of EUR 150,000,000, in line with the other institutions involved. Also in 2014, were sold to BCP, through a true sale without recourse, about EUR 200,000,000 from the 2014 overcost with the acquisition of energy from special regime generation.

To Sonatrach, in 2014, was acquired natural gas within the scope of the long-term supply contracts to EDP Group and to the Soto 4 combined cycle plant, in the amount of USD 318,630,000.

Regarding the applicable governance guiding lines, it shall be noted that this theme was further analyzed in 2008 and the General and Supervisory Board approved objective, transparent rules for identifying, preventing and resolving relevant corporate conflicts of interest entitled Framework for Handling conflicts of Interest, which were revised in late 2009.

Following a decision made by the General and Supervisory Board, on 17 May 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties. These rules are available on EDP's website (www.edp.pt).

As part of its improvement of governance practices, on 29 July 2010, the General Supervisory and Board approved EDP's rules on conflicts of interest and transactions between related parties, which are available on EDP's website (www.edp.pt), which replace the Framework for Handling conflicts of Interest. These rules for identifying, preventing and resolving potential relevant corporate conflicts of interest have a higher level of exigency than those in the CMVM Corporate Governance Code.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

The General and Supervisory Board noted in relation to 2014, in view of the cases analysed and the information provided by the Executive Board of Directors, that no evidence was found that the potential conflicts of interest underlying the transactions made by EDP may have been settled contrary to the interests of the Company.

For more information on the matter, see Point 3.5.1. of the Annual Report of the General and Supervisory Board.

B. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

A) COMPOSITION OF THE GENERAL MEETING

11. NAME AND POSITION OF OFFICERS OF THE GENERAL MEETING AND THEIR TERM OF OFFICE

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

At the Annual General Meeting of 17 April 2012 the Chairman and Vice-Chairman of the General Meeting were elected to office for 2012-2014. The Company Secretary was appointed on 22 February 2012 (likewise for the term from 2012 to 2014).

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

The Chairman of the General Meeting has the in-house human and logistic resources appropriate to his/her needs, including the support of the General Secretariat and Legal Department, the Investor Relations Office and the Brand and Communication Department, plus external support from a specialised entity hired by EDP to collect, process and count the votes. The logistic and administrative resources for the General Meeting are provided by the Company and the organisation is supervised by the Chairman of the General Meeting.

B) EXERCISE OF VOTING RIGHTS

12. RESTRICTIONS ON VOTING RIGHTS

Pursuant to Article 14 (2) of EDP's Articles of Association, each share corresponds to one vote.

The holders of rights representing shares under ADR (American Depositary Receipt) programmes are subject to the same provisions of the law and Articles of Association pursuant to 9 do Article 14 (9) of the Articles of Association.

EDP's shareholders can only participate and vote at the General Meeting, personally or through a representative, if on the date of registration, 00:00 hours (GMT) of the fifth day of trading prior to that of the General Meeting, they own at least one share (Article 14 (10) of the Articles of Association).

Proof of ownership of the shares is provided by sending the Chairman of the General Meeting, by the fifth day of trading prior to that of the General Meeting, a statement issued, certified and sent by the financial intermediary responsible for registering the shares, indicating the number of shares registered and the date of registration. It may be sent by email (Article 14 (13) of EDP's Articles of Association).

Participation in the General Meeting also requires the shareholder to express this intention to the Chairman of the General Meeting and the financial intermediary at which the individual registration account has been opened, by the end of the sixth day of trading prior to that of the General Meeting. The communication may be sent by email (Article 14 (11) of EDP's Articles of Association).

Shareholders who have expressed their intention to participate in a General Meeting pursuant to the Articles of Association and have transferred ownership of the shares between the fifth day of trading prior to that of the General Meeting and the end thereof, must inform the Chairman of the General Meeting and the CMVM immediately (Article 14 (11) of EDP's Articles of Association).

EDP's shareholders can submit a postal vote on each of the items on the agenda in a letter addressed to the Chairman of the General Meeting, as set out in Article 14 (6) of the Articles of Association.

Pursuant to Article 14 (7) of EDP's Articles of Association, voting rights may also be exercised electronically, in accordance with the requirements necessary to ensure their authenticity, which must be defined by the Chairman of the General Meeting in the invitation to the meeting.

Shareholders can find the necessary forms for postal or electronic votes on EDP's website (www.edp.pt).

EDP has taken measures to encourage shareholders to exercise their voting rights, such as elimination of financial obstacles that may affect their exercise. These measures include:

- General circulation of the notice of meeting of the General Meeting with an express indication of the channels available for the exercise of voting rights and in publications on the CMVM website (on www.cmvm.pt) and EDP website (on www.edp.pt), on the NYSE Euronext Lisbon newsletter and in mailings to shareholders;
- Payment of the costs of issuing declarations of ownership of shares for all shareholders who participate in the General Meeting (directly or by post);
- Payment of the costs involved in remote voting, including postal voting.

Since 20 February 2012 votes cast by a shareholder in his own name or as a representative of another exceeding 25% (twenty-five percent) of all the votes representing the share capital are not considered. This limitation applies to all decisions of the General Meeting, including those for which the law or EDP's Articles of Association provide for a qualified majority of the company's share capital.

Pursuant to Article 14 (4) of EDP’s Articles of Association, votes for which, under Article 20 (1) of the Securities Code or any legal rule that amends or replaces it, he is responsible will be considered cast by the same shareholder.

EDP's shareholders are obliged to provide the Executive Board of Directors, in writing and in a complete, objective, clear, truthful form, and in a manner acceptable to the board, all information that it requests from them on facts concerning them and related to Article 20 (1) of the Securities Code. Noncompliance with this obligation shall result in prevention of the exercise of voting rights pertaining to the shares owned by the shareholder in question (Article 15 (2) and (3) of the Articles of Association).

If the limitation on the counting of votes affects a number of shareholders, it will operate in proportion to the ordinary shares owned by each one (Article 14 (5) of the Articles of Association).

Furthermore, pursuant to Article 20 (1) of the Securities Code, or any legal rule that amends or replaces it, shareholders who become owners of a shareholding of 5% (five percent) or more of the voting rights or share capital, must inform the Executive Board of Directors thereof within five business days of the date on which ownership occurred. They cannot exercise their voting rights until they have made this communication (Article 15 (1) of EDP's Articles of Association).

13. MAXIMUM PERCENTAGE OF VOTING RIGHTS THAT CAN BE EXERCISED BY A SINGLE SHAREHOLDER OR SHAREHOLDERS THAT ARE RELATED IN SOME OF THE RELATIONS OF ARTICLE 20 (1)

See Point 12

14. DECISIONS OF SHAREHOLDERS WHO, UNDER THE ARTICLES OF ASSOCIATION, CAN ONLY BE MADE BY A QUALIFIED MAJORITY OTHER THAN THOSE PROVIDED FOR BY LAW

Decisions by the General Meeting are taken by a majority of votes cast, unless the law or the Articles of Association require a qualified majority (Article 11 (3) of the Articles of Association).

EDP’s Articles of Association do not define any constitutive quorum for the General Meeting and have adopted the rule set out in the Portuguese Company Code.

In order to the General Shareholders’ Meeting deliberate, in first call, on the by-laws amendment, merger, demerger, transformation, dissolution of the company and other matters in which the law required a qualified majority, without specifying it, it shall be present or represented shareholders that hold, at least, shares correspondent to one third of the share capital.

In all other cases, the deliberative quorum set out in Article 383 (2) of the Company Code applies.

II. MANAGEMENT AND SUPERVISION

A) COMPOSITION

15. CORPORATE GOVERNANCE MODEL

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

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

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

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

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

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

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.

16. ARTICLES OF ASSOCIATION RULES ON PROCEDURAL AND MATERIAL REQUIREMENTS FOR THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

It is the role of the General Meeting to elect and remove members of the Executive Board of Directors and the General and Supervisory Board, including their chairmen.

In the event of permanent or temporary absence of any of the members of the Executive Board of Directors, the General and Supervisory Board arranges for his/her replacement and the appointment must be ratified by the next General Meeting.

In the event of permanent absence of any of the members of the General and Supervisory Board, the substitutes on the list submitted to the General Meeting must be summoned by the Chairman of the General and Supervisory Board to replace him/her, following the order on the list. Pursuant to Article 21 (5) of EDP's Articles of Association, the substitutes on the list must all be independent. If there are no substitutes, they will be elected by the General Meeting.

17. COMPOSITION OF THE BOARD OF DIRECTORS, EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors at the General Meeting of 20 February 2012, for the three-year period from 2012 to 2014. The term of office of these members of the corporate bodies therefore ended on 31 December 2014, though they may remain in office until a new appointment.

GENERAL AND SUPERVISORY BOARD

In the exercise of its duties – see Article 441 of the Company Code and Article 22 of EDP’s Articles of Association - the main mission of the General and Supervisory Board is to constantly advise, monitor and supervise the management activities of EDP, cooperating with the Executive Board of Directors and the various other corporate bodies in pursuit of the company’s interests, pursuant to the Company Code and the company’s Articles of Association. It is elected by the shareholders at the General Meeting. Pursuant to Article 21 (1) of the Articles of Association, the General and Supervisory Board consists of no fewer than nine effective members, but always more than the number of members of the Executive Board of Directors. The majority of the elected members of the General and Supervisory Board must be independent, pursuant to Article 21 (4) of the Articles of Association.

On 9 May, 2014, José Maria Espírito Santo Silva Ricciardi renounced to his duties as member of the General and Supervisory Board.

The members of the General and Supervisory Board are currently as follows:

	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.

EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is responsible for managing the company's activities and representing the company, pursuant to Article 431 of the Company Code and Article 17 of the Articles of Association and is elected by the shareholders at a General Meeting. The Executive Board of Directors is currently made up of seven members. Pursuant to Article 16 (2) of the Articles of Association, the Executive Board of Directors must have a minimum of five and a maximum of seven members.

The members of the Executive Board of Directors are as follows:

	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.

18. INDEPENDENT MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

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 2 (1) of the Financial Matters Committee/Audit Committee's Internal Regulations);

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

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

In the end of 2014, the members of the outgoing General and Supervisory Board renewed their statements on incompatibilities and independence. On 3 March, 2015, the General and Supervisory Board assessed compliance with the rules on incompatibilities and independence of the elected members at the General Meeting of 20 February, 2012 and members elected at the General Meeting of 6 May, 2013.

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/DeclaraçãodeIndependênciaeIncompatibilidades.aspx".

The independent members of the General and Supervisory Board are shown in the table in Point 17 above.

19. QUALIFICATIONS OF THE MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

See Annex I.

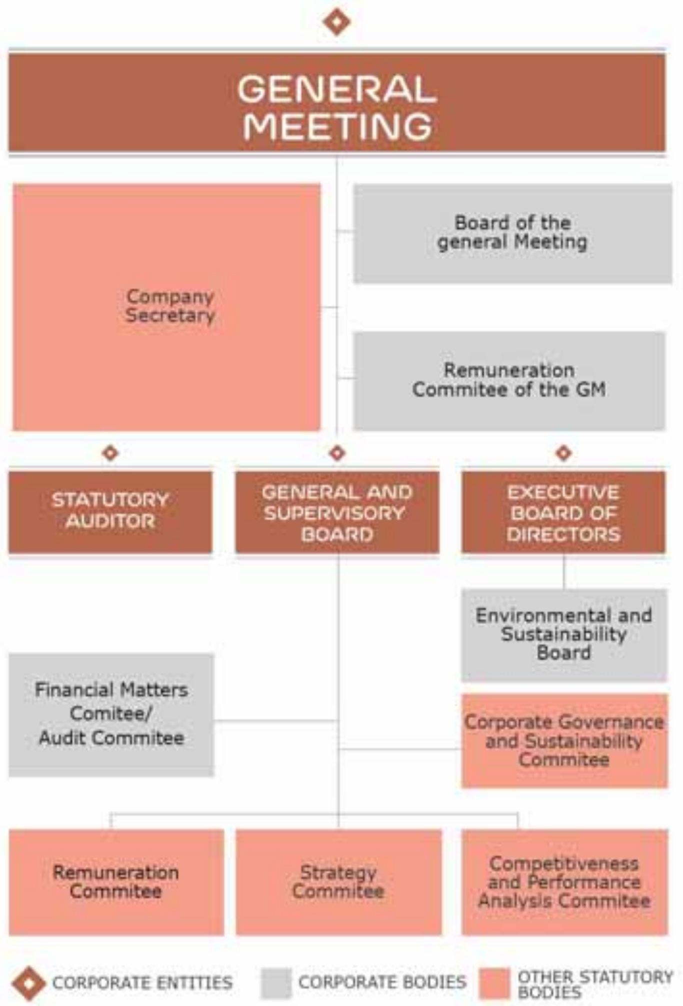
20. FAMILY, WORK-RELATED AND BUSINESS RELATIONSHIPS OF THE MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS WITH SHAREHOLDERS OWNING A QUALIFYING SHAREHOLDING OF OVER 2% OF THE VOTING RIGHTS

The Chairman of the Executive Board of Directors, António Luís Nunes Guerra Mexia, is a director of Banco Comercial Português, S.A. which holds, directly and indirectly, a 2.44% shareholding in EDP.

As for the General and Supervisory Board, there are professional relationships between Board members and shareholders attributed a qualifying holding of more than 2% of voting rights, as described below:

- The members of the General and Supervisory Board Dingming Zhang, Ya Yang, Guojun Lu and Shengliang Wu are managers of China Three Gorges Corporation which, through its subsidiary CWEI (Europe), S.A., has a 21.35% shareholding in EDP.
- The member of the General and Supervisory Board Fernando Masaveu Herrero is chairman of the management body of Masaveu International, S.L. which owns 55.9% of Oppidum, S.L., a company with a 7.19% shareholding in EDP.
- The member of the General and Supervisory Board Felipe Fernández Fernández is a manager of Liberbank, S.A. which owns 44.1% of Oppidum, S.L., a company with a 7.19% shareholding in EDP.
- The member of the General and Supervisory Board Mohamed Ali Al-Fahim is a manager of International Petroleum Investment Company (IPIC) which wholly owns Senfora, SARL, a company with a 4.06% shareholding in EDP.
- The member of the General and Supervisory Board Nuno Manuel da Silva Amado is chairman of the board of directors of Banco Comercial Português S.A. which holds, directly and indirectly, a 2.44% shareholding in EDP.
- The member of the General and Supervisory Board Harkat Abderezak is a manager of Sonatrach which has a 2.38% shareholding in EDP.

21. ORGANISATION CHART, DELEGATION AND DIVISION OF POWERS



*Corporate entities are aldo corporate bodies, pursuant to Article 8 of EDP's Articles Association

POWERS OF THE GENERAL AND SUPERVISORY BOARD

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

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

- Provide for the replacement of members of the Executive Board of Directors in the event of permanent or temporary absence, as required by law;
- Issue an opinion on their annual vote of confidence in the directors set out in Article 455 of the Company Code, on its own initiative or when requested to do so by the CEO;
- Monitor and assess matters of corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes and systems for appraising and resolving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;
- Obtain the financial or other resources that it reasonably deems necessary for its work and ask the Executive Board of Directors to take any measures or make any corrections that it considers pertinent, with the power to hire independent consultants, if necessary;
- Receive regular information from the Executive Board of Directors on significant business relations between the company or its subsidiaries and shareholders with a qualifying holding and persons related to them;
- Appoint the Remuneration Committee and Financial Matters Committee/Audit Committee;
- Represent the company in its relations with the directors;
- Supervise the work of the Executive Board of Directors;
- Oversee compliance with the law and Articles of Association;
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for engagement or dismissal;
- Monitoring the bookkeeping, accounts and supporting documents and the status of any assets or securities held by the company, as and when it deems appropriate;
- Supervise the preparation and disclosure of financial information
- Call the General Meeting when it deems appropriate;
- Approve internal rules, including rules on relations with the other corporate bodies;
- Exercise any other powers that may be granted by law, the Articles of Association or by the General Meeting.

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

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

- Formation or termination of strategic partnerships or other forms of lasting cooperation.

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

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

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

The members of the Financial Matters Committee/Audit Committee have a duty to attend the meetings of the Executive Board of Directors when the accounts are appraised, (see Article 4 (3) (e) of the Rules of Procedure of the Financial Matters Committee/Audit Committee).

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

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

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

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

POWERS OF THE EXECUTIVE BOARD OF DIRECTORS

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

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

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

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

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

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

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

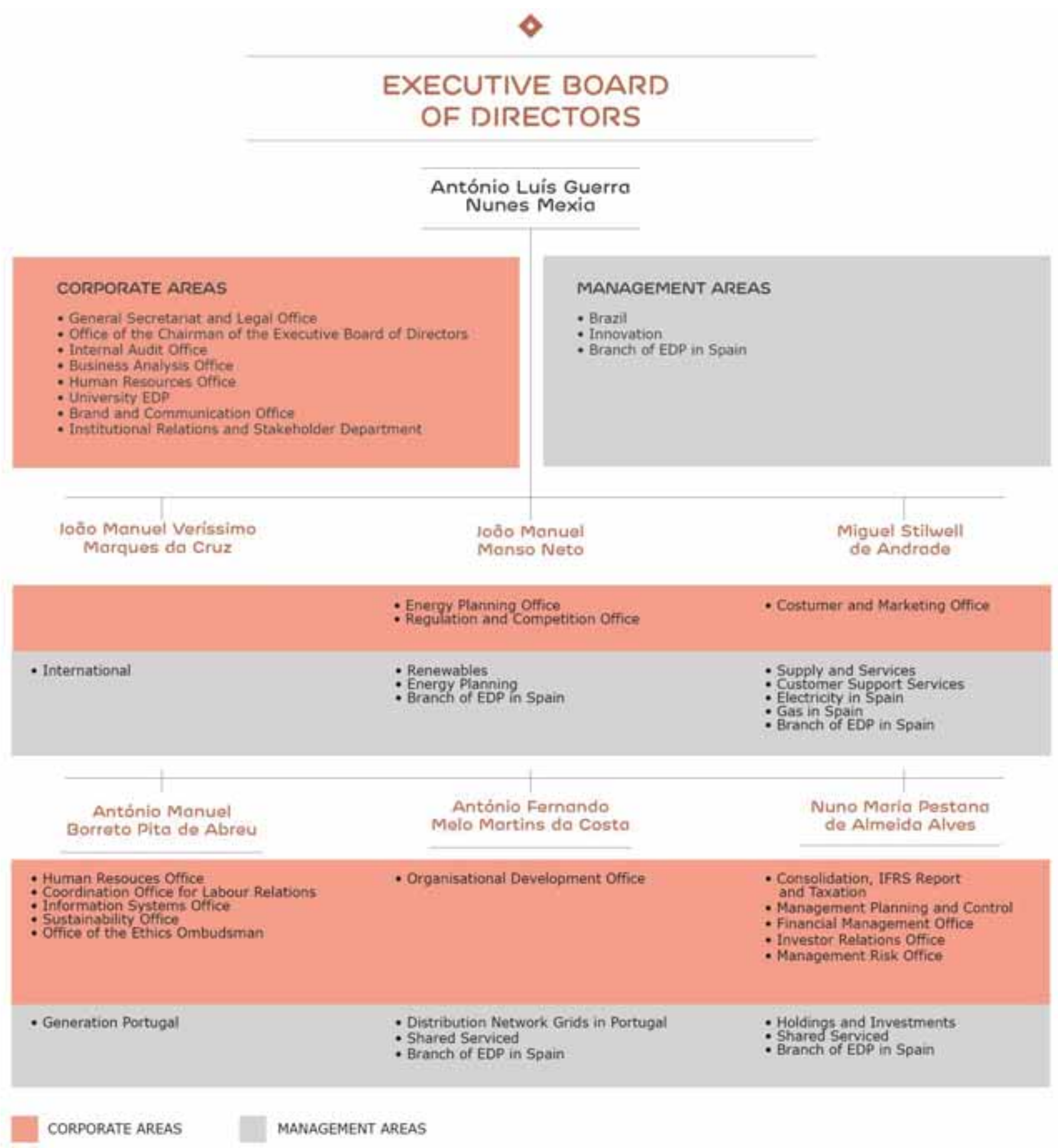
- Representing the Executive Board of Directors;
- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- Ensuring proper execution of the decisions of the Executive Board of Directors.

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

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

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

The organisation of the Executive Board of Directors is based on the following management areas and corporate matters:



EDP'S FUNCTIONAL STRUCTURE

GROUP'S ORGANISATIONAL MODEL

The Executive Board of Directors is responsible for defining the EDP Group's organisational model and dividing duties among the different business units, the service company EDP Valor - Gestão Integrada de Serviços, S.A. (EDP Valor) and central structure. This structure consists of a Corporate Centre that provides assistance to the Executive Board of Directors in defining and monitoring the execution of strategies, policies and goals.

The Corporate Centre is divided into departments and business units, allowing for optimisation and greater efficiency of the organisational structure.

The Executive Board of Directors is also assisted by specialised committees, which ensure more effective monitoring of matters and contribute to the decision-making process.

CORPORATE CENTRE

The central support structure for decision-making processes in 2014 was as follows:

Corporate Centre • Business Units

OFFICES	
SUPPORT TO GOVERNANCE AREA	
General Secretariat and Legal office	Maria Teresa Pereira
Office of the Chairman of the Executive Board of Directors	Martim Martorell Salgado
Internal Audit Department	Azucena Viñuela Hernández
Ethics Ombudsman's Office	José Figueiredo Soares
STRATEGIC AREA	
Energy Planning Department	Pedro Neves Ferreira
Business Analysis Department	Duarte Castro Bello
Risk Management Department	Pedro Neves Ferreira
Regulation and Competition Department	Maria Joana Simões
Sustainability Department	António Neves de Carvalho
FINANCIAL AREA	
Financial Management Department	Paula Cristina Guerra
Consolidation, IFRS Reporting and Taxation Department	Miguel Ribeiro Ferreira
Management Planning and Control Department	Nuno Miguel Chung
Investor Relations Department	Miguel Henriques Viana
RESOURCES AREA	
Organisational Development Department	José Filipe Santos
Information Systems Department	Vergílio Rocha
Human Resources Department	Paula Maria Carneiro
Labour Relations Coordination Office	Eugénio Carvalho
EDP University	Vasco Coucello
MARKETING AND COMMUNICATION AREA	
Brand and Communication Department	Paulo Campos Costa
Customer and Marketing Department	José Ferrari Careto (1)
Institutional Relations and Stakeholder Department	Miguel Coutinho
BUSINESS UNITS	
Energy Management Business Unit	Carlos Mata

(1) Designated on 03.09.2014

The current departments and their duties are as follows:

The **General Secretariat and Legal Office** provides administrative and logistical assistance to the Executive Board of Directors and legal advice to EDP companies with their head offices in Portugal, in order to ensure the effective operation of the Corporate Centre, compliance with applicable legislation and harmonisation of corporate governance policies in the Group.

The **Office of the Chairman of the Executive Board of Directors** assists the CEO in all matters within his/her remit in order to help maximise the effectiveness of decisions and instructions.

The main mission of the **Internal Audit Department** is to conduct internal audits or ensure they are performed in the Group and also run the Internal Control System for Financial Reporting ("SCIRF") in the Group. It independently assesses this system and proposes and promotes measures contributing to its effectiveness by improving and aligning processes and systems.

The **Ethics Ombudsman's Office** is responsible for conducting ethics procedures or ensuring that they are conducted in the Group, in order to maintain confidentiality and protect rights associated with these procedures.

The mission of the **Energy Planning Department** is to coordinate studies for the Group's energy portfolio development strategy in order to assist the Executive Board of Directors in building an integrated view of the portfolio and contributing to the planning of its development in the different regions in which EDP operates.

The **Business Analysis Department** coordinates studies to assist with the Group's overall business strategy and performs development operations via investments, divestitures and/or partnerships in order to assist the Executive Board of Directors in optimising EDP's business portfolio and promoting and taking new business opportunities.

The **Risk Management Department** coordinates studies to assess the Group’s risk, in order to assist the Executive Board of Directors in monitoring and mitigating risk and to supply integrated analyses of return-risk.

The **Regulation and Competition Department** studies and implements regulatory strategy for the business in the MIBEL and coordinates energy regulation and competition projects for the Group, with the aim of supporting the Executive Board of Directors in decision-making and ensuring regulatory compliance by the companies covered.

The **Sustainability Department**'s mission is to analyse, propose and guarantee the Group's sustainability strategy in order to assist the Executive Board of Directors in policies and goals and to ensure their implementation in the business units.

The remit of the **Financial Management Department** is to propose and implement the Group's financial management policy and analyse and monitor management of its pension fund in order to optimise and guarantee financial sustainability and control financial liabilities in accordance with Group policy.

The **Consolidation, IFRS Reporting and Taxation Department** is in charge of the Group's IFRS reporting in order to ensure compliance with deadlines and accounting and tax processing that is appropriate and consistent in operations at all the Group companies.

The **Management Planning and Control Department** is responsible for the Group's management planning and oversight, to ensure alignment with strategic goals and monitor implementation of the business plan.

The **Investor Relations Department** communicates with analysts and investors in Group companies to ensure the sustainability of EDP’s image and reputation and fulfil the information requirements of regulators and financial supervisors.

The **Organisational Development Department** analyses, proposes and coordinates the organisation's development and provides Group-wide programmes for implementing its strategy, in order to optimise the competiveness of EDP's organisation and operation.

The **Information Systems Department** is in charge of managing the Group's information and communication systems in the Iberian Peninsula and analysing and proposing the Group's ICT strategy in order to align it with the business units' strategy and create value by providing solutions that foster efficacy, efficiency and innovation in EDP's processes.

The **Human Resources Department** analyses and proposes the Group's human resource strategy and is in charge of group-wide support processes, in order to contribute to the implementation of its business strategy, value and develop all employees and develop a culture that is in line with the corporate values.

The **Labour Relations Coordination Office** manages labour relations matters and coordinates labour regulations studies in Portugal in order to achieve bargaining solutions that are in line with EDP's business goals and ensure that internal regulations are in line with labour legislation.

EDP University provides, retains and shares knowledge in the Group in order to reinforce a common culture, foster employees' vocational development and facilitate the appearance of new talents and full use of their skills.

The **Brand and Communication Department** analyses, proposes and implements the Group’s communication strategy in order to maximise brand value and foster internal communication.

The **Customer and Marketing Department** analyses, proposes and monitors the commercial marketing strategy in the Iberian Peninsula in order to build a competitive market positioning and o maximise the profits of the business units covered.

The **Institutional Relations and Stakeholder Department** provides the Group's stakeholders with integrated, consistent reports, in line with its vision and strategy, in order to maximise the Group's communication potential with its stakeholders and contribute to fluid, systematised information on the Group and its shares.

The **Energy Management Business Unit** (UNGE) is responsible for negotiating physical and forward purchases of fuel and contracting maritime transport on behalf of the appropriate EDP Group companies. It is also responsible for spot and forward purchases and sales in the electricity market of a physical or financial nature, such as energy derivatives and foreign exchange operations. It also decides on operation and despatch programmes for the EDP Group power stations whose energy management is its responsibility in order to optimise its portfolio and supply energy to customers of the EDP Group's sellers. It also manages the EDP Group's CO2 allowance operations and green certificates.

SPECIFIC EDP COMMITTEES (FUNCTIONAL STRUCTURES)

The EDP organisational model provides for management committees that contribute in two ways to the company's decision-making process:

- They input information to assist the Executive Board of Directors in its decision-making reflecting opinions and information from the areas in the organisation most affected by the proposal in question;
- They are used by an organisational unit (belonging to the Corporate Centre, a business unit or shared service unit to assist in gathering information, alignment, decisions and implementation of policies and practices with an impact on a number of areas in the organization.

Considering the principle of continuous improvement that the EDP Group follows and the committees' importance in the Group's organisational model, the Executive Board of Directors approved a change in the description of the committees and the appointment of new members in October 2014.

On December 31, 2014, the committee structure was as follows:

Strategic Corporate Committees	**Functional Corporate Committees**	**Business Committees**
Risk Committee	Ethics Committee	Generation Committee
Sustainability Committee	Information Disclosure Management Committee	Distribution Networks Committee
Energy Planning Committee	Stakeholder Management Committee	Iberian Commercial Committee
Investments Committee	Procurement Committee	Transversal Coordination of Internationalisation Projects Committee
Regulation Committee	Accident Prevention and Safety Committee	
Prices and Volumes Committee	Pension Plan and Fund Committee	
Iberian Commercial and Market Committee	Corporate Development Committee	
Innovation Committee	Human Resources Management Committee	
	Information Technology Committee	
	Local Authorities Committee	
	Compliance Management Committee	

I - STRATEGIC CORPORATE COMMITTEES

RISK COMMITTEE

The main duties of the Risk Committee are:

- Share information on the EDP Group's key risks and risk profile;
- Discuss the result of significant risk assessment projects undertaken in conjunction with the business units;
- Discuss and issue opinions or recommendations on policies, procedures, significant risks, risk limits and extraordinary risk situations;
- Promote and monitor maintenance of the inventory of the most significant risks (risk portal);
- Approve the periodical reporting model to be submitted by the business units or the Risk Management Department and other mechanisms for reporting and monitoring EDP’s risks.

The Risk Committee's membership is as follows:

Chairman: Chairman of the EBD
Secretary: Head of CC Risk Management
Members of the EBD (besides the Chairman):
- Member of the EBD (Finance)
- Member of the EBD (Renewables)
- Member of the EBD (Risk)
- Member of the EBD (Commercialization, Spain)

CC and BU members (besides the Secretary):
- Head of CC Energy Planning
- Head of CC Financial Management
- Head of CC Management Planning and Control
- Head of CC Business Analysis
- Head of CC Investor Relations
- Head of CC Regulation and Competition
- Head of UNGE
- Representative of EDP Renováveis
- Representative of EDP Brasil

Ad-hoc members:
- Board Member of EDP Produção
- Board Member of EDP Distribuição
- General Manager of Corporate and Trading HC
- Board Member of EDP Brasil
- Board Member of EDP Internacional
- Board Member of EDP Comercial

The Risk Committee held two meetings in 2014.

SUSTAINABILITY COMMITTEE

The Sustainability Committee's responsibilities are as follows:

- Share information and discuss the implications of major legislative packages in the field of sustainability;
- Share the Group's environmental performance indicators and benchmarks;
- Discuss and give opinions on the annual Operational Environment and Sustainability Plans (POSA) and the annual consolidated budget;
- Discuss and give opinions on the annual action plans and the EDP Group's goals and targets;
- Monitor the progress of approved action plans and the activities of the EDP Group companies' sustainability management structures.

The Sustainability Committee's membership is as follows:

Chairman: Chairman of the EBD
Secretary: Head of CC Sustainability
Members of the EBD (besides the Chairman):
- Member of the EBD (Sustainability)

CC and BU members (besides the Secretary):
- Board member of EDP Produção (Environmental and Sustainability)
- Board member of EDP Distribuição (Environmental and Sustainability)
- Board member of EDP Comercial
- Board member of EDP Soluções Comerciais (Environmental and Sustainability)
- Board member of EDP Valor (Environmental and Sustainability)
- Board member of EDP Inovação
- Board member of Fundação EDP
- Head of CC Risk Management
- Head of CC Investor Relations
- Head of CC Human Resources
- Head of CC EDP University
- Head of CC Coordination of Communication
- Head of CC Institutional Relations and Stakeholder
- Head of HC (Environmental)
- Representative of EDP Renováveis
- Representative of EDP Brasil

The Sustainability Committee held one meeting in 2014.

ENERGY PLANNING COMMITTEE

The main tasks of the Energy Planning Committee are:

- Share up-to-date information on the different markets and businesses in which the EDP Group operates (Iberia, wind, Brazil) and the performance of its portfolio in these areas;
- Analyse attractive business areas along the value chain and in the different geographic areas;
- Propose a generation portfolio and identify gas and CO_2 needs for a 5-year horizon.

The Energy Planning Committee's membership is as follows:

Chairman: Chairman of the EBD
Secretary: Head of CC Energy Planning
Members of the EBD (besides the Chairman):
- Member of the EBD (Finance)
- Member of the EBD (Renewables)
- Member of the EBD (Generation)
- Member of the EBD (Distribution)
- Member of the EBD (International - Asia and Oceania)
- Member of the EBD (Commercialization, Spain)

CC and BU members (besides the Secretary):
- Board member of EDP Produção
- Board member of EDP Distribuição
- Board member of EDP Comercial
- Board member of EDP Renováveis
- General Manager of Corporate and Trading HC
- Board member of EDP Brasil
- Board member of EDP Inovação
- Board member of EDP Internacional
- Head of CC Business Analysis
- Head of CC Risk Management
- Head of CC Regulation and Competition
- Head of CC Sustainability
- Head of CC Management Planning and Control
- Head of CC Investor Relations
- Head of CC EDP University
- Head of UNGE
- Head of EDP Renováveis (Regulation and Markets)
- Head of EDP Brasil (Energy Planning)
- Representative EDP Sucursal Espanha

The Energy Planning Committee held one meeting in 2014.

INVESTMENTS COMMITTEE

The Investments Committee discusses and issues opinions on proposed investment and disinvestment projects and WACC proposals for the business units.

The Investments Committee's membership is as follows:

Chairman: Member of the EBD (Finance)
Secretary: Representative of Head of CC Business Analysis
CC members (besides the Secretary):
- Head of CC Energy Planning
- Head of CC Business Analysis
- Head of CC Management Planning and Control

Ad-hoc members:
- Responsible for the investment proposals under analysis

The Investments Committee held twenty meetings in 2014.

REGULATION COMMITTEE

The remit of the Regulation Committee is as follows:

- Share regulatory practices in the Iberian Peninsula and the rest of Europe and those followed in Brazil;
- Analyse the European Commission's energy strategy and policies and the implementation of directives by the internal market and the competition and policies, legislation, regulations and organisation of the energy sectors in Portugal and Spain;
- Analyse prices and the implications of tariff policies and decisions on regulated activities;
- Discuss the impacts of developments and regulatory changes;
- Discuss and give an opinion on proposals for the definition of positions to be defended by the EDP Group in the Iberian and European market.

The Regulation Committee's membership is as follows:

Chairman: Member of the EBD (Regulation and Competition)
Secretary: Head of CC Regulation and Competition
Members of the EBD (besides the Chairman):
Member of the EBD (Distribution)
Member of the EBD (Commercialization, Spain)
CC and BU members (besides the Secretary):
Head of CC Energy Planning
Head of UNGE
Head of DNG UNGE
Head of EDP Distribuição (Regulation)
Head of EDP Comercial
Head of EDP Gás (Regulation)
Head of EDP Renováveis (Regulation and Markets)
Head of HC (Regulation)
Head of Naturgas (Regulation)
Head of EDP Brasil (Regulation)
Representatives CC (Regulation)
Representative of EDP Soluções Comerciais (Regulation)
Representative of Naturgas (Regulation)
Representative of EDP Serviço Universal

The Regulation Committee held ten meetings in 2014.

PRICES AND VOLUMES COMMITTEE

The Prices and Volumes Committee's main duties are:

- Share relevant, up-to-date information on recent developments in the Iberian electricity and gas markets;
- Discuss and align historical information and forecasts shared by business areas;
- Issue an opinion on the forward curve representing the EDP Group's best estimate on the growth of the wholesale market for a one to two-year horizon;
- Propose adjustments to management of the Iberian wholesale margin (in terms of risk coverage, commercial activity, placement of gas contracts, etc).

The Prices and Volumes Committee's membership are as follows:

Chairman: Member of the EBD (Energy Planning)
Secretary: Head of CC Energy Planning
Members of the EBD (besides the Chairman):
Member of the EBD (Commercialization, Spain)
CC and BU members (besides the Secretary):
Board member of EDP Produção
Board member of EDP Comercial
Board member of EDP Renováveis
General Manager of Corporate and Trading HC
Head of CC Business Analysis
Head of CC Risk Management
Head of CC Regulation and Competition
Head of CC Management Planning and Control
Head of UNGE
Head of DME UNGE
Head of DMO UNGE
Representative of Naturgas
Head of EDP Produção (Planning and Control)
Head of EDP Renováveis (Regulation and Markets)
Head of HC (Regulation)
Head of HC (Projects)
Representative of EDP Serviço Universal
Representative of EDP Sucursal Espanha

The Prices and Volumes Committee held four meetings in 2014.

MARKET AND COMMERCIAL IBERIAN COMMITTEE

The Market and Commercial Iberian Committee's responsibilities are as follows:

- Share information on the energy trading market and Iberian business for the supply of electricity, gas and services in all market segments (purchase of natural gas, gas sales balance sheet, customer losses, prices, competition, etc);
- Analyse the market situation and competitiveness of prices in the different electricity and gas market in segments Portugal and Spain;
- Propose preferential segments for the placement of gas and price policies in different segments, strategies for gas auctions, gas placement or purchase goals in gas trading, measures to retain strategic customers, adaptation or correction of current commercial policies and setting or revision of intra-group transfer prices;
- Monitor the implementation of the above measures.

The Market and Commercial Iberian Committee's membership are as follows:

Chairman: Member of the EBD (UNGE)
Secretary: Head of UNGE
Members of the EBD (besides the Chairman):
Member of the EBD (Commercialization, Spain)
BU members (besides the Secretary):
Board of Directors of EDP Comercial
General Manager of Corporate and Trading HC
Counselor-Delegate of Naturgas
Head of UNGE
Head of UNGE (Supply)
Head of EDP Comercial (Commercial B2B)
Head of EDP Comercial (Electricity Management)
Head of HC/Naturgas (Commercial B2B Spain)
Head of HC/Naturgas (Commercial B2C Spain)
Head of Naturgas (Operations)
Representative of EDP Sucursal Espanha

The Market and Commercial Iberian Committee held eleven meetings in 2014.

INNOVATION COMMITTEE

The responsibilities of the Innovation Committee are as follows:

- Discuss and propose strategic areas of innovation in the EDP Group;
- Follow the governance model and EDP's innovation results Discuss and propose changes;
- Monitor the EDP Group's ongoing innovation initiatives and EDP Group projects in progress and propose corrective action.

The Innovation Committee's membership is as follows:

Chairman: Chairman of the EBD
Secretary: Board member of EDP Inovação
CC and BU members (besides the Secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
General Manager of Corporate and Trading HC
Board member of EDP Brasil
Board member of Labelec
Board member of Fundação EDP
Head of EDP Renováveis (Technical)
Head of CC Energy Planning
Head of CC Business Analysis
Head of CC EDP University
Head of CC Coordination of Communication
Ad-hoc members:
Head of CC Sustainability
Head of CC Organisational Development
Head of CC IT Systems
Head of CC Human Resources
Head of CC Customer and Marketing
Others, responsibles for working groups or *ad-hoc* matters

The Innovation Committee held one meeting in 2014.

II - FUNCTIONAL CORPORATE COMMITTEES

ETHICS COMMITTEE

EDP has always operated in a framework of explicit or implicit ethical values. Examples of this are the vision, values and commitments defined by the Executive Board of Directors and the principles of sustainable development with customers, in professional relationships and commitments to shareholders.

The Ethics Committee's duties are as follows:

- Issue opinions on the EDP Group's policy on its code of conduct, good practices and compliance with the highest ethical standards;
- Propose guidelines on regulation of matters under its remit;
- Foster correct regulatory application of ethical matters in the EDP Group companies.

The Ethics Committee, which was set up after approval of the EDP Group's Code of Ethics, articulates with the Corporate Governance and Sustainability Committee of the General and Supervisory Board and its responsibilities are as follows:

- Draft and propose its Internal Regulations to the Corporate Governance and Sustainability Committee of the General and Supervisory Board;
- Submit corporate ethics instruments, policies, goals and targets to the Corporate Governance and Sustainability Committee;
- Receive and examine cases of infringement prepared by the Ethics Ombudsman and issue an opinion on them, which will then be submitted to the Corporate Governance and Sustainability Committee of the General and Supervisory Board;
- Issue an opinion, when requested to do so by any of the managing bodies of the EDP Group companies and entities on practices or codes of conduct in the fields of ethics or professional conduct within the framework of specific, legal or regulatory needs;
- Analyse decisions made by the Ethics Committee of EDP Energias do Brasil, S.A. (Energias do Brasil) and the Ethics Committee of EDP Renováveis, S.A. (EDP Renováveis);
- Draft quarterly reports on the EDP Group’s performance in implementing the Code of Ethics;
- Annually review the Code of Ethics’ suitability to the EDP Group's needs of and draw up a report, on proposal of the Ethics Ombudsman and the Sustainability Department of the EDP Corporate Centre.

The Ethics Committee's membership is as follows:

Chairman: Chairman of the EBD
Secretary: Head of CC Sustainability
Members of the EBD (besides the Chairman):
Member of the EBD (Sustainability)
CC and BU members (besides the Secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Valor
Board member of EDP Renováveis
Board member of EDP Gás
Head of CC Human Resources
Head of CC Internal Audit
Ethics Ombudsman
Representative of EDP Brasil
Representative of Hidrocantábrico/Naturgas

The Ethics Committee held four meetings in 2014.

INFORMATION DISCLOSURE MANAGEMENT COMMITTEE

The Information Disclosure Management Committee's has two main duties:

- Analysing and assessing information that is or should be provided periodically by EDP during preparation of reports and other communications for the market;
- Assessing the mechanisms for monitoring and disclosing information about EDP.

The Information Disclosure Management Committee's membership are as follows:

Chairman: Member of the EBD (Finance)
Secretary: Representative of Head of CC Investor Relations
CC and BU members (besides the Secretary):
Head of CC General Secretariat and Legal
Head of CC Financial Management
Head of CC Consolidation, IFRS Reporting and Taxation
Head of CC Management Planning and Control
Head of CC Investor Relations
Head of CC Coordination of Communication
Representative of EDP Renováveis (Investor Relations)
Representative of EDP Brasil (Investor Relations)
Representative of EDP Brasil (Accounting, Consolidation and Taxation)

The Information Disclosure Management Committee held one meeting in 2014.

STAKEHOLDER MANAGEMENT COMMITTEE

The Stakeholder Management Committee's duties are as follows:

- Evaluate the alignment and consistency of stakeholder relationship strategies in the different markets and geographical areas where the EDP Group operates;
- Discuss priorities and propose guidelines and a management model for the Group's relations with stakeholders;
- Assess compliance with the Group's stakeholder management policy.

The Stakeholder Management Committee's membership is as follows:

Chairman: Chairman of the EBD
Secretary: Head of CC Institutional Relations and Stakeholder
Members of the EBD (besides the Chairman):
- Member of the EBD (Renewables)
- Member of the EBD (Generation)
- Member of the EBD (Distribution)
- Member of the EBD (Commercialization, Spain)

CC and BU members (besides the Secretary):
- Board member of EDP Comercial
- Board member of EDP Renováveis
- Board member of EDP Brasil
- Board member of Fundação EDP
- Head of CC Sustainability
- Head of CC Human Resources
- Head of CC Coordination of Communication
- Head of CC Customer and Marketing
- EDP Institute
- Board member of EDP Internacional (Other expert members)

The Stakeholder Management Committee held one meeting in 2014.

PROCUREMENT COMMITTEE

The main responsibilities of the Procurement Committee are:

- Analyse the Group's main procurement indicators, especially quantities purchased and savings achieved;
- Promote articulation of the top-level bodies of the different businesses with procurement responsibilities;
- Monitor the most important negotiations conducted by the EDP Group's procurement structures;
- Stimulate and analyse the performance of the structures involved in procurement.

The Procurement Committee's membership are as follows:

Chairman: Member of the EBD (Finance)
Secretary: Head of EDP Valor (DNC)
Members of the EBD (besides the Chairman):
- Member of the EBD (EDP Valor)
- Member of the EBD (Commercialization, Spain)

BU members (besides the Secretary):
- Board member of EDP Produção
- Board member of EDP Distribuição
- Board member of EDP Renováveis
- Board member of EDP Brasil
- Board member of EDP Valor (Procurement)
- General Manager Naturgas

The Procurement Committee held three meetings in 2014.

ACCIDENT PREVENTION AND SAFETY COMMITTEE

The Accident Prevention and Safety Committee has the following main responsibilities:

- Issue an opinion on proposals for setting the EDP Group's goals in terms of occupational prevention and safety;
- Analyse the Annual Report and issue an opinion on the EDP Accident Prevention and Safety Action Plan;
- Assess the main occupational safety indicators and propose ways of improving them;
- Issue opinions on the regulatory documents of the safety management system that cover the EDP Group as a whole or cut across different sectors.

The Accident Prevention and Safety Committee's membership is as follows:

Chairman: Member of the EBD (EDP Valor)
Secretary: Head of EDP Valor (DSS)
CC and BU members (besides the Secretary):
- Board member of EDP Produção (Human Resources)
- Board member of EDP Distribuição (Human Resources)
- Board member of EDP Valor (Human Resources)
- Board member of EDP Valor (Health and Safety at Work)
- Head of CC EDP University
- Responsible of Health and Safety (DSS - EDP Valor)
- Representative of EDP Gás
- Representative of EDP Renováveis
- Representative of HC
- Representative of EDP Brasil

The Accident Prevention and Safety Committee held one meeting in 2014.

PENSION PLAN AND FUND COMMITTEE

The Pension Plan and Fund Committee's main responsibilities are:

- Share significant information with an impact on management of the pension fund;
- Analyse the performance of assets under management, fund profitability and management mandates and the performance of the different asset managers;
- Monitor the value of the fund's liabilities and level of financing;
- Issue an opinion on investment policy and/or management mandates, actuarial assumptions used in calculating the fund's liabilities and members' contributions to the fund.

The Pension Plan and Fund Committee's membership is as follows:

Chairman: Member of the EBD (Finance)
Secretary: Representative of Head of CC Financial Management
CC and BU members (besides the Secretary):
- Head of GCRL
- Head of CC Risk Management
- Head of CC Consolidation, IFRS Reporting and Taxation

The Pension Plan and Fund Committee held four meetings in 2014.

CORPORATE DEVELOPMENT COMMITTEE

The Corporate Development Committee's duties are as follows:

- Promote and monitor group-wide programmes arising from the organisational and operational priorities established at the corporate level;
- Promote and analyse organisational benchmark studies;
- Analyse, discuss and issue opinions on proposed changes to the management model of Group processes and monitor their implementation;
- Coordinate the optimisation of processes of corporate interest;
- Assess and issue opinions on the support tools and organisational efficiency to meet the common needs of the EDP companies in terms of organisation and operation.

The Corporate Development Committee's membership are as follows:

Chairman: Member of the EBD (Organisational Development)
Secretary: Head of CC Organisational Development
Members of the EBD (besides the Chairman):
Member of the EBD (HR)
CC and BU members (besides the Secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Brasil
Board member of EDP Gás
Board member of EDP Renováveis
Board member of EDP Valor
General Manager of Corporate and Trading HC
Head of CC Human Resources
Head of CC IT Systems
Head of CC EDP University
Representatives of CC Organisational Development
Ad-hoc members:
Heads of Organisation and Processes of EDP Produção, EDP Distribuição, EDP Comercial, EDP Soluções Comerciais, EDP Gás, EDP Renováveis, HC, Naturgas, EDP Brasil and EDP Valor

The Corporate Development Committee held two meetings in 2014.

HUMAN RESOURCES MANAGEMENT COMMITTEE

The Human Resources Management Committee's responsibilities are as follows:

- Share information and discuss and issue an opinion on measures to promote mobility and attract and integrate staff;
- Promote succession plans for critical EDP Group positions and monitor the career development of the macro-structure managerial staff, managerial staff with high potential and performers with potential;
- Analyse key indicators relating to different segments of potential and discuss and align policies and development instruments;
- Align EDP's people management policy (MIGRH);
- Discuss and share initiatives aimed at cultural alignment to foster a culture of meritocracy;
- Discuss and give an opinion on the EDP Group's annual human resource budget and monitor its progress.

- Promote the best practices on diversity, proposing their incorporation on EDP's Group;
- Promote compliance with Diversity Policy of EDP Group;
- Analyse, propose and follow the implementation of plans and continuous improvement on diversity matters.

The Human Resources Management Committee's membership are as follows:

Chairman: Chairman of the EBD
Secretary: Head of CC Human Resources
Members of the EBD (besides the Chairman):
- Member of the EBD (Finance)
- Member of the EBD (Renewables)
- Member of the EBD (Generation)
- Member of the EBD (Distribution)
- Member of the EBD (International - Asia and Oceania)
- Member of the EBD (Commercialization, Spain)

CC and BU members (besides the Secretary):
- Board member of EDP Produção (Human Resources)
- Board member of EDP Distribuição (Human Resources)
- Board member of EDP Comercial (Human Resources)
- Board member of EDP Soluções Comerciais (Human Resources)
- Board member of EDP Renováveis (Human Resources)
- Board member of EDP Brasil (Human Resources)
- Board member of EDP Valor (Human Resources)
- Board member of Fundação EDP (*)
- Head of CC Organisational Development
- Head of CC Labour Relations Coordination
- Head of CC EDP University
- Head of CC Coordination of Communication (Corporate Culture Management)
- Head of CC Institutional Relations and Stakeholder
- Representative of Head of CC Sustainability
- Head of HC (Human Resources)
- Representative of Head of CC Human Resources (Diversity Policy Operational Team)
- Representative of Head of CC Human Resources (Careers and Development)
- Representative of Head of CC Human Resources (Compensation and Benefits)
- Representative of Head of CC Human Resources (Attractiveness, Recruitment and Mobility)
- Representative of Head of CC Human Resources (IT)
- Representative of Head of CC Human Resources (Performance and Potential)
- Ethics Ombudsman (*)

(*) Other expert members.

The Human Resources Management Committee held two meetings in 2014.

INFORMATION TECHNOLOGY COMMITTEE

The Information Technology Committee's duties are as follows:

- Propose budget allocations for unplanned projects;
- Propose the annual budget and plan for Information Systems (applications and infrastructure projects);
- Issue an opinion on the relationship model and costs model between the Information Systems Department, Business Units and the Corporate Centre;
- Discuss and issue opinions on guidelines for strategic planning of Information Systems;
- Decide the priorities for strategic projects, distribution of resources or unplanned requirements of strategic projects.

The Information Technology Committee's membership is as follows:

Chairman: Member of the EBD (Information Systems)
Secretary: Head of CC Information Systems
CC and BU members (besides the Secretary):

- Board member of EDP Produção (IT)
- Board member of EDP Distribuição (IT)
- Board member of EDP Comercial (IT)
- Board member of EDP Soluções Comerciais (IT)
- Head of General Manager of Corporate and Trading HC
- Board member of EDP Brasil
- Board member of EDP Valor (IT)
- Board member of EDP Inovação
- Head of CC Organisational Development
- Head of CC Human Resources
- Head of UNGE
- Representative of EDP Renováveis
- Head of EDP Brasil (IT)
- Head of EDP Gás (IT)

The Information Technology Committee held five meetings in 2014.

LOCAL AUTHORITIES COMMITTEE

The Local Authorities Committee's duties are:

- Share information, events and projects that are important to relations with local authorities in each business area;
- Analyse strategy for settling disputes, negotiation of specific issues and creation of business opportunities;
- Analyse, discuss and issue opinions on relations between the Group's areas and local authorities and procedure priorities;
- Promote and coordinate promotional events in municipalities to develop relationships or exploit business opportunities;
- Promote a support platform for relations with local authorities for recording contacts with them and other information on their monitoring and relations.

The Local Authorities Committee's membership is as follows:

Chairman: Member of the EBD (Distribution)
Secretary: Board member of EDP Distribuição
Members of the EBD (besides the Chairman):
- Other EBD members (*ad-hoc* /depending on the matters under discussion)

CC and BU members (besides the Secretary):
- Board member of EDP Produção
- Board member of EDP Serviço Universal
- Board member of EDP Soluções Comerciais
- Board member of EDP Comercial
- Board member of EDP Gás Distribuição
- Board member of EDP Renováveis
- Board member of EDP Imobiliária
- Head of CC Coordination of Communication
- Head of CC Institutional Relations and Stakeholder
- Representative of Fundação EDP
- Head of EDP Distribuição (Institutional Relations)

The Local Authorities Committee held eight meetings in 2014.

COMPLIANCE MANAGEMENT COMMITTEE

The Compliance Management Committee was established on 28 October 2014 and has the following responsibilities:

- Monitoring the evolution of rules and regulations in the regulatory, legal and financial matters, applicable to the Group's operations in Portugal;
- To monitor and assess Group compliance on rules and regulations within the Committee;
- Assess the need for developing compliance reinforcement measures against the legal provisions fall within the scope of the Committee;
- Coordinate the implementation of the “Norma” Compliance Programme, the measures adopted under the project “Norma”;
- Evaluate and issue an opinion on compliance with the Compliance Programme and report results produced annually by the Compliance Officer;
- Ensure the interactions considered necessary with the Compliance Officer.

The Compliance Management Committee is composed as follows:

Chairman: Chairman of the EBD
Secretary: Head of CC Internal Audit
Members of the EBD (besides the Chairman):
- Member of the EBD (Distribution)
- Member of the EBD (Finance)
- Member of the EBD (Regulation and Competition)
- Member of the EBD (Trade)

CC and BU members (besides the Secretary):
- Board member of EDP Distribuição
- Board member of EDP Serviço Universal
- Board member of EDP Comercial
- Board member of EDP Soluções Comerciais
- Board member of EDP Gás
- Head of CC Legal Office
- Head of CC Risk Management
- Head of CC Regulation and Competition
- Head of CC Consolidation and Taxation
- Head of CC Financial Management
- Head of CC Organisational Development
- Head of CC Information Systems
- Representative of EDP Distribuição (Legal)
- Representative of EDP Gás (Regulation)

DIVERSITY POLICY MANAGEMENT COMMITTEE

This committee met once in 2014 and was extinguished on 28 October 2014. Its tasks were integrated into the Human Resources Management Committee.

III - BUSINESS COMMITTEES

GENERATION COMMITTEE

The Generation Committee's main duties are:

- Exchange information on business performance in each region, including the critical environments (regulations, etc);
- Discuss, align and issue opinions on key matters for approval by the Executive Board of Directors or Board of Directors of generating companies;
- Develop a uniform view of the business and maintain multi-region benchmarking (organisation, processes and management information);
- Foster (best) common practices in selected processes or activities;
- Share unique or specialised assets (human, technological, knowledge).

The Generation Committee's membership is as follows:

Chairman: Member of the EBD (Generation)
Secretary: EDP Produção (Knowledge Management)
Members of the EBD (besides the Chairman):
Member of the EBD (Commercialization, Spain)
CC and BU members (besides the Secretary):
Board of Directors of EDP Produção
Board member of EDP Brasil
Head of UNGE
Head of CC Energy Planning
Head of CC Sustainability
EDP Produção (Planning, Control and Procurement)
EDP Produção (Sustainability)
EDP Produção (Asset Management)
EDP Produção (Portfolio Expansion)
EDP Produção (Optimisation and Maintenance)
EDP Produção (Management Indicators)
EDP Produção (International Projects)
Head of HC (Generation)
Head of HC (Projects)
Head of HC (Environment)
Head of EDP Brasil (Hydro Generation)
Head of EDP Brasil (Environment)
Head of EDP Brasil (Thermal Generation)
Head of EDP Brasil (Asset Management and O&M)
Head of EDP Produção (Human Resources)
Head of EDP Produção (Organisation and Development)
Head of EDP Produção (Combined-Cycle Power)
Coordinator of Observatory of Emerging Generation Technologies and Nuclear (OTGEN)
Representative of EDP Sucursal Espanha
Ad-hoc members:
Board member of EDP Renováveis
Board member of EDP Inovação
Board member of Labelec
Head of CC EDP University
Head of CC Organisational Development
Head of CC Information Systems
Head of CC Human Resources

The Generation Committee held two meetings in 2014.

DISTRIBUTION NETWORKS COMMITTEE

The Distribution Networks Committee's duties are as follows:

- Exchange information on business performance in each region, including the critical environments (regulations, etc);
- Discuss, align and issue opinions on key matters for approval by the Executive Board of Directors or Board of Directors of distributing companies;
- Develop a uniform view of the business and maintain multi-region benchmarking (organisation, processes and management information);
- Foster (best) common practices in selected processes or activities;
- Share unique or specialised assets (human, technological, knowledge).

The Distribution Networks Committee's membership is as follows:

Chairman: Member of the EBD (Distribution)
Secretary: Board member of EDP Distribuição
Members of the EBD (besides the Chairman):
- Member of the EBD (Commercialization, Spain)

CC and BU members (besides the Secretary):
- Board of Directors of EDP Distribuição
- Board member of EDP Gás
- Head of HC (Distribution)
- Board member of EDP Brasil (Distribution)
- Representative of EDP Gás (Distribution)
- Representative of Naturgas (Distribution)
- Representative of EDP Sucursal Espanha

Ad-hoc members:
- Head of CC Organisational Development
- Head of CC Energy Planning
- Head of CC Regulation and Competition
- Head of CC Sustainability
- Head of CC Human Resources
- Head of EDP Distribuição (Regulation)
- Head of EDP Distribuição (Environmental)
- Head of EDP Distribuição (Human Resources)
- Head of HC (Regulation)
- Head of HC (Environmental)
- Head of General Manager EDP Brasil (Distribution)
- Board member of EDP Inovação (*)
- Board member of Labelec (*)
- Board member of Fundação EDP (*)
- Head of CC EDP University (*)
- Others, responsibles for working groups or *ad-hoc* matters

(*) Other expert members.

The Distribution Networks Committee held three meetings in 2014.

IBERIAN COMMERCIAL COMMITTEE

The Iberian Commercial Committee's duties are as follows:

- Exchange information on business performance in each region and in the Iberian Peninsula, including the critical environments (regulations, etc);
- Discuss, align and issue opinions on key matters (such as goals, marketing plan, etc) for approval by the Executive Board of Directors or Board of Directors of supply companies;
- Develop a uniform, integrated view of the Iberian business and maintain the multi-region benchmarking (marketing, products, commercial matters and management information);
- Foster (best) common practices in selected processes or activities;
- Share unique or specialised assets (human, technological, knowledge).

The Iberian Commercial Committee’s membership is as follows:

Chairman: Member of the EBD (Trade)
Secretary: Head of General Manager of Corporate and Trading HC
Members of the EBD (besides the Chairman):
- Member of the EBD (Regulation and Competition)
- Member of the EBD (EDP Soluções Comerciais)

CC and BU members (besides the Secretary):
- Board member of EDP Serviço Universal
- Board member of EDP Comercial
- Board member of EDP Soluções Comerciais
- Board member of EDP Gás Serviço Universal
- Head of CC Information Systems
- Head of CC Coordination of Communication
- Head of UNGE
- Head of HC/Naturgas (Commercial B2B)
- Head of HC/Naturgas (Commercial B2C)
- Representative of EDP Sucursal Espanha

Ad-hoc members:
- Head of EDP Comercial - Marketing GC
- Head of EDP Comercial - Marketing PME&E
- Head of EDP Comercial - Marketing B2C

The Iberian Commercial Committee held three meetings in 2014.

INTERNATIONALISATION COMMITTEE

The Internationalisation Committee was extinguished on 28 October 2014. Its tasks have been integrated into Transversal Coordination of Internationalisation Projects Committee.

TRANSVERSAL COORDINATION OF INTERNATIONALISATION PROJECTS COMMITTEE

The Transversal Coordination of Internationalisation Projects Committee's duties are as follows:

- To share studies and revelant information for the business development on the areas outside Portugal;
- Analyse promotional commercial activities in all geographies;
- Discuss, align and issue opinions on key issues for the business international development;
- Follow the process composition of commercial proposals;
- Foster (best) common practices.

The Transversal Coordination of Internationalisation Projects Committee has the following composition:

Chairman: Member of the EBD (Internationalisation)
Secretary: Board member of EDP Internacional
Members of the EBD (besides the Chairman):
- Member of the EBD (Renewables)

CC and BU members (besides the Secretary):
- Board member of EDP Produção
- Board member of EDP Distribuição
- Board member of EDP Renováveis
- Board member of Labelec
- Board member of EDP Internacional
- Head of CC Business Analysis
- Head of EDP Renováveis
- Project A2D

The Transversal Coordination of Internationalisation Projects Committee, was set up on 28 October 2014, held one meeting in 2014.

IV - CUSTOMER OMBUDSMAN

The Customer Ombudsman is an independent entity that was created in 2009 to reinforce the EDP Group's customer care policy. Its responsibilities are as follows, pursuant to Article 9 of the EDP Group Companies' Customer Ombudsman Regulations:

- Receive and examine complaints filed by customers and directly related to actions or omissions by EDP Group companies;
- Enter into dialogue with customers making a complaint;
- Arbitrate disputes and conflicts between customers and EDP Group companies;
- Issue opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their corporate bodies;
- Propose measures to improve quality of service and customer satisfaction;
- Contact third parties to obtain specialist information so that recommendations can be made to the EDP Group companies on measures to be taken to improve their customer relations.

The Customer Ombudsman's term of office is three years, and is renewable twice, for an equal period (Article 5 (2) of the EDP Group Companies' Customer Ombudsman Regulations). In the performance of his duties, the Customer Ombudsman has an independent Customer Ombudsman Office and an annual budget (Article 20 of the EDP Group Companies' Customer Ombudsman Regulations).

V - SUBSIDIARY IN SPAIN

Subsidiary EDP España manages and coordinates the energy interests of the EDP Group's dependent subsidiaries in Spain. Its management and supervisory bodies ensure optimisation of synergies and creation of value in operations and activities in Spain. It is also the organisational platform Iberian integration of support services. To this end, Suubsidiary EDP España owns all the majority financial holdings in EDP Renováveis and HC ENERGÍA and, indirectly, in Naturgas Energía Grupo S.A. (Naturgas) via majority control of it, among others

Subsidiary EDP España has offices in Madrid and Oviedo. It is represented in relations with third parties by permanent representatives, who have been appointed members of the EDP Executive Board of Directors for that purpose.

The company's steering, coordination, management and representation structure consists of an Executive Committee and Management Committee. The Executive Committee is composed of five permanent EDP representatives, one Group Controller for activities in Spain, and front line managers in charge of the business units in Spain. This committee basically serves as the coordinator of the permanent representatives' activities. The Management Committee is chaired by the Group Controller and is a natural extension of the management departments at the EDP Corporate Centre, i.e. the Business Analysis, Legal, Audit, Financial and Management, Commercial Shared Services, Information Systems departments, Human Resources and EDP España Foundation. The committee groups and performs the tasks of these departments in Spain. The Subsidiary EDP España is represented in Committees in the the EDP Iberian committees, namely: Energy Planning Committee, Prices and

Volumes Committee, Iberian Commercial and Market Committee, Distribution Grids Committee, Iberian Commercial Committee and Generation Committee.

EDP Energias de Portugal, Sucursal en España, Sociedad Anonima

ADMINISTRATION, COORDINATION, MANAGEMENT AND REPRESENTATION STRUCTURE

EXECUTIVE COMMITTEE	
Permanent EDP Representative	António Mexia (Chairman)
Permanent EDP Representative	Nuno Almeida Alves
Permanent EDP Representative	João Manso Neto
Permanent EDP Representative	António Martins da Costa
Permanent EDP Representative	Miguel Stilwell de Andrade
Chairman of the Board, HC Energía	Manuel Menéndez Menéndez
General Corporate - Activities Spain	Miguel Ribeiro Ferreira
1st Line Responsible, HC Energía	Javier Sáenz de Jubera
1st Line Responsible, EDP Renováveis	João Paulo Costeira
1st Line Responsible, NG Energia	Massimo Rossini
MANAGEMENT COMMITTEE	
Legal Department	Pelayo Echavarria
Financial and Management Department	Félix Arribas
Human Resources Department	Félix Arribas
Information Systems Department	José Negueruela
Internal Audit Department	Azucena Viñuela
Business Analysis Department	João Nicolau
Commercial Shared Services Department	Rita Ferreira
EDP España Foundation Department	Vanda Martins

B) OPERATION

22. LOCATION WHERE THE OPERATING REGULATIONS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS CAN SER CONSULTED

The operations of the General and Supervisory Board and Executive Board of Directors are governed by their Internal Regulations, available on EDP's website, at "http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx".

23. MEETINGS AND ATTENDANCE RATE OF EACH MEMBER OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

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

The General and Supervisory Board met eight times in 2014 and minutes were kept of all the meetings. Information on the attendance of each member of the board is provided in Annex II to this report.

Pursuant to the provisions of Article 20(1) of the Articles of Association and Article 6(1) of the Rules of the Executive Board of Directors, this body will have ordinarily met at least twice a month, as fortnightly meetings were compulsory. Nevertheless, the Executive Board of Directors meets weekly, as a rule.

The Executive Board of Directors met 40 times in 2014 and minutes were kept of all the meetings. Information on the attendance of each member of the board is provided in Annex III of this report.

24. COMPANY BODIES WITH POWERS TO EVALUATE PERFORMANCE OF EXECUTIVE DIRECTORS

The Corporate Governance and Sustainability Committee is responsible for supervision of individual and overall performance evaluation of the directors, reflection on EDP's governance system and identification of potential directorship candidates. There are no constraints that disrupted the work of the committee.

25. PRE-DETERMINED CRITERIA FOR PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS

These criteria for evaluating the performance of the Members of the Executive Board of Directors are set out in points 69 and 71 of the Corporate Governance report.

26. POSITIONS HELD AT OTHER GROUP OR NON-GROUP COMPANIES BY EACH MEMBER OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

The positions held by members of the General and Supervisory Board and Executive Board of Directors in other EDP Group or non-group companies are shown in Annex I and IV.

C) COMMITTEES OF THE MANAGING OR SUPERVISORY BODY

27. COMMITTEES SET UP IN THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

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

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

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

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

The General and Supervisory Board has five specialised committees: Financial Matters Committee/Audit Committee, Remuneration Committee, Strategy Committee, Performance Analysis and Competitiveness Committee, and Corporate Governance and Sustainability Committee They were set up at the meeting of 21 February, 20012 and their membership was changed at meetings on 18 and 22 May, 2012.

28. MEMBERSHIP OF THE EXECUTIVE COMMITTEE AND/OR NAME OF MANAGING DIRECTOR(S)

Not applicable to EDP's governance model

29. DUTIES OF EACH COMMITTEE AND SUMMARY OF WORK PERFORMED WHILE CARRYING THEM OUT

A. THE COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

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

The Financial Matters Committee/Audit Committee's membership is as follows:

	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

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 4 (1) (i) of the Internal Regulations of the Financial Matters Committee/Audit Committee.

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

In view of these duties, the Financial Matters Committee/Audit Committee held thirteen meetings in 2014, as envisaged in its Activity Plan. The matters addressed in those meetings were: supervision of the financial reporting and business of EDP, monitoring the activity of Internal Audit Department, monitoring the activity of the Risk Management Department of the EDP group, monitoring litigation processes in the EDP group, monitoring the contractual relationship with the statutory auditor and external auditor, their activities and assessing the objective conditions of their independence, monitoring reports of irregularities (whistleblowing) and the relationship with the Audit Committees of the subsidiaries in other countries where EDP operates.

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.

The Remuneration Committee held four meetings during 2014, considering its duties. The following topics were discussed: (i) the variable remuneration policy for the Members of the Executive Board of Directors, (ii) the annual statement on the remuneration policy of members of the Executive Board of Directors to submit to the Annual General Meeting, (iii) determining the variable remuneration for the 2013 financial year and the multi-year remuneration of members of the Executive Board of Directors allocated to that year and (iv) broadening the concept of some performance indicators of the variable remuneration policy of the chairman and directors of the Executive Board of Directors, and analysis and debate on the respective remuneration policy by comparison with those in the market, namely PSI 20 and Euro StoxxUtil 600 companies.

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.

The composition of the Remuneration Committee of the General and Supervisory Board was altered, on 9 May, 2014, due to the resignation of duties by the member of the General and Supervisory Board, José Maria Espírito Santo Silva Ricciardi.

The committee has the following members:

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

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 topics covered in-depth at the three meetings in 2014 of the Corporate Governance and Sustainability Committee, in compliance with its specific duties, were the following: reporting of relevant situations in terms of Conflicts of Interest, conduct and ethics, sustainability, corporate image and stakeholder management, corporate governance and monitoring the activities of the Office of the Ethics Ombudsman.

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

The Corporate Governance and Sustainability Committee's has the following members:

	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

STRATEGY COMMITTEE

The work of the Strategy Committee is governed by the Internal Regulations of the Strategy Committee. Pursuant to these regulations, the Strategy Committee, which was set up by decision of the General and Supervisory Board, is responsible for strategy regarding investments, financing and strategic partnerships.

The Strategy Committee was set up by the General and Supervisory Board at its meeting of 18 April 2012, and its mission is to permanently monitor the following:

- Long-term strategies and scenarios;
- Strategic implementation, business planning and their budgets;
- Major investments and divestments;
- Debt and financing;
- Strategic alliances;
- Market performance and competitiveness;
- Regulation.

The Strategy Committee held six meetings in 2014, at which the following topics in particular were discussed: (i) Strategic Plan EDP 2020 and Business Plan 2014-2017, (ii) financing policy and financial applications, structure of financial debt and financial deleveraging, (iii) innovation in the EDP Group, (iv) Business Plan 2014-2017 of the business units and (v) presentation of the Peruvian electricity market.

The Strategy Committee composition was altered, on 9 May, 2014, due to the resignation of duties by the member of the General and Supervisory Board, José Maria Espírito Santo Silva Ricciardi.

A Strategy Committee consists 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

PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE

The Performance Analysis and Competitiveness Committee, established by decision of the General and Supervisory Board, analyses EDP's performance and competitiveness in the markets in which the company operates. The work of the Performance Analysis and Competitiveness Committee is governed by its internal regulations.

The Performance Analysis and Competitiveness Committee was set up by the General and Supervisory Board at its meeting of 18 April 2012, and its mission is as follows:

- Analyse the company's business performance;
- Benchmark EDP's performance against the industry's top companies;
- Assess the competitiveness of EDP's business portfolio.

The Performance Analysis and Competitiveness Committee met six times during 2014. The main topics discussed were: (i) Performance of the EDP Group's business units in 2013, (ii) Return of the EDP Group and Business Units (2010-2013), (iii) performance of EDP shares in the capital market in 2013, (iv) Performance of the EDP Group's business units in the first quarter of 2014, (v) Evolution of the customers' consolidated debt and by business unit, (vi) Performance of EDP Renováveis, (vii) Performance of the EDP Group's business units in the first half of

2014, (viii) performance of EDP shares in the capital market in the first half of 2014, (ix) ongoing operational efficiency projects, (x) Benchmark of the electricity and gas distribution networks, (xi) Benchmark of marketing activity, (xii) Performance of the EDP Group's business units in the nine months of 2014; (xiii) Consensus evaluation of EDP; (xiv) Benchmark of CCGT plants, coal and hydro and (xv) EDP's Budget for 2015 - preliminary version.

The committee has 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

B. OTHER COMPANY BODIES

ENVIRONMENT AND SUSTAINABILITY BOARD

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

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

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

The members of the Environment and Sustainability Board were elected at the Annual General Meeting of 17 April, 2012 for 2012/2014 three-year term.

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

Environmental and Sustainability Board	
Chairman	José Pedro Sucena Paiva
	Alberto da Ponte
	António José Tomás Gomes de Pinho
	José Manuel Viegas
	Maria da Graça Madeira Martinho

REMUNERATION COMMITTEE OF THE GENERAL MEETING

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

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

The Remuneration Committee of the General Meeting has the following membership:

Remuneration Committee of the General Meeting

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

III. SUPERVISION

A) COMPOSITION

30. THE SUPERVISORY BODY

EDP's two-tier model of corporate governance has made possible an effective separation between supervision and management of the company. The General and Supervisory Board is the highest supervisory body.

31. MEMBERSHIP FINANCIAL MATTERS COMMITTEE - EFFECTIVE MEMBERS AND TERM OF OFFICE

The duties of the Financial Matters Committee /Audit Committee are described in Point 29 of the corporate governance report.

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

This committee's membership is as follows:

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

32. INDEPENDENT MEMBERS OF THE FINANCIAL MATTERS COMMITTEE

See Point 17 and 18.

33. QUALIFICATIONS OF MEMBERS OF THE FINANCIAL MATTERS COMMITTEE

See Annex I.

B) OPERATION

34. LOCATION AT WHICH THE OPERATING PROCEDURES OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE CAN BE VIEWED

The Financial Matters Committee/Audit Committee's work is governed by Internal Regulations, available on EDP's website at http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx.

35. MEETINGS AND ATTENDANCE RATE OF EACH MEMBER OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

In 2014, the Financial Matters Committee/Audit Committee met thirteen times and minutes of its meetings were kept. Information on the attendance rate of the committee's members is given in Annex V of this report.

36. POSITIONS HELD IN OTHER COMPANIES WITHIN AND OUTSIDE THE GROUP BY EACH FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE MEMBER

See Annex I.

C) POWERS AND DUTIES

37. PROCEDURES AND CRITERIA GOVERNING THE SUPERVISORY BODY'S INVOLVEMENT IN HIRING ADDITIONAL SERVICES FROM THE EXTERNAL AUDITOR

The proposal for hiring additional services of the External Auditor and Statutory Auditor is made by the Executive Board of Directors to the Financial Matters Committee/Audit Committee and any contracting requires the prior authorisation of that Committee.

Rules of procedure on the Provision of Services by the Statutory Auditor and External Auditor of EDP are in force, in this regard, and the implications on the hiring of additional services are described in point 46.

There are other rules of procedure adopted by the Executive Board of Directors that ensure all EDP Group companies comply with the rules contained in the referred rules of procedure.

38. OTHER DUTIES OF THE SUPERVISORY BODIES AND, IF APPLICABLE, OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

The duties of the Financial Matters Committee/Audit Committee, delegated to it by the General and Supervisory Board pursuant to the Articles of Association and the Internal Regulations of the Financial Matters Committee/Audit Committee are described in Point 29.

IV. STATUTORY AUDITOR

39. THE STATUTORY AUDITOR AND THE CERTIFIED AUDITOR REPRESENTING IT

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. (KPMG), represented by Vítor Manuel da Cunha Ribeirinho, was elected EDP's Statutory Auditor for 2012-2014 at the General Meeting of 17 April, 2012.

40. NUMBER OF YEARS FOR WHICH THE STATUTORY AUDITOR HAS WORKED CONSECUTIVELY WITH THE COMPANY AND/OR GROUP

The Statutory Auditor has been working with the company for eleven years.

41. OTHER SERVICES PROVIDED TO THE COMPANY BY THE STATUTORY AUDITOR

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

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

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

A description of the services provided by the statutory auditor can be found on Point 46.

V. EXTERNAL AUDITOR

42. THE EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT

EDP's External Auditor is KPMG and Vítor Manuel da Cunha Ribeirinho, manager of auditing at KPMG, is the partner in charge of overseeing and performing audits of the EDP Group's accounts. KPMG is registered with the CMVM under number 9093.

The external auditor performs the necessary audit work to ensure the reliability of the financial reporting and credibility of the accounting documents.

The external auditor's duties include checking compliance with remuneration policies and systems, the efficacy of internal control mechanisms and reporting of any deficiencies to the General and Supervisory Board.

EDP takes measures specifically aimed at ensuring the independence of the external auditor, in view of the scope of services provided by audit firms.

43. NUMBER OF YEARS FOR WHICH THE EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT HAVE WORKED CONSECUTIVELY WITH THE COMPANY AND/OR GROUP

EDP's external auditor has been KPMG since December 2004 and Vítor Manuel da Cunha Ribeirinho has been the certified auditor partner since 2012.

44. POLICY ON AND FREQUENCY OF ROTATION OF EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT

The policy on rotation of the external auditor and certified auditor partner representing it depends on the strict assessment by the Financial Matters Committee/Audit Committee of the independence and quality of the work done and consideration of the independence of the statutory auditor and external auditor and the advantages and costs of replacing them.

The General and Supervisory Board decided, under its duties of selecting and replacing the external auditor, to hold a tendering procedure in 2013.

Accordingly, the Financial Matters Committee/Audit Committee launched a consultative process, inviting 4 audit firms of international repute to submit bids for the provision of statutory audit and external audit services to EDP for the 2014-2016 period.

KPMG was the company that gained the highest scores in the assessment of the submitted bids, which also weighed up the audit performance conditions, including the costs and benefits of its replacement.

In this process, the Audit Committees of the EDP Group subsidiaries, Hidroeléctrica del Cantábrico, EDP Renováveis and EDP Energias do Brasil approved KPMG as the statutory auditor and external auditor for the three-year period from 2014 to 2016 - even though KPMG can only be appointed as external auditor of the EDP Energias do Brasil group from 2015.

Given the above, the Assessment Committee informed the Financial Matters Committee/Audit Committee that it considered KPMG to be the entity offering the most advantageous conditions for the provision of external audit services to the EDP Group. The Financial Matters Committee/Audit Committee analysed the results of the assessment and decided on 23 October, 2013 to propose to the General and Supervisory Board the selection of KPMG for the provision of such services in the 2014-2016 period. At its meeting of 31 October, 2013, the General and Supervisory Board decided to approve the award the bid submitted by KPMG for the provision of external audit services in the 2014-2016 three-year period.

45. BODY RESPONSIBLE FOR ASSESSING THE EXTERNAL AUDITOR AND FREQUENCY OF ASSESSMENT

The Financial Matters Committee/Audit Committee presents annually to the General and Supervisory Board a proposal for the assessment of the independence of the external auditor, which is published in the report of the General and Supervisory Board as well as the result of the appreciation of the proposal.

46. WORK OTHER THAN AUDITING DONE BY THE EXTERNAL AUDITOR FOR THE COMPANY AND/OR SUBSIDIARIES AND INTERNAL PROCEDURES FOR APPROVING HIRING OF THESE SERVICES AND REASONS FOR HIRING THEM

Proposals to hire additional services from the external auditor and statutory auditor are made by the Executive Board of Directors to the Financial Matters Committee/Audit Committee and their hiring requires prior authorisation from this committee.

The Regulations on Services Provided by EDP's Statutory Auditor and External Auditor, available on the EDP website, (http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx), on hiring of additional services, requires the Financial Matters Committee/Audit Committee to deny authorisation of additional services if:

- The additional service is prohibited;
- In accordance with the standard of an objective, reasonable informed third party, the service involves a possible threat to the independence of the statutory auditor or the external auditor, i.e. not allowing self-audit or personal interest.

In order to implement this CMVM recommendation, the Regulations on Services Provided by EDP's Statutory Auditor and External Auditor define the services in the following categories:

AUDIT SERVICES

a) Necessary services (including internal control procedures required as part of audits) for the issue of the external auditor's annual or interim reports on the accounts.

b) Services required for compliance with local legislation (including internal control procedures required as part of audits) for the issue of legal certifications of accounts.

c) Other services related to the above, with a specific or limited purpose or scope, such as:

- Opinion on the internal control system on financial reporting;
- Opinion on the Consumption Efficiency Promotion Plan (PPEC);
- Opinion on the Environmental Development Promotion Plan (PPDA);
- Opinion on regulated accounts;
- Statements of compliance under contractual agreements;
- Reports on specified accounts, accounting elements or items in an EDP financial statement;
- Comfort letters in the issue of securities.

ADDITIONAL SERVICES

a) Other services for guaranteeing reliability – services that take the form of a commitment, on the basis of appropriate, duly identified criteria, to evaluate or quantify a certain element for which a third party is responsible or to express an opinion providing a certain degree of certainty on this element.

b) Tax consultancy – advisory and support services on tax matters.

c) Other non-audit related services – covering all other services not included in the other additional service categories.

The following additional services were hired from the External Auditor in 2014:

- Tax consultancy
- Studies on the impact of regulatory changes in Portugal and Spain
- Harmonisation and systematisation of EDP Group's economic and financial performance indicators
- Service verification, compliance and fulfilment of tax obligations

The reasons for hiring these services were essentially i) better understanding of the Group's business and tax issues associated with its business activity, ensuring appropriate knowledge of the relevant information, which favours greater agility and efficiency in providing solutions and ii) it was considered that the hiring of said services were not considered a threat to the independence of the External Auditor and did not foster any situation of personal interest in relation to the guarantee of independence given by the External Auditor.

Additional services provided in 2014 account for around 14% of the total value of services rendered to the EDP Group by these entities.

47. ANNUAL REMUNERATION PAID BY THE COMPANY AND/OR SUBSIDIARY OR GROUP COMPANIES TO THE AUDITOR AND OTHER NATURAL OR LEGAL PERSONS BELONGING TO THE SAME NETWORK AND BREAKDOWN OF PERCENTAGE FOR THE FOLLOWING SERVICES

KPMG is responsible for conducting an independent external audit of all the EDP Group companies in Portugal, Spain, Brazil (EDP Renováveis), USA and other countries in which the Group operates. In the subgroup of EDP Brasil independent external auditing is conducted by Price Waterhouse Coopers.

In 2014, the recognised, specialised costs of the fees of KPMG and Price Waterhouse Coopers for auditing, guarantee and reliability services, tax consultancy and services other than auditing for Portugal, Spain, Brazil, USA and other countries were as follows:

KPMG

	Portugal		Spain		Brazil		United States of Amercia		Other Countries		Total	
Audit and Statutory Audit of Accounts	1,940,802 [1]		1,416,167		137,813		760,304		777,960		5,033,046	
Other Audit Services [2]	901,920		356,355		25,560		0		25,680		1,309,515	
Total of Audit Services	**2,842,722**		**1,772,522**		**163,373**		**760,304**		**803,640**		**6,342,561**	**86%**
Tax Consultancy Service	483,095		53,000		0		135,214		0		671,309	
Other Additional Services	139,750		187,385		0		0		3,037		330,172	
Total of Other Services	**622,845**		**240,385**		**0**		**135,214**		**3,037**		**1,001,481**	**14%**
Total	**3,465,567**	**47%**	**2,012,907**	**27%**	**163,373**	**2%**	**895,518**	**12%**	**806,677**	**11%**	**7,344,042**	**100%**

(1) Includes the remuneration of the Statutory Auditors of EDP amounting 180,000 euros.
(2) Includes assurance and reliability services of the exclusive competence and responsibility of the Statutory Auditor and External Auditor in accordance with the regulations on services provided approved by the GSB.

PRICE WATERHOUSE COOPERS

Euros	Brazil
Audit and Statutory Audit of Accounts	892,156
Other Audit Services	81,886
Total of Audit Services	**974,042**
Tax Consultancy Service	0
Other Additional Services	0
Total of Other Services	**0**
Total	**974,042**

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. RULES ON AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

EDP's Articles of Association do not set out special rules on their amendment and the general rule set out in 3 Article 386 (3) of the Company Code therefore applies, i.e. decisions to amend the Articles of Association must be approved at a General Meeting by two-thirds of the votes cast.

EDP's Articles of Association may also be amended under the powers of the Executive Board of Directors to move EDP's registered office (Article 2 (1) of EDP's Articles of Association) and increase EDP's share capital (Article 4

(3) of EDP's Articles of Association). Pursuant to the general rule set out in Article 410 (7) of the Company Code, by reference to Article 433 of this code, these decisions by the Executive Board of Directors must be passed by a majority of the votes of the directors present or represented.

II. WHISTLEBLOWING

49. WHISTLEBLOWING POLICY AND CHANNELS

The EDP Group has consistently implemented measures to ensure the good governance of its companies, including the prevention of incorrect practices, particularly in the areas of accounting and finance.

EDP provides Group employees with a channel that enables them to report any alleged unlawful practice or accounting or financial irregularity in their company directly and in confidence to the Financial Matters Committee/Audit Committee of the General and Supervisory Board.

With the creation of this channel for reporting irregular accounting and financial practices, EDP aims at:

- Ensuring that any employee can freely communicate his/her concerns in these fields to the Financial Matters Committee/Audit Committee;

- Facilitating the early detection of irregular situations that, if they occurred, might cause serious damage to the EDP Group, its employees, customers and shareholders.

The Financial Matters Committee/Audit Committee can be contacted by email, fax and post and access to information received in this regard is restricted. The members of this committee are authorised to receive these reports.

All complaints sent to the Financial Matters Committee/Audit Committee are treated in strict confidence and the complainant remains anonymous, unless this prevents investigation of the complaint.

Pursuant to the regulations, EDP guarantees that whistleblowing employees will not suffer any reprisals or disciplinary action for exercising their right to report irregularities, provide information or assist in an investigation.

On 27 October 2011, the General and Supervisory Board approved new regulations, which were submitted for registration with the National Data Protection Authority. The application was approved on 6 July 2012.

In January, 2015, the Financial Matters Committee/Audit Committee informed the General and Supervisory Board of its work as part of the whistleblowing mechanism in 2014. The conclusion was that none of the 58 reports received contained complaints with an impact on accounting, finance, internal control or audit matters. The Financial Matters Committee/Audit Committee closed 57 after analysing the responses from the competent EDP departments and the remaining is still in analysis phase.

EDP makes available, at its website, greater detail regarding the Whistle Blowing Procedures’ Regulation to adopt in what concerns to Communication of Erroneous Procedures (http://www.edp.pt/en/aedp/governosocietario/comunicacaodeirregularidades/Pages/ComunicacaodeIrregularidades.aspx).

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. PEOPLE, BODIES OR COMMITTEES RESPONSIBLE FOR INTERNAL AUDITS OR IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS

Internal control matters are the responsibility of the Corporate Centre, which plays a structural role in assisting the Executive Board of Directors in defining and overseeing implementation of strategies, policies and goals.

The most important of the Corporate Centre departments and offices in terms of internal control are the Internal Audit Department and the Risk Management Department.

The former performs internal audits or ensures that they are performed in the Group. It is also responsible for the financial reporting internal control system (SCIRF) in the Group, with a view to an independent assessment of the internal control system and implementation of measures to make it more effective by optimising and aligning processes and systems.

The Risk Management Department's main responsibility is to coordinate the Group's risk assessment studies in order to assist the Executive Board of Directors in controlling and mitigating them and provide integrated risk-return analyses.

Under the law, the General and Supervisory Board permanently oversees and evaluates internal accounting and auditing procedures, the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries from employees and others are handled. This duty has been assigned to the Financial Matters Committee/Audit Committee, which, among other tasks, permanently monitors and supervises:

- EDP's financial affairs;
- Internal auditing procedures, the company's accounting practices and the internal control system for financial information and financial reporting, in coordination with the Internal Audit Department;
- Matters relating to the risk management process, particularly taxation, legal and financial aspects.

51. DESCRIPTION OF HIERARCHICAL AND/OR FUNCTIONAL DEPENDENCY ON OTHER COMPANY BODIES OR COMMITTEES

The Internal Audit Department belongs to the Corporate Centre and although it is answerable to the CEO, it reports in practice to the Financial Matters Committee/Audit Committee. The department's work is supervised by the Financial Matters Committee/Audit Committee, which approves the annual internal audit plan before it is sent to the Executive Board of Directors and monitors its systematic implementation.

52. OTHER COMPANY AREAS WITH RISK CONTROL DUTIES

The management of risk is an integral part of the common practices of business management and it is the responsibility of all, from the Executive Board of Directors right down to the individual staff member. Each one is responsible for knowing the risks existing in their area of intervention and for managing them in accordance with their role, expertise and responsibilities.

In addition, the analysis, quantification, management and monitoring of risk are accompanied by a set of bodies with clearly established roles and responsibilities, typified by Group policies that are approved and ratified by the competent bodies of the Group:

- **General and Supervisory Board (GSB)**, in particular the Financial Committee/Audit Committee, is responsible for monitoring on a permanent basis and evaluating internal procedures for accounting and auditing, in addition to the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- **Executive Board of Directors (EBD)** is the highest body responsible for risk-related decision-making, supervision and management control. It is responsible for setting the management objectives and policies of the EDP Group. It is responsible, among other duties, for defining the Group's risk exposure, in line with the best practices in risk management procedures and policy, as well as the allocation of resources, depending on the risk-return profile of the various options available.
- **Risk Management Department**, headed by the Chief Risk Officer lends an integrated and holistic view of the Group's risk position (top-down perspective), supporting the prioritisation and coordination of cross-cutting initiatives. Its main responsibilities are: i) the maintenance and update of the inventory of the Group's most significant risks and fostering their implementation in the various Business Units and Corporate Areas; ii) promoting and monitoring the implementation of the management and control actions relative to the Group's most significant risks; iii) the systematic measurement of specific risks and conducting risk-return analyses, noting and reporting adjustment needs when necessary; iv) the definition of the main concepts, methods and risk measures and Key Risk Indicators (KRI) supplementing the Key Performance Indicators (KPI); v) the development and support of projects and initiatives aimed at the effective improvement of the management process of significant risks; and vi) supporting the EBD in the risk management and business continuity fields.
- **Corporate Departments and the Energy Management Business Unit (UNGE)** have an important role in the integrated management of risk in their areas of responsibility, in due articulation with the Risk Management Department. The responsibilities include: i) integration and promotion of risk management and compliance in their areas of responsibility; ii) the implementation of adequate risk management methods and internal control, within the policies and objectives set by the Executive Board of Directors (in coordination with the Risk Management Department); iii) risk transfer through products or services of a material or financial nature; and iv) monitoring and reporting on integrated risk management and the effectiveness of the risk controls implemented in its business activity.
- **All other Business Units** have the key role in the operational implementation of risk management, usually having a person responsible (risk officer) directly answerable to the respective Board of Directors, in functional coordination with the Group's Chief Risk Officer. The responsibilities include: i) integration and promotion of risk management and compliance in their areas of responsibility; ii) the implementation of adequate risk management methods and internal control, within the policies and objectives set by the Executive Board of Directors (in coordination with the Risk Management Department); iii) risk hedging/mitigation through products or services of a material or financial nature; and v) monitoring and reporting on integrated risk management and the effectiveness of the risk controls implemented in its business activity.

Furthermore, there is a set of regular forums for the discussion, analysis and issue of opinions on risk-related topics:

- The **EDP Group Risk Committee** has the main objective of supporting the decisions of the Executive Board of Directors in the identification, assessment, management and control of risk. It is responsible for: i) the monitoring of significant risks and the EDP Group's risk profile; ii) the approval of the reporting template or other monitoring mechanisms for EDP's risks as presented by the Business Units or by the Corporate Centre units; iii) the approval or definition of recommendations on the Group's significant risks and extraordinary situations in terms of risk, for consideration by the Executive Board of Directors; and iv) issuing recommendations on policy, procedure and risk limits for the EDP Group, for consideration and approval by the Executive Board of Directors. This committee is held at half-yearly intervals (at least). It is composed of the key decision makers and those responsible for the Group's risk (the Executive Board of Directors, the Corporate Centre and selected Business Units).

- The **Individual Risk Committees** are set up and held at the Group's business unit levels when the degree of complexity of risk management justifies such, taking on a structure replicated from the Group's Risk Committee. These committees are composed of the key decision makers and those responsible for risks of each Business Unit, typically coordinated by the respective risk officer.

EDP Group's risk Governance Bodies

53. THE MAIN TYPES OF ECONOMIC, FINANCIAL AND LEGAL RISK TO WHICH THE COMPANY IS EXPOSED IN ITS BUSINESS

The taxonomy of risks for the EDP Group combines in an integrated approach and in common language the various mapped risks existing in relation to the Group's different Business Units, structured around four major families: business, financial, operational and strategic.

EDP Group's risks taxonomy

BUSINESS RISKS

The business risks encompass all risk factors intrinsically linked to revenue from the core activity of the EDP Group in the generation, distribution and sale of energy in the various countries and markets where it operates. The business risks can be broken down into two different types:

- **Energy market risks**, related to electricity prices (pool) and other commodities, renewable energy generating volumes (hydro and wind power), energy consumption (associated with demand) and supply margins.
  - **Regarding the price of electricity**, the impact is limited by the fact that a significant share of generation is contracted in the long term, as is the case of power stations covered by CMEC (in Portugal) or other PPA agreements (especially in relation to EDP Renováveis and most of the installed capacity in Brazil). Currently, the only generation subject to market price fluctuations is: i) all ordinary status generation in Spain; ii) the Ribatejo and Lares power stations, new hydroelectric power projects (as well as the hydroelectric power stations progressively migrating to the market in Portugal); iii) generation in Brazil in excess of or in deficit to the PPA; and iv) part of the wind energy farms of EDP Renováveis in Spain, USA, Poland and Romania. The Energy Management Business Unit (UNGE) is responsible for proactively acting in the MIBEL and other forward markets (including OTC) in order to optimise the margin of market generation and limit the risk, according to the delegation of powers clearly established and ensuring periodic M&R - "Margin at Risk" reporting, based on a proprietary model .
  - **Regarding the price of other commodities** (basically fuel and CO2), subject to fluctuation due to supply and demand dynamics or changes of international laws and relevant only to the power stations governed by the market, this is monitored and proactively managed by the Energy Management Business Unit (UNGE), which negotiates and manages coal and gas contracts and CO2 allowances. It is also responsible for mitigation of the fuel prices risk via hedging (including currency risk in USD, in coordination with the Financial Management Department).
  - **Regarding renewable energy generation volumes**, the EDP Group has a degree of material exposure to this risk, particularly in relation to water volume (Wind Energy Capability Index tends to be less volatile than the Hydroelectric Capability Index, on an annual basis), arising from its increasing focus on a generation portfolio with ever greater renewable energy. It should be noted

that this risk, although it may introduce some volatility in annual results, has a significantly lower impact on NPV in the lifetime of the hydroelectric power stations, since it is a risk uncorrelated with the market (β = 0). Moreover, this risk in Portugal is mitigated by the fact that a significant component of generation is covered by CMEC. On the other hand, exposure in Brazil is significantly mitigated by the fact that there is hydrological diversification throughout the country (through financial coupling mechanisms) as well as the fact that a PPA on fixed energy generation is established. The risk is thus placed only on hydroelectric generation excesses or deficits relative to this reference, which must be sold or purchased at the settlement price of differences (PLD). The continuation of the extreme drought throughout 2014 (already considered the worst drought in 80 years) caused exceptionally high PLD values, which are not expected to be repeated in the future either by investing in new back-up thermal power stations or, above all, by the introduction in early 2015 of a cap on the PLD value (BRL 388/MWh).

- **Regarding energy consumption** (electricity and gas), the EDP Group is subject to fluctuations in the amounts of energy sold (depending on factors such as, among others, economic activity and annual temperatures). A trend of falling energy sales has been noted in recent years, as the result of a slowdown in economic activity in Portugal and Spain. Consumption can also be affected, besides such economic cycle fluctuations, by situations of rationing (as happened in Brazil in 2001). This risk, like the previous one, is difficult to mitigate by itself. EDP chooses to manage this risk through diversification across multiple technologies, countries and business lines.

- **Regarding sales margins**, the current customer migration to the free market (to be completed in Portugal by the end of 2015) enhances the aggressiveness of offers from suppliers and can add additional volatility in terms of market shares and unit margins. Moreover, there is risk associated with deviations in actual consumption from the forecasting model adopted by the Group. These risks are managed by the Group's energy sales companies, with particular emphasis on initiatives to i) strengthen the core offer (e.g. through combined electricity and gas products); and ii) introducing innovative products and services (e.g. Funciona and Re:dy). In addition, the Prices and Volumes Committee evaluates and regularly makes recommendations for the dynamic management of this risk.

- **Regulatory risks**, related to changes in legislation and regulations that the Group is required to comply with in the various countries and markets in which it operates (in particular, but not limited to, sectoral packages, regulatory frameworks, environmental legislation and taxes, and others).

  Changes resulting from the introduction of sectoral packages and modifications of revenue models have impacted on the EDP Group in the recent past in a material manner, particularly in Portugal (as a result of the Financial Assistance Programme) and Spain (due to the large imbalance of the tariff deficit in that country). It is expected that this risk shall continue to be relevant in the future, although somehow less burdensome as a result of the gradual stabilisation of the macroeconomic environment in Portugal and reduction of the tariff deficit in Spain and Portugal.

  This risk is managed proactively by the EDP Group, through monitoring and thorough preparation of the various dossiers and adopting a constructive and cooperative attitude in their discussion. This allows the materialisation of unfavourable options and/or those out of synch with reality in the different market contexts in which the Group operates to be anticipated and minimised.

FINANCIAL RISKS

The financial risks encompass the market risk factors linked to the (non-operational) energy business of the EDP Group in the various countries and markets where it operates. Financial risks can be divided into four different types:

- **Financial variables risks**, associated with fluctuations in international markets in interest rates, exchange rates, inflation and valuation of financial assets held by the Group.

  - **Regarding interest rates**, the risk is mainly associated with the percentage of debt at floating rates, as well as any increases in costs associated with fixed rate debt refinancing needs in a context of rising current interest rates. This risk is managed and mitigated by the Group's Financial Management Department, which ensures compliance with the risk profile, using the procedures and tools provided by the Group's risk policies. Periodic reports on the evolution of these variables and sources of risk are prepared.

  - **Regarding foreign currency exchange rates**, the risk is associated with fluctuations in the cost of the purchase and sale of electricity and fuel and with the cost of investments denominated in foreign currencies, as well as fluctuations in the value of net assets, debt and income denominated in foreign currencies. The EDP Group currently has a balanced net exposure (assets - liabilities) in USD, CAD and PLN, which allows it to limit exposure to these currencies' risk in the consolidation of its business. The remaining risks are managed and mitigated by the Group's Financial Management

Department, in conjunction with the Energy Management Business Unit, EDP Renováveis and EDP Brasil, in the same way as above.

- **Regarding inflation**, the risk is mainly associated with the fluctuation of operating revenues and costs in the various countries where the EDP Group operates. In terms of mitigation, the revenue models of regulated activities as well as part of the PPAs include inflation pegging components in order to preserve adequate revenue for the business activity. A significant component of the Group's current business activities are also focused on markets with stable inflation rates. For the remaining risk, as well as active management of the various supply and services contracts, the EDP Group addresses this risk from an integrated perspective, mitigating it through an appropriate debt profile (fixed rate/floating rate).

- **Regarding the valuation of financial assets**, EDP adopts a conservative risk policy with reduced levels of exposure, based on a reduced weight of strategic financial assets and short term cash investments mainly based on bank deposits (without market risk),. This risk mainly results from the possibility of devaluation of the financial assets that EDP holds (traded on securities markets). It is managed according to the procedures and tools provided by the Group's risk policies.

- **Counterparty and credit risks**, associated with unexpected changes in the compliance capacity with obligations by customers and financial counterparties (mainly associated with deposits in financial institutions) and energy counterparties.

  - **Regarding financial counterparties**, the adverse macroeconomic and financial environment has led to a fall in ratings of various financial institutions where the Group invests its liquidity (impacted by the adverse macroeconomic and financial environment). This risk is managed through: i) a careful selection of counterparties; ii) an appropriate diversification of risk over multiple counterparties; iii) an exposure based on financial instruments of reduced complexity, high liquidity and of a non-speculative nature; and iv) regular monitoring of the positions held.

  - **Regarding energy counterparties**, this risk is reduced for operations in an organised market. For operations in OTC markets and fuel purchases, the Energy Management Business Unit (UNGE), which is responsible for monitoring and the interface with wholesale markets, monitors transactions by applying exposure and negotiation limits that have been established and approved in advance by a higher management according to the counterparty rating (external whenever possible, or internally rated if the former is unavailable), and using clearing houses for clearing. The counterparty risk is also associated with the sale of long-term energy agreements (PPA), which is minimised by the fact that a significant proportion of counterparties in this context are sovereign entities (governments or State-owned electricity systems). Meticulous scrutiny and approval criteria are likewise applied for private counterparties.

  - **Regarding customers**, the Group is exposed to default risk in Portugal, Spain and Brazil. The average level of risk in Spain is structurally mitigated in terms of expected loss due to a mix of customers with greater weight of the B2B segment (which has less relative weight of average default). The risk in Brazil is mitigated through financial collateral to mitigate the loss (for ACL), and through the partial recovery of non-compliance by the regulated tariff (for ACR). This is monitored by EDP Distribuição and EDP Soluções Comerciais (in Portugal) and HC Energía and Naturgas (in Spain), which are responsible for carrying out the meter reading cycles and cutting off the service/taking legal action and debt recovery. In addition, mitigation tools such as credit insurance and setting up bank collateral are used, whenever this is deemed necessary.

- **Liquidity / solvency risk**, associated with specific cash shortfalls, difficulties in access/cost of credit and rating reduction risk.

  - **Regarding possible sporadic cash shortfalls**, there is a risk of possible default of the EDP Group in meeting all its short-term liabilities in the committed time periods, or just being able to do so under unfavourable conditions. This risk is mitigated through careful liquidity management, by means of: i) centralisation (cash pooling) of all the Group's liquidity at the holding company except for Brazil; ii) keeping adequate levels of liquidity (cash and firmly committed credit lines) based on detailed forecasting of cash requirements (enough to cover one to two years of refinancings); iii) an appropriate strategy to diversify funding sources; and iv) the diversification of debt type and maturity profiles.

  - **Regarding access to and the cost of credit**, the EDP Group has achieved, despite the adverse economic context, all funding necessary for the usual roll over of debt and to finance the Group's business. EDP's Group has successfully continued with its strategic commitment to reduce debt (expressed as net debt/EBITDA excluding Regulatory Assets) over forthcoming years, which should improve the access to markets.

  - **Regarding the risk of a ratings decline**, the EDP Group can be impacted regarding its access to and cost of financing by adverse changes in its rating profile (assigned by international agencies). The current consensus is towards a stable and positive evolution, supported by an improvement in the credit conditions of the Portuguese Republic. EDP proactively manages this risk by aiming at a leverage position adequate with a low risk credit profile and through maintaining stable contractual standards, which assure that its liquidity position does not depend on mechanisms as financial covenants or rating triggers.

- **Other liabilities' risk**, associated with obligations relating to the capitalisation of the Defined Benefit Pension Fund of the Group for Portugal (which has a risk associated with the market value of its assets), and additional costs associated with early retirement as well as medical expenses. The liabilities for employee social benefits are calculated annually by an Independent Actuary on the basis of IFRS-IAS assumptions (taking various factors into account, including interest rate, demographic aspects, economic variables and the applicable requirements). The amount of liabilities for Portugal was reduced in 2014 following the negotiation of a new collective labour agreement covering all employees in that country. The Defined Benefit Pension Fund is regularly monitored by a specific committee that meets at an established frequency, in terms of the value of its assets and the variations in terms of its liabilities (e.g. actuarially related). This is the Pension Fund Committee.

OPERATIONAL RISKS

The operational risks encompass the risk factors linked to the energy and financial business of the EDP Group in the various countries and markets where it operates, associated with the planning, construction and operation of physical assets, implementation of processes, human resources, information systems and litigation. The operational risks can be broken down into five different types:

- **Physical assets risks**, related to unforeseen occurrences in projects under development/construction, damage to physical assets in operation and (technical and non-technical) operating losses, associated with the operation of the assets (mainly in distribution).
  - **Regarding projects under development / construction and assets in operation**, the EDP Group is exposed to incidents (derived from external causes e.g. seismic or atmospheric phenomena, fire, damage to structures, burglary and theft, environmental pollution or internal causes (e.g. damage caused by defects of origin and/or faulty installation), which can result in, inter alia, threats to the physical integrity of the Group's employees or third parties, repair or replacement costs of equipment, asset unavailability and consequential loss of profit or compensation to third parties.

    These risks are initially managed and mitigated by the various operational areas of the Group's business units, which propose and implement in an articulated manner the best practices in terms of the different policies, standards and operating procedures, inspection and regular preventive maintenance as well as crisis management plans and business continuity for catastrophic events. Secondly, a significant portion of the remaining risk is mitigated through a comprehensive range of insurance policies (particularly in terms of property damage, civil liability, and the environment), insured in an integrated manner through a special area for this field - the Insurable Risks Management Office. This approach ensures consistency in the approach, ensures the dissemination of best practices and strengthens the negotiating position of the Group. The insurance policies in force contribute to significantly mitigating the impact of large-scale events (e.g. associated with extreme and comprehensive weather phenomena, in the case of distribution, non-availability of revenue generating assets or significant compensation to third parties) as well as much less frequent incidents with catastrophic impact (e.g. earthquakes).
  - **Regarding operating losses**, the EDP Group is, firstly, liable for regulatory penalties if it does not meet the objectives set for distribution efficiency (technical losses) and also, on the other hand, for the loss of revenue associated with increased consumption of non-invoiced energy (non-technical losses). The various energy distribution business units (EDP Distribuição, EDP Gás, HC Energía, Naturgas Energía, Bandeirante and Escelsa) are responsible for this risk. Programmes are continuously developed to monitor and mitigate this risk (including the launch of comprehensive programmes to combat fraud).

- **Process implementation risks**, associated with irregularities in the implementation of various processes (particularly, but not limited to, commercial activities, supplier selection and management, billing and collection from customers, planning and budgeting of activities). This risk is monitored by the various business units. Its mitigation is controlled through the group-wide Financial Reporting Internal Control System (SCIRF), which systematically assess both quantitatively and qualitatively the existence and adequacy of the design and documentation of the various existing processes, as well as their internal control mechanisms, based on annual cycles.

- **Personnel risks**, associated with incidents impacting on the physical integrity of employees, the impact of unethical conduct and labour and trade union relations.

- **Regarding incidents impacting on the physical integrity of employees**, the Group directs its activity around a zero accident culture, with awareness of employees concerning the risks involved in the various activities, as well as continuous identification and implementation of best practices for the prevention and meticulous analysis of incidents.

- **Regarding potentially unethical conduct by employees or other associated entities**, the EDP Group developed in 2014 a compulsory training course (for all employees) in the ethics field on ethical models of how to act and behave when addressing transgressions in the ethical domain. This risk is monitored by the Office of the EDP Ethics Ombudsman, which is an independent entity responsible for collecting, analysing and assessing in the Ethics Committee all allegations of unethical conduct, under strict conditions of confidentiality and protection of the respective sources. Moreover, the EDP Group Ethics Committee is responsible for establishing the action lines to mitigate and penalise unethical conduct, whenever necessary, according to the facts collected and reported by the Ombudsman.

- **Regarding labour and trade union relations**, in 2014 the EDP Group successfully negotiated a new collective labour agreement (CLA) covering all 64 trade unions representing its employees in 2014, and around 6,700 employees of the Group in Portugal. The aim was to i) ensure the economic and financial sustainability of the social support model for employees; ii) restructure and standardise the management model of professional careers (with a greater preponderance on merit in professional development); and iii) promote greater internal flexibility and mobility, demonstrating the spirit of openness and cooperation that have guided relations between the Group and its trade unions.

- **Information systems risks**, associated with both the non-availability of management information systems as well as failures in the integrity and security of their data.

  These risks are managed by specialised areas within each of the business units (centralised in the Information Systems Department for Portugal and Spain). Criticality and maximum unavailability times permissible for each of the main families of applications have been established for their mitigation, in close coordination with the various Business Units (end users). Disaster recovery redundant systems been sized and implemented (at Sacavém and Ermesinde, in Portugal) to address the business specifications (particularly demanding for the associated critical systems, e.g. the implementation of financial transactions, communication and grid operation and trading of energy).

- **Litigation risks**, associated with losses arising from non-compliance with tax, labour, administrative, or civil legislation in force, or any other, that has an economic impact (penalties, compensation and agreements) and reputation impact.

  The EDP Group analyses, monitors and reports the aggregate exposure and material developments to all relevant bodies, whether at the level of the Board of Directors or the General and Supervisory Board. In addition to overall exposure and by country, all cases deemed to be of a material nature (contingency over EUR 2.5 million) are collected, analysed and reported individually. All ongoing processes are evaluated and classified individually as probable, possible or remote, according to their probability of resulting in a negative impact on the EDP Group. All processes characterised as probable have, in accordance with current legislation, a provision set up equivalent to 100% of the value at risk. This treatment includes not only ongoing disputes (litigation in courts), but also the main contingencies in dispute and not materialised (and which may also translate into a negative impact, either through decision by the court or by out of court settlement).

STRATEGIC RISKS

Strategic risks typically incorporate risk of medium to long-term time horizons and low probability of occurrence. In any case, the EDP Group closely monitors and reports on these risks, since it considers that these risks may have a significant impact if they occur. The strategic risks can be broken down into two different types:

- **Risk of the surrounding context**, associated with external developments that may have a negative material impact on the Group, in particular but not limited to, the risk of Portugal and/or Spain leaving the Euro, expropriation of assets in countries where it operates, technological disruptions of various kinds, profound changes resulting from climate change and disruptive changes in the competitive paradigm.

  - **Regarding the risk of Portugal and/or Spain exiting the Euro** (and consequent devaluation of redenominated assets in local currency), the EDP Group believes that the conclusion of the Financial Assistance Programme in Portugal (with no need for a precautionary programme) and the relative stability of the state deficit and government debt in Portugal and Spain suggest a material reduction of the probability of actual occurrence of these risks (compared with previous years).

- **Regarding the potential expropriation of assets**, the EDP Group believes that in the current context, political and social conditions are not envisaged for short-medium term that suggest the occurrence of this risk in the various countries where the Group operates.

- **Regarding technological disruption**, the EDP Group has sought to position itself at the forefront of technological development in the sector, looking at this issue not as a threat but as a central vehicle for promoting growth in the future. The EDP Group has accordingly actively and transversely invested in and investigated the promotion of new technologies in the various stages of the value chain.

- **Regarding climate change**, such changes may have a significant and across-the-board impact on the various stakeholders over the medium to long term (e.g. in terms of average temperatures, average sea levels, structural changes in water and/or wind volumes, or the incidence of extreme weather phenomena). In this sense, the Group has decisively invested over recent years in strengthening its portfolio of renewable energy as well as in a concerted strategy of environmental sustainability, which has been internationally recognised (placed first of the utilities on the Dow Jones Sustainability Index).

- **Regarding disruptive changes to the competitive paradigm**, the Group recognises the risks associated with changes to the business model paradigm (e.g. in relation to distributed generation). The EDP Group addresses this risk through meticulous analyses and prospective investment, allowing it to proactively anticipate and adapt its business model to possible market development trends.

- **Strategy risks**, associated with investment decisions, relationships with key partners (shareholders and others), internal governance and corporate planning (in its various forms).

  - **Regarding investment decisions**, EDP's growth strategy implies the constant evaluation and decision-making in relation to investment options that allow it to implement the strategy established and approved by its shareholders. Accordingly, a meticulous and consistent process is established across the Group, with pre-established criteria for analysis, decision-making and monitoring projects. This process is conducted at the corporate level by the Business Analysis Department, locally supported by the various Business Units. Additionally, Investment Committees regularly meet to discuss, monitor and advise on i) investment analysis and decisions; ii) compliance with investment implementation schedules; and ii) evaluation of impact of detected or potential deviations. These forums are performed both at the Business Unit level and at the corporate level, involving decision-makers and key experts of the Group in the relevant fields.

  - **Regarding the relationship with partners** (shareholders and others), the EDP Group has a solid and stable core of shareholders, which is aligned with and actively participates in the Group's strategy. On the other hand, the EDP Group is guided by strict criteria at all levels for the selection of its partners in the various countries and business areas in which it operates.

  - **Regarding internal governance**, the Group considers that the design and implementation of its various corporate bodies ensures compliance with the best international practices on this topic (see previous section for more information).

  - **Regarding corporate planning** (particularly in terms of brand and communication, investor relations, human resources, information systems, business strategy, and others) the Group believes that the current structures and processes allow it to adequately manage these risks. The inauguration of the new headquarters, planned for 2015, will, in addition to optimising costs, centralise in one place multiple areas presently spread over a variety of locations, promoting increased proximity between the various areas.

54. IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND MANAGEMENT OF RISKS

It is important, given the size of EDP Group and its geographical diversity, to define a common process for all Business Units that recognises and manages risks, working to ensure reduced aggregate risk. Risk management can accordingly be divided into four major integrated and structured phases:

EDP Group's Risk Management Process

- **The identification** of risks concerns the survey and update of the main risks associated with the Group's business. This exercise is firstly the responsibility of each of the Business Units, within their scope. The Risk Management Department is responsible for the coordination of the different exercises and for obtaining and maintaining a global perspective (at the EDP Group level). A top-down update of the global risk map was implemented at the end of 2014, based on interviews and work in conjunction with the Group's main risk-owners. In terms of support tools, the internally developed EDP Group's Risk Portal acts as an updated and real time repository of the EDP Group's main risks. It also serves as a privileged interface between the various managers of the risk, the Risk Management Department, other employees and external stakeholders (naturally safeguarding the adequate levels of confidentiality for each context).

- **The analysis** of risks is related to the assessment of the nature and order of relative magnitude according to various scenarios, as well as support for decision-making (whether or not directly related to the management and mitigation of the risks proper). This standardisation and systematisation of analysis and assessment criteria helps make risks of a heterogeneous nature comparable, informs the various decision makers of the orders of magnitude of the various risks and guides the prioritisation of management and mitigation initiatives and the definition of clear risk management policies at various levels (including the definition of limits). In addition to this perspective, risk-return analyses are systematically conducted (based on EBITDA@Risk, CF@Risk or other methods) associated with the main strategic guidelines and decisions of the Group (e.g. regarding the Group's Strategic Plan, key investment decisions or other topics deemed to be relevant).

- **Management and mitigation** are the responsibility of the Board of Directors of the different Business Units of the Group, supported by their risk officers (who functionally report to the Chief Risk Officer), which should propose and adopt a comprehensive set of policies (particularly in relation exposure limits by risk category) and initiatives to mitigate risk, reduce the probability of its occurrence or the impact of that risk or its transfer (e.g. using insurance policies or other hedging activities). Of note in this context is the launch in 2015 of a training course promoting a culture of risk (through EDP University), for senior management of the Group, as well as carrying out over 2014 a number of initiatives in the field of Crisis Management and Business Continuity in the various Group Business Units.

- **The control** of risks ensures the effectiveness of action on identified risks, both in terms of monitoring and periodic reporting of the Group's position as regards several risk factors, as well as the effective implementation of the policies, standards and procedures established for risk management. This role is guaranteed by the Boards of Directors of the various Group Business Units. The Risk Management Department is responsible for promoting and enhancing risk control and management measures, disseminating best practices and supporting the disclosure of concepts, methods, risk measures and key risk indicators (KRI), to support the Executive Board of Directors in obtaining an overall view of the position and aggregate monitoring of the main risks. Weekly and quarterly executive management information reports are generated for this purpose (and presented to the Executive Board of Directors).

55. MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN PLACE IN THE COMPANY FOR THE DISCLOSURE OF FINANCIAL INFORMATION

The EDP Group has incorporated the Financial Reporting Internal Control System (SCIRF) into its Management, designed based on two reference models, COSO and COBIT, and best international practices.

The publication of a new version of COSO in 2013, called COSO2013, required an impact analysis on EDP's SCIRF. The measures that allowed the system to evolve to this new situation were implemented during the year, in all countries.

The control environment has thus been strengthened, in line with the provisions of this new framework, in order to ensure, with a reasonable degree of certainty, the mitigation of the risk of fraud, reliability of financial reporting and quality in the preparation of the financial statements.

In line with the main objectives stated above, the activities for the maintenance and evaluation of the SCIRF2014 cycle were performed in accordance with the approved responsibility model and generally applied, according to the duties of those responsible for acting at the corporate level, entrepreneurial units and business units (EU and BU).

Activities were undertaken at (i) the corporate level and (ii) in subgroups and companies, for the maintenance and monitoring of the cycle in 2014.

The activities at **corporate level** were as follows:

- Annual planning and monitoring of the cycle, maintenance and revision of reference models, methodological and conceptual assistance for the EU/BU;
- Identification of the scope of the SCIRF2014 cycle obtained from using the model on the consolidated financial statements as at 31 December 2013 based on materiality and risk criteria from a top-down perspective (Corporate Internal Audit Department) and bottom up perspective (EU/BU), from which the companies and departments of the Corporate Centre were identified. The SCIRF covered most of the companies in Portugal, Spain and Brazil and, in aggregate form, the units comprising EDP Renováveis, S.A., EDP Renewables Europe, S.L. and EDP Renewables North America, LLC;
- Identification of new topics for documentation and implementation of controls by local managers and the redesign of different processes arising from organisational, structural, legislative and operational changes, as a result of application of the scope model;
- Identification of the information applications used in the processes covered by the result of the scope model and with the associated service organisations identified. An ISAE 3402 report or an independent assessment of the control environment used in the provision of services to the EDP Group is required;
- During the assessment cycles some relevant issues and recommendations were identified that have been specifically monitored by the businesses and received support and technical supervision from the Corporate Internal Audit Department. Highly significant progress was made, which strengthened the quality and robustness of the SCIRF;
- The non-conformities identified in the assessment cycles were analysed. The action to be taken to solve them was identified and then implemented by local managers with support and monitoring from the Internal Audit Department. The resolution percentage was very high;
- The self-certification process, in which the SCIRF managers conduct a self-assessment of the elements for which they are responsible - which starts with the processes, their control and groups of processes and goes to the company level - was completed successfully. The certificates chain-issued in an ascending sequence in terms of the order of internal control in each EU/BU explicitly recognise the sufficiency or insufficiency of documentation of the processes (appropriate and updated), control activities (executed, with sufficient evidence), resolution of non-conformities and use of code of ethics (knowledge and compliance). This process included in the SCIRF 2014 one of the measures envisaged in COSO2013, which was the extension of self-certification to the Company Directors responsible for the SCIRF;
- The process of self-assessment of the SCIRF 2014 cycle - through which the EBD, represented by the CEO and CFO, issue a responsibility report on the degree of security and reliability of the preparation and presentation of the consolidated financial statements. This process was performed by the Group CEO and CFO and the corresponding managers of HCE/NGE, EDP R and EDP Brasil, on the same date the independent report of the EA was issued;
- A new training course for SCIRF managers in Portugal was held in partnership with the EDP University. Training courses were also held by EDP Renováveis in the new countries;

- Development of the GACS application - Access Management and segregation of duties - a multi-country application designed to:
  - Mitigate the risk of segregation of duties resulting from the existence of employees with access to incompatible transactions;
  - Strengthen the robustness and simplicity of the annual control of Accesses Review.
- Assessment of control design to confirm that its structure is adequate in terms of the timely prevention of materially relevant errors and/or improper appropriation of Group resources; and
- Assessment of the operational efficacy of controls to confirm their execution in compliance with their design and the operational performance by qualified professionals.

The activities at **subgroup level** were as follows:

- Analysis of the result of application of the scope model to the individual financial statements and inclusion of new subjects, such as estimates, valuations and assessments tied to professional judgments identified as high risk in a bottom up analysis;
- The EDP Renováveis, HC Energia/Naturgas and EDP Brasil subgroup also identified stand alone scope with the materiality and risk profile appropriate to their size. The independent reports on the SCIRF by the External Auditors are published in the respective reports and accounts, in line with the publication made in the reports and consolidated accounts;
- The assessment of the SCIRF of EDP Brasil was done by Price Waterhouse Coopers Brasil, the External Auditor in that country, coordinated by KPMG Portugal, for the purpose of issuing the independent report on the Group;
- Identification, revision and appointment of SCIRF managers on the basis of the results of the application of the scope model and revision and/or update resulting from organisational, structural, legislative and operational changes in the business units;
- Documentation of new processes and controls and redesign of processes and controls documented in previous cycles;
- Implementation of the actions necessary to correct non-conformities identified in the assessment tests; and
- Self-assessment, in which the SCIRF managers assess the sufficiency and updated nature of the documentation and maintenance of evidence in the performance of control activities at different levels of the hierarchy.

The SCIRF 2014 was assessed by the Group’s External Auditor pursuant to ISAE 3000 – International Standard on Assurance Engagements, in all the countries covered by the scope model, with assistance from Price Waterhouse Coopers for EDP Brasil.

The procedures followed by the Group in maintenance, assessment and monitoring of the SCIRF show a reasonable degree of assurance regarding the reliability of financial information, made available to the market, ensuring quality and soundness in line with best practices and international standards. No material weaknesses were identified.

The External Auditor issued an independent report on the Group's internal control system for the financial statements of 31 December 2014, which is described in Annex ”External Checks”.

IV. INVESTOR RELATIONS

56. COMPOSITION, DUTIES AND INFORMATION PROVIDED BY THESE SERVICES AND THEIR CONTACT INFORMATION

The essential role of the Investor Relations Department is to act as the interlocutor between EDP's Executive Board of Directors and investors and the financial markets in general. It is responsible for all the information provided by the EDP Group, in terms of disclosure of privileged information and other market communications and publication of periodic financial statements.

In carrying out its duties, the department is in constant contact with investors and financial analysts, providing all the information that they request, while observing the applicable legal and regulatory provisions.

EDP's Investor Relations Department comprises six people and is coordinated by Miguel Viana. It is located at the company's head office:

Praça Marquês de Pombal, n.º 12, 3º Piso

1250-162 Lisboa

Telephone: +351 21 001 2834

Fax + 351 21 001 2899

E-mail: ir@edp.pt

Website: www.edp.pt

The table following shows the communication channels through which EDP provides its shareholders with information on each type of documentation.

CHANNELS	In Person [1]	www.edp.pt	E-mail	IR Phone Number [2]	By Mail [3]	www.cmvm.pt
Elements required by law or regulation [4]						
Notice of meeting	√	√	√	√	√	√
Board of Directors' proposals	√	√	-	√	√	√
Amendment of the Articles of Association	√	√	-	√	√	√
Other proposals	√	√	-	√	√	-
Annual Report	√	√	√	-	-	√
Management and supervisory positions held in other Group companies by company officers	√	√	-	√	-	√
Additional elements provided by EDP						
Ballots for voting by proxy	√	√	√	√	√	-
Ballots for voting by mail	√	√	√	√	√	-
Ballots for voting by e-mail	√	√	√	√	√	-
Clarification of any issues	√	√	√	√	√	-
EDP Articles of Association and Regulations	√	√	√	√	√	√

1) At EDP's headquarters
2) IR phone number +351210012834;
3) Written notice from the Chaiman of the Executive Board of Directors regarding Annual General Meetings
4) Art. 289 of Company Code and Regulation of CMVM 5/2008

57. REPRESENTATIVE FOR MARKET RELATIONS

The representative for market relations is Nuno Maria Pestana de Almeida Alves, member of the Executive Board of Directors.

58. PERCENTAGE OF AND RESPONSE TIME TO QUERIES RECEIVED IN THE YEAR OR PENDING FROM PREVIOUS YEARS

EDP's goal is for communication with the market to consist of objective, transparent information that is understandable to all stakeholders and financial market agents.

This is only possible with a financial reporting policy based on transparent, consistent information provided to investors and analysts, as the company has been doing.

The company has therefore made a systematic effort to meet the needs of investors and analysts, which is not an easy task due to the complexity of the sector, always with a view to fostering relationships of trust with financial agents and markets.

In 2014, EDP participated in events with analysts and investors to inform the market of the company's strategy and operational and financial performance. These included roadshows, presentations to analysts and investors, meetings and conference calls.

95 market communications were made in 2014. The Investor Relations Department received 359 requests for information and had 692 meetings with analysts and investors. The average response time to queries was less than 24 hours and no requests were held over into 2015.

The company's efforts have been rewarded at a number of events. In 2014, EDP was nominated for the "IR Magazine Europe Awards 2014", having been considered the 2nd best company in the utilities sector concerning

IR communication, 2nd best company in southern Europe and 2nd best in terms of sustainability best practices. In terms of the global ranking of the "IR Magazine Europe Awards 2014", EDP cemented its position, having been elected in 2014 the 10th best public company in Europe.

V. WEBSITE

59. WEBSITE ADDRESS

EDP's website (http://www.edp.pt/en/aedp/governosocietario/Pages/msg_PCGS.aspx) provides comprehensive legal or corporate governance information, updates on the Group's activity and complete financial and operational data in order to facilitate searches and access to information by shareholders, financial analysts and others.

The information made available through this channel in Portuguese and English includes data on the company, financial statements and accounts, privileged information, the Articles of Association and internal regulations of corporate bodies, the Group's shareholder structure, preparatory documentation for General Meetings, historical performance of EDP share prices, a calendar of company events, the names of members of the corporate bodies and the representative for market relations, contact information for the Investor Relations Department and other information of potential interest about the Group. EDP's website also allows visitors to view or request accounting documents for any financial year since 1999.

60. LOCATION OF INFORMATION ABOUT THE COMPANY, ITS STATUS AS A PUBLIC LIMITED COMPANY, HEAD OFFICE AND OTHER DETAILS MENTIONED IN ARTICLE 171 OF THE COMPANY CODE

The information set out in Article 171 of the Company Code is available on EDP's website on:

http://www.edp.pt/en/aedp/governosocietario/Pages/Dados%20da%20Sociedade.aspx

61. LOCATION OF THE ARTICLES OF ASSOCIATION AND REGULATIONS OF BODIES OR COMMITTEES

The Articles of Association and regulations of bodies and committees are available on EDP's website on:

http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx

62. LOCATION OF INFORMATION ON THE NAMES OF MEMBERS OF THE CORPORATE BODIES, MARKET RELATIONS REPRESENTATIVE, INVESTOR RELATIONS OFFICE OR EQUIVALENT BODY, THEIR DUTIES AND FORMS OF ACCESS

The names of members of the corporate bodies, market relations representative, investor relations office or equivalent body, their duties and forms of access are available on EDP's website on:

http://www.edp.pt/en/aedp/governosocietario/orgaosgovernosocietario/Pages/default_new.aspx

http://www.edp.pt/en/aedp/governosocietario/Pages/Dados%20da%20Sociedade.aspx

63. LOCATION OF ACCOUNTING DOCUMENTS, WHICH MUST BE AVAILABLE FOR AT LEAST FIVE YEARS AND THE SIX-MONTHLY CALENDAR OF COMPANY EVENTS DISCLOSED AT THE START OF EACH HALF YEAR, INCLUDING GENERAL MEETINGS, DISCLOSURE OF ANNUAL, SIX-MONTHLY AND, IF APPLICABLE, QUARTERLY ACCOUNTS

The accounting documents and calendar of company events are available on EDP's website on:

http://www.edp.pt/en/Investidores/Resultados/Pages/Resultados.aspx

http://www.edp.pt/en/investidores/calendario/Pages/Calendario.aspx

64. LOCATION OF NOTICE OF MEETING FOR GENERAL MEETINGS AND ALL THEIR PREPARATORY AND SUBSEQUENT INFORMATION

The notice of meeting for General Meetings and all their preparatory and subsequent information are available on EDP's website on:

http://www.edp.pt/en/Investidores/assembleiasgerais/assembleiasanuais/Pages/AssembleiasAnuais.aspx

65. LOCATION OF HISTORY OF DECISIONS MADE AT THE COMPANY'S GENERAL MEETINGS, THE SHARE CAPITAL REPRESENTED AND RESULT OF VOTES FOR THE PREVIOUS THREE 3 YEARS

The history of decisions made at the company's General Meetings, the share capital represented and result of votes are available on EDP's website on:

http://www.edp.pt/en/Investidores/assembleiasgerais/assembleiasanuais/Pages/AssembleiasAnuais.aspx

D. REMUNERATION

I. POWER TO SET REMUNERATION

66. POWER TO SET THE REMUNERATION OF CORPORATE BODIES AND COMPANY DIRECTORS

Pursuant to the Articles of Association, payments to the company officers are fixed by a Remuneration Committee appointed by the General Meeting of Shareholders, with the exception of the remuneration to members of the Executive Board of Directors, which is fixed by a Remuneration Committee appointed by the General and Supervisory Board.

When establishing the remuneration of the members of the General and Supervisory Board and Statutory Auditor, the Remuneration Committee of the General Meeting takes account of its fixed nature and the imperative rules on its determination, in particular Article 440 (2) of the Company Code, which sets out the criteria for setting the remuneration of the General and Supervisory Board, Article 374-A of the Company Code on the remuneration of members of the officers of the General Meeting and Article 60 of Decree-Law 224/2008 of 20 November on the remuneration of the Statutory Auditor.

II. REMUNERATION COMMITTEE

67. MEMBERSHIP OF THE REMUNERATION COMMITTEE, INCLUDING NAMES OF THE NATURAL OR LEGAL PERSONS HIRED TO ASSIST AND DECLARATION ON INDEPENDENCE OF EACH MEMBER AND CONSULTANT

The membership of the Remuneration Committee of the General Meeting and the Remuneration Committee appointed by the General and Supervisory Board is set out in Point 29.

No natural or legal persons were hired to assist the Remuneration Committee in its duties in 2014. Therefore, no-one who provides or has provided in the last three years services to any body answering to the Executive Board of Directors or the Executive Board of Directors itself or who is currently a company consultant was hired. This statement covers any natural or legal persons that are related to them by an employment or service agreement.

68. KNOWLEDGE AND EXPERIENCE OF REMUNERATION POLICY OF THE MEMBERS OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the General and Supervisory Board is composed of members of the General and Supervisory Board with qualifications and experience in remuneration policy, according to Annex I of the current Report. Note that the Chairman for the Remuneration Committee of the General and Supervisory Board performs such functions since 2006, therefore holding great experience on the matter.

III. REMUNERATION STRUCTURE

69. REMUNERATION POLICY OF MANAGEMENT AND SUPERVISORY BODIES

EXECUTIVE BOARD OF DIRECTORS

Remuneration policy for the members of the managing body is set by the Remuneration Committee appointed by the General and Supervisory Board. This committee defined the remuneration of the directors, intending for it to reflect the performance of each member of the Executive Board of Directors in each year of their term of office (annual variable remuneration) and their performance during their term by fixing a variable component that is consistent with maximisation of EDP's long-term performance (variable multi-annual remuneration).

The recommendation uses an undetermined concept whose satisfaction depends on the concrete circumstances of the issuing company and especially on its shareholders' understanding of what is reasonable in these circumstances. Interpretation of the reasonability of the relative weight of the variable remuneration against the fixed remuneration must take account of the other elements in the recommendation, particularly of orientation towards alignment of the remuneration structure with the shareholders' long-term interests. One of the natural consequences of this principle is an increase in the weight of the variable component in order to create appropriate incentives for the company's executive directors to foster sustainable growth.

The relative weight of the variable remuneration against the fixed remuneration take account particularly of orientation towards alignment of the remuneration structure with the shareholders' long-term interests. As a result the weight of the variable component is higher to create appropriate incentives for the company's executive directors to foster its sustainable growth.

The remuneration policy statement, as approved by the shareholders, lays down that the total variable component can reach twice the fixed component during a term of office, thereby placing a maximum limit of two-thirds of the remuneration depending on fulfilment of strict company performance goals. Variable remuneration depends on whether the executive directors achieve a performance of 90% of the business plan. Only if they achieve 110% fulfilment will they receive the maximum amounts allowed by the company's remuneration policy.

Variable remuneration is divided into annual, which may only reach 80% of fixed remuneration, and multi-annual, which may reach 120% of the fixed remuneration. Variable multi-annual remuneration is only paid if the goals have been met and is paid three years after the financial year in question.

If the remuneration goals are fully met in a term of office, 60% of the directors' variable remuneration is deferred for no less than three years.

If we compare this percentage with that set out for credit institutions and financial companies, pursuant to Directive 2010/76/EU of the European Parliament and of the Council of 24 November, as it is a paradigm that was widely analysed and discussed in Europe, we find that EDP's policy on variable remuneration is equivalent to the strictest used by these entities.

In accordance with the remuneration policy of the members of the Executive Board of Directors proposed by the Remuneration Committee of the General and Supervisory Board “a significant part of the variable remuneration” corresponding to the variable multi-annual remuneration may be a maximum of 120% of gross annual remuneration and it will be paid three years after the financial year in question.

The remuneration policy statement approved by the General Meeting on 12 May, 2014 for 2012/2014 sets out the following:

- **Fixed remuneration** – EUR 600,000 annual gross for the CEO and 80% of this sum for the remaining members of the Executive Board of Directors. Maintenance of directors' retirement savings plans during their term of office, at a net amount of 10% of their fixed Annual remuneration. The characteristics of these retirement savings plans are set out in current legislation applicable to these financial products;

- **Annual variable remuneration** – for each member of the Executive Board of Directors it may vary between 0% and 80% of their gross annual fixed remuneration. The amount is determined on the basis of the following indicators for each year in office: performance of the EDP Group's total shareholder return against Eurostoxx Utilities and PSI-20, ROIC/WACC, growth in gross margin, growth in net profit, performance of EBITDA and operational cash flow excluding regulatory receivables. The weighted average of these indicators is given an overall weight of 80% for all members of the Executive Board of Directors, when determining their performance bonus. The other 20% is based on an individual assessment by the Remuneration Committee of the General and Supervisory Board;

- **Multi-annual variable remuneration** – also for each member of the Executive Board of Directors, this component may be between 0% and 120% of their gross annual remuneration based on an annual accumulated assessment of the directors' performance in achieving economic sustainability for the EDP Group. The award of this multi-annual remuneration, although calculated on an annual basis, only takes effect if, at the end of the term of office, at least 90% of the strategic objectives have been achieved. These will be assessed on the basis of performance and comparison with defined strategic benchmarks. This payment component is fixed on the basis of the following factors: performance of the EDP Group's EBITDA in the term of office, ROIC/WACC, relative performance of total return for the Group's shareholders against Eurostoxx Utilities and PSI-20 in the term of office, performance of the sustainability index applied to the EDP Group (DJSI method) and relative performance of operational cash flow excluding regulatory receivables in the term of office. The weighted average of these indicators is given an overall weight of 68% for all members of the Executive Board of Directors, when determining their performance bonus. As for annual indicators, 32% of the remuneration that is determined by internal assessment of the Executive Board of Directors by the Remuneration Committee of the General and Supervisory Board is reserved.

GENERAL AND SUPERVISORY BOARD

The remuneration of the members of the General and Supervisory Board is fixed, in view of their duties.

The remuneration of the Chairman of the General and Supervisory Board was fixed on the basis of the full-time performance of his duties, unlike the rest of the members.

At the Annual General Meeting on 12 May, 2014, the Chairman of the Remuneration Committee of the General Meeting submitted an appreciation of the remuneration policy for the corporate bodies, with the exception of the Executive Board of Directors, for the current three-year period, as follows:

- A simple, clear, transparent policy in line with EDP's culture so that remuneration practices can be based on uniform, consistent, fair, balanced criteria;
- A policy consistent with effective risk management and control in order to avoid excessive exposure to risk and conflicts of interest and achieve coherence with the company's long-term goals and values;
- Assessment and encouragement of meticulous action in which merit is properly rewarded, while ensuring levels of homogeneity compatible with the necessary cohesion of the General and Supervisory Board but still taking account of the economic and financial situation of the company and the country;
- Alignment of remuneration of the members of corporate bodies in companies with the highest market capitalisation and especially Iberian counterparts;
- The latest recommendations of the European Union and CMVM;
- Consideration of the effects of the economic crisis and current financial constraints, in order to meet requirements of great social justice in the country and in the company's different remuneration schemes.

Based on these criteria the committee decided that:

a) The remuneration of the members of the General and Supervisory Board, including its Chairman, must be lower than those of the members of the Executive Board of Directors and there will be no variable component or any other remunerative supplement.

b) The difficulties that the country is experiencing as a result of the worldwide economic, financial and social crisis require containment of remuneration, though account should always be taken of the merits and the complexity of the work of the members of each body in order not to jeopardise the company's cohesion, stability and development.

c) The progressive increase in work and responsibility of the Audit Committee members must be taken into consideration in order to differentiate them from the other members of the General and Supervisory Board.

d) It is also important to distinguish other specific positions in the General and Supervisory Board, such as the coordination work of the Chairman and Vice-Chairman.

The shareholders approved the statement of remuneration policy.

70. HOW REMUNERATION IS STRUCTURED TO ALLOW ALIGNMENT OF THE INTERESTS OF THE MEMBERS OF THE MANAGING BODY WITH THE COMPANY'S LONG-TERM INTERESTS AND HOW IT IS BASED ON ASSESSMENT OF PERFORMANCE AND DISCOURAGES EXCESSIVE RISK-TAKING

As set out in the remuneration policy described in Point 69, remuneration is structured to allow alignment of the interests of the members of the Executive Board of Directors with the company's long-term interests.

The time period considered for determining the multi-annual variable component of remuneration (paid three years after the financial year in question), the use of qualitative criteria aimed at a strategic medium-term perspective in the company's development, existence of a cap on variable remuneration and the relative weight of this component in total remuneration are decisive elements in fostering company management that is not focused only on short-term goals but also includes the medium and long-term interests of the company and its shareholders.

The members of the managing body have not concluded any agreements with the company or third parties that have the effect of mitigating the risk of variability of their remuneration fixed by the Remuneration Committee.

71. REFERENCE TO A VARIABLE REMUNERATION COMPONENT AND ANY IMPACT OF PERFORMANCE EVALUATION ON THIS COMPONENT

As described above in point 69, remuneration policy in effect for 2012/2014 involves three main components: i) fixed remuneration, ii) annual variable remuneration and iii) multi-annual variable remuneration.

The indicators used to assess the performance of the Executive Board of Directors in order to determine annual and multi-annual variable remuneration are as follows:

ANNUAL PERFORMANCE INDICATORS

1) Quantitative component and its weight

Total shareholder return vs. Eurostoxx utilities and PSI20: 19%

ROIC/WACC: 19%

Growth in gross profit: 14%

Growth in net profit: 14%

Performance of EBITDA: 7%

Performance of operational cash flow excluding regulatory receivables: 7%

The 80% resulting from the weighted sum of these indicators reflects a performance common to all the members of the Executive Board of Directors.

2) Qualitative component

The other 20% is based on an individual assessment by the Remuneration Committee of the General and Supervisory Board, based on the individual performance of each member of the Executive Board of Directors.

The resulting amount of the quantitative and qualitative component is then weighted, as mentioned above, by a coefficient of 80% of the annual fixed remuneration.

MULTI-ANNUAL PERFORMANCE INDICATORS

1) Quantitative component and its weight

Total shareholder return vs. Eurostoxx utilities and PSI20: 17%

ROIC/WACC: 17%

Performance of EBITDA: 8.5%

Performance of operational cash flow excluding regulatory receivables: 8.5%

Sustainability Performance Indicator: 17%

The 68% resulting from the weighted sum of these indicators reflects a performance common to all the members of the Executive Board of Directors.

2) Qualitative component

The other 32% is based on an individual assessment by the Remuneration Committee of the General and Supervisory Board, based on the individual performance of each member of the Executive Board of Directors.

The resulting amount of the quantitative and qualitative component is then weighted, as mentioned above, by a coefficient of 120% of the annual fixed remuneration.

72. DEFERRAL OF PAYMENT OF VARIABLE COMPONENT OF REMUNERATION AND ITS LENGTH

The multi-annual variable remuneration is calculated every year and only becomes effective at the end of the term of office if at least 90% of the strategic goals have been achieved, as assessed on the basis of company performance and its comparison with the strategic benchmarks and the individual contribution of each member of the Executive Board of Directors.

All multi-annual eventual variable remuneration are paid three years after the financial year in question.

73. CRITERIA ON ALLOCATION OF VARIABLE REMUNERATION IN SHARES AND EXECUTIVE DIRECTORS' MAINTENANCE OF THESE SHARES, ANY AGREEMENTS CONCLUDED CONCERNING THESE SHARES, SUCH AS HEDGING OR RISK TRANSFER CONTRACTS, THEIR LIMIT AND THEIR ASSOCIATION WITH TOTAL ANNUAL REMUNERATION

The members of the Executive Board of Directors do not own company shares under variable remuneration schemes.

74. CRITERIA ON ALLOCATION OF VARIABLE REMUNERATION IN OPTIONS, PERIOD OF DEFERRAL AND PRICE OF EXERCISE

EDP has no variable remuneration option schemes.

75. MAIN PARAMETERS AND BASIS OF ANY ANNUAL BONUS SYSTEM AND ANY NON-MONETARY BENEFITS

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

76. MAIN CHARACTERISTICS OF SUPPLEMENTARY PENSION OR EARLY RETIREMENT SCHEMES FOR DIRECTORS AND DATE OF APPROVAL INDIVIDUALLY AT A GENERAL MEETING

EDP has no specific benefits system in place for its directors. The remuneration fixed by the Remuneration Committee of the General and Supervisory Board sets for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, through the application of an amount correspondent to 10% (ten percent) of their net fixed annual remuneration. It was granted in accordance with the Remuneration Policy Statement approved by resolution of the General Shareholders' Meeting dated 12 May, 2014. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the Company Code.

IV. DISCLOSURE OF REMUNERATION

77. ANNUAL AGGREGATE AND INDIVIDUAL REMUNERATION PAID TO THE MEMBERS OF THE COMPANY'S MANAGING BODY BY THE COMPANY, INCLUDING FIXED AND VARIABLE REMUNERATION AND ITS DIFFERENT COMPONENTS

The total gross amount paid by EDP to the members of the Executive Board of Directors in 2014 was 6,291,792.24 euros.

The table below shows the gross amounts of remuneration paid individually to the members of the Executive Board of Directors.

Euros	Remuneration paid by EDP	
	Fixed	Variable (2014)
António Luís Guerra Nunes Mexia (Chairman)	737,931	410,160
Nuno Maria Pestana de Almeida Alves	590,345	325,670
João Manuel Manso Neto	562,018	325,670
António Manuel Barreto Pita de Abreu	590,345	287,731
António Fernando Melo Martins da Costa	563,533	302,323
João Manuel Veríssimo Marques da Cruz	297,704	175,347
Miguel Stilwell de Andrade	571,935	311,078

The remuneration of the Chairman and directors of the Executive Board of Directors include the amounts associated with the retirement savings plan. The amounts of the variable remuneration were fixed on the basis of the tax treatment applicable in the director's country of tax residence. The amounts paid by EDP subsidiaries refer solely to their period of residence abroad.

78. AMOUNTS PAID FOR ANY REASON BY OTHER SUBSIDIARY OR GROUP COMPANIES OR COMPANIES UNDER COMMON CONTROL

The table below shows the gross amounts of remuneration paid by other subsidiary or Group companies or companies under common control.

Euros	Remuneration paid by EDP	
	Fixed	Variable (2014)
João Manuel Veríssimo Marques da Cruz	240,000	

79. REMUNERATION IN THE FORM OF PROFIT-SHARING AND/OR PAYMENT OF BONUSES AND REASONS FOR THESE BONUSES OR PROFIT SHARING

EDP has no schemes in place for payment of remuneration in the form of profit-sharing and/or payment of bonuses.

80. COMPENSATION PAID OR OWED TO FORMER EXECUTIVE DIRECTORS FOR TERMINATION IN THE FINANCIAL YEAR

There are no agreements between the company and members of the managing and supervisory bodies providing for compensation in the event of termination, as proven by the remuneration policy statement in effect for 2014. As a result no compensation for termination was paid or is owed to former directors.

It should also be noted that there are no contracts for severance payment in force, nor does the remuneration policy provide for such, in the event of dismissal or termination by agreement from the post of director.

In particular, the company does not assign compensation beyond the legally required in case of dismissal from the post of director founded in inadequate performance neither was any payments made in this context during the year 2014.

81. ANNUAL AGGREGATE AND INDIVIDUAL REMUNERATION PAID TO THE MEMBERS OF THE COMPANY'S SUPERVISORY BODIES

1. GENERAL AND SUPERVISORY BOARD

The total gross amount paid by EDP to the members of the General and Supervisory Board in 2014 was 1,704,499 euros.

The table below shows the remuneration paid in 2014 to the members of the General and Supervisory Board:

Euros	Fixed
Eduardo de Almeida Catroga	490,500
China Three Gorges Corporation	72,000
China International Water&Electric Corporation	52,000
China Three Gorges New Energy Corporation Ltd.	52,000
China Three Gorges International (Europe)	52,000
Cajastur Inversiones, S.A.	52,000
Luis Filipe da Conceição Pereira	57,000
Mohamed Ali Ismaeil Ali Al Fahim	52,000
Sonatrach	52,000
Alberto João Coraceiro de Castro	57,000
António Sarmento Gomes Mota	70,000
Maria Celeste Ferreira Lopes Cardona	70,000
Fernando Masaveu Herrero	52,000
Ilídio da Costa Leite de Pinho	52,000
Jorge Braga de Macedo	52,000
Manuel Fernando de Macedo Alves Monteiro	70,000
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	52,000
Vasco Joaquim Rocha Vieira	52,000
Vítor Fernando da Conceição Gonçalves	85,000
Rui Eduardo Ferreira Rodrigues Pena	57,000
Augusto Carlos Serra Ventura Mateus	52,000
Nuno Manuel Silva Amado	52,000

Remuneration was also paid in 2014 to the member of the General and Supervisory Board, José Maria Espírito Santo Silva Ricciardi, who was in office until 9 May, 2014.

Euros	Fixed
José Maria Espírito Santo Silva Ricciardi	18,591

2. OTHER COMPANY BODIES

ENVIRONMENT AND SUSTAINABILITY BOARD

The members of the Environment and Sustainability Board are paid in attendance vouchers of EUR 1,750 per meeting. In 2014, the remuneration paid to the members of the Environment and Sustainability Board was as follows:

Euros

José Pedro Silva Sucena Paiva	1,750
Alberto Manuel Rosete da Ponte	1,750
António José Tomás Gomes de Pinho	1,750
José Manuel Viegas (1)	0
Maria Graça Madeira Martinho	1,750

(1) Resigned remuneration

REMUNERATION COMMITTEE OF THE GENERAL MEETING

The members of the Remuneration Committee of the General Meeting received the following remuneration in 2014:

Euros

José Manuel Archer Galvão Teles	15,000
Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)	10,000
Álvaro João Duarte Pinto Correia	10,000

82. REMUNERATION OF THE CHAIRMAN OF THE GENERAL MEETING. IN THE YEAR

The Chairman and Secretary of the General Meeting do not earn any remuneration in that capacity, given that they are remunerated as a member of the General and Supervisory Board and company Secretary, respectively. The Vice-Chairman of the General Meeting is paid an amount of EUR 2,000 a year, plus EUR 2,000 for each meeting over which s/he presides.

V. AGREEMENTS AFFECTING REMUNERATION

83. CONTRACTUAL LIMITATIONS FOR COMPENSATION PAYABLE TO DIRECTORS FOR DISMISSAL WITHOUT DUE CAUSE AND THEIR ASSOCIATION WITH THE VARIABLE COMPONENT OF REMUNERATION.

In accordance with the remuneration policy statement in effect for 2014, EDP has no existing contracts providing for payments in the event of dismissal or termination by mutual agreement of directors.

84. DESCRIPTION AND AMOUNTS OF AGREEMENTS BETWEEN THE COMPANY AND MEMBERS OF THE MANAGING BODY AND DIRECTORS, AS SET OUT IN ARTICLE 248-B (3) OF THE SECURITIES CODE, PROVIDING FOR COMPENSATION IN THE EVENT OF DISMISSAL WITHOUT DUE CAUSE OR TERMINATION OF EMPLOYMENT FOLLOWING A CHANGE OF COMPANY CONTROL

Considering Article 248-B (3) of the Securities Code, EDP has no directors other than the members of the corporate bodies. In addition to the members of these bodies, there are no managers who have regular access to privileged information and participate in decisions on the company's management and business strategy.

Furthermore, we reiterate that, in accordance with the remuneration policy statement approved at a General Meeting and in effect for 2014, EDP has no existing agreements providing for payments in the event of dismissal or termination by mutual agreement of directors.

VI. STOCK PURCHASE OPTION PLANS OR STOCK OPTIONS

85. PLAN AND ITS BENEFICIARIES

The only stock option plan currently in effect in 2014 is that for the managing body in 2003/2005, which reached its maturity in May 2014.

As a part of the variable remuneration of the Chairman of the Board of Directors, the Chairman of the Executive Committee and the members of the Executive Committee who held positions from 2003 to 2005, the Remuneration Committee at the time allocated options for each year, based on a qualitative and quantitative assessment of each financial year. Under this plan, each call option can be exercised up to a maximum of 1/3 on each first anniversary of the date of award. Options not exercised become null and void at the end of eight years from the date of allocation.

86. DESCRIPTION OF THE PLAN (CONDITIONS FOR AWARD, CLAUSES ON NON-SALEABILITY OF SHARES, SHARES PRICE CRITERIA, PRICE OF OPTIONS IN FINANCIAL YEAR, PERIOD IN WHICH OPTIONS CAN BE EXERCISED, CHARACTERISTICS OF SHARES OR OPTIONS, INCENTIVES FOR PURCHASE OF SHARES OR EXERCISE OF OPTIONS)

In 2014, 150,690 options were exercised and all allocations, concern the period between 2003 and 2005, had reached its maturity in 2014.

Date of option	Nº of Benef.	N.º of Options	Option Price	Date of Commencement	Date of expiry	Nº of Options Exercised in 2014
02/05/2006	6	1,461,497	2.21	02/05/2007	01/05/2014	150,690

In December 2003, the Remuneration Comittee adopted a remuneration policy for the members of the executive board that comprised, as a long term incentive, a Stock Options Plan. The conditions under which the stock options were earned depended on the following performance criteria: ROE/ROIC, EBITDA and Net Equity Position. In March 2004, the plan's conditions were altered by the Regulation concerning the Policy for the Total Remuneration of the Executives and non-Executives of EDP's Group, having the performance criteria changed for the following: ROIC, EBITDA, Net Equity Position, Total Shareholder Return for EDP's shareholder versus an European peer group and Return Outperformance versus the PSI20 Index. Since the inception of the stock options plan (2003), the performance evaluation has been yearly perpetrated. The exercise price was the average effective purchase price of EDP's shares used to cover the Plan (€2.21). The stock options could only be exercised at the anniversary of their ascription and would reach maturity after the eighth anniversary of their ascription. The plan did not comprise any restrictions on the acquired shares deriving from the options' exercise.

87. STOCK OPTIONS OF COMPANY EMPLOYEES

There are no stock options for company employees.

88. CONTROL MECHANISMS SET OUT IN ANY EMPLOYEE SHARE SCHEME SO THAT THEY DO NOT EXERCISE THEIR VOTING RIGHTS DIRECTLY

The company has no such control mechanisms.

E. TRANSACTIONS WITH RELATED PARTIES

I. MECHANISMS AND PROCEDURES OF CONTROL

89. COMPANY MECHANISMS FOR MONITORING TRANSACTIONS WITH RELATED PARTIES

The General and Supervisory Board approved objective, transparent rules on the identification, prevention and resolution of relevant corporative conflicts of interest called Framework on Handling of Conflicts of Interest, which was revised in late 2009.

Following a decision made by the General and Supervisory Board, on 17 May, 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties.

These rules are also available on EDP's website.

As part of its improvement of governance practices, on 30 July, 2010, the General Supervisory and Board approved EDP's rules on conflicts of interest and transactions between related parties, which are available on EDP's website (www.edp.pt), which replace the Framework for Handling conflicts of Interest. This set of rules on the prevention, identification and resolution of potential corporate conflicts of interest has a wider scope of application than that set out in CMVM Regulation 4/2013.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

For further information on this matter, see Point 3.5.2. of the annual report of the General and Supervisory Board.

90. TRANSACTIONS THAT UNDERWENT CONTROLS IN THE YEAR

The General and Supervisory Board noted that, on the basis of the cases analysed and information provided by the Executive Board of Directors for 2014, there was no evidence that the potential conflicts of interest in EDP's operations were resolved contrary to the company's interests.

91. PROCEDURES AND CRITERIA APPLICABLE TO THE SUPERVISORY BODY'S PRIOR ASSESSMENT OF TRANSACTIONS BETWEEN THE COMPANY AND HOLDERS OF QUALIFYING SHAREHOLDINGS OR ENTITIES RELATED TO THEM IN ANY WAY

The current rules on the issue and waiving of a prior opinion from the General and Supervisory Board were approved on 8 March, 2012, along with the procedures for communication and clarifications between it and the Executive Board of Directors.

Pursuant to EDP's Articles of Association, the General and Supervisory Board fixes the parameters for measuring the economic or strategic value of operations submitted to it for an opinion and sets up speedy mechanisms for issuing an opinion in urgent cases or when the nature of the subject so warrants and the situations in which this opinion can be waived (Article 21 (7)). The mechanism for waiving a prior opinion from the General and Supervisory Board may only be used in cases of exceptional urgency or if the nature of the subject so warrants, as set out in EDP's Articles of Association and the regulations of the General and Supervisory Board in effect in 2011 (current Article 13 (5)). There are therefore very few situations in which only three members of the Corporate Governance and Sustainability Committee can be consulted

All matters in which a prior opinion is waived are later appraised at meetings of the General and Supervisory Board.

Furthermore, the General and Supervisory Board has set out strict rules on transactions between related parties in order to prevent conflicts of interest.

In 2014, 17 operations with an average value of EUR 319 million and a maximum value of EUR 1,700 million were submitted to the General and Supervisory Board for a prior opinion. Seven operations with an average value of EUR 730 million and a maximum value of EUR 3,300 million were submitted to the General and Supervisory Board after waiving of a prior opinion.

II. BUSINESS INFORMATION

92. LOCATION OF ACCOUNTING DOCUMENTS PROVIDING INFORMATION ON TRANSACTIONS WITH RELATED PARTIES, PURSUANT TO IAS 24, OR REPRODUCTION OF THE INFORMATION

Information on transactions with related parties, pursuant to IAS 24, is set out in Note 46 of the consolidated and individual financial statements.

PART II - ASSESSMENT OF CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE CODE IN EFFECT

EDP – Energias de Portugal, S.A. (EDP) is a listed company whose securities are admitted to trading on the NYSE Euronext Lisbon stock market.

Pursuant to Article 2 (1) of CMVM Regulation 4/2013 on governance of companies issuing shares admitted to trading in a regulated market located or operating in Portugal, EDP abides by the recommendations set out in the Corporate Governance Code, as approved by the CMVM in July 2013, available on www.cmvm.pt. It has not opted to follow any other code of recommendations in this matter.

This report is structured in compliance with Article 1 (4) of CMVM Regulation 4/2013, and therefore abides by the model in its Annex I, not including the sections not applicable to EDP's corporate governance model.

2. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The following table lists the CMVM recommendations on corporate governance established in the referred Corporate Governance Code and indicating whether or not they were adopted, in full or partially by EDP, as well as where more detailed information can be found in this report on the adoption of each specific recommendation.

STATEMENT OF COMPLIANCE

RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN REPORT
I. VOTING AND CONTROL OF THE COMPANY			
I.1. Companies must encourage their shareholders to take part and vote in general meetings, for instance by not fixing an excessively large number of shares required to have voting rights and introduce the means necessary for postal and online votes.	Adopted		Chapter B Title I No. 12 page 125
I.2. Companies must not use mechanisms that hinder decision-making by their shareholders, such as by fixing a deliberative quorum larger than that provided for by law.	Adopted		Chapter B Title I No. 14 page 126
I.3. Companies must not set up mechanisms that result in a time lapse between the right to receive dividends or subscribe new securities and the voting right of each ordinary share, unless this is duly justified by the shareholders' long-term interests.	Adopted		Chapter B Title I No.12 page 125

I.4. The articles of association of companies that limit the number of votes that can be held or cast by a single shareholder, individually or with other shareholders, must also set out that the amendment or maintenance of this provision must be submitted to the vote of the general meeting at least every five years – with no increased quorum requirement above that laid down by law – that all the votes cast must be counted without the aforementioned limitation on this decision.	Not Adopted	Over the past five years, the subject of statutory limitation on voting rights has already been discussed by the General Meeting of EDP on two occasions. The limitation of the number of votes set out in Article 14 of the Articles of Association reflects the will of the shareholders of EDP expressed through resolutions of the General Meeting, in the defence of the company's specific interests: (i) a change of the limit from 5% to 20% was approved by the shareholders at the General Meeting of 25 August 2011, involving participation of 72.25% of the capital and approval by a majority of 94.16% of the votes cast; (ii) a later increase to the current 25% was approved at the General Meeting of 20 February 2012, involving participation of 71.51% of the capital and approval by a majority of 89.65% of the votes cast. The shareholders have thus been periodically called on to decide on limiting the number of votes. The continued existence of the limitation has prevailed and the reflection on the adjustment of the relevant ceiling for counting voting rights, precisely to progressively increase this level. The momentum of shareholders of the Company has thus proven to be perfectly in tune with the sense advocated in the Recommendation and sufficiently apt for pursuing its goals, avoiding rigid formulas for this review set down in the Articles of Association, which has also fostered the particularly intense scrutiny of this clause by shareholders.	
I.5. No measures must be taken that have the effect of requiring payments or liability for expenses on the part of the company in the event of transfer of control or a change in the membership of the management body that may interfere with the free transmissibility of shares and free appreciation by the shareholders of the members of the management body board.	Adopted		Chapter A Title I No. 4 and 5 page 119

II. SUPERVISION, MANAGEMENT AND OVERSIGHT			
II.1. SUPERVISION AND MANAGEMENT			
II.1.1. Within the limits of the law and unless the company becomes too small, the board of directors must delegate the everyday running of the company. The powers delegated must be indicated in the annual Corporate Governance Report.	Not Applicable	This recommendation does not apply to the company's current governance model. The delegation of powers granted in the Latin model to delegated directors does not exist in the Executive Board of Directors of EDP. It only has an allocation of management areas to each of the members of the Executive Board of Directors, with the college of directors responsible for taking decisions on all matters under its jurisdiction. Moreover, Article 431(3) of the Portuguese Company Code on the powers of the Executive Board of Directors establishes that the powers of management and representation of directors is governed by the scheme provided for in Article 406, 408 and 409 and excludes Article 407 concerning the delegation of management powers.	
II.1.2. The Board of Directors must ensure that the company acts in accordance with its goals and must not delegate its powers to: *i*) define the company's general strategy and policies; *ii*) define the group's corporate structure; *iii*) make decisions that must be deemed strategic due to their amount, risk or special characteristics.	Not Applicable	This recommendation does not apply to the company's current governance model. According to the two tier model of governance, the Executive Board of Directors does not delegate any of the matters referred to in this Recommendation. However, the supervisory body and management monitoring body issues prior opinions concerning the approval of the strategic plan and certain strategic or significant operations (Article 17(2) of the Articles of Association).	

II.1.3. In addition to the exercise of its supervisory duties, the General and Supervisory Board must take full responsibility for the company's governance and so the articles of association or an equivalent provision must enshrine the board's obligation to give its opinion on the company's strategy and main policies, definition of the group's corporate structure and decisions that must be deemed strategic due to their amount or risk. This board must also assess compliance with the company's strategic plan and implementation of its main policies.	Adopted		Chapter B Title II No. 21 page 132
II.1.4. Unless the company becomes too small, the Board of Directors and the General and Supervisory Board, depending on the model used, must set up any necessary committees to: a) Make a competent, independent assessment of the performance of the executive directors and their own overall performance and that of the other committees; b) Reflect on the system, structure and governance practices used, verify their efficacy and propose improvement measures to the competent bodies.	Adopted		Chapter B Title II No. 24 and 29 page 160
II.1.5. The Board of Directors or General and Supervisory Board, depending on the applicable model, must set goals for risks and create systems to control them in order to guarantee that risks actually run are consistent with these goals.			Chapter B Title II No. 21 page 132
II.1.6. The Board of Directors must include a number of non-executive members to guarantee its effective capacity to monitor, supervise and assess the work of the remaining members of the management body.	Not Applicable	This recommendation does not apply to the company's current governance model.	

II.1.7. The non-executive directors must include an appropriate proportion of independents, depending on the company's governance model, size, shareholder structure and free float. The independence of the members of the General and Supervisory Board and of the Audit Committee will be measured in accordance with current legislation. Where the other members of the Board of Directors are concerned, independent directors are persons who are not associated with any group with specific interests in the company and who are not in a situation liable to affect their impartial analysis or decision, due, for example, to: a. Having been employees of the company or a subsidiary or group company in the last three years; b. Having provided services or done significant business with the company or a subsidiary or group company directly or as an owner, director or manager of a legal person in the last three years; c. Receiving remuneration paid by the company or a subsidiary or group company in addition to the remuneration from their position as director; d. Living in a common-law marriage or being the spouse, relative or similar in a direct line to the third degree, inclusive, in the collateral line of directors or natural persons directly or indirectly owning qualifying shareholdings; e. Owning qualifying shareholdings or being the representative of a shareholder owning qualifying shareholdings.	Adopted		Chapter B Title II No. 18 page 130
II.1.8. Directors who perform executive duties when asked to do so by other members of the corporate bodies must provide the information requested by these bodies in a timely fashion and in the appropriate form.	Adopted		Chapter B Title II No. 21 page 132
II.1.9. The chairman of the executive management body or executive committee must send the invitations and minutes of their meetings to the Chairman of the Board of Directors, Chairman of the Supervisory Board, Chairman of the Audit Committee, Chairman of the General and Supervisory Board and Chairman of the Financial Committee, as applicable.	Adopted		Chapter B Title II No. 21 page 132

II.1.10. If the chairman of the management body performs executive duties, this body must appoint from among its members an independent director to coordinate the work of the other non-executive members and the right conditions for them to make independent, informed decisions or find another equivalent mechanism for this coordination.	Not Applicable		
II.2. OVERSIGHT			
II.2.1. Depending on the model in question, the chairman of the Supervisory Board, Audit Committee or Financial Committee must be independent in accordance with the applicable legal criterion, and have the appropriate powers for his/her duties.	Adopted		Chapter B Titles II and III No.s 29 and 33 pages 160 and 165
II.2.2. The oversight body must be the main interlocutor with the external auditors and the first recipient of their reports and will be responsible for proposing their remuneration and ensuring that the appropriate conditions exist in the company for the provision of the services.	Adopted		Chapter B Title II No.s 21 and 29 pages 132 and 160
II.2.3. The oversight body must assess the external auditors every year and propose to the competent body their dismissal or termination of their service contract whenever so justified.	Adopted		Chapter B Title II No.s 21 and 29 pages 132 and 160
II.2.4. The oversight body must assess the internal control and risk management systems and propose any necessary adjustments.	Adopted		Chapter B Title II No.s 21 and 29 pages 132 and 160

II.2.5. The Audit Committee, General and Supervisory Board and the Supervisory Board must give their opinion on work plans and resources allocated to internal audit services and compliance services and must receive these services' reports at least when they cover matters related to rendering of accounts, identification or resolution of conflicts of interest and detection of potential illegalities.	Adopted		Chapter C Title II No. 49 page 170
II.3. FIXING REMUNERATION			
II.3.1. All members of the Remuneration Committee or equivalent must be independent from the executive members of the management body and include at least one member with knowledge and experience of remuneration policy.	Adopted		Chapter B Title II No. 29 page 160
II.3.2. No natural or legal person who provides or has provided services to any unit answerable to the management body, the company's management body itself or with a current relationship with the company or consultant of the company in the last three years may be hired to assist the Remuneration Committee in its duties. This recommendation also applies to any natural or legal person related to the former under an employment or service agreement.	Adopted		Chapter D Title II No. 67 page 184

II.3.3. The remuneration policy statement by the management and supervisory bodies set out in Article 2 of Law 28/2009 of 19 June must also contain: a) Explicit identification of the criteria used to determine the remuneration paid to the members of the corporate bodies; b) Information on the maximum potential individual amount and the maximum potential aggregate amount payable to the members of the corporate bodies and an indication of the circumstances in which these maximum amounts may be payable; d) Information as to whether payments for dismissal or termination are required or not.	Adopted		Chapter D Titles III and IV No.s 69, 70, 71, 72 and 80 pages 184 to 187 and 189
II.3.4. The proposal on approval of plans to allocate shares and/or share options or based on variations in share prices to members of the corporate bodies must be submitted to the General Meeting. The proposal must contain all the necessary elements for a proper assessment of the plan.	Adopted		Chapter D Title VI No. 85 page 192
II.3.5. The proposal on approval of any retirement benefit system for members of the corporate bodies must be submitted to the General Meeting. The proposal must contain all the necessary elements for a proper assessment of the system.	Not Applicable	EDP has not set up a specific retirement benefit system for the members of its management and supervisory bodies. Nevertheless, the members of the Executive Board of Directors receive a "standard" retirement savings plan financial product correspondent to 10% of the fixed component of the annual remuneration. Such financial product does not bear any charge for EDP in the future, since its subscription is valid only while the members of its management body hold office. Such provision was assigned in accordance with the Remuneration Policy Statement approved in the general meeting of 12 may 2014. On the referred Remuneration Policy Statement it is also mentioned that the characteristics of these "standard" retirement savings plan are the ones in force in the legal framework applicable to these financial products.	Chapter D Title III No. 69 and 76 Pages 184 and 188

III. REMUNERATION			
III.1. The remuneration of the management body's executive members must be based on actual performance and discourage excessive risk taking.	Adopted		Chapter D Title III No.s 69 and 70 pages 184 to 186
III.2. The remuneration of the management body's non-executive members and of the members of the oversight body must not include any component that depends on the company's performance or value.	Partially Applicable and Adopted	The first part of the recommendation is not applicable given the current governance model of the company.	Chapter D Title III No. 69 page 184
III.3. The variable component of remuneration must be generally reasonable in relation to the fixed remuneration component and maximum limits must be set on all components.	Adopted		Chapter D Title III No. 69 page 184
III.4. A significant part of variable remuneration must be deferred for no less than three years and the right to receive it must be dependent on the continued good performance by the company in this period.	Adopted		Chapter D Title III No. 72 page 187
III.5. The members of the management body must not conclude agreements with the company or with third parties that have the effect of mitigating the risk of variability in remuneration fixed for them by the company.	Adopted	There are no contracts entered into by the members of the management body that include such clauses.	Chapter D Title III No. 70 page 186

III.6. Up to the end of their term of office, the executive directors must keep the company shares to which they have had access under variable remuneration schemes up to a limit of twice the amount of their total annual remuneration, with the exception of shares that need to be sold to pay taxes resulting from benefits from them.	Not Applicable	There is only one share allocation scheme in effect for 2003 to 2005 and the members to whom it applied left their positions on 30-03-2006. The plan, which reached maturity in May 2014, therefore applies to a time prior to the publication of the recommendation in question, which was not yet in effect. This recommendation does not therefore apply (i) to the members of the management board who benefited from the share allocation scheme and who are no longer in office, and (ii) to any member of the management board currently in office, once the referred share allocation scheme does not include these.	
III.7. If variable remuneration includes share options, the start of the exercise period must be deferred for no less than three years.	Not Applicable	No stock options plan exists.	
III.8. If the dismissal of a director is not the result of a serious breach of his/her duties or unfitness for normal performance of his/her job, but is still due to inadequate performance, the company has the appropriate, necessary legal instruments to ensure that no compensation other than that legally payable can be demanded.	Adopted		Chapter D Title IV No. 80 page 189
IV. AUDIT			
IV.1. As part of his duties, the external auditor must verify compliance with remuneration policies and systems for the corporate bodies and the efficacy and efficiency of internal control mechanisms and report any deficiencies to the company's oversight body.	Adopted		Chapter B Title III No. 42 page 167
IV.2. Neither the company nor any of its subsidiaries must contract services other than audit services from the external auditor or any entities in the same group or network with him. If it is necessary to contract such services (which must be approved by the oversight body and set out in its Annual Corporate Government Report), they must not amount to more than 30% of the total value of the services provided to the company.	Adopted		Chapter B Title III No. 46 page 168

IV.3. Companies must endeavour to change auditors after two or three terms of office, depending on whether they are for four or three years, respectively. Their continuation beyond this limit must be justified in a specific opinion from the oversight body that expressly indicates the auditor's independence and the advantages and costs of his replacement.	Adopted		Chapter B Title III No. 44 page 167
V. CONFLICTS OF INTEREST AND RELATED-PARTY TRANSACTIONS			
V.1. The company's business with shareholders owning qualifying shareholdings or with entities in any way related to them, pursuant to Article 20 of the Securities Code must be conducted under normal market conditions.	Adopted		Chapter A Title II No. 10 page 124
V.2. The management or oversight body must establish procedures and criteria for defining the relevant degree of significance of business with shareholders owning qualifying shareholdings (or with entities in any of the relationships set out in Article 20 (1) of the Securities Code) and business deals of substantial importance will require a prior opinion from the body.	Adopted		Chapter B Title II No. 21 page 132 Chapter E Title I No. 91 page 193

VI. INFORMATION			
VI.1. Companies must provide access to information on their progress and current economic, financial and governance situation on their websites in Portuguese and English.	Adopted		Chapter C Title V No. 59 page 183
VI.2. Companies must have an office for investor relations and permanent contact with market to respond to investors' requests in a timely fashion. A record must be kept of requests submitted and how they were handled.	Adopted		Chapter C Title IV No. 56 page 181

3. OTHER INFORMATION

Attached to this report and considered part of it there are the following documents:

Annex I Corporate Bodie's Biography
Annex II Attendance list of the General and Supervisory Board
Annex III Attendance list of the Executive Board of Directors
Annex IV Positions held by the members of the Executive Board of Directors in other companies belonging or not to the EDP Group
Annex V Attendance list of Financial Matters Committee/Audit Committee
Annex VI Other operations with financial instruments in which EDP's share was used as an underlying asset were also performed

ANNEX I

GENERAL AND SUPERVISORY BOARD

EDUARDO DE ALMEIDA CATROGA- CHAIRMAN He was born on 14th November 1942. He has a degree in Finance from ISEG of Universidade Técnica de Lisboa and a post-graduate degree from Harvard Business School. He served as Minister of Finance of the Portuguese government from 1994 to 1995. He is a guest senior lecturer in business strategy for the ISEG MBA program. He has focused his career on corporate management and administration, specifically within CUF and in SAPEC, where he was CFO (1974) and General Director, respectively. Currently, he isnon-executive Chairman of the Board of Directors of the SAPEC Group, member of the Board of Nutrinveste, member of the Board of Banco Finantia and member of the Investments Committee of Portugal Venture Capital Initiative, an equity fund promoted by the European Investment Bank. He was designated for the first time member of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009. He was appointed chairman of the General and Supervisory Board of EDP on 20th February 2012.

DINGMING ZHANG- VICE-PRESIDENT He was born on 1st December 1963. He has a Bachelor's degree in Power System and Automation from Huazhong University of Science and Technology in 1984 and his Master's degree in Management from Huazhong University of Science and Technology in 2001. He served as an associate and then Deputy Division Chief in the Key Project Construction Department of the State Planning Commission of China (1984-1994), working in Germany between 1992 and 1993. He then worked as Deputy Division Chief, Division Chief and Deputy Director of Capital Planning Department of the Three Gorges Construction Committee under the State Council (1994-2002), before he became Deputy Director of Power Production Department of China Three Gorges Corporation (2002). He then worked as Executive Vice President of China Yangtze Power Company (2002-2011) and President of Beijing Yangtze Power Capital Co. Ltd. (2008-2011). His past experience also includes Director of the Board of Guangzhou Development Industry (Holding) Co. Ltd. and Director of the Board of Yangtze Three Gorges Technology and Economy Development. In 2011, he began to serve as Board Secretary, Director of Strategic Development Department and Director of Marketing Department in China Three Gorges Corporation. He was appointed Vice-Chairman of the General and Supervisory Board of EDP, in representation of China Three Gorges Corporation, on 20th February 2012 and initiated their term of office on 11 May 2012.

GUOJUN LU He was born on 12th July 1956. He has a Bachelor's degree in Engineering from East China Institute of Water Resources Engineering and a PhD in Economics from Central University of Finance and Economics in China. He served for China International Water and Electric Corporation from 1982 to 2010, starting as Deputy Chief of the Sri Lanka Office, Manager of the Pakistan Project Department and Deputy Chief of the Hydropower Department 1. He then served as Vice President and President of China International Water and Electric Corporation and Executive Vice President of China Water Investment Group Corporation. Currently, he is Assistant President of China Three Gorges Corporation, President/CEO of CWE InvestmentCorporation and Director of International Department of China Three Gorges Corporation. He was appointed member of the General and Supervisory Board of EDP, in representation of China International Water & Electric Corp, on 20th February 2012 and initiated their term of office on 11 May 2012.

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

SHENGLIANG WU He was born on 11th March 1971. He received Bachelor's degree in Engineering from Wuhuan University of Hydraulic and Electrical Engineering in 1992. Master's degree in Technical Economics and Management from Chongqing University in 2000. He served as technician and later as an engineer in Gezhouba Hydropower Plant (1992-1998). Secretary of Corporate Affairs Department in Gezhouba Hydropower Plant

(1998-2002). Financial Manager of Capital Operating Department of China Yangtze Power Company (2002-2003). Information manager and then Deputy Director of Office of the Board of China Yangtze Power Company (2004-2006). Deputy Director and then Director of Capital Operating Department of China Yangtze Power Company (2006-2011). His past experience includes Director of the Board of Daye Non-ferrous Metals Co., Ltd (2008-2011). Executive Vice President of Beijing Yangtze Power Capital Co. Ltd (2008-2011). Since 2011, he is Deputy Director of Strategic Planning Department in China Three Gorges Corporation. He was appointed member of the General and Supervisory Board of EDP, in representation of China Three Gorges International - Europe, on 20th February 2012 and initiated their term of office on 11 May 2012.

FELIPE FERNÁNDEZ FERNÁNDEZ He was born on 21st December 1952. He has a degree in Economics and Management Sciences (1970 - 1975) from the University of Bilbao. His professional career includes the following positions: Professor at the Faculty of Economics and Business, University of Oviedo (1979 - 1984), Director of Regional Economy and Planning of the Principality of Asturias (1984 - 1990), Member of the Board and Executive Committee of the Caja de Ahorros de Asturias (1986 - 1990), Member of the Board of Directors and Vice-President of " Sociedade Asturiana de Estudios Económicos e Industriales" (1986 - 1990), Member of the Board of Directors and Vice-President of the company SEDES , SA (1988 - 1990), President of the Committee for Planing and Urbanism of Asturias (1990 - 1991); Counsel for Planning, Urbanism and Housing in the Principality of Asturias (1990 - 1991); Counsel for Rural and Fishing Affairs in the Principality of Asturias (1991 - 1993), Director of the Department of Management Control of HidroCantábrico (1993 - 1998), Director of the Department of Management Control, Purchasing and Quality of HidroCantábrico (1998 - 2001), President of the company Gas Asturias (2001 - 2003), Director of Support Areas and Control of HidroCantábrico (2001 - 2002); HidroCantábrico CFO, Chairman of Gas Capital, CEO of Hidrocantábrico Servicios, Board Member of Naturcorp, Gas de Asturias, SINAE, Canal Energía, Telecable and Sociedad Regional de Promoción de Asturias (2002 - 2004). He is currently Board Member of Liberbank, General Manager of Caja de Ahorros de Asturias, President of Infocaja and Lico Corporación, Board Member of HC Energía, Ahorro Corporation and Tudela Veguín. He is also Board Member of da Sociedad Promotora de las Comunicaciones en Asturias (SPTA). He was appointed member of the General and Supervisory Board of EDP, in representation of Cajastur Inversiones SA, on 20th February 2012.

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

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

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

ALBERTO JOÃO CORACEIRO DE CASTRO He was born on 15th June 1952. He has a degree in Economics from the School of Economics of Porto and a PhD in Economics from the University of South Carolina. He has published papers in different areas of expertise, including industrial economics, business economics and strategy, labor and international economics. He lectures at Universidade Católica Portuguesa, where he is head of the Centre for Applied Research in Economics and Management. He serves as President of the Audit Committee of Mota-Engil and Unicer and is a consultant to the Portuguese Footwear Industry Association (APICCAPS). He is also a member of the General Board of Associação Empresarial de Portugal and of the Board of Associação Comercial do Porto. He chairs the Comissão Justiça e Paz of the Diocese of Oporto. He is Chairman of the Remuneration Committee of the General and Supervisory Board since July 2006. He was appointed Vice-President of the General and Supervisory Board of EDP on 30th June 2006 and reappointed on 15th April 2009, being the Vice-chairman until 20th February 2012. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

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

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

FERNANDO MARIA MASAVEU HERRERO He was born on 21st May 1966. He received a law degree from the University of Navarra. He started to work at Masaveu Group in 1993 where he played various roles. He currently plays the following positions, among others: Chairman of Masaveu Corporation; Chairman of Cementos Anónima Tudela Veguín; Chairman of Masaveu International, Advisor at Hidrocantábrico, Chairman of the Audit Committee at Hidrocantábrico; Advisor at Naturgas Energía; Advisor at Bankinter; Member of the Executive Committee of Bankinter; Member of the Audit Commission of Bankinter; Member of International Advisory Board of the Santander Group; Advisor at EGEO, S.G.P.S.; Chairman of Masaveu Medicina; Advisor at OLMEA; Chairman of Beluga Holding Limited; Chairman of the Maria Cristina Masaveu Foundation; Chairman of the Foundation San Ignacio de Loyola; patron and member of the Executive Committee of the Príncipe de Asturias foundation; patron and member of the heritage of Príncipe de Asturias Foundation; Patron of the Príncipe de Asturias Awards; International patron of Asociación Amigos Museo del Prado; and Patron of Sociedad Internacional de Bioética (S.I.B.I.). Additionally, he is director of several companies of Masaveu group. Formerly, he also had relevant contributions in several sector, particularly in the R&D sector, the beverage sector, the health sector, the financial sector, the transportation sector, the environmental sector, the press sector, the real estate sector, as well as significant assistance in several foundations focus on social responsibility. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

ILÍDIO DA COSTA LEITE DE PINHO He was born on 19th December 1938. Degree in Electronics and Machinery Engineering. Grã-Cruz" Order of Merit, Honorary member of the Industrial Order of Merit. Member of the "Ordens Honoríficas Portuguesas" from 1996 to 1999. Gold Medal and "Honorary citizen" award granted by the city of Vale de Cambra, in 1999. Gold medal and "University Benefactor" award granted by "Universidade Católica Portuguesa". Golden Badge by the Portuguese Association of Voluntary Firemen, in 2002. Between 1986 and 1991 was non-executive Board of Directors Member of "ICEP" in representation of the National Industry. President of the City Hall Council of Vale de Cambra between 1979 and 1983 and President of the City Hall Assembly of Vale de Cambra, between 1993 and 1997. Member of the Administrative Committee of "Universidade Católica" - Oporto. University Counsel of "Universidade de Aveiro" and Senate Member of "Universidade do Porto". Member of the board of several business association. Member of the "Trilateral Commission" between 1988 and 1996. Was founder and Chairman of the Board of Directors of COLEP. Was founder of NacionalGás, S.A., LusitâniaGás, EGA, EMPORGÁS, EDISOFT, S.A. and MEGASIS. Was the main shareholder of Transinsular. Was non-executive Member of the Board of Directors of "Banco Espirito Santo, S.A." between 2000 and 2005. Shareholder of "CEM - Companhia de Electricidade de Macau, SARL". Chairman of the Strategy Committee of "Fomentinvest, S.A.". Founder and Chairman of the Board of Directors and the Board of Trustees of Fundação Ilídio Pinho. Chairman of various companies of Group Ilídio Pinho. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

JORGE AVELINO BRAGA DE MACEDO He was born on 1st December 1946. He has a law degree from Universidade de Lisboa in 1971. At Yale University, he completed M.A. in International Relations (1973) and also has PhD in Economics (1979). He aggregated in the Faculty of Economics from Universidade de Lisboa in 1982. Since 1999 to 2004 he belonged to the Organisation for Economic Cooperation and Development (OECD) and the European Commission in Brussels between 1988 and 1991. At a national level, he was President of the Parliamentary Commission for European Affairs (1994-1995), and Minister of Finance (1991-1993). He has taught at the Centre Européen d'Education Permanente in Fontainebleau, and at the Catholic University of Lisbon, at Princeton University, among others. He has been a consultant at the European Bank for Reconstruction and Development, the United Nations, the World Bank and the International Monetary Fund. Currently, he is a Professor of Economics at Universidade Nova de Lisboa, teaches at the Institut d'Etudes Politiques (SciencesPo) in Paris, is Director of the Center Globalization and Governance (CG & G) at the Nova School of Business and Economics from the Universidade Nova de Lisboa, President of Institute of Tropical Research (IICT) and Member of the Board of Governors of the International Centre for International Governance Innovation in Waterloo, Canada. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

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

PAULO JORGE DE ASSUNÇÃO RODRIGUES TEIXEIRA PINTO He was born on 10th October 1960. He has a Law degree from Universidade de Lisboa (1983) and he was accepted for a Ph.D. in History of Law from Universidade Complutense de Madrid, having also attended a Program for Corporate Strategy at INSEAD in Fontainebleau and a Program for Senior Management Officer from AESE. He served as Secretary of State for the Presidency of the Council of Ministers and was a Speaker for the Portuguese Government. He represented the Portuguese Government at the Program of Public Management at the OECD. From 2005 to 2007, he was Chairman of the Board of Directors of BCP, having held also several roles within the Group, and Vice-President of the Portuguese Banking Association. It was also Member of the National Council of the IPC, Chairman of the Audit Centralcer, Vice-President of the General Assembly TagusPark and Advisory Board Member of the Brazilian cement company, Cimentos Liz. From 2006 to 2007 he was a member of the Board of Directors and Supervisory Board of EDP. Currently, he is Chairman of the Board of Directors of BABEL, SGPS, SA, Vice Chairman of Abreu Advogados, member of the Board of Directors of LENA, SGPS, SA, Member of the General Council of the University of Coimbra, member of the Advisory Board of the Faculty of Arts, University of Coimbra and Chairman of the General Meeting of the Portuguese Association of Publishers and Booksellers. He is a member of the Academia de Artes e Letras, author of several books and articles on law, history, political science, economics, poetry and painting. He was appointed member of the General and Supervisory Board of EDP on 20th February 2012.

VASCO JOAQUIM ROCHA VIEIRA He was born on 16th August 1939. He has a degree in Civil Engineering. He took several courses and specialties, including General Course of Staff (1969-1970), Complementary Course of General Staff (1970-1972), Course of Command and Direction for Official General (1982-1983) and the Course of National Defense (1984). In 1984 in was promoted to Brigadier and later, in 1987, he was promoted General. In 1956 he joined the Military College having received the Alcazar of Toledo Award, given to the highest rated finalist of all students from the Military Academy, and the Marechal Hermes Award in Brazil. From 1969 to 1973 he collaborated with Lisbon´s City Hall. He taught at the Military Academy and at the Institute for Advanced Military Studies. He was Deputy Secretary for Communications and Public Works of the Macau Government (1974-1975). He joined the original core of officers of the Portuguese Armed Forces, promoting the installation of a democratic regime in Portugal. Attributing great importance to his military career, he was Chief of Staff of the Army and, inherently, member of the Revolution Council (1976-1978), National Military Representative at NATO Supreme Headquarters Allied Powers in Europe - SHAPE, in Belgium, and Director and Honorary Director of Weapons and Engineering. He was Minister of the Republic for the Azores (1986-1991), and Governor of Macau, where he served from 1991 until 1999. Currently, he is Member of the Board of Engineers, Member of the Academy of Engineering, Chancellor of the Former Military Orders, Member of the Supreme Council of Associations of the Former Students of the Military College, member of the Supreme Council of SHIP (Sociedade Histórica da Independência de Portugal), member of the Honorary Council of the ISCSP (Instituto Superior de Ciências Sociais e Políticas), Member of the School Board of the same Institute and Member of the Advisory Board of the Nova School of Business and Economics at Universidade Nova de Lisboa. He is an honorary associate of Lisbon Geography Society, of Sociedade Histórica da Independência de Portugal and of the Combatants League. He was appointed member of the General and Supervisory Board of EDP on 20th February 2012.

VÍTOR FERNANDO DA CONCEIÇÃO GONÇALVES He was born on 16th April 1955. He has a degree in Business Administration and Management from ISEG - Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa and a PhD in Business Sciences from FCEE at Universidad de Sevilla (1987). He has the title of "Agregado" in Management from Universidade Técnica de Lisboa (1993) and is currently a Full Professor in Management at ISEG, Universidade de Lisboa (since 1994). President of Management Department (since 2014). Member of the

Economic and Social Council (since 2007). He is currently Chairman of the GAPTEC (since 2007). He is Director of the advanced trainee programme "Competitividade e Estratégia para o Desenvolvimento das Empresas" – Harvard Business School/ISEG (since 2013). He is a non-executive Director of ZON Multimedia, Chairman of its Audit Committee and member of its Corporate Governance Committee as well as its Assessment and Remunerations Committee (2007-2013). Non-Executive Director of Promindústria – Sociedade de Investimento, S,A, (1993-95). He was Vice-Dean and Pro-Dean of Universidade Técnica de Lisboa (2007-2013). He served as Chairman of the ISEG Directive Council (2003-2006) and Chairman of the ISEG Management Department (1992-2000). He was Director of ISEG Management PhD Programme (2001 – 2005). He was advisor of IPE – Investimentos e Participações Empresariais, S.A. (1987 – 1992). He was President of the Assessment Committee on Management degrees of the Portuguese Universities (2001/2002) as well as Member of the Board of the Conselho da Especialidade de Economia e Gestão Empresarial da Ordem dos Economistas (1999 – 2001) and Member of the Conselho da Profissão. Chairman of IDEFE – Instituto para o Desenvolvimento e Estudos Económicos Financeiros e Empresariais (2003 – 2007). From 2001 to 2002, he chaired the group of "high-level experts" at the European Commission that evaluated the program on European competitiveness – European Research Area. He is Director of several programs of advanced trainees for executives. Guest Professor in several Portuguese and foreign universities. He is the author of several articles on management for national and international publications. Chairman and Vice- Chairman of EDP's Financial Matters Committee /Audit Committee (since 2006). Chairman of Fundação EDP Statutory Audit Board (since 2007). He was appointed member of the General and Supervisory Board of EDP on 30th June 2006 and reappointed on 15th April 2009 and 20th February 2012.

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

AUGUSTO CARLOS SERRA VENTURA MATEUS He was born on 27th August 1950. He has a degree in Economics from the Superior Institute of Economics and Finance (ISCEF), of Technical University of Lisbon. Guest Professor at ISEG with current teaching responsibilities in the areas of European Economy, Economic Policy and Industrial and Competitiveness Policy at the level of degrees and masters' degrees. Researcher and consultant in the areas of macroeconomics, economic policy, industrial competitiveness, business strategy, program evaluation and policy development. Responsible for the coordination of several studies of evaluating programs and policies and for the coordination of several research projects and studies in applied economics. He has held the positions of Secretary of State for Industry (October 1995 until March 1996) and Ministry of Economy (March 1996 until December 1997), being responsible for the launching of a debt to State settlement plan also known as Plano Mateus. He was appointed member of the General and Supervisory Board of EDP on May 6th 2013.

NUNO MANUEL DA SILVA AMADO He was born on 14th August 1957. He has a degree in Companies Organization and Management from ISCTE – Instituto Superior das Ciências do Trabalho e da Empresa. He has also complementary executive degree from INSEAD, Fontainebleau (Advanced Management Programme). From 1980 to 1985 he was employee of KPMG Peat Marwick, at the Audit and Consulting Department. From 1985 onwards he worked at Citibank and Banco Fonsecas & Burnay. Afterwards he was Member of the Board of Directors of Deutsche Bank Portugal, Member of the Executive Commission of BCI (Banco de Comércio e Indústria) / Banco Santander, Vice-President of the Executive Commission of Crédito Predial Português, Vice-President of the Executive Commission of Banco Totta & Açores, Member of the Executive Commission of Banco Santander Negócios de Portugal, of Banco Santander Totta, S.A. and of Banco Santander Totta, SGPS. From Augusto 2006 until January 2012 he became CEO and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.A. and of Banco Santander Totta, SGPS. Since February 2012 he is Vice-Chairman of the Board of Directors and CEO of Banco Comercial Português. He was appointed member of the General and Supervisory Board of EDP on May 6th 2013.

EXECUTIVE BOARD OF DIRECTORS

ANTÓNIO LUIS GUERRA NUNES MEXIA, **Chairman.** He was born on 12th July 1957. He received a degree in Economics from Université de Genève (Switzerland) in 1980, where he was also Assistant Lecturer in the Department of Economics. He was a postgraduate lecturer in European Studies at Universidade Católica. He was a lecturer at Universidade Nova de Lisboa and at Universidade Católica from 1982 to 1995. He served as Assistant to the Secretary of State for Foreign Trade from 1986 until 1988. From 1988 to 1990 he served as Vice-Chairman of the Board of Directors of ICEP (Portuguese Institute for Foreign Trade). From 1990 to 1998 he was Director of Banco Espírito Santo de Investimentos and, in 1998, he was appointed Chairman of the Board of

Directors of Gás de Portugal and Transgás. In 2000 he joined Galp Energia as Vice-Chairman of the Board of Directors. From 2001 to 2004, he was the Executive Chairman of Galp Energia and Chairman of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico. In 2004, he was appointed Minister of Public Works, Transport and Communication for Portugal's 16th Constitutional Government. He also served as Chairman of the Portuguese Energy Association (APE) from 1999 to 2002, member of the Trilateral Commission from 1992 to 1998, Vice-Chairman of the Portuguese Industrial Association (AIP) and Chairman of the General Supervisory Board of Ambelis. He was also a Government representative to the EU working group for the trans-European network development. On January 2008 he was appointed as member of the General and Supervisory Board of Banco Comercial Português, SA, having been previously a member of the Superior Board of this bank. He was appointed as a Member of the Board of Directors of thos bank on February 2012. He is Chairman and Counselor-Delegate of EDP - Renováveis and Vice- Chairman of The Union of the Electricity Industry – EURELECTRIC. He was appointed on 30th March 2006 as Chairman of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

NUNO MARIA PESTANA DE ALMEIDA ALVES. He was born on 1st April 1958. He holds a degree in Naval Architecture and Marine Engineering (1980) and a Master in Business Administration (1985) by the University of Michigan. In 1988, he joins the Planning and Strategy Department of Millennium BCP and in 1990 becomes an associate director of the bank's Financial Investments Division. In 1991, Mr. Nuno Alves is appointed as the Investor Relations Officer for the group and in 1994 he joins the Retail network as Coordinating Manager. In 1996, he becomes Head of the Capital Markets Division of Banco CISF, currently Millennium BCP Investimento, and, in 1997, Co Head of the bank's Investment Banking Division. In 1999, Mr. Nuno Alves is appointed as Chairman and CEO of CISF Dealer, the brokerage arm of Banco CISF. Since 2000, before his appointment as EDP's Chief Financial Officer in March 2006, Mr. Nuno Alves acted as an Executive Board Member of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets. He is member of the Board of Directors of EDP - Energias do Brasil and Hidroeléctrica del Cantábrico and CEO of EDP - Estudos e Consultoria, EDP - Imobiliária e Participações and Sãvida. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

IOÃO MANUEL MANSO NETO. He was born on April 2nd 1958. He graduated in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed a professional education course through the American Bankers Association (1982), the academic component of the Master's Degree programme in Economics at the Faculty of Economics, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the Wharton School in Philadelphia.From 1981 to 1995 he worked at Banco Português do Atlântico, occupying several positions, manly as Head of the International Credit Division, and General Manager responsible for Financial and South Retail areas.From 1995 to 2002 he worked at the Banco Comercial Português, where he held the posts of General Manager of Financial Management, General Manager of Large Corporates and Institutional Businesses, General Manager of the Treasury, member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank Gdansk in Poland. From 2002 to 2003, he was a member of the Board of Banco Português de Negócios. From 2003 to 2005 he worked at EDP as General Manager and Member of the Board of EDP Produção. In 2005 he was elected CEO at HC Energía, Chairman of Genesa and Member of the Board of Naturgas Energia and OMEL. Currently he is CEO of EDP Renováveis and responsible for Regulation and Energy Management (Gas and electricity) at Iberian level. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

ANTÓNIO MANUEL BARRETO PITA DE ABREU. He was born on 17th March 1950. He received his degree in Electrotechnical Engineering from Instituto Superior Técnico (Lisbon) in 1972, where he worked as a guest lecturer in the Department of Electrotechnical Engineering and Computers. He was also executive training from AESE (Lisbon, Portugal, 1989), Universitatsseminar der Wirtschaft, (Darmstadt, Germany, 1994), Insead (Fointanebleau, France, 2005) and IESE (Madrid, Spain, 2007). He began working in the electricity sector in 1977. Until 2006 he occupied, among others, the following positions: Executive member of the EDP Board of Directors; Chairman and Member of the Board of Directors of REN – Redes Eléctricas Nacionais (1997 to 1997 and 2000), Chairman of EDP Produção (2001 to 2002 and 2012 -2015), Vice-Chairman of the Board of Directors of EDP Distribuição – Energia (2003-2003); Vice-President of EDP Comercialização de Energia (2002-2003); Chairman of the Board of Oni, SA (1997-2000); Chaiman and Member of the Board of Directors of Edinfor . Sistemas de informação, SA (2001-2003); Counselor of HC Energia (Spain 2006-2008) Vice-Chairman of the Board of CEM - Companhia de Electricidade de Macau (2006-2008) and Director of EDA – Electricidade dos Açores (2003-2006). He was General Secretary of EDP (2005-2006). He was Chairman of ELECPOR, Associação Portuguesa das Empresas do Sector Elétrico (2006-2008). He is a member of the Advisory Council of the Engineering and Management Department of the Instituto Superior Técnico of the University of Lisbon and of the Senior Council of AESE, Escola Superior de Negócios. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

ANTÓNIO FERNANDO MELO MARTINS DA COSTA. He was born on 13th December 1954. He holds a degree in Civil Engineering from Faculdade de Engenharia do Porto (1976) and a MBA from Porto Business School (1989). He also has complementary Executive degrees from INSEAD (Fontainbleau, France – 1995), PADE from AESE (Lisbon, 2000) and the Advanced Management Program from Wharton School (Philadelphia, USA – 2003). He was a Teacher's Assistant at the Instituto Superior de Engenharia do Porto between 1976 and 1989. In 1981 he joined the Hydro Generation department at EDP where he stayed until 1989. Between 1989 and 2003 he was

General Director at the Millennium BCP Bank, and executive board member of several Insurance, Pensions and Assets Management companies of BCP Group. Between 1999 and 2002 he was Executive Director of Eureko BV (The Netherlands), President of Eureko Polska (Poland) and Vice-President of PZU. He was the CEO and Vice-Chairman of the Board of Directors of EDP – Energias do Brasil between 2003 and 2007. During this period, he also held positions as Vice-President of the Portuguese Chamber of Commerce in Brazil and President of the Brazilian Association of Electricity Distribution companies. In 2007, he assumed functions as Chairman and CEO of Horizon Wind Energy in the USA, being also a Member of the Executive Board of EDP Renováveis since its incorporation in 2008 until 2012. Between 2009 and 2012. He was CEO of EDP Internacional, Chairman of EDP Gás since 2012 and Chairman of EDP Soluções Comerciais from 2009 to 2013. He is Chairman of EDP Gás since 2012 and Chairman of EDP Valor since 2013. Maintains responsibilities for EDP Distribuição at EDP's Executive Board level. He is a Founding Member of the Portuguese Institute for Corporate Governance. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

JOÃO MANUEL VERÍSSIMO MARQUES DA CRUZ. He was born on 23rd May 1961. He holds a degree in Management (1984) from Lisbon's ISE at the Technical University of Lisbon - Instituto Superior de Economia da Universidade Técnica de Lisboa, an MBA (1989) from the Technical University of Lisbon - Universidade Técnica de Lisboa and a Post Graduation in Marketing and Management of Airlines (1992) from the Bath University /International Air Travel Association, UK. He began his career at the TAP Group in 1984 (Transportes Aéreos de Portugal) having had several positions until becoming General Director. Between 1997 and 1999 he was a Board Member of TAPGER. Between 2000 and 2002, he was a member of the Board of several companies within CP – Portuguese Railways, namely EMEF. From 2002 and 2005, became CEO of Air Luxor, an airline company, and from 2005 and 2007 he was chairman and CEO of ICEP - Instituto do Comércio Externo de Portugal. From March 2007 to 2012, he was a board member of EDP Internacional S.A. and in 2009 he was nominated Chairman of the Board of Directors of CEM – Macao Electrical Company. He was appointed as a member of the Executive Board of Directors of EDP Renováveis on May 2012, as Chairman of the Câmara Comércio Luso-Chinesa on April 2012 and Chairman of EDP Internacional on September 2014. He was appointed as member of the Executive Board of Directors on 20th February 2012.

MIGUEL STILWELL DE ANDRADE. He was born on 6th August 1976. Graduated with an M.Eng with Distinction in Mechanical Engineering in the University of Strathclyde (Glasgow, Scotland) and an MBA by MIT Sloan (Boston, USA). He initiated his career at UBS Investment Bank in London, UK, where he worked primarily in Mergers and Acquisitions in various projects in European countries, including Portugal, as well as in Japan, Thailand and Brazil. Miguel lived between 1994 and 2003 in Scotland, Italy, England, Portugal and the USA. In 2000, he joined EDP in the area of Strategy and Corporate Development / M & A and was the Director of this area between 2005 and 2009. During this period Miguel coordinated and managed various M&A and capital market transactions for EDP, including the acquisition of several companies that gave rise to EDP Renewables, the acquisition of Hidrocantabrico, the different phases of EDP's privatization, EDP's share capital increase in 2004, EDP Energias do Brazil IPO in 2005 and EDP Renewables IPO in 2008. He was a member of the Board of EDP Distribuição Energia from January 2009 to February 2012. Miguel was also a non-executive Member of the Board of Directors of EDP Inovação, EDP Ventures, EDP Gas Distribution and Chairman of InovGrid ACE. On 2012 he was appointed Chairman of EDP Comercial as well as Counselor-Delegate and Vice-Presidente of Hidroeléctrica del Cantabrico and Naturgas Energia. On 2014 he was appointed as Chairman of EDP Soluções Comerciais. He is currently a Director of FAE – Fórum de Administradores de Empresas. He was appointed as a Member of the Executive Board of EDP on the 20th February of 2012.

ANNEX II

Meetings of the General and Supervisory Board and each member's attendance:

Attendance List
2014

Name	%	27-fev	10-abr	8-May	13-May	31-jul	25-set	30-out	18-dez
Eduardo de Almeida Catroga	100	P	P	P	P	P	P	P	P
Dingming Zhang (as representative of China Three Gorges Corporation)	75	P	R	R	P	P	P	P	P
Guojun Lu (as representative of China International Water & Electric Corp.)	12,5	R	R	R	R	R	R	P	R
Ya Yang (as representative of China Three Gorges New Energy Co. Ltd.)	75	R	P	P	P	P	R	P	P
Shengliang Wu (as representative of CWEI (Europe), S.A.)	75	P	P	R	R	P	P	P	P
Fernando Maria Masaveu Herrero	75	P	P	P	P	P	A	A	P
Felipe Fernández Fernández (as representative of Cajastur Inversiones, S.A.)	100	P	P	P	P	P	P	P	P
Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)	100	P	P	P	P	P	P	P	P
Mohamed Ali Ismaeil Ali Al Fahim (as representative of Senfora SARL)	75	P	P	P	A	P	A	P	P
Harkat Abderezak (as representative of Sonatrach)	0	A	A	A	A	A	A	A	A
Nuno Manuel da Silva Amado	75	P	P	A	A	P	P	P	P
José Maria Espírito Santo Silva Ricciardi (1)	0	A	A	A	-	-	-	-	-
Alberto João Coraceiro de Castro	100	P	P	P	P	P	P	P	P
António Sarmento Gomes Mota	75	P	A	P	P	P	P	A	P
Augusto Carlos Serra Ventura Mateus	100	P	P	P	P	P	P	P	P
Maria Celeste Ferreira Lopes Cardona	100	P	P	P	P	P	P	P	P
Ilídio da Costa Leite de Pinho	62,5	P	P	A	P	A	A	P	P
Jorge Avelino Braga de Macedo	100	P	P	P	P	P	P	P	P
Manuel Fernando de Macedo Alves Monteiro	100	P	P	P	P	P	P	P	P
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	87,5	P	P	P	P	P	P	P	A
Vasco Joaquim Rocha Vieira	87,5	P	P	P	A	P	P	P	P
Vítor Fernando da Conceição Gonçalves	100	P	P	P	P	P	P	P	P
Rui Eduardo Ferreira Rodrigues Pena	87,5	P	P	P	P	P	P	P	A

(1) Resigned on May 9, 2014

P = Attendance
A = Absence
R = Representation

Total of meetings held in 2014: 8
Average attendance: 79%

ANNEX III

Meetings of the Executive Board of Directors and each member's attendance:

Attendance List
2014

Name	%	7-Jan	14-Jan	28-Jan	11-Feb	21-Feb	25-Feb	27-Feb	14-Mar	25-Mar	10-Apr	15-Apr	22-Apr	6-May	7-May	13-May	26-May	6-Jun	17-Jun	24-Jun	1-Jul
António Luís Guerra Nunes Mexia	100	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Nuno Maria Pestana de Almeida Alves	93	P	A	P	P	P	P	P	A	P	P	A	P	P	P	P	P	P	P	P	P
João Manuel Manso Neto	98	P	A	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
António Manuel Barreto Pita de Abreu	98	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	A	P	P
António Fernando Melo Martins da Costa	100	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
João Manuel Veríssimo Marques da Cruz	100	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Miguel Stilwell de Andrade	98	A	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	P

Name	%	11-Jul	25-Jul	29-Jul	31-Jul	26-Aug	2-Sep	9-Sep	23-Sep	30-Sep	7-Oct	21-Oct	24-Oct	28-Oct	30-Oct	4-Nov	14-Nov	1-Dec	9-Dec	16-Dec	18-Dec
António Luís Guerra Nunes Mexia	100	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Nuno Maria Pestana de Almeida Alves	98	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
João Manuel Manso Neto	100	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
António Manuel Barreto Pita de Abreu	93	P	P	A	A	P	P	P	P	P	P	P	P	P	P	P	P	A	P	P	P
António Fernando Melo Martins da Costa	100	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
João Manuel Veríssimo Marques da Cruz	98	A	P	P	P	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P
Miguel Stilwell de Andrade	98	P	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	P

P = Attendance
A = Absence

Total of meetings held in 2011: 40
Average attendance: 98%

ANNEX IV

Positions held by the members of the Executive Board of Directors in other companies belonging or not to the EDP Group:

	António Mexia	António Martins da Costa	António Pita de Abreu	João Manso Neto	Nuno Almeida Alves	Miguel Stilwell Andrade	João Marques da Cruz
Balwerk - Consultadoria Económica e Participações, S.U, Lda.	-	-	-	-	M	-	-
EDP - Estudos e Consultoria, S.A.	-	-	D	-	CBD	-	-
EDP - Energias de Portugal Sociedade Anónima, Sucursal en España	RP	RP	-	RP	RP	RP	-
EDP - Gestão da Produção de Energia, S.A.	-	-	CBD	-	-	-	-
EDP - Soluções Comerciais, S.A.	-	-	-	-	-	CBD	-
EDP Ásia - Investimentos e Consultoria Lda.	-	-	-	-	-	-	CBD
EDP - Ásia Soluções Energéticas Lda.	-	-	-	-	-	-	CBD
EDP Comercial - Comercialização de Energia, S.A.	-	-	-	-	-	CBD	-
EDP Comercializadora de Último Recurso S.A.	-	-	-	-	-	CBD	-
EDP Empresa de Servicios Energéticos S.L.	-	-	-	-	-	CBD	-
EDP Energia Ibérica S.A.	-	-	-	D	-	-	-
EDP Energias do Brasil, S.A.	-	-	-	-	D	-	-
EDP Energía Gas SL	-	-	-	D	-	-	-
EDP Finance BV	R	R	R	R	R	R	R
EDP Gás, SGPS, S.A.	-	CBD	-	_	-	D	-
EDP Gás.Com - Comércio de Gás Natural, S.A.	-	-	-	CBD	-	D	-
EDP Imobiliária e Participações, S.A.	-	-	-	-	CBD	-	-
EDP Internacional, S.A.	-	-	-	-	-	-	CBD
EDP Renewables Europe SL	-	-	-	CBD	-	-	-
EDP Renováveis Brasil, S.A.	-	-	-	CBD	-	-	-
EDP Renováveis, S.A.	CBD	-	-	VP/CD	D	-	A
EDP Renováveis Servicios Financieros S.L.	-	-	-	CBD	-	-	-
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	-	-	-	-	-	CBD	-
EDP Serviner - Serviços de Energia, S.A.	-	-	CBD	-	-	D	-
EDP Soluciones Comerciales, S.A.	-	-	-	-	-	CBD	
EDP Valor - Gestão Integrada de Serviços, S.A.	-	-	-	-	-	-	CBD
Empresa Hidroeléctrica do Guadiana, S.A.	-	-	CBD	-	-	-	-
Energia RE, S.A.	-	-	-	-	CBD	-	-
Hidrocantábrico Energía, S.A.U.	-	-	-	-	-	CBD	-
Hidroeléctrica del Cantábrico, S.A.	-	D	-	D	D	VP/CD	-
Home Energy II S.A.	-	-	-	-	-	CBD	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	-	CBD	-	-	-	-	-
Naturgás Energía Grupo, S.A.	-	D	-	D	-	VP	-
Naturgas Energia Servicios S.A.U.	-	-	-	-	-	CBD	-
Sãvida - Medicina Apoiada, S.A.	-	-	-	-	CBD	-	-
SCS - Serviços Complementares de Saúde, S.A.	-	-	-	-	CBD	-	-
ENEOP - Eólicas de Portugal, S.A.	-	-	-	CBD	-	-	-
Companhia de Electricidade de Macau - CEM, S.A.	-	-	-	-	-	-	CBD
Banco Comercial Português, S.A.	D	-	-	-	-	-	-
Operador del Mercado Ibérico de Energía, Polo Español, S.A. (OMEL)	-	-	-	R	-	-	-
OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.	-	-	-	R	-	-	-

CBD - Chairman of the Board of Directors
CD - Counselor-Delegate
VP/CD – Vice-President and Counselor-Delegate
D - Director
M - Manager
RP – Permanent Representative
R – Representative
VP – Vice-President

ANNEX V

Meetings of the Financial Matters Committee/Audit Committee and each member's attendance:

Attendance List
2014

Name	%	31-Jan	14-Feb	21-Feb	21-Mar	11-Apr	7-May	6-Jun	27-Jul	15 to 16-Sept	3-Oct	23-Oct	21-Nov	15-Dec
Eduardo de Almeida Catroga	92	P	P	P	P	P	P	P	P	P	P	P	P	A
Vítor Fernando da Conceição Gonçalves	100	P	P	P	P	P	P	P	P	P	P	P	P	P
António Sarmento Gomes Mota	62	R	P	P	R	P	R	P	R	P	P	P	P	A
Manuel Fernando de Macedo Alves Monteiro	69	P	R	P	R	P	P	P	P	A	P	P	A	P
Maria Celeste Ferreira Lopes Cardona	92	P	P	P	P	P	P	P	R	P	P	P	P	P

P = Attendance
A = Absence
R = Representation

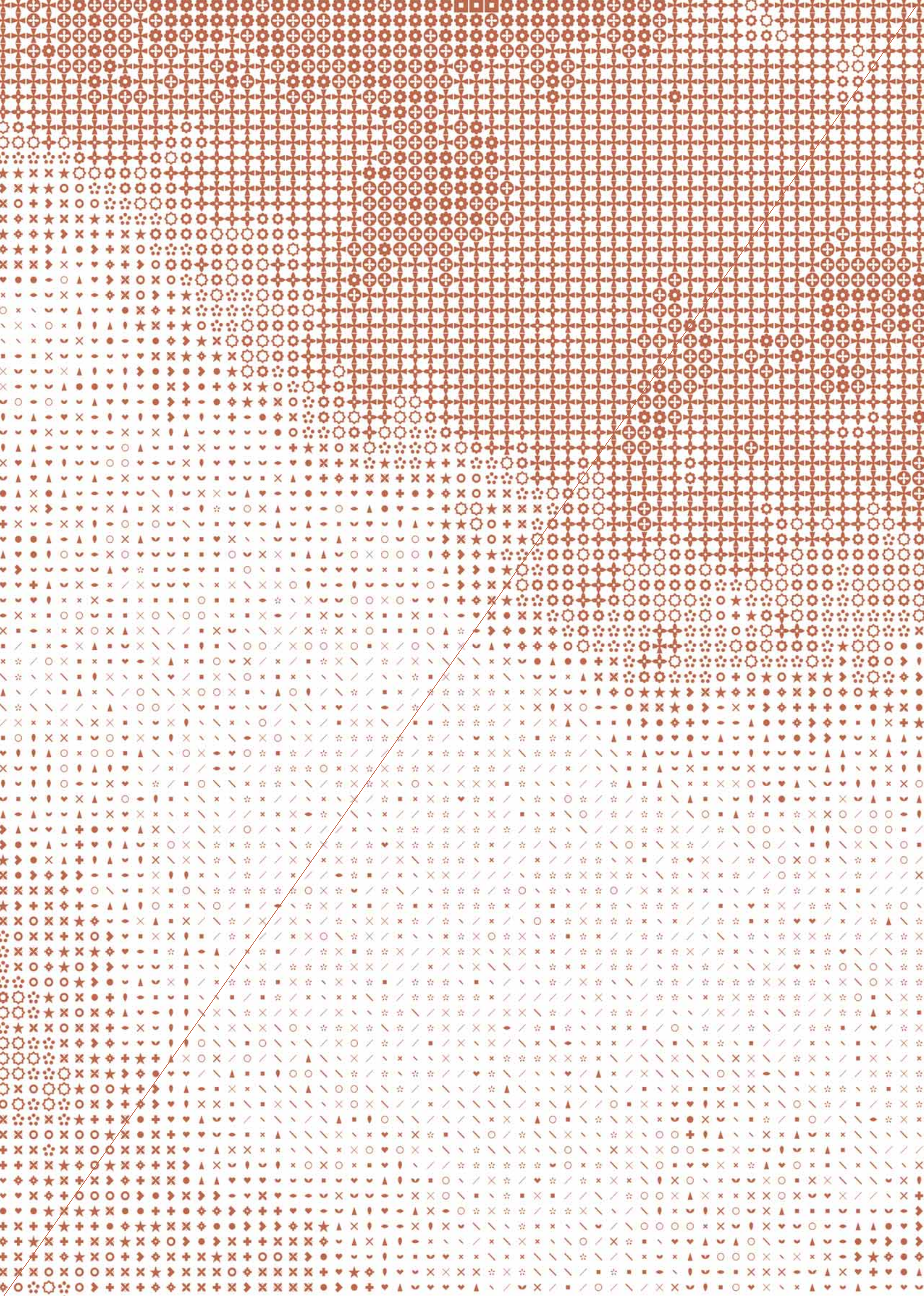
Total of meetings held in 2014: 13
Average attendance: 83%

ANNEX VI

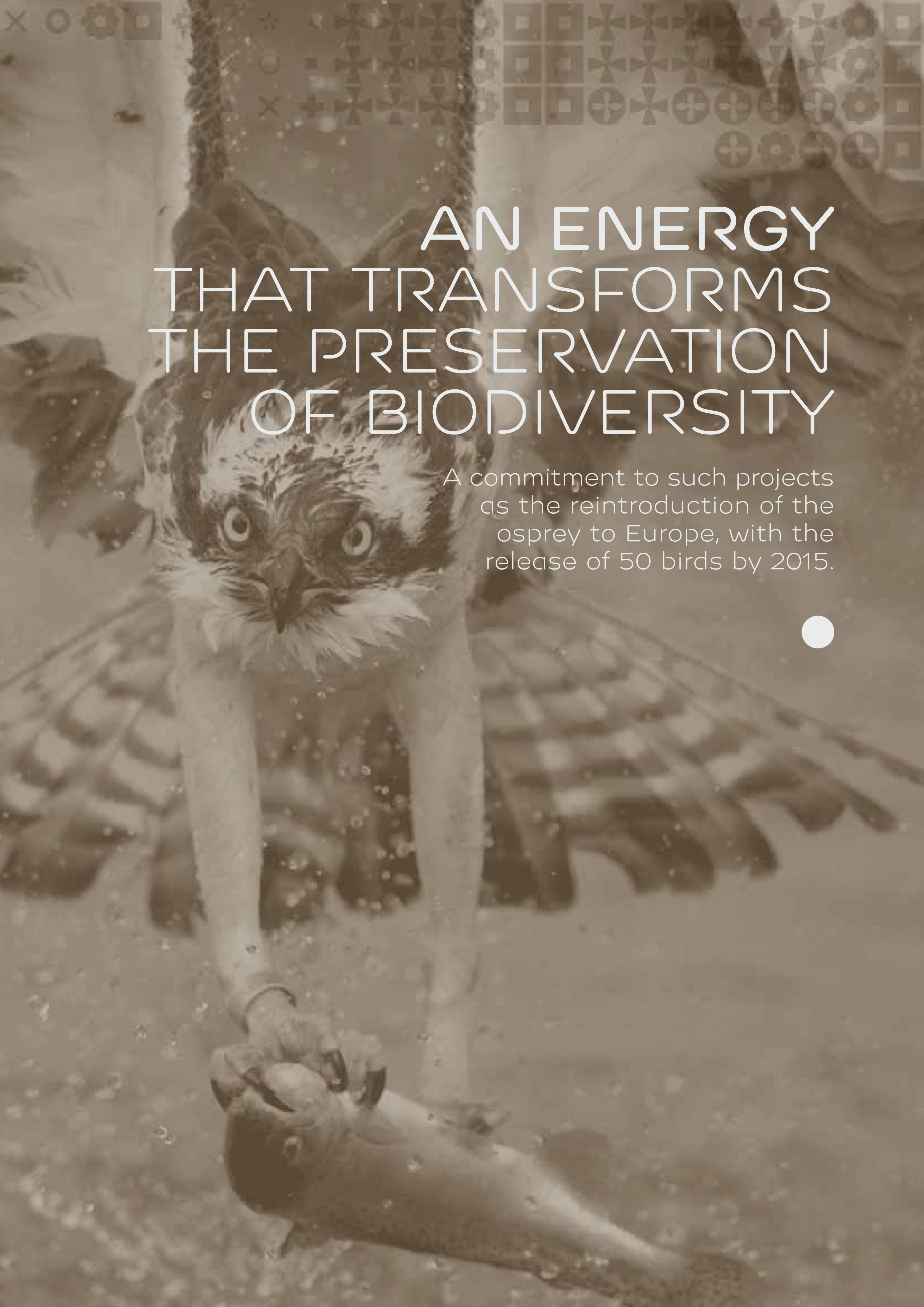
Other operations with financial instruments in which EDP's share was used as an underlying asset were also performed:

Member of Corporate Body	Instrument	Option Type	Purchase / Sell	Date	Maturity Date	Strike Price (€)	Quantity
José Maria Ricciardi	Shares		Sell	06/01/2014		2.70	4,700,000
José Maria Ricciardi	Shares		Sell	07/01/2014		2.70	4,740,000
José Maria Ricciardi	Shares		Purchase	04/11/2013		2.70	24,835
José Maria Ricciardi	Shares		Purchase	05/12/2013		2.77	1,930
José Maria Ricciardi	Shares		Purchase	03/01/2014		2.69	384,271
José Maria Ricciardi	Shares		Purchase	06/01/2014		2.71	376,320
José Maria Ricciardi	Shares		Sell	06/01/2014		2.70	658
José Maria Ricciardi	Shares		Purchase	07/01/2014		2.71	390,422
José Maria Ricciardi	Shares		Sell	07/01/2014		2.71	950
José Maria Ricciardi	Shares		Purchase	06/03/2014		3.25	750,000
José Maria Ricciardi	Equity OTC Options	Call	Purchase	06/03/2014	19/05/2015	3.68	2,797,586
José Maria Ricciardi	Equity Swap			27/09/2013	28/03/2014	2.71	20,490,772
José Maria Ricciardi	Equity Swap			27/09/2013	28/03/2014	2.71	20,490,772
José Maria Ricciardi	Shares		Purchase	30/04/2014		3.49	400,000
José Maria Ricciardi	Shares		Purchase	13/01/2014		2.86	19,763
José Maria Ricciardi	Shares		Sell	13/01/2014		2.85	11,732
José Maria Ricciardi	Shares		Purchase	15/01/2014		2.86	4,105
José Maria Ricciardi	Shares		Sell	15/01/2014		2.85	387,834
José Maria Ricciardi	Shares		Purchase	16/01/2014		2.83	1,818
José Maria Ricciardi	Shares		Purchase	17/01/2014		2.86	2,743
José Maria Ricciardi	Shares		Purchase	20/01/2014		2.86	3,872
José Maria Ricciardi	Shares		Purchase	21/01/2014		2.86	970
José Maria Ricciardi	Shares		Sell	21/01/2014		2.86	181,331
José Maria Ricciardi	Shares		Purchase	22/01/2014		2.84	10,981
José Maria Ricciardi	Shares		Purchase	23/01/2014		2.81	4,449
José Maria Ricciardi	Shares		Purchase	24/01/2014		2.79	4,422
José Maria Ricciardi	Shares		Purchase	27/01/2014		2.79	2,277
José Maria Ricciardi	Shares		Purchase	28/01/2014		2.78	1,543
José Maria Ricciardi	Shares		Purchase	29/01/2014		2.78	1,316
José Maria Ricciardi	Shares		Purchase	30/01/2014		2.81	313
José Maria Ricciardi	Shares		Sell	30/01/2014		2.80	437
José Maria Ricciardi	Shares		Purchase	31/01/2014		2.78	1,868
José Maria Ricciardi	Shares		Purchase	03/02/2014		2.81	5,079
José Maria Ricciardi	Shares		Purchase	04/02/2014		2.78	15,643
José Maria Ricciardi	Shares		Purchase	05/02/2014		2.76	289
José Maria Ricciardi	Shares		Purchase	06/02/2014		2.81	6,443
José Maria Ricciardi	Shares		Purchase	07/02/2014		2.81	1,619
José Maria Ricciardi	Shares		Purchase	10/02/2014		2.81	2,650
José Maria Ricciardi	Shares		Sell	11/02/2014		2.86	695,463
José Maria Ricciardi	Shares		Purchase	20/02/2014		2.96	614,658
José Maria Ricciardi	Shares		Purchase	21/02/2014		2.97	202,873
José Maria Ricciardi	Shares		Purchase	24/02/2014		2.99	3,919
José Maria Ricciardi	Shares		Purchase	25/02/2014		3.06	1,161
José Maria Ricciardi	Shares		Purchase	26/02/2014		3.05	3,443

Member of Corporate Body	Instrument	Option Type	Purchase / Sell	Date	Maturity Date	Strike Price (€)	Quantity
José Maria Ricciardi	Shares		Purchase	27/02/2014		3.09	612
José Maria Ricciardi	Shares		Purchase	28/02/2014		3.11	11,468
José Maria Ricciardi	Shares		Purchase	03/03/2014		3.11	3,512
José Maria Ricciardi	Shares		Purchase	05/03/2014		3.22	3,377
José Maria Ricciardi	Shares		Sell	05/03/2014		3.21	833
José Maria Ricciardi	Shares		Purchase	07/03/2014		3.24	464
José Maria Ricciardi	Shares		Sell	07/03/2014		3.24	194,708
José Maria Ricciardi	Shares		Purchase	10/03/2014		3.26	3,902
José Maria Ricciardi	Shares		Sell	10/03/2014		3.24	73,602
José Maria Ricciardi	Shares		Purchase	11/03/2014		3.28	335
José Maria Ricciardi	Shares		Purchase	12/03/2014		3.28	6,938
José Maria Ricciardi	Shares		Purchase	13/03/2014		3.26	464
José Maria Ricciardi	Shares		Sell	13/03/2014		3.25	236
José Maria Ricciardi	Shares		Purchase	14/03/2014		3.17	1,872
José Maria Ricciardi	Shares		Sell	14/03/2014		3.14	384
José Maria Ricciardi	Shares		Purchase	17/03/2014		3.25	1,444
José Maria Ricciardi	Shares		Sell	18/03/2014		3.27	359
José Maria Ricciardi	Shares		Purchase	19/03/2014		3.29	2,500
José Maria Ricciardi	Shares		Sell	20/03/2014		3.27	201,641
José Maria Ricciardi	Shares		Purchase	21/03/2014		3.32	784
José Maria Ricciardi	Shares		Sell	21/03/2014		3.31	328
José Maria Ricciardi	Shares		Purchase	24/03/2014		3.22	598
José Maria Ricciardi	Shares		Purchase	25/03/2014		3.24	853
José Maria Ricciardi	Shares		Sell	25/03/2014		3.22	252
José Maria Ricciardi	Shares		Purchase	26/03/2014		3.31	964
José Maria Ricciardi	Shares		Purchase	27/03/2014		3.31	1,125
José Maria Ricciardi	Shares		Purchase	28/03/2014		3.35	1,146
José Maria Ricciardi	Shares		Purchase	31/03/2014		3.36	864
José Maria Ricciardi	Shares		Purchase	01/04/2014		3.38	2,288
José Maria Ricciardi	Shares		Sell	02/04/2014		3.34	165,323
José Maria Ricciardi	Shares		Purchase	03/04/2014		3.32	361
José Maria Ricciardi	Shares		Sell	03/04/2014		3.29	234,259
José Maria Ricciardi	Shares		Purchase	04/04/2014		3.21	1,717,067
José Maria Ricciardi	Shares		Purchase	07/04/2014		3.25	6,432
José Maria Ricciardi	Shares		Purchase	08/04/2014		3.19	17,219
José Maria Ricciardi	Shares		Purchase	09/04/2014		3.25	11,334
José Maria Ricciardi	Shares		Purchase	10/04/2014		3.24	19,839
José Maria Ricciardi	Shares		Sell	10/04/2014		3.23	7,996
José Maria Ricciardi	Shares		Purchase	11/04/2014		3.22	7,401
José Maria Ricciardi	Shares		Purchase	14/04/2014		3.24	5,397
José Maria Ricciardi	Shares		Sell	14/04/2014		3.20	485,304
José Maria Ricciardi	Shares		Purchase	15/04/2014		3.30	3,234
José Maria Ricciardi	Shares		Purchase	16/04/2014		3.31	3,079
José Maria Ricciardi	Shares		Sell	16/04/2014		3.29	727
José Maria Ricciardi	Shares		Purchase	17/04/2014		3.34	3,512
José Maria Ricciardi	Shares		Purchase	22/04/2014		3.38	3,470
José Maria Ricciardi	Shares		Sell	22/04/2014		3.37	242,848
José Maria Ricciardi	Shares		Purchase	23/04/2014		3.40	3,045
José Maria Ricciardi	Shares		Sell	23/04/2014		3.39	210,873
José Maria Ricciardi	Shares		Purchase	24/04/2014		3.42	586
José Maria Ricciardi	Shares		Sell	24/04/2014		3.41	244,851
José Maria Ricciardi	Shares		Sell	25/04/2014		3.41	609,016



05. FINANCIAL STATEMENTS AND NOTES



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.

FINANCIAL STATEMENTS
31 December 2014

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EDP - Energias de Portugal

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

Thousands of Euros	Notes	2014	2013*
Revenues from energy sales and services and other	6	16,293,883	16,280,161
Cost of energy sales and other	6	-10,926,754	-10,829,364
		5,367,129	5,450,797
Other income	7	402,278	359,385
Supplies and services	8	-896,959	-909,770
Personnel costs and employee benefits	9	-555,438	-631,775
Other expenses	10	-674,617	-670,628
		-1,724,736	-1,852,788
		3,642,393	3,598,009
Provisions	11	-52,095	-54,538
Amortisation and impairment	12	-1,397,238	-1,425,046
		2,193,060	2,118,425
Financial income	13	960,845	890,159
Financial expenses	13	-1,532,742	-1,588,485
Share of net profit in joint ventures and associates	20	15,094	-14,166
Profit before income tax and CESE		1,636,257	1,405,933
Income tax expense	14	-310,952	-212,289
Extraordinary contribution to the energy sector (CESE)	15	-61,495	-
		-372,447	-212,289
Net profit for the year		**1,263,810**	**1,193,644**
Attributable to:			
Equity holders of EDP		**1,040,448**	**1,005,091**
Non-controlling Interests	33	**223,362**	**188,553**
Net profit for the year		**1,263,810**	**1,193,644**
Earnings per share (Basic and Diluted) - Euros	30	0.29	0.28

* Restated for IFRS 10 and 11 purposes

LISBON, 3 MARCH 2015

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 31 December 2014 and 2013

Thousands of Euros	2014 Equity holders of EDP	2014 Non-controlling Interests	2013* Equity holders of EDP	2013* Non-controlling Interests
Net profit for the year	1,040,448	223,362	1,005,091	188,553
Items that will never be reclassified to profit or loss (i)				
Actuarial gains / (losses)	-153,912	11,638	-153,390	16,297
Tax effect from the actuarial gains / (losses)	21,942	-3,957	42,260	-5,541
	-131,970	7,681	-111,130	10,756
Items that are or may be reclassified to profit or loss (i)				
Exchange differences arising on consolidation	5,887	54,445	-164,879	-254,237
Fair value reserve (cash flow hedge)	9,725	-8,593	39,749	7,573
Tax effect from the fair value reserve (cash flow hedge)	-4,646	1,230	-11,759	-2,068
Fair value reserve (available for sale financial assets)	-33,642	-1,250	35,269	-1,115
Tax effect from the fair value reserve (available for sale financial assets)	8,583	237	-6,276	25
Share of other comprehensive income of joint ventures and associates, net of taxes	-13,359	-1,077	18,186	13,604
	-27,452	44,992	-89,710	-236,218
Other comprehensive income for the year (net of income tax)	-159,422	52,673	-200,840	-225,462
Total comprehensive income for the year	881,026	276,035	804,251	-36,909

(i) See Consolidated Statement of Changes in Equity

* Restated for IFRS 10 and 11 purposes

LISBON, 3 MARCH 2015

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Financial Position
as at 31 December 2014 and 2013 and 1 January 2013

Thousands of Euros	Notes	2014	2013*	1 Jan 2013*
Assets				
Property, plant and equipment	16	20,523,100	19,454,099	19,898,839
Intangible assets	17	5,813,026	6,017,802	6,530,075
Goodwill	18	3,321,286	3,253,144	3,275,727
Investments in joint ventures and associates	20	872,974	645,421	696,938
Available for sale investments	21	224,457	212,483	181,294
Investment property	22	37,399	29,180	1,540
Deferred tax assets	23	218,747	320,590	276,463
Trade receivables	25	174,591	98,994	97,099
Debtors and other assets from commercial activities	26	3,052,139	3,188,179	2,736,895
Other debtors and other assets	27	780,877	522,852	569,995
Collateral deposits associated to financial debt	35	388,808	420,081	411,217
Total Non-Current Assets		35,407,404	34,162,825	34,676,082
Inventories	24	266,456	264,788	355,993
Trade receivables	25	1,945,103	2,181,903	2,214,510
Debtors and other assets from commercial activities	26	1,734,129	1,820,900	2,037,730
Other debtors and other assets	27	318,848	306,579	311,943
Current tax assets	28	371,653	433,052	427,500
Financial assets at fair value through profit or loss		10,665	4,217	390
Collateral deposits associated to financial debt	35	40,362	18,729	13,451
Cash and cash equivalents	29	2,613,995	2,156,707	1,673,582
Assets held for sale	42	164,402	715,837	241,851
Total Current Assets		7,465,613	7,902,712	7,276,950
Total Assets		42,873,017	42,065,537	41,953,032
Equity				
Share capital	30	3,656,538	3,656,538	3,656,538
Treasury stock	31	-69,931	-85,573	-103,706
Share premium	30	503,923	503,923	503,923
Reserves and retained earnings	32	3,550,487	3,365,777	4,135,599
Consolidated net profit attributable to equity holders of EDP		1,040,448	1,005,091	-
Total Equity attributable to equity holders of EDP		8,681,465	8,445,756	8,192,354
Non-controlling Interests	33	3,287,679	3,082,146	3,238,559
Total Equity		11,969,144	11,527,902	11,430,913
Liabilities				
Financial debt	35	16,400,827	15,600,723	16,262,081
Employee benefits	36	1,682,988	1,751,066	1,750,838
Provisions	37	463,975	354,233	333,382
Hydrological correction account	34	-	-	33,644
Deferred tax liabilities	23	804,744	759,092	832,642
Institutional partnerships in USA wind farms	38	1,801,963	1,508,495	1,679,753
Trade and other payables from commercial activities	39	1,269,476	1,251,192	1,261,366
Other liabilities and other payables	40	517,486	326,570	341,439
Total Non-Current Liabilities		22,941,459	21,551,371	22,495,145
Financial debt	35	3,897,356	4,158,086	3,765,206
Employee benefits	36	197,285	183,469	182,587
Provisions	37	21,564	27,437	42,798
Hydrological correction account	34	1,010	35,641	22,832
Trade and other payables from commercial activities	39	3,182,255	3,219,936	3,172,735
Other liabilities and other payables	40	235,795	209,651	342,991
Current tax liabilities	41	415,821	574,080	458,439
Liabilities held for sale	42	11,328	577,964	39,386
Total Current Liabilities		7,962,414	8,986,264	8,026,974
Total Liabilities		30,903,873	30,537,635	30,522,119
Total Equity and Liabilities		42,873,017	42,065,537	41,953,032

* Restated for IFRS 10 and 11 purposes

LISBON, 3 MARCH 2015

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal

Consolidated Income Statement
for the three-month period from 1 October to 31 December 2014 and 2013

Thousands of Euros	2014	2013*
Revenues from energy sales and services and other	4,470,651	4,365,208
Cost of energy sales and other	-2,982,258	-3,078,126
	1,488,393	1,287,082
Other income	85,303	94,016
Supplies and services	-253,782	-253,431
Personnel costs and employee benefits	-207,792	-144,591
Other expenses	-185,164	-185,135
	-561,435	-489,141
	926,958	797,941
Provisions	-30,710	-14,492
Amortisation and impairment	-382,867	-371,260
	513,381	412,189
Financial income	296,473	216,782
Financial expenses	-414,923	-428,821
Share of net profit in joint ventures and associates	-9,661	2,001
Profit before income tax and CESE	385,270	202,151
Income tax expense	-35,446	50,413
Extraordinary contribution to the energy sector (CESE)	-15,552	-
	-50,998	50,413
Net profit for the period	334,272	252,564
Attributable to:		
Equity holders of EDP	**254,372**	**212,746**
Non-controlling Interests	**79,900**	**39,818**
Net profit for the period	**334,272**	**252,564**
Earnings per share (Basic and Diluted) - Euros	0.07	0.06

* Restated for IFRS 10 and 11 purposes

LISBON, 3 MARCH 2015

THE OFFICIAL ACCOUNTANT
N.º 17.713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTO

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

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at
for the three-month period from 1 October to 31 December 2014 and 2013

	2014		2013*	
Thousands of Euros	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	254,372	79,900	212,746	39,818
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	-42,213	18,225	-166,559	22,984
Tax effect from the actuarial gains / (losses)	-7,652	-6,197	44,189	-7,815
	-49,865	12,028	-122,370	15,169
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-40,739	-46,437	-57,221	-82,336
Fair value reserve (cash flow hedge)	12,992	-566	5,598	1,205
Tax effect from the fair value reserve (cash flow hedge)	-4,716	-780	-1,958	-273
Fair value reserve (available for sale financial assets)	-46,767	-583	25,130	-1,268
Tax effect from the fair value reserve (available for sale financial assets)	12,013	10	-5,390	77
Share of other comprehensive income of joint ventures and associates, net of taxes	-4,995	3,552	4,782	4,031
	-72,212	-44,804	-29,059	-78,564
Other comprehensive income for the period (net of income tax)	-122,077	-32,776	-151,429	-63,395
Total comprehensive income for the period	132,295	47,124	61,317	-23,577

* Restated for IFRS 10 and 11 purposes

LISBON, 3 MARCH 2015

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

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

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 1 January 2013*	**11,430,913**	**3,656,538**	**503,923**	**578,435**	**3,575,072**	**-86,118**	**43,942**	**24,268**	**-103,706**	**8,192,354**	**3,238,559**
Comprehensive income:											
Net profit for the year	1,193,644	-	-	-	1,005,091	-	-	-	-	1,005,091	188,553
Changes in the fair value reserve (cash flow hedge) net of taxes	33,495	-	-	-	-	27,990	-	-	-	27,990	5,505
Changes in the fair value reserve (available for sale financial assets) net of taxes	27,903	-	-	-	-	-	28,993	-	-	28,993	-1,090
Share of other comprehensive income of joint ventures and associates net of taxes	31,790	-	-	-	-	5,689	-	12,497	-	18,186	13,604
Actuarial gains/(losses) net of taxes	-100,374	-	-	-	-111,130	-	-	-	-	-111,130	10,756
Exchange differences arising on consolidation	-419,116	-	-	-	-	-	-	-164,879	-	-164,879	-254,237
Total comprehensive income for the year	767,342	-	-	-	893,961	33,679	28,993	-152,382	-	804,251	-36,909
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-	-	-	-
Dividends paid	-670,932	-	-	-	-670,932	-	-	-	-	-670,932	-
Dividends attributable to non-controlling interests	-166,960	-	-	-	-	-	-	-	-	-	-166,960
Purchase and sale of treasury stock	8,976	-	-	-	-7,669	-	-	-	16,645	8,976	-
Share-based payments	1,886	-	-	-	398	-	-	-	1,488	1,886	-
Sale without loss of control of EDPR Portugal	223,797	-	-	-	112,566	-	-	-	-	112,566	111,231
Sale without loss of control of Wheatfield	34,977	-	-	-	-805	-	-	-177	-	-982	35,959
Changes resulting from acquisitions/sales and equity increases	-101,973	-	-	-	-1,751	-577	-	-	-	-2,328	-99,645
Other reserves arising on consolidation	-124	-	-	-	-35	-	-	-	-	-35	-89
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 year	1,263,810	-	-	-	1,040,448	-	-	-	-	1,040,448	223,362
Changes in the fair value reserve (cash flow hedge) net of taxes	-2,284	-	-	-	-	5,079	-	-	-	5,079	-7,363
Changes in the fair value reserve (available for sale financial assets) net of taxes	-26,072	-	-	-	-	-	-25,059	-	-	-25,059	-1,013
Share of other comprehensive income of joint ventures and associates net of taxes	-14,436	-	-	-	-	-2,301	-	-11,058	-	-13,359	-1,077
Actuarial gains/(losses) net of taxes	-124,289	-	-	-	-131,970	-	-	-	-	-131,970	7,681
Exchange differences arising on consolidation	60,332	-	-	-	-	-	-	5,887	-	5,887	54,445
Total comprehensive income for the year	1,157,061	-	-	-	908,478	2,778	-25,059	-5,171	-	881,026	276,035
Transfer to legal reserve	-	-	-	39,544	-39,544	-	-	-	-	-	-
Dividends paid	-671,879	-	-	-	-671,879	-	-	-	-	-671,879	-
Dividends attributable to non-controlling interests	-161,705	-	-	-	-	-	-	-	-	-	-161,705
Purchase and sale of treasury stock	12,142	-	-	-	-2,184	-	-	-	14,326	12,142	-
Share-based payments	1,460	-	-	-	144	-	-	-	1,316	1,460	-
Sale without loss of control of EDPR France subsidiaries	27,645	-	-	-	2,481	1,627	-	-	-	4,108	23,537
Sale without loss of control of EDPR France	68,971	-	-	-	6,781	830	-	-	-	7,611	61,360
Sale without loss of control of South Dundas (EDPR NA)	15,494	-	-	-	1,748	-	-	162	-	1,910	13,584
Changes resulting from acquisitions/sales and equity increases	-8,144	-	-	-	-911	-	-	-	-	-911	-7,233
Other reserves arising on consolidation	197	-	-	-	242	-	-	-	-	242	-45
Balance as at 31 December 2014	**11,969,144**	**3,656,538**	**503,923**	**659,613**	**4,064,527**	**-47,781**	**47,876**	**-133,300**	**-69,931**	**8,681,465**	**3,287,679**

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

* Restated for IFRS 10 and 11 purposes

LISBON, 3 MARCH 2015

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

**Consolidated and Company Statement of Cash Flows
as at 31 December 2014 and 2013**

Thousands of Euros	Group Dec 2014	Group Dec 2013*	Company Dec 2014	Company Dec 2013
Operating activities				
Cash receipts from customers	14,802,734	14,263,838	2,403,909	2,252,436
Proceeds from tariff adjustments sales	1,557,113	1,559,978	-	-
Payments to suppliers	-11,417,036	-10,762,558	-2,387,043	-2,103,395
Payments to personnel	-813,108	-786,234	-14,884	-12,500
Concession rents paid	-268,249	-267,316	-	-
Other receipts / (payments) relating to operating activities	-385,753	-289,560	-46,476	85,359
Net cash flows from operations	3,475,701	3,718,148	-44,494	221,900
Income tax received / (paid)	-226,915	-257,919	28,883	-24,212
Net cash flows from operating activities	3,248,786	3,460,229	-15,611	197,688
Investing activities				
Cash receipts relating to:				
Sale of assets / subsidiaries with loss of control (i)	228,114	256,173	431,398	-
Other financial assets and investments (i)	1,199	2,178	-	155,983
Property, plant and equipment and intangible assets	13,685	26,314	2,012	663
Other receipts relating to tangible fixed assets	35,246	-	-	-
Interest and similar income	107,868	84,438	504,657	498,671
Dividends	38,441	36,865	465,704	748,954
	424,553	405,968	1,403,771	1,404,271
Cash payments relating to:				
Acquisition of assets / subsidiaries (i)	-21,774	-290,042	-21,940	-184,373
Other financial assets and investments (i)	-115,323	-9,987	-250	-155,714
Changes in cash resulting from consolidation perimeter variations	35	-175,287	-	-
Property, plant and equipment and intangible assets	-1,736,269	-2,224,913	-41,398	-33,914
	-1,873,331	-2,700,229	-63,588	-374,001
Net cash flows from investing activities	-1,448,778	-2,294,261	1,340,183	1,030,270
Financing activities				
Receipts / (payments) relating to loans	-46,219	713,119	-37,888	-362,599
Interest and similar costs including hedge derivatives	-855,562	-767,762	-464,370	-333,737
Governmental grants received	-	90,539	-	-
Share capital increases / (decreases) by non-controlling interests	-6,116	-96,691	-	-
Receipts / (payments) relating to derivative financial instruments	56,561	-27,365	-2,706	6,844
Dividends paid to equity holders of EDP (ii)	-671,879	-670,932	-672,158	-671,212
Dividends paid to non-controlling interests	-123,836	-158,873	-	-
Treasury stock sold / (purchased) (ii)	12,142	8,976	13,602	10,862
Sale of assets / subsidiaries without loss of control (i)	109,107	292,143	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	147,860	-35,579	-	-
Net cash flows from financing activities	-1,377,942	-652,425	-1,163,520	-1,349,842
Changes in cash and cash equivalents	422,066	513,543	161,052	-121,884
Effect of exchange rate fluctuations on cash held	35,222	-30,418	274	54
Cash and cash equivalents at the beginning of the year	2,156,707	1,673,582	1,183,405	1,305,235
Cash and cash equivalents at the end of the year **	2,613,995	2,156,707	1,344,731	1,183,405

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

* Restated for IFRS 10 and 11 purposes
** See details of "Cash and cash equivalents" in note 29 of the Financial Statements.

LISBON, 3 MARCH 2015

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

Thousands of Euros	Notes	2014	2013
Revenues from energy sales and services and other	6	2,518,101	2,477,432
Cost of energy sales and other	6	-2,316,860	-2,272,873
		201,241	204,559
Other income		14,821	11,832
Supplies and services	8	-185,731	-174,944
Personnel costs and employee benefits	9	-19,183	-15,425
Other expenses	10	-14,851	-13,109
		-204,944	-191,646
		-3,703	12,913
Provisions	11	-982	-1,184
Amortisation expense and impairment	12	-12,828	-21,031
		-17,513	-9,302
Financial income	13	2,026,466	1,799,384
Financial expenses	13	-1,230,078	-974,013
Profit before income tax		778,875	816,069
Income tax expense	14	6,905	-25,194
Net profit for the year		**785,780**	**790,875**

LISBON, 3 MARCH 2015

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

EDP - Energias de Portugal, S.A.

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

Thousands of Euros	2014	2013
Net profit for the year	785,780	790,875
Items that will never be reclassified to profit or loss (i)		
Actuarial gains / (losses)	-1,215	-
Tax effect from the actuarial gains / (losses)	304	-
	-911	-
Items that are or may be reclassified to profit or loss (i)		
Fair value reserve (cash flow hedge)	-16,032	14,944
Tax effect from the fair value reserve (cash flow hedge)	4,762	-4,681
Fair value reserve (available for sale financial assets)	3,135	3,410
Tax effect from the fair value reserve (available for sale financial assets)	-294	2,675
	-8,429	16,348
Other comprehensive income for the year (net of income tax)	-9,340	16,348
Total comprehensive income for the year	776,440	807,223

(i) See Company Statement of Changes in Equity

LISBON, 3 MARCH 2015

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EDP - Energias de Portugal, S.A.

Company Statement of Financial Position
as at 31 December 2014 and 2013

Thousands of Euros	Notes	2014	2013
Assets			
Property, plant and equipment	16	137,492	198,603
Intangible assets		2	4
Investments in subsidiaries	19	10,036,969	10,086,403
Investments in joint ventures and associates	20	6,595	6,595
Available for sale investments	21	46,926	43,544
Investment property	22	104,393	27,419
Deferred tax assets	23	27,434	25,097
Debtors and other assets from commercial activities		1,097	3,142
Other debtors and other assets	27	6,650,873	6,445,501
Collateral deposits associated to financial debt	35	311,990	334,497
Total Non-Current Assets		17,323,771	17,170,805
Inventories		11	510
Trade receivables	25	178,647	183,478
Debtors and other assets from commercial activities	26	300,623	330,275
Other debtors and other assets	27	1,925,647	1,974,827
Current tax assets	28	141,421	132,053
Collateral deposits associated to financial debt	35	22,507	12,675
Cash and cash equivalents	29	1,344,731	1,183,405
Assets classified as held for sale	42	2	-
Total Current Assets		3,913,589	3,817,223
Total Assets		21,237,360	20,988,028
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-63,836	-79,478
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,268,563	2,161,226
Net profit for the period		785,780	790,875
Total Equity		7,150,968	7,033,084
Liabilities			
Financial debt	35	7,188,672	7,290,125
Employee benefits		1,346	1,392
Provisions	37	22,540	19,942
Trade and other payables from commercial activities		1,744	2,129
Other liabilities and other payables	40	1,685,230	2,450,942
Total Non-Current Liabilities		8,899,532	9,764,530
Financial debt	35	3,628,645	3,210,777
Provisions	37	271	2,208
Hydrological correction account	34	1,010	35,641
Trade and other payables from commercial activities	39	638,820	672,871
Other liabilities and other payables	40	912,911	248,938
Current tax liabilities	41	5,203	19,979
Total Current Liabilities		5,186,860	4,190,414
Total Liabilities		14,086,392	13,954,944
Total Equity and Liabilities		21,237,360	20,988,028

LISBON, 3 MARCH 2015

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

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three-month period from 1 October to 31 December 2014 and 2013

Thousands of Euros	2014	2013
Revenues from energy sales and services and other	732,012	737,136
Cost of energy sales and other	-690,425	-682,986
	41,587	54,150
Other income	5,495	2,907
Supplies and services	-50,474	-46,384
Personnel costs and employee benefits	-7,036	-4,405
Other expenses	-485	-3,245
	-52,500	-51,127
	-10,913	3,023
Provisions	-394	1,557
Amortisation and impairment	-2,051	-9,375
	-13,358	-4,795
Financial income	599,391	413,125
Financial expenses	-385,789	-254,192
Profit before income tax	200,244	154,138
Income tax expense	-6,087	36,669
Net profit for the period	194,157	190,807

LISBON, 3 MARCH 2015

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income as at for the three-month period from 1 October to 31 December 2014 and 2013

Thousands of Euros	2014	2013
Net profit for the period	194,157	190,807
Items that will never be reclassified to profit or loss		
Actuarial gains / (losses)	-1,215	-
Tax effect from the actuarial gains / (losses)	304	-
	-911	-
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	-18,334	2,000
Tax effect from the fair value reserve (cash flow hedge)	5,456	-921
Fair value reserve (available for sale financial assets)	-4,944	598
Tax effect from the fair value reserve (available for sale financial assets)	2,249	2,630
	-15,573	4,307
Other comprehensive income for the period (net of income tax)	-16,484	4,307
Total comprehensive income for the period	177,673	195,114

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

EDP - Energias de Portugal, S.A.

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

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 2012	**6,886,211**	**3,656,538**	**503,923**	**578,435**	**2,245,862**	**-11,131**	**10,195**	**-97,611**
Comprehensive income:								
Net profit for the year	790,875	-	-	-	790,875	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	10,263	-	-	-	-	10,263	-	-
Changes in the fair value reserve (available for sale financial assets) net of taxes	6,085	-	-	-	-	-	6,085	-
Total comprehensive income for the year	807,223	-	-	-	790,875	10,263	6,085	-
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-
Dividends paid	-671,212	-	-	-	-671,212	-	-	-
Purchase and sale of treasury stock	8,976	-	-	-	-7,669	-	-	16,645
Share-based payments	1,886	-	-	-	398	-	-	1,488
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 year	785,780	-	-	-	785,780	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-11,270	-	-	-	-	-11,270	-	-
Changes in the fair value reserve (available for sale financial assets) net of taxes	2,841	-	-	-	-	-	2,841	-
Actuarial gains / (losses) net of taxes	-911	-	-	-	-911	-	-	-
Total comprehensive income for the year	776,440	-	-	-	784,869	-11,270	2,841	-
Transfer to legal reserve	-	-	-	39,544	-39,544	-	-	-
Dividends paid	-672,158	-	-	-	-672,158	-	-	-
Purchase and sale of treasury stock	12,142	-	-	-	-2,184	-	-	14,326
Share-based payments	1,460	-	-	-	144	-	-	1,316
Balance as at 31 December 2014	**7,150,968**	**3,656,538**	**503,923**	**659,613**	**2,387,747**	**-12,138**	**19,121**	**-63,836**

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

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EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the years ended 31 December 2014 and 2013

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.

Activity in the energy sector in Portugal

Electricity - Portugal

The National Electricity System (SEN) basis of organization and operation, as well as the general basis applicable to the production, transportation, distribution, supply activities of electricity, change of supplier logistics operation, and organisation of organised electricity markets, are established by the Decree-Law (DL) 29/2006 of 15 February, this DL was developed by the DL 172/2006 of 23 August. The DL 29/2006 was updated by DL 104/2010 of 29 September, by DL 78/2011 of 20 June, by the DL 75/2012 of 26 March and by the DL 215-A/2012 and B/2012 of 8 October, incorporating essentially the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July, establishing common rules for the electricity internal market.

The National Electricity System includes the activities of generation and supply of electricity under free market competition conditions (through licensing in generation and through prior registration in supply), and the activities of transmission and distribution provided through exclusive public service concessions.

The transmission, distribution and supply of electricity (including last resort activities and market facilitator), as well as the logistics of changes of supplier and organized markets management are subject to regulation by Entidade Reguladora dos Serviços Energéticos - ERSE (Energy Sector Regulator), which is responsible for the preparation, issuance and enforcement of regulations and for establishing the tariffs and prices related to network usage - access tariffs - and electricity supply for clients in the regulated market - electricity tariffs charged by the Supplier of Last Resort.

For transmission, distribution and supply of last resort activities, the law establishes a remuneration right fixed by ERSE, under the tariff regulations, to ensure economic and financial balance under an efficient management.

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN - Redes Energéticas Nacionais, SGPS, S.A., for a period of 50 years.

The Law 83-C/2013, Law of the State Budget 2014 ("Lei do Orçamento de Estado 2014"), approved by the Portuguese Government on 31 December 2013, introduced an extraordinary contribution applicable to the energy sector (CESE), with the objective of financing mechanisms that promote the energy sector systemic sustainability, through the establishment of a fund which aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector. This contribution focuses generally on the economic operators that develop the following activities: (i) generation, transport or distribution of electricity; (ii) transport, distribution, storage or wholesale supply of natural gas; (iii) refining, treatment, storage, transport, distribution and wholesale supply of crude oil and oil products.

CESE is calculated based on the companies' net assets as at 1 January 2014, which comply, cumulatively, to: (i) tangible assets; (ii) intangible assets, except industrial property elements; (iii) financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets if it is higher than the value of those assets.

The applicable rate is 0.85% for power plants with an equivalent annual utilization of installed capacity greater than or equal to 3,000 hours, 0.565% for power plants with an equivalent annual utilization of installed capacity greater than or equal to 1,500 and less than 3,000 hours and 0.285% for power plants with an equivalent annual utilisation of installed capacity less than 1,500 hours.

The exemptions include assets of wind generation, mini-hydric power plants, and power plants with licenses granted following a public tender and land comprising the public domain.

Generation

The generation of electricity covers generation under ordinary and special regimes. Under the ordinary regime, where EDP Group is represented by EDP Gestão da Produção, S.A., electricity is generated and sold under free market conditions, in organised markets or through bilateral agreements, being subject only to licensing.

The special regime (PRE) allows producers to deliver electricity to the network, through bilateral agreements with the Supplier of Last Resort (CUR), being subject to specific legislation, namely to promote the use of endogenous renewable resources, cogeneration or micro generation. The EDP Group is present in this segment through its subsidiaries EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., among others.

EDP - Energias de Portugal, S.A.
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Following the publication of Decree-Law 240/2004 of 27 December, which established the creation of a compensation mechanism to maintain the contractual balance (CMEC), in January 2005 the EDP Group signed the early termination of contracts for the Power Purchase Agreements (PPAs) related to the binding electricity production plants of the EDP Group, effective as of 1 July 2007, date of the launch of the Iberian Electricity Market (MIBEL).

On 16 February 2007 the Portuguese Government confirmed its decision to early terminate the PPAs and implement the CMEC mechanism and defined the rules to calculate the compensations due to the power generators for such early termination, which essentially consisted in an adjustment of the reference market price of electricity used to calculate the CMEC initial compensation amount. On 15 June 2007, EDP and REN agreed on the early termination of the PPAs, effective as of 1 July 2007. The CMEC regulation sets the compensation due at 833,467 thousands of Euros, which in accordance with the legislation can be subject to securitisation.

In June 2007, Decree-Law 226-A/2007 of 31 May, which approves the new legal regime for using hydric resources under the terms of the new Water Law (Lei da Água), came into force. This Decree-Law extends the period on which the companies, holders of hydroelectric plants relating to the various dams, can operate the public hydric resources. The extension of the operating period, and the consequent extension of the useful life of the related hydraulic fixed assets, implied a payment by the holders of the hydroelectric plants for economic and financial compensation. On that basis, the Government (INAG), REN and EDP Gestão da Produção de Energia signed on 8 March 2008, several service concession arrangements for which EDP Gestão da Produção de Energia paid approximately 759 millions of Euros (corresponding to the contractual compensation following the Dispatch 16982/07) for the extension of the period to operate the public hydric domain for an additional average period of 26 years.

On 20 August 2012, the Administrative Order 251/2012 was published. This regulation replaces the previous mechanisms and establishes a new incentive scheme to energy generators. Capacity payments should contribute decisively and rationally to maintain the production capacity of electricity (availability incentive) and to perform future investment in new production capacity (investment incentive), and therefore, to ensure security supply levels that are not guaranteed by the operation of the normal market mechanisms. The availability incentive is applicable to thermoelectric power plants until the end of the operating license, beginning in the calendar year following the date of termination of the PAF ("Programa de Apoio Financeiro"). This incentive corresponds to an annual compensation of 6,000 Euro/MW/year. Investment incentive is applicable to new hydroelectric power plants and power enhancement projects, during the first 10 years after the formal recognition of their eligibility to receive the incentive.

On 27 February, the Administrative Order 85-A/2013 was published, approving the nominal tariff applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the Contractual Stability Compensation (CMEC), setting the rate at 4.72%. This rate is applicable between 1 January 2013 and 31 December 2027 and reflects a costs reduction for the system of approximately 13 millions of Euros per year, which corresponds to a present value of 120 millions of Euros. This adjustment results from the application of the calculating mechanism of the interest rate related with the fixed portion set out in Decree-Law 240/2004, of 27 December, amended by Decree-Law 32/2013, of 26 February (point iv) of paragraph b) n.4 of article 5.º).

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013, that modifies the remuneration applicable to the production of electricity by mini hydro plants (PCH). Establishes that the PCH that were framed by a remuneration scheme prior to Decree-Law 33-A/2005, of 16 February, benefit from that remuneration scheme for a period of 25 years from the grant date of the exploration license or until the expiration date of their water use license, whichever occurs first. After this 25-year period and as longer as the above mentioned license remains valid, electricity produced by these plants will be sold at market prices.

Following the publication of Law 74/2013 of 4 June, which established a regulatory scheme in order to ensure the balance of competition in the wholesale electricity market, determining that the costs of general economic interest (CIEG) of the UGS tariff should also be supported by the producers under the ordinary regime and other producers not included in the guaranteed return system, the Dispatch 12955-A/2013, of 10 October fixed the payment per MWh injected into the network, for each one of the power plants covered, in 3€ for on-peak hours and 2€ for off-peak, during the period from 11 October to 31 December 2013. Directive 26/2013 of 27 December, established the terms and conditions of the business relationship between those electricity producers covered by Decree-Law 74/2013 and the operator of the transmission network.

On 6 February 2014, the Order 1873/2014 was published, which is maintains the charge, as an advanced payment on the amounts mentioned in the n.1 of the Order 12955 -A/2013, of 10 October fixing the payment per MWh injected into the network, for each one of the power plants covered, in 3€ for on-peak hours and 2€ for off-peak, until another mechanism to allow a fixed price paid in advance regarding the MWs injected into the network is set in the future.

On 1 April 2014, the Order 4694/2014 was published, entered into force on the next business day after its publication, which lays down the general guidelines of the revisibility calculation provided by the Decree-Law 240/2004, of 27 December, concerning the participation of CMEC plants in the secondary regulation market band, as well as the principles of the prices formation earned by the secondary regulation band power plants participating in the services system market with reference to the Spanish' system services market.

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Distribution

Electricity distribution is carried out through the National Distribution Network (RND) and consists of a medium and high-tension network and a low-tension distribution network, exclusively under public service concessions.

The distribution of electricity in medium and high-tension has been licensed to EDP Distribuição by the Portuguese Government for a period of 35 years, from 25 February 2009.

In accordance with specific legislation (Decree-law 344-B/82, with the amendments set out in Decree-law 297/86 of 19 September, Decree-law 341/90 of 30 October and Decree-law 17/92 of 5 February), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição. These concessions are in return for payment of a rent to the respective municipalities, determined in accordance with Decree-Law 230/2008 of 27 November.

Supply

The Electricity supply market is open to competition, subject only to a licensing regime. Suppliers have the right of access to the national transmission and distribution networks upon payment of the access charges set by ERSE. The activity of free supply, in EDP Group, is developed by EDP Comercial, S.A. The activity of supply of last resort (CUR), including universal public service obligations, is subject of license and is guaranteed by EDP Serviço Universal, S.A., a company wholly owned by EDP Distribuição S.A.

Electric Energy Price Regime

In the non-regulated market, electricity tariffs are defined by an agreement between each supplier and its customers. In the regulated market the tariffs charged by the supply of last resort are defined by ERSE.

The Decree-Law 104/2010 of 29 September (amended by Decree-Law n.º 78/2011, of 20 June, 75/2012 of 26 March, 256/2012 of 29 November and 13/2014, of 22 January), establishes the end of customers regulated tariffs for very high, high, medium and low-tension from 1 January 2011. The DL 13/2014 has established that the suppliers of last resort shall, until the date to be set by ordinance, and by applying transitional rates continue to supply electricity to customers who have not hired on the open market their supply. Ordinance n.º 27/2014 has defined as the termination date of the transitional rates for this type of supplies on 31 December 2014.

For the low-voltage segment, the Decree-Law 75/2012 of 26 March, establishes the extinction of the regulated tariffs for sales to final customers with contracted power higher or equal to 10.35 kVA from 1 July 2012, and from 1 January 2013, for customers with contracted power less than 10.35 kVA. This law also establishes a transitional tariffs system set by ERSE: (i) end customers with contracted power between 10.35 and 41.4 kVA can take advantage of this rate until 31 December 2014 ; (ii) end customers with contracted power lower to 10.35 kVA can take advantage of this rate until 31 December 2015. The Decree-Law 75/2012, also establishes, for the economically vulnerable customers, the right to join the contract on the open market or choose to keep the supply by the supplier of last resort, benefiting, in any case from discounts in the tariff access provided by law.

In order to postpone the extinction of the transitional rules for the supply of natural gas and electricity to final customers with lower annual consumption of up to 10 000 m3 and in the standard low voltage, and similar to what happened with customers with levels of higher consumption, was approved in the Council of Ministers of 18 December 2014, the change in fixing the period of application of these rates, which shall be fixed by ordinance of the Government member responsible for the energy. However, these measures were not yet published.

Public Domain Assets

In Portugal some fixed assets relating to electricity generation and distribution in the regulated market are subject to the public domain regime. These assets are directly related with the Group's activity, which can freely manage them, but cannot dispose of them for private commercial purposes while they are related with the public domain regime.

Gas - Portugal

The National Natural Gas System (SNGN) basis of organization and operation, was established by the Decree-law 30/2006 of 15 February. This DL was developed by the DL 140/2006 of 26 July, that established the general basis applicable to the SNGN activities. The DL 231/2012 of 26 October, proceeds to the third amendment to the DL 140/2006, changed by the DL 65/2008 of 9 April and by the DL 66/2010 of 11 June, incorporating essentially the principles of the European Parliament and Council's Directive 2009/73/CE of 13 July, establishing common rules for the natural gas internal market.

In the distribution activity for natural gas, EDP Group develops its activity in Portugal through its subsidiary Portgás, S.A. EDP Group is present in the commercialization of natural gas, both in the regulated market (EDP Gás Serviço Universal) and the free market (EDP Comercial). Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL,S.A.

Since 1 January 2013 the retail rates published by ERSE have a transitory character, being susceptible to quarterly reviews, according to DL 74/2012 of 26 March. This transitional period ends: (i) at 30 June 2014, for customers with annual consumption over 10,000 m3; (ii) 31 December 2014, for customers with annual consumption over 500 m3 and less than or equal to 10,000 m3; and (iii) 31 December 2015 for customers with annual consumption of less than or equal to 500 m3.

On 20 December, ERSE published the directives 29/2013 and 30/2013 that approve the transitional sale tariffs for customers with annual consumption of less than or over to 10,000 m3 effective in the first quarter of 2014.

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The decree 127/2014 of 25 June, changes the expiry date of the transitional tariffs for customers with annual consumption of more than 10,000 m3 to 30 June 2015.

On 15 June 2014, the tariffs set by ERSE were published for the years 2014-2015. The income allowed for Portgás S.A. include the initial revaluation of its assets (with reference to 31 December 2007), approved by the Finance Ministry.

Activity in the energy sector in Spain

Electricity - Spain

In Spain, Hidroeléctrica del Cantábrico (HC Energia) is the parent company of an industrial group that operates in the electricity and gas sectors. In the electricity sector, HC Energia generates, distributes and supplies electricity. Production is based essentially on traditional coal thermal power plants and, on a smaller scale, on hydroelectric and nuclear power plants.

Electric Sector Regulation

On 27 November 1997 the Electric Sector's Law 54/1997 was approved, which (i) implements the principles included in the Protocol signed on 11 December 1996 between the Ministry of Industry and the major electric power companies regarding greater liberalization and competition in the electricity sector and (ii) incorporates into Spanish law the provisions contained in Directive 96/92/EC on common rules for the internal electricity market. Additionally, on 6 July 2007 the Law 17/2007 of 4 July came into force, amending the Law 54/1997, to adapt it to the Directive 2003/54/EC of the European Council and Parliament of 26 June 2003 on common rules for the internal market of electricity. Law 54/1997 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July that revokes the Directive 2003/54/CE. On 27 December, was published in the Official State Gazette the Law 24/2013 which replaces Law 54/1997 maintaining the principles established in previous legislation but with particular emphasis on economic and financial sustainability of the electricity sector.

The referred Law 24/2013, provides, among others, the following basic principles defined in the previous legislation:

Generation

Since 1 January 1998 electricity generation operates on a free market competition basis, which covers the purchase and sale of energy and other services related to the supply of electricity.

The market structure for electricity generation has been widened by Law 17/2007 of 4 July, in order to include the forward market and the intraday market, as well as technical issues, complementary services, deviations management and non-organised markets. The organisation and regulation of the market for electric power generation is defined by Royal Decree 2019/1997 of 26 December, and its implementing standards.

Electricity is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of September 27, which revised the electricity tariffs from 1 October 2007, replaced the concept of "power availability" remuneration of electricity generation by the concept of "capacity payments" stated in article 14.5 of the Law 24/2013, which sets a remuneration of the availability service - for the procurement of capacity in the medium term developed on the Order ITC/3127/2011 - and the incentive to invest in long-term capacity.

The set-up of new generation units is liberalised, subject to obtaining the necessary permits.

Producers have the right to use primary energy sources in their generation units as deemed most appropriate, with the applicable environmental restrictions. As at 1 October 2010, the Royal Decree Law 1221/2010 was approved (which changed the Royal Decree Law 134/2010 of 12 February) that establishes the procedure for guarantee supply restrictions, as a protective measure to promote the consumption of local coal. As at 23 December of the same year entered into force the Royal Decree Law 14/2010, which obliges the producers to pay for the use of the transmission and distribution grids. On 27 January 2012 the promulgation of the Law 1/2012, temporarily suspended the new facilities' right to benefit from the specific remuneration regime of the facilities which use renewable energy sources, waste or cogeneration (applicable to the facilities that, since 28 January 2012, do not fulfill the administrative requirements referred in this standard). From 1 January 2013, the amounts of the premiums applicable to the remuneration of all facilities of the special regime were also eliminated, leaving only the tariff option or market price (Royal Decree-Law 2/2013).

The Royal Decree-Law 9/2013 and the Law 24/2013, change the remuneration scheme for facilities that use cogeneration, renewable energy sources and waste (former special regime) and, in addition of the price market sale, can be charged a specific fee to cover the costs not recovered in the market, calculated based on the efficient company criteria. This scheme does not exceed the minimum necessary to cover the costs that allow equal competition between facilities and other technologies on the market generating a return, before tax, equal to the rate of the 10-year Spanish state bonds, plus a spread. This spread, since July 2013, is 300 basis points. The above mentioned Decree-Law was developed by Royal Decree 413/2014.

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Transmission

Red Eléctrica de España, S.A. performs the activities of Transmission Manager and System Operator, being responsible for its technical management, to ensure the continuity of supply and efficient management of the generation and transmission systems. The responsibility for the economic management of the system is guaranteed by OMI - Polo Español, S.A.

The entities and qualified consumers have free access to the transmission and supply grids, setting out a system of "tariffs" for traffic. The remuneration for the transmission and distribution activities is set by the regulatory entity.

The Royal Decree 325/2008 of 29 February, established a new fee regime applicable to electricity transportation facilities, that entered into service from 1 January 2009. However, since the adoption of the Royal Decree 9/2013, the retribution will be calculated based on the Spanish Government ten year bond yield, plus 200 basis points. These assumptions were developed in Royal Decree 1047/2013, repealing the Royal Decree 325/2008.

According to the Law 24/2013 the transmission activity is performed by a single entity. There is also a distinction made between the primary transmission system (facilities> 380 kV with international networks and with extra-peninsular and insular systems) and the secondary transmission system (facilities <220 kV other than primary transmission systems and the one below with transmission functions).

Distribution

Law 54/1997 established that the remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modified the system of "Acometidas" (system that regulates the installation that connects the distribution grid to the point of delivery of energy to the customers). This remuneration system is based on investments and increased demand of each distributor. On 1 April 2012, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity related to the assets in use that are not amortised, taking as basis for their financial retribution their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2. However, since the adoption of the Royal Decree 9/2013, the distribution activity renumeration will be calculated based on the Spanish Government ten year bond yield, plus 100 basis points. during the second quarter of 2013 and 200 b.p. from 2014 forward. These principles were embodied in the new Law 24/2013 and developed in Royal Decree 1048/2013, repealing the Royal Decree 222/2008.

Supply

Law 54/1997 established a progressive liberalisation of electricity supply and the introduction of supply activities to enable customers to progressively choose their suppliers and liberalising the supply market from 1 January 2003. Additionally, since 1 July 2009, distributors can no longer act as suppliers (sell electricity) acting strictly as grid operators. Law 24/2013 determines that certain consumers are entitled to be provided with voluntary prices for small consumers and last resort tariffs for reference traders. The reference traders are determined according to the criteria established in Royal Decree 216/2014.

Electricity Tariffs Regime

The electrical system cost is described in Article 13.3 of Law 24/2013. These costs will be financed through the revenue from the electrical system, including access fees (which are intended to cover the remuneration of the transmission and distribution), charges for the payment of the cost of other items that are not covered by other income, may be compensated for any financial mechanism legally established, including the state budget.

Fees, equal in all the Spanish territory, must be determined with the methodologies determined by the National Markets and Competence Commission (CNMC) considering the costs of the system as defined in the Law 24/2013. Charges applicable to consumers and producers are determined by calculation methods adopted by the Government and CNMC that will serve to cover certain costs of the system, without prejudice of what is in force for transport and distribution.

Temporarily, and while these methodologies are not approved, fees and charges are defined by the Ministry of Industry, Energy and Tourism.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the liberalised market. However, the Royal Decree 485/2009 of 3 April, provided that the consumers of low-tension, with contract capacity not exceeding 10 kW, were eligible for last resort tariff, which determines the maximum price of supply. These tariffs will be applicable by the suppliers of last resort, where EDP Comercializadora Último Recurso, S.A. is included.

Law 24/2013 replaces the concept of "last resort tariff" by "voluntary price for the small consumer"and the concept of "CUR" by "reference supplier", leaving the term tariff of last resort reserved for reducing the rate to be applied to vulnerable consumers or rate disincentive for consumers who are temporarily without supplier. The Royal Decree 216/2014 sets out the methodology for the calculation of the voluntary price for small consumer and their legal framework of contracting.

Vulnerable Consumers

Royal Decree 13/2012 and Law 24/2013 define vulnerable consumers as individuals who meet certain social characteristics of consumption and consumer purchasing power determined by the Ministry of Industry. Until the Ministry of Industry defines new criteria, these customers must aplly the criteria defined by Royal Decree 6/2009 of 30 April on the social allowance, which is a subsidy covering the difference between the value of the Tariff of Last Resort (TUR) and the reference value.

The Royal Decree-Law 9/2013 establishes that social allowance will be financed by vertically integrated companies that perform simultaneously the activities of generation, distribution and sale of electricity. Law 24/2013 maintains the established by Royal Decree-Law 9/2013 and determines that the social allowance will cover the difference between the voluntary price for small consumer and a baseline, called tariff of last resort and will be applied by the correspondent reference supplier in the invoices of the covered consumers. Since Royal Decree 216/2014, the discount is a reduction of 25% of the value of the voluntary price for the small consumer.

On 28 March 2014, the Spanish Government approved the Royal-Decree 216/2014 which establishes the structure and the calculation of the voluntary prices applicable to small electricity consumers and the legal regime under which the contracts will be indexed to the market electricity price. This Royal-Decree entered into force on 1 April, with retroactive effects to 1 January 2014.

Gas - Spain

NG Energia, a subsidiary of HC Energia Group which operates in the natural gas distribution and supply, owns all the EDP Group's gas assets in Spain. The transport and distribution of natural gas in Spain is a regulated activity.

Law 34/1998, approved on 7 October 1998, amended by Law 12/2007 of 2 July 2007, transposed to Spanish legislation the provisions of Directive 2003/55/EC of the European Parliament and Council of 26 June 2003 related with common rules for the natural gas internal market. Law 34/1998 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles set by the European Parliament and Council’s Directive 2009/72/CE of 13 July which came to revoke the Directive 2003/55/CE.

The above mentioned legislation identifies the following operators in the context of the supply of natural gas by pipeline:

§ Gas transport companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas. After the publication of Royal Decree 13/2012, companies that hold the equipment from the main grid of transport must operate and manage their own grids or hand over their management to an independent operator, in the cases referred by legislation;

§ Distribution companies, owners of distribution facilities, whose function is to distribute natural gas by pipeline, as well as to build, maintain and operate such facilities in order to bring natural gas to the consumption points;

§ Suppliers, companies that have access to the facilities owned by third parties, which purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges;

§ Final consumers, who purchase natural gas for own consumption and direct consumers in the market, who have direct access to third party facilities.

The Royal Decree 6/2000 of 23 June, also creates the figure of Technical Manager of the System, which is responsible for the technical management of the basic gas and secondary transmission grids, attributed to ENAGÁS, S.A.

The system of provisioning and supplying based on tariffs for natural gas distribution companies expired on 1 July 2008. Since then, new last resort tariffs have been set, that can benefit consumers who are covered by the regulation (from July 2009 defined as those consuming less than 50,000 kWh/year), and which will be implemented by the suppliers that, in accordance with Article 82 of Law 34/1998, have an obligation as suppliers of last resort. EDP Comercializadora Último Recurso, S.A. is one of the trading companies designated by the Ministry.

For suppliers of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (EDP Comercializadora de Último Recurso, S.A. currently covers suppliers obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff (TUR) became the only tariff from 1 January 2010 on, denying to suppliers of last resort the application of discounts over customers with TUR.

Law 15/2012, of 27 December, of Fiscal measures for the Energetic Sustainability, modifies the type of taxes applied to hydrocarbons of natural gas that until this date was 0% with the exception of vehicles gas, and establishes three types of taxes depending on the natural gas use, and the tax payer becomes the supplier rather than the distributor.

The Ministerial Order IET/2812/2012 establishes the tariffs and the revenues related with the access to the gas sector installations by third parties, eliminating the revenues updates for the transport and distribution activities, as it defines as zero the efficiency factor applied to these infrastructures.

The Ministerial Order IET/2446/2013, of 27 December, establishes the tariffs and the revenues related with the access to the gas sector facilities by third parties and the remuneration of regulated activities for the year 2014. Among other measures, it restores the revenue updates mechanism for the distribution and transport activities that had been eliminated in the previous year.

On 4 July 2014, the Spanish Goverment approved the Royal Decree-Law 8/2014, subsequently amended by Law 18/2014, of 15 October. Thus, urgent measures were approved for growth, competitiveness and efficiency in the energy sector, in accordance with european directives. For the gas sector, the objective of this reform is to design an economical stable system, minimizing costs to consumers and eliminating the structural tariff deficit.

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The main measures are: i) creation of a National Energy Efficiency Fund, for which the gas and electricity suppliers companies and petroleum products traders will have to make mandatory contributions until 2020. This fund will also be provided with resources from EU funds (FEDER) and other resources allocated by the state budget; ii) definition of the mechanism of gas deficit recovery generated until 31 December 2014 for a period of 15 years and the deficit generated from 1 January 2015 for a period of 5 years; and iii) aligning remuneration of regulated activities with the demand trends. The parameters of the remuneration of the regasification, storage, transportation and distribution of natural gas activities will be determined by regulatory periods of 6 years, subject to adjustments every 3 years.

The Ministerial Order IET/2355/2014, of 12 December, establishes the transitional remuneration for 2014 under the rules of Royal Decree-Law 8/2014 and Law 18/2014 for the regulated activities. Also defines new incentives for quality distribution made by distributors and retailers and hardens penalties for unbalanced inventories.

The Ministerial Order IET/2445/2014, of 19 December, establishes the tariffs and the revenues related with the access to the gas sector installations by third parties and the remuneration of regulated activities for the year 2015. The update of the retribution will be calculated according to Law 18/2014.

Activity in the energy sector in Brazil

Electricity - Brazil

In Brazil, the EDP Group generates, distributes and supplies electric energy through its subsidiary EDP Energias do Brasil, S.A. (EDP Energias do Brasil).

In early 90s, the Brazilian electricity sector has undergone major structural and institutional changes, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system.

Regulated System

The Regulated Contracting Environment is for the sale of electricity between generators, energy importers or retailers, selling energy to distributors who in turn, acquire energy to ensure supply to consumers.

Since 2004, the main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by National Electricity Agency (ANEEL). The rules of these auctions are designed so that the winner is the one with the lowest price.

The distribution companies must estimate the amount of electricity to contract in auctions and they are obliged to purchase 100% of their needs respecting the condition that, market increases must be met by energy from new ventures, contracted 3 years (Auction A-3) or 5 years (Auction A-5) in advance. Failure to comply with the supply of energy to its markets may result in severe fines.

Liberalised system

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5,163/04). Free consumers can return to the regulated system under certain conditions.

The Federal Government has defined changes in the electric sector through Provisional Measures. The Provisional Measure 577, published on 31 August 2012, adresses the termination of public service concessions of electricity and the temporary service, and the intervention for the suitability of the public service of electricity.

Regulatory changes

Several significant changes in regulation regarding the electric sector occurred during 2012, such as the Provisional Measure 579/2012, in which the Federal Government presented measures to reduce electric energy bill to the consumer. The expected average reduction for Brasil amounted to 20.2% due to government actions: Concession Renewals (13%) and changes of Sector charges (7%). This measure results in the Law 12,783 of 11 January 2013.

Regarding concessions renewal, the generation concessionaires in which contracts expire between 2015 and 2017 may renew their concessions and shall make available their physical energy guarantee for the quotas system to be distributed proportionally to the market share of each distributor, affecting the energy acquisition contracts. The transmission concessionaires in which contracts expire between 2015 and 2017 may renew their concessions and, considering that the assets bounded to the electricity transmission service are totally depreciated, only the operation and maintance costs will be considered for the annual allowed revenues calculation.

On 24 January 2013, ANEEL approved the Extraordinary Tariff Review - ETR specific for the adjustment of energy costs, transmission costs and sectorial charges, from all energy distributors. Thus, the unmanageable costs and supply tariffs will be reduced, with no impact in the distributors margin. These effects were noticeable by consumers, from the end of January 2013.

On 23 January 2013, was published the Provisional Measure 605, which objective was to increase the scope of application of the resources of the CDE (Energy Development Account), which began promoting resources to cover the discounts applied to the tariffs and involuntary exposure of distributors resulting from the non-adherence to the extension of part of the generation concessions, this measure amended the Law 10,438/2002 which establishes the application of CDE resources.

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The Decree 7,891 of 23 January 2013, establishes more options for the implementation of CDE resources, which can be used to compensate the discount on the electricity tariffs established by law, such as the social tariff of low income, rural, water, sewage and sanitation, among others. Thus, the difference the revenue due to the discounts will no longer be reimbursed through the tariffs of other consumers. This decree was amended on 7 March 2013, by the Decree 9,745, which increased the costs that can be incurred with funds from the Energy Development Account - CDE.

Eletrobrás, the managing company of the sector funds, among them the CDE, is responsible for monthly transfering to the distribution utilities of the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013 and the annual amounts approved by ANEEL to cover, entirely or partially, the positive balances in "Conta de Compensação de Variação de Valores de Itens da Parcela A - CVA", arising from the cost of purchasing electricity and System Services Charge - ESS.

Following the tariff readjustment process of EDP Escelsa, on 30 July 2013, Resolution 1,576/13 approved the amount of 90,670 thousands of Reais. For EDP Bandeirante this process occurred on 23 October 2013 and Resolution 1,641/13 approved the amount of 237,874 thousands of Reais. These values were transferred by Eletrobrás, as a lump sum to cover the positive balances of CVAs corresponding to the acquisition of electricity and the ESS, as established in Decree 7,891, with redaction of the Decree 7,945.

On 12 February 2014, ANEEL, after examining the administrative appeal filed by EDP Escelsa, reviewed by the Order No. 287/2014, the Remuneration Base ("BRR") part of the 6th Periodic Tariff Review, incorporating 32 millions of Reais to the Gross BRR and 24 millions of Reais to the Net BRR. The amount will be incorporated into the tariff and the values that were not received in 2013 were adjusted by the SELIC (overnight rate of the Sistema Especial de Liquidação e de Custódia) and added as financial component in the tarif adjustment of 2014.

On 7 March 2014, the Decree 8,203/2014 was published, which authorizes the transfer of funds from CDE to pay the exposure costs to the spot market in the Electricity Trading Chamber - CCEE in January 2014. 1.2 millions of Reais were allocated to Brazilian distribution companies, according to ANEEL's calculations published in Order No. 515/2014.

On 13 March 2014, the Ministries of Mines and Energy (MME) and Treasury announced the following measures to support the national electricity sector: (i) Establishment of Centralized Account (Account-ACR), administer by the CCEE 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 should be transferred to the consumers starting on February 2015, in the tariff increases dates for each distributors in the country. The loan payment will be made starting on November 2015. The ACR-Account resources obtained throught 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 the amount of 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, meanwhile is trying to raise funds to cover the extra costs.

The existing energy auction, called Auction "A", held on 30 April 2014, for the purchase of electricity from existing generation projects secured the contracting of approximately 2,046 MW of hydroelectric and thermal power plants of natural gas and biomass. The power supply starts in 1 May 2014 until 31 December 2019. Auction "A", aimed to meet the immediate need for energy contracting by distribution due to involuntary exposure as well as reduce the impact on tariff adjustments.

Following the tariff readjustment process of EDP Escelsa, which occured on 6 August 2014, Resolution 1,768/14 approved an index of 26.54% which 19.61% is from economic adjustment and 6.93% from the financial components adjustment. For EDP Bandeirante the tariff adjustment process took place on 22 October 2014, and was approved by Resolution 1,809/14 an index of 22.34% rate, being 15.05% the economic adjustment and 7.29% the financial components adjustment.

Through Normative Resolution 613/2014 of May of 2014, ANEEL establishes the criteria for the allocation of the exceeding funds of the Reserve Energy Account - CONER, which has been allocated to distributors in order to reduce the tariff deficit.

The hydropower concessions held by EDP Group - Energias do Brasil have been granted after February 1995, corresponding to the date of the entry into force of Law 8,987, thus they are not covered by the regulatory changes introduced. Still, these changes will influence the rules that will be applied on the renewal of these concessions in the future, according to the following conditions:

§ Each hydroelectric plant should be remunerated by a tariff calculated by the ANELL;

§ Power selling (Physic guarantees) defined through production quotas dedicated exclusively to the regulated sector, that is to the distributors; and

§ Compliance with the quality service standards determined by ANEEL.

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Generation

The generation market is based predominantly on the existence of Power Purchase Agreements (PPA) between generators and distributors, with tenders to supply long-term demand, the adjustment of medium and short term and daily market for deviations, or spot market.

Electricity generation in Brazil relies mostly on hydroelectric technology. Power generation plants are the object of concession, permit or registration, according to the type of plant, the power capacity to be installed and the destination of the energy. Depending on the destination of energy, power generation plants can be classified as:

§ Generation companies, producing electricity for public service distribution;

§ Independent producers (which assume the risk of the sale of electricity with distributors or directly with free consumers);

§ Auto-producers (energy generation for own consumption, the excess of which can be sold through an authorization).

Distribution

The public service concession arrangements for electricity distribution are allocated by tender and establish rules regarding price, regularity, continuity, safety, timeliness and quality of services and supplies provided to consumers and users. These arrangements also define penalties for possible irregularities.

In most states, mainly in the North and Northeast, the concession area corresponds to the state boundaries. However, mainly in São Paulo and Rio Grande do Sul, the concessions for distribution may cover areas smaller than the state itself. In some cases, the concession area is extended beyond the geographical limits of the state where the distribution company is located.

The distribution activity operates in a regulated environment, with tariffs determined in the context of incentive regulation ("price cap") with a remuneration on the basis of the assets used in the distribution energy service (BRR). The tariff also includes a portion to cover the operating costs established from a standard company, the reference company (with costs that would be charged by an efficient operator at the concession area). The regulatory EBITDA has two parts: (i) regulatory depreciation of BRR assets and (ii) return on capital prudently invested multiplied by the regulatory WACC. Finally, the tariffs also consider the costs of acquiring energy, hiring the use of transmission and sector-based charges as costs to be included in the tariff. The tariff portion that includes the regulatory remuneration, the depreciation charge and the value of the operating costs is called portion B. The costs of buying energy, hiring of basic network and charges, set up the portion A of the tariffs as set out in the concession contracts for distribution companies.

Tariffs are adjusted annually based on changes in portion A costs and in the monetary correction of portion B costs, by the index of variation of Market prices index (IGPM), discounted of productivity gains (factor X). The adjustment index is calculated in such a way to pass the non-controlling cost variations of the portion A and the corrected portion B. Periodically (on average every 4 years), a Periodic Tariff Review occurs, generating the recalculation of all costs, the definition of a new BRR and a new reference company, capturing productivity gains occurred in the period between revisions. At the beginning of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs. On 25 November 2014, ANEEL made addendums to the concession contracts with brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets / liabilities and, as a consequence, to qualify them to be recognised in the financial statements. After the addendums, it is considered that the conditions are met to recognise regulatory assets / liabilities as assets and liabilities. Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement with ANEEL.

Supply

The electricity suppliers that do not own electric assets, are authorised to act exclusively in the free market (ACL), selling or buying energy in quantity, conditions and prices freely negotiated. The commercialization of energy with a distributor is only possible through participation in the "Auction set by the distributors", with the negotiation of contracts, for a maximum of two years, and commencement of energy delivery within a period not exceeding two years.

Public Domain Assets

In Brazil, fixed assets used in the distribution and the supply activities are binded to these services and cannot be removed, sold, transferred or mortgaged without the prior and express consent of the regulator (ANEEL).

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Activity in the Renewable Energies Sector

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewable energies sector. On 18 March 2008, EDP Renováveis was converted into a public limited company.

On 4 June 2008, a share capital increase of EDP Renováveis was made through an Initial Public Offering (IPO) of 196,024,306 shares. This share capital increase was not subscribed by the EDP Group, resulting in a dilution of the interest held in EDP Renováveis from 100% to 77.53%. The share capital increase amounted to 1,566,726 thousands of Euros, of which 980,121 thousands of Euros relates to the capital increase and 586,605 thousands of Euros relates to the share premium.

Electricity - Renewable

Generation

In December 2014, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energias del Ocidente, S.L), EDP Renewables North America , L.L.C. (EDPR NA, previous designated as Horizon Wind Energy, L.L.C.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, EDP Renewables España, EDP Renewables France, Greenwind (Belgium), EDP Renewables Polska, EDP Renewables Romania and EDP Renewables Italia. As at 31 December 2014, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

In July 2007 the EDP Group acquired from Goldman Sachs, 100% of the share capital of EDPR NA, which develops, manages and operates wind farms in the United States of America. EDPR NA holds a series of wind farms in operation and a pipeline of projects under development for the construction of wind farms.

Regulatory framework for the activities in Spain

The Electrical Sector in Spain is regulated by Law 54 of 27 November 1997 and the subsequent amendments to legislation. In May 2007, the Spanish Government approved the Royal Decree (RD 661/2007) which implemented the new regulatory framework for wind energy installations to be built from 2008 to 2012, which is applicable for all operating assets from 31 December 2012.

According to RD 661/2007 of 25 May 2007, published in 26 May 2007, wind farms are entitled to choose between two remuneration schemes: (i) Fixed tariff and (ii) market plus premium: wind farms receive for each hour the pool price plus a variable premium. Once the decision between the two schemes has been made for a specific wind farm, it is binding for, at least, one year. Wind farms installed before January 2008 are ruled by the transitory regime, established by Decree 436/2004. Under this transitory regime, that ended in December 2012, wind farms could choose between a fixed tariff and a market option receiving market price plus a fixed premium.

In July 2010, the Ministry of Industry established an agreement with two major associations of renewable energy (Spanish Wind Energy Association and Protermosolar) to change the existing regulation. This agreement resulted in the approval of Royal Decree 1,614/2010, of December 7, which defines (i) for the years 2011 and 2012 a reduction of 35% in the income applicable to wind generation defined by Royal Decree 661/2007, (ii) an addendum to article 44,3 of Royal Decree 661/2007 clarifying that future revisions of the income for energy production through renewable sources will only be applied to the installed capacity from 2012 and (iii) the definition of a limit of 2,589 hours of operation for the installed capacity.

On 28 January 2012 the Spanish Government enacted Royal-Decree Law 1/2012 that approves a temporary suspension of the remuneration for renewable energy capacity not included in the pre-assignation registry.

In December 2012, through the Law 15/2012 of 27 December, the Spanish Government approved a 7% across-the-board tax on electricity generation. The tax will be applied from 1 January 2013 onwards.

On 4 February 2013, the Spanish Government published in the Official State Gazette the Royal Decree-Law 2/2013 that includes a set of regulatory modifications applicable to the Spanish electricity sector and affecting the wind energy assets.

The main regulatory modifications that Royal Decree-Law 2/2013 presents towards the Royal Decree-Law 661/2007 with impact in EDP Renováveis S.A. (EDPR) effective from 1 January 2013 onwards, are as follows:

§ Every energy production facilities operating under the special regime are to be remunerated according to current feed-in tariff schemes for the remaining useful life of the asset;

§ Energy production facilities operating under the special regime currently remunerated according to the market option were able to chose, until 15 February 2013 and for the remaining useful life of the asset, a remuneration based on the electricity wholesale market price with no renewable energy premium, and neither cap nor floor prices;

§ The index used to annually update all the regulated activities in the electricity sector is the annual inflation excluding energy products and food price, and any impact of tax changes.

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The Spanish Government disclosed the Energy Market Reform, which aims to end with the Spanish tariff deficit. The government claims that the reform may eliminate 4.5 billions of Euros/year of the structural deficit by: (i) 2.7 billons of Euros reduction in regulated costs of utilities and renewable energy source companies, and (ii) 0.9 billions of Euros contribution from the Spanish Treasury which will pay throught the Budget 50% of the extra costs of generation in the non-mainland territories. However, and only with effect in 2013, the Government removed 3.6 billons of Euros of State Budget contributions which caused a tariff deficit that was not initially forecasted.

The complete regulatory package consisted of: (i) a Royal Decree-Law (RD-L 9/2013, published in the Diário Oficial da União on 13 July), (ii) eight Decrees and Administrative Orders and (iii) the submission in the Parliament of the Project of Law ("Anteproyecto de Ley").

Until now, RD-L 9/2013 is the only rule approved and published: it outlines the principles that will govern the renewable energy source energy sector but it does not disclose the details of the new remuneration. According to this RD-L, renewable energy source plants will be subject to a new legal and economic framework: previous RD 661 framework will disappear and renewable energy source plants will receive the market price plus a payment per installed MW, so that the return on investment will be equivalent to the Spanish Government 10-year bonds yield plus a spread of 300bp. This Royal Decree-Law also suppresses the renewables remuneration for reactive power (2€/MWh).

On 26 November 2013, the Government submitted to the CNMC ("Comisión Nacional de los Mercados y la Competencia"), a draft decree describing the new remuneration policy for renewables facilities. This draft decree did not include the required parameters to calculate the remuneration for the renewables' sector activities, defining that should be retrospectively applied since 14 July. These parameters were released on 3 February 2014 when the CNMC disclosed the draft Ministerial Order containing the needed parameters to calculate the remuneration for each one of the 1,600 different types of renewable installations defined by the government.

According to these parameters, wind farms built in 2003 or earlier are not eligible to receive any incentive while newest farms will receive a flat premium per installed MW untill the end of their regulatory life. The flat premium will be subject to tri-annual modifications due to updates in the forecast of the parameters affecting the profitability of the installations. Overall, the wind sector will receive 1,191 millions of Euros in 2014 which compares to the forecast of 2,000 millions of Euros that would have been received under the old regulation. This cut of approximately 800 millions of Euros in the wind sector represents 45% of the total savings for the whole renewable sector that were estimated at 1,750 millions of Euros in the budget published within the tariff and charges order draft.

The Spanish Government did not make the announced payment of 900 millions of Euros to eliminate part of the Spanish deficit that was securitised by the own Government.

The Spanish Government has cancelled the results of the CESUR (Contratos de Energía para el Suministro de Último Recurso) auctions dated of 19 December 2013, that would have led to a 26% increase in the electricity price to be charged to regulated residential customers in the first quarter of 2014. Instead, there was an increase of 2.8% in the electricity cost and a 0.9% increase in the access tariff. The government has also announced a structural change in the procedure of fix the electricity prices that will be designed and published in the next months.

On 26 December 2013, the Spanish government published a new regulation that will govern the electricity sector (Law 24/2013) replacing the existing one from 1997 (Law 54/1997).

The government defines that the new law´s objective is to guarantee the supply of electricity and adapt to the consumers needs at the lowest possible cost. It refers the need to finish the sector´s structural deficit that has been accumulated during the last decade as the motivation to undertake the reform.

Regarding the renewable sector, the development of new installations will be conditioned to market needs, and their retribution will be based on market price with complementary revenues in order to ensure a reasonable return rate. Details on the renewable remuneration will be disclosed in the next months upon approval of the Royal Decree-Law for renewables, namely for wind farms and cogeneration assets.

The Spanish Government published in 20 June 2014, the Order IET/1045/2014, which includes the parameters to remunerate the renewable energy assets, under the new remuneration framework that was approved by the Decree-Law 413/2014 of June 2014. The final legislation had no significant changes to the previous draft versions, which include the extension of wind farms scheme into operation in 2004, the increase of the remuneration per MW installed by 5%, and minor changes in methodology for the determination of the deviations from market prices.

The remuneration is now structured in order for a standard asset to receive a pre-tax return defined as the yield of the Spanish 10-year bonds plus 300 bps. The return is based on the assets' regulatory life (20 years for wind energy assets).

In the case of wind farms onshore, it has been confirmed that the wind farms in operation at 2003 and before will not receive any further incentive, while the incentive for the rest of the wind farms was calculated according to the new regulation in order to reach of 7.398% for a standard wind farm.

EDP Renováveis expects that this regulatory change will have a total annual negative impact of approximately 30 millions of Euros at EBITDA level (under an average windy year), when compared with the previous framework defined by Royal Decree-Law 2/2013.

Regulatory framework for the activities in Portugal

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013, that maintains the legal stability of the current contracts (Decree-Law 33-A/2005) and protects the value of the investments made by the wind energy producers in the Portuguese economy. The wind energy producers can voluntarily invest to secure further remuneration stability, through a new tariff scheme to be applied upon the actual 15 years established by law. The total investment will be used to reduce the overall costs of the Portuguese electricity system. In order to maximise the number of wind developers that voluntarily adheres to the extension of the remuneration framework, the Government proposed four alternative tariff schemes to be elected by each of the wind developers, that include the following conditions: (i) alternative cap and floor selling prices; (ii) alternative durations to the new scheme beyond the initial 15 years of the current contracts; and consequently (iii) alternative levels of investment (on a per MW basis) to adhere to the new scheme. EDPR has chosen a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh updated with inflation from 2021 onwards, in exchange for a payment of 5,800€/MW from 2013 to 2020. This decree also includes the possibility for wind farms under the new regime (i.e. ENEOP) to adhere to a similar scheme, still in negotiation.

The Environment and Energy Ministry published, on 24 June, the Decree Law 94/2014 that allows the increase of installed capacity of wind farms up to 20%. The additional production generated from the capacity increase will have a fixed remuneration of 60 Euros/MWh, whilst the remaining production is remunerated at the previous tariff.

Regulatory framework for the activities in the United States of America

The United States federal government and various state governments have been implementing policies to promote the growth of renewable energy, particularly wind power. The main federal renewable energy incentive program is the Production Tax Credit (PTC), which was created by the U.S. Congress as part of 1992 EPACT. Additionally, several states have passed legislation, mainly in the form of renewable portfolio standards (RPS), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

American Recovery and Reinvestment Act of 2009 includes a number of energy measures related to tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit (ITC) that could replace the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year of ITC extension, which allow the companies to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012.

On 1 January 2013, the US Congress approved "The American Taxpayer Relief Act" that includes an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set 31 December 2013 as the new expiration date of these benefits and changed the qualification criteria (projects will only qualify as long as they are under construction by year-end 2013). The legislation also includes a depreciation bonus on new equipment placed in service which allows the depreciation of a higher percentage of the cost of the project (less 50% of the Investment Tax Credit) in the year that it is placed in service. This bonus depreciation was 100% in 2011 and 50% for 2012.

On 16 December 2014, the US Congress approved the "Tax Increase Prevention Act of 2014" that included an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set a new expiration date of 31 December 2014 and kept the qualification criteria (projects can qualify as long as they are under construction by year-end 2014).

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for the years ended 31 December 2014 and 2013.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 3 March 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 financial statements for the years ended 31 December 2014 and 2013 were prepared in accordance with IFRS as adopted by the E.U. until 31 December 2014.

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

As described in note 51, the Group adopted in the preparation of consolidated financial statements as at 31 December 2014, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2014. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance.

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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 51.

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).

Adoption of IFRS 10 and 11

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

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

IFRS 11 – Joint Arrangements brings a couple of changes in accounting for jointly controlled entities. According to this standard, a joint arrangement structure is no longer the main feature in determining the accounting model to apply. IFRS 11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. This assessment is made by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. IFRS 11 requires a joint operator to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable and a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with IAS 28 - Investments in Associates and Joint Ventures.

Investees which have changed the consolidation method and the respective impacts in consolidated financial statements due to the adoption of these standards are disclosed in notes 5 and 49, respectively.

Changes in line items of the Consolidated Income Statement

For accounting periods beginning on 1 January 2014, EDP group is presenting the following:

- “Revenues from energy sales and services and other”, which combines the previous line items “Turnover” and “Revenue from assets assigned to concessions”;

- “Cost of energy sales and other”, which combines the previous line items “Cost of electricity”, “Cost of gas”, “Changes in inventories and cost of raw materials and consumables used” and “Expenditures with assets assigned to concessions”;

- “Other operating income” and “Other operating expenses” as “Other income” and “Other expenses”, respectively.

For comparison purposes, EDP Group changed these line items also for the comparative period.

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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 and 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 venturers) 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;
- 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.

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

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

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Goodwill

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

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

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

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

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

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

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

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

Purchases of non-controlling interests and dilution

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

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

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

Investments in foreign operations

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

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.

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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;
(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.

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.

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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.

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.

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.

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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 occurs flowing from the assets 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.

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 in 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.

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.

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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 less impairment losses and being presented in the statement of financial position net of impairment losses which are associated.

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

n) Employee benefits

Pensions

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

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 year 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.

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.

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.

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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.

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.

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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.

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 only in the mixed model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil.

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

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

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

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

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.

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Review of the useful life of the assets

The Group reviews annualy the reasonability of the useful lives of the assets that are used to determine the rates of depreciation 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 of the year 2013, is made, until 31 December 2028;
(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.

Regulatory changes occurred in Spain

On 12 July 2013, the Spanish government approved Royal Decree-Law 9/2013, which comprises a set of relevant changes in the remuneration scheme applicable to entities operating in the electricity sector in Spain, including the one regulated by the Royal Decree-Law 2/2013.

The main changes applicable to renewable energy producers are as following: (i) Derogation of the present remuneration scheme regulated by the Royal Decree-Law 661/2007 and subsequents, (ii) the remuneration of wind energy and cogeneration activity will be determined according to the reasonable rate, which will have in consideration the average of ten-year bond yield, in secondary market, plus 300 basis points, (iii) definition of a standard model for activity income and expenses. This model will determine the remuneration's reasonable rate, considering the standard income of energy sales in market and the standard production costs and investment in standard facilities.

On 26 November 2013, the Spanish government submitted to CNMC ("Comisión Nacional de los Mercados y la Competencia") a draft decree describing the new remuneration scheme for renewable generation. This draft decree did not include the required parameters to calculate the remuneration for the renewables sector's activities, but provided that it should be retrospectively applied since 14 July. These parameters were released on 3 February 2014 when the CNMC published the draft ministerial order containing the needed parameters to calculate the remuneration for each one of the 1,600 different types of renewable installations provided by the government.

According to these parameters, wind farms built in 2004 or earlier are not eligible to receive any incentive while the new wind farms will receive a flat premium per installed MW until the end of their regulatory life. The flat premium will be subject to tri-annual modifications due to updates in the forecast of the parameters affecting the profitability of the installations. Overall, the wind sector will receive 1,191 millions of Euros in 2014 which compares to the forecast of 2,000 millions of Euros that would have been received under the old regulation. This cut of approximately 800 millions of Euros in the wind sector represents 45% of the total savings for the whole renewable sector that were estimated at 1,750 millions of Euros in the budget published within the tariff and charges provided in ministerial order.

As a consequence of this measure, the EDP Group estimated and booked the impact in the profit and loss for the year and calculated the impairment for wind farm assets and cogeneration assets as at 31 December 2013. As a result, an impairment loss of 16 millions of Euros and 31 millions of Euros was booked in 2013 by EDPR Europe and HC Energia, respectively.

On 20 June 2014, the Spanish government published Order IET/1045/2014, which provides the parameters to remunerate renewable energy assets in accordance with the new remuneration framework approved by Decree Law 413/2014 of 6 June 2014, described in Note 1.

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.

Other assumptions and estimates could lead to a different consolidation perimeter of the Group, with direct impact on the 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. Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency loans, 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 the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss francs (CHF), Brazilian Reais (BRL), Romanian Leu (RON), Zloty (PLN) and Canadian Dollars (CAD). Currently, the exposure to USD/EUR, PLN/EUR and RON/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland and Romania. These investments were financed with debt contracted in USD, PLN and RON, 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 a financial derivative instrument 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 have been hedged as from their issuing date. The EDP Group's remaining debt, except for the debt contracted by the Brazilian subsidiaries, is denominated in Euros.

Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2014 and 2013, would lead to an increase / (decrease) in the EDP Group results and / or equity as follows:

	Dec 2014			
	Profit or loss		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	-10,617	12,976	-14,882	18,189
	-10,617	12,976	-14,882	18,189

	Dec 2013			
	Profit or loss		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	32,758	-40,038	-16,047	19,613
	32,758	-40,038	-16,047	19,613

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. In addition to these operations, more structured collar operations are engaged, as necessary, to mitigate exposure of the debt cash flows to market rate fluctuations.

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 14 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 48% 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 31 December 2014 and 2013 would lead to the following increases / (decreases) in equity and / or results of the EDP Group:

	Dec 2014			
	Profit or loss		Equity	
Thousands of Euros	50 pb increase	50 pb decrease	50 pb increase	50 pb decrease
Cash flow effect:				
Hedged debt	-18,421	18,422	-	-
Unhedged debt	-28,509	28,509	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	16,583	-17,328
Trading derivatives (accounting perspective)	83	-70	-	-
	-46,847	46,861	16,583	-17,328

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	Dec 2013			
	Profit or loss		Equity	
Thousands of Euros	50 pb increase	50 pb decrease	50 pb increase	50 pb decrease
Cash flow effect:				
Hedged debt	-12,561	12,561	-	-
Unhedged debt	-35,207	35,207	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	23,475	-25,706
Trading derivatives (accounting perspective)	-2,428	338	-	-
	-50,196	48,106	23,475	-25,706

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 risk rating notation and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not 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 the third-party debt generated by the Group's day-to-day business, the credit risk arises essentially from the legal obligation of providing continuous low-tension electricity supplies even when there are payment delays. This risk is considered to be mitigated by the large number of customers and by their diversity in terms of sectors of activity, as well as by the large volume of residential customers.

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.

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

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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	Dec 2014	Dec 2013
Risk factor		
Negotiation	1,000	2,000
Fuel	25,000	21,000
CO2	10,000	15,000
Electricity	20,000	21,000
Hydrological	59,000	36,000
Diversification effect	-54,000	-51,000
	61,000	44,000

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

	Dec 2014	Dec 2013
Credit risk rating (S&P)		
AAA to AA-	2.58%	14.51%
A+ to A-	63.18%	59.60%
BBB+ to BBB-	15.14%	10.31%
BB+ to B-	0.28%	0.82%
No rating assigned	18.82%	14.76%
	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	Dec 2014	Dec 2013
Exchange rate risk	610	1,093
Interest rate risk	5,739	3,788
Covariation	-825	-1,340
	5,524	3,541

Capital management

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

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

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

In conformity with other groups operating in this sector, the Group controls its financing structure based on the leverage ratio. This ratio is calculated as net financial borrowings divided by total equity and net borrowings. Net financial borrowings are determined as the sum of financial debt, institutional equity liabilities corrected of non-current deferred revenues, less cash and cash equivalents.

5. CONSOLIDATION PERIMETER

During 2014, the following changes occurred in the EDP Group consolidation perimeter:

Companies acquired:
- EDP Renewables Polska, S.P. ZO.O acquired 100% of the share capital of Radziejów Wind Farm Sp. ZO.O.;
- EDP Renewables Italia, S.R.L. acquired 100% of the share capital of Windcap, S.R.L.;
- EDP Renewables Europe, S.L. acquired 99.97% of the share capital of Eólica de Coahuila, S. de R.L. de C.V, through its subsidiary Tarcan B.V. After the acquisition, the Company entered into an agreement for the future sale of a significant share capital, therefore, considering the substance of the transaction and accounting impacts related to the purchase transaction, EDP Group considered this investment as a joint venture with a shareholding equivalent to 51% of the share capital.

Disposal of non-controlling interests:
- EDPR-France S.A.S. sold 49% of its interests, by 28,256 thousands of Euros (deducted of 153 thousands of Euros of transaction fees), in the following companies:
  - Parc Eolien du Clos Bataille, S.A.S.;
  - C.E. Canet-Pont de Salars, S.A.S.;
  - C.E. Gueltas Noyal-Pontivy, S.A.S.;
  - C.E. Patay, S.A.S.;
  - C.E. Saint Barnabe, S.A.S.;
  - Eolienne de Saugueuse, S.A.R.L.;
  - C.E. Segur, S.A.S.;
  - Parc Eolien de Varimpre, S.A.S.;
  - Parc Eolien des Vatines, S.A.S.

  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 4,108 thousands of Euros, was booked against reserves under the corresponding accounting policy.
- EDP Renewables Europe, S.L. sold 7% of its interests of the following companies:
  - Les Eoliennes en Mer de Dieppe - Le Tréport, S.A.S.;
  - Les Eoliennes en Mer de Vendée, S.A.S.
- EDP Renewables Canada, Ltd sold 49% of the share capital of SBWF GP Inc. and 49% of the share capital of South Dundas Wind Farm LP through its subsidiary EDP Renewables Canada LP Holdings, Ltd. by 16,506 thousands of Euros (24,200 thousands of Canadian Dollar). This transaction was treated as a disposal of non-controlling interests without a loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 1,910 thousands of Euros, was booked against reserves under the corresponding accounting policy.
- A 49% share interest in EDP Renewables France, S.A.S. was sold by 64,340 thousands of Euros (deducted of 256 thousands of Euros of transation fees), with a subsequent loss of share interest in the following companies: Parc Eolien du Clos Bataille, S.A.S., C.E. Canet-Pont de Salars, S.A.S., C.E. Gueltas Noyal-Pontivy, S.A.S., SOCPE Le Mee, S.A.R.L., Mardelle, S.A.R.L., C.E. Patay, S.A.S., SOCPE Petite Piece, S.A.R.L., Plouvien Breiz, S.A.S., Quinze Mines, S.A.R.L., Parc Eolien de Roman, S.A.R.L., C.E. Saint Barnabe, S.A.S., Eolienne de Saugueuse, S.A.R.L., SOCPE Sauvageons, C.E. Segur, S.A.S., Parc Eolien de Tarzy, S.A.R.L., Truc L'homme , S.A.R.L., Vallée du Molain, S.A.R.L., Parc Eolien de Varimpre, S.A.S. and Parc Eolien des Vatines, S.A.S.

  This transaction was treated as a disposal of non-controlling interests without a loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 7,611 thousands of Euros, was booked against reserves under the corresponding accounting policy.

Sale of companies with loss of control:
- EDP Brasil sold 50% share interest of Energia Cachoeira Caldeirão, S.A. and Companhia Energética do Jari - CEJA (that holds 100% of the share capital of ECE Participações, S.A.) by 134,751 thousands of Euros (corresponding to a sale price of 420,646 thousands of Reais deducted of transaction fees of 2,204 thousands of Reais). This sale led to a loss of 50% interest and loss of control in these companies, being these investments booked by equity method. This operation with loss of control generated a gain, in the amount of 130,676 thousands of Euros, booked in other income under the corresponding accounting policy (see note 7);
- EDP S.A. sold 50% of the share capital of EDP Asia - Investimento e Consultadoria, Lda. by 94,222 thousands of Euros. This sale led to a loss of control of the company, being this investment booked by equity method, and to a gain on a consolidated basis of 117,978 thousands of Euros.

Companies sold and liquidated:
- EDP Cogeneración S.L. liquidated Renovamed, S.A.;
- EDP Renovables España, S.L. liquidated Sotromal, S.A. and Rasacal Cogeneración, S.A;
- Millenium Energy S.L. liquidated Cogeneración Serantes, S.L.U.;
- EDP Imobiliária e Participações S.A. sold Geoterceira - Sociedade Geoélectrica, S.A.;
- EDP Energias do Brasil, S.A. sold 33% of the share capital of Energia São Manoel S.A.

Companies merged:
- The following companies were merged into EDP Renewables Canada LP, Holdings Ltd.:
  - 8067241 BC, Ltd.;
  - 0867242 BC, Ltd.;
  - South Branch Wind Farm, Inc.
- EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A. was merged into EDP Comercial - Comercialização de Energia, S.A.

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Companies incorporated:
- Energia São Manoel S.A.;
- CHC Comercializador de Referencia, S.L.;
- EDPR Solar Ventures I;
- EDPR Wind Ventures XII *;
- Parc Eolien de Boqueho - Pouagat, S.A.S.;
- Parc Eolien de Francourville, S.A.S. (Company was incorporeted under the name of Parc Eolien de Preuseville, S.A.S. and was then renamed to Parc Eolien de Francourville, S.A.S.);
- 2014 Vento XII, L.L.C.;
- 2014 Sol I, L.L.C.;
- Parc Eolien d'Escardes, S.A.S.;
- Green Country Wind Farm, L.L.C.*;
- Central Eólica Aventura, S.A.;
- EDPR RO Trading S.R.L.;
- CNET - Centre for new technologies, S.A.

* 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 31 December 2014, do not have any assets, liabilities, or any operating activity.

Other changes:
- Increase of the financial interest in S.C. Ialomita Power, S.R.L. from 85% to 100% through a share capital increase fully subscribed by EDP Renewables Europe, S.L.;
- EDP Cogeneracion S.L. increased its financial interest in Energia e Industria de Toledo, S.A. from 90% to 100%, in Sinova Medioambiental, S.A. from 84% to 100% and in Tratamientos Ambientales Sierra de la Tercia, S.A. from 88% to 100%;
- Decrease of the financial interest in Principle Power, Inc from 33.46% to 25.75% due to a share capital increase not subscribed in the proportion of the several shareholders;
- Due to the date of effectiveness of IFRS 10 - Consolidated Financial Statements, the EDP Group ceased to consolidate by the Integral Method and booked the investments held by the Equity Method in the following companies:
  - Ceprastur A.I.E.;
  - Cogeración Bergara, A.I.E.;
  - HC Tudela Cogeneración;
- Due to the date of effectiveness of IFRS 11 - Joint Arrangements, the EDP Group ceased to consolidate by the Proportional Method and booked the investments held by the Equity Method in the following companies:
  - Arquiled Group (includes the companies: Arquiled Brasil - Projectos de Iluminação Ltda, Arquiled - Projectos de Iluminação, S.A. and Arquiservice - Consultoria Serviços, S.A.);
  - Bioastur A.I.E.;
  - CIDE HC Energía, S.A.;
  - Cogeneración y Matenimiento A.I.E.;
  - Compañía Eólica Aragonesa, S.A.;
  - Desarrollos Energeticos Canarios S.A.;
  - Bioeléctrica Group (includes the companies: EDP Produção Bioeléctrica, S.A. and Ródão Power - Energia e Biomassa do Ródão, S.A.);
  - Evolución 2000, S.L.;
  - Flat Rock Windpower II, L.L.C.;
  - Flat Rock Windpower, L.L.C.;
  - Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.;
  - Pecém Transportadora de Minérios, S.A.;
  - Porto do Pecém Geração de Energia S.A.;
  - Tébar Eólica, S.A.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2014 and 2013 are listed in Annex I.

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	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Electricity and network access	14,172,119	14,000,814	2,131,863	2,057,232
Gas and network access	1,604,825	1,664,112	208,612	233,116
Sales of CO2 licences	14	26,421	38,257	52,511
Revenue from assets assigned to concessions	413,233	424,105	-	-
Other	103,692	164,709	139,369	134,573
	16,293,883	16,280,161	2,518,101	2,477,432

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

	Dec 2014					
Thousands of Euros	**Portugal**	**Spain**	**Brazil**	**U.S.A.**	**Other**	**Group**
Electricity and network access	7,713,906	3,068,372	2,761,255	384,532	244,054	14,172,119
Gas and network access	274,448	1,330,377	-	-	-	1,604,825
Sales of CO2 licences	14	-	-	-	-	14
Revenue from assets assigned to concessions	315,411	-	97,822	-	-	413,233
Other	54,539	32,911	15,795	-2	449	103,692
	8,358,318	4,431,660	2,874,872	384,530	244,503	16,293,883

	Dec 2013					
Thousands of Euros	**Portugal**	**Spain**	**Brazil**	**U.S.A.**	**Other**	**Group**
Electricity and network access	8,045,979	3,041,815	2,336,257	356,081	220,682	14,000,814
Gas and network access	260,506	1,403,606	-	-	-	1,664,112
Sales of CO2 licences	26,421	-	-	-	-	26,421
Revenue from assets assigned to concessions	307,415	-	116,690	-	-	424,105
Other	75,999	42,076	46,198	13	423	164,709
	8,716,320	4,487,497	2,499,145	356,094	221,105	16,280,161

In 2014, the caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 1,917,332 thousands of Euros (income in 31 December 2013: 1,905,932 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 39), as described under accounting policy - note 2 x). In 2014, this caption also includes, a net profit of 192,020 thousand of Euros related to recognition of tariff adjustments for the year and previous years in the period in Brazil (see note 3 and 26).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 159,234 thousands of Euros (31 December 2013: 115,576 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 55).

Cost of energy sales and other are analysed as follows:

	Group		Company	
Thousands of Euros	**Dec 2014**	**Dec 2013**	**Dec 2014**	**Dec 2013**
Cost of electricity	8,480,403	8,157,534	2,069,661	1,984,234
Cost of gas	1,158,253	1,264,705	-	-
Expenditure with assets assigned to concessions	413,233	424,105	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	399,568	424,988	-	-
Gas	279,267	323,414	208,612	235,909
Cost of consumables used	13,535	17,120	-	-
CO2 licences	87,625	135,036	38,578	52,716
Own work capitalised	-84,907	-74,154	-	-
Other	179,777	156,616	9	14
	874,865	983,020	247,199	288,639
	10,926,754	10,829,364	2,316,860	2,272,873

On a company basis, Cost of electricity includes costs of 1,039,747 thousands of Euros (31 December 2013: 1,038,501 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	**Dec 2014**	**Dec 2013**
Revenue from assets assigned to concessions	413,233	424,105
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-318,582	-334,446
Personnel costs capitalised (see note 9)	-83,547	-81,130
Capitalised borrowing costs (see note 13)	-11,104	-8,529
	-413,233	-424,105
	-	-

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7. OTHER INCOME

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

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Gains on fixed assets	13,677	22,416
Customers contributions	13,904	20,297
Income arising from institutional partnerships - EDPR NA	123,582	125,101
Estimation of the revised selling price of EDPR PT	17,491	-
Gains on business combinations	-	10,767
Gains on disposals - assets of gas and electricity business	130,833	58,296
Other	102,791	122,508
	402,278	359,385

Customers contributions include the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 12,457 thousands of Euros (31 December 2013:19,533 thousands of Euros), as referred in accounting policy 2h).

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 and XII projects, in wind farms in U.S.A. (see note 38).

In 2013, the EDPR Group completed the sale of a representative shareholding of 49% of the share capital of EDP Renováveis Portugal, S.A. The purchase and sale agreement foresee adjustments to the selling price and as a result, as at 31 December 2014 the positive adjustment to the selling price of EDPR PT amounts to 17,491 thousands of Euros against an amount to receive.

Gains on disposals - assets of gas and electricity business is related with the gain on the sale of 50% of the stake held in Jari - CEJA and Cachoeira Caldeirão hydro power plant projects in the amount of 130,676 thousands of Euros, which includes the fair value revaluation effect of the retained interest (50%) in the amount of 65,691 thousands of Euros. In 2013, this caption was related with the gain on the sale of the assets of the gas transmission business in the amount of 55,829 thousands of Euros and cogeneration activity in the amount of 2,239 thousands of Euros.

In 2007 and under the acquisition of EDPR North America, the power purchase agreements between this and its customers which 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 31 December 2014, the amortisation for the period amounts to 8,938 thousands of Euros (31 December 2013: 8,362 thousands of Euros).

In 2013, the caption Other also includes 13,779 thousands of Euros related with the indemnity received following an amendment of the power purchase agreement between Mesquite Wind, L.L.C. (subsidiary of Vento I, L.L.C) and its client.

In the last quarter of 2013, the Group EDP Energias do Brasil updated the contigent price for the acquisition of the hydro power plant of Jari, considering that the DIFAL tax benefit agreed as a condition for the contigent price payment was not obtained until 31 December 2013. This operation generated a gain on business combinations of 7,285 thousands of Euros. This caption also includes the purchase price allocation of the identificable assets acquired and liabilities assumed of Molen Wind II, S.P. ZO.O. which was carried out by EDPR Polska, and originated an operating income of 3,477 thousands of Euros (see note 18).

As at 31 December 2013, Gains on fixed assets include the effect from the sale of a land by Escelsa to Campo Participações Imobiliárias, S.A. generating a gain of 18,132 thousands of Euros (52,000 thousands of Reais).

8. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Consumables and communications	50,586	50,678	6,753	8,333
Rents and leases	105,936	112,889	40,635	44,375
Maintenance and repairs	315,533	321,261	23,120	17,427
Specialised works:				
- Commercial activity	178,373	162,239	7,091	5,600
- IT services, legal and advisory fees	81,322	85,503	20,990	20,785
- Other services	52,755	54,344	20,158	15,570
Provided personnel	-	-	49,523	46,671
Other supplies and services	112,454	122,856	17,461	16,183
	896,959	909,770	185,731	174,944

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9. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Personnel costs				
Board of Directors remuneration	15,323	15,717	5,676	5,886
Employees' remuneration	484,927	490,399	3,467	1,835
Social charges on remuneration	121,251	120,288	1,453	441
Performance, assiduity and seniority bonus	77,774	68,402	6,816	6,039
Other costs	30,301	28,971	1,090	846
Own work capitalised:				
- Assigned to concessions (see note 6)	-83,547	-81,130	-	-
- Other	-64,517	-65,734	-	-53
	581,512	576,913	18,502	14,994
Employee benefits				
Pension plans costs	25,469	25,817	440	212
Medical plans costs and other benefits	8,408	11,898	160	156
Past service cost (Curtailment / Plan amendments)	-80,586	-9,243	-	-
Other	20,635	26,390	81	63
	-26,074	54,862	681	431
	555,438	631,775	19,183	15,425

Pension plans costs include 9,544 thousands of Euros (31 December 2013: 10,265 thousands of Euros) related to defined benefit plans (see note 36) and 15,925 thousands of Euros (31 December 2013: 15,552 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 8,408 thousands of Euros (31 December 2013: 11,898 thousands of Euros) related to the charge of the period. The Past service cost (Curtailment / Plan amendments) is related essentially with: i) plan ammendements resulting from the new Collective Labour Agreement (see note 36) which resulted in a decrease of liabilities in the amount of 129,020 thousands of Euros; and ii) increase in liabilities under the permanent employees reduction program that covered Portugal employees (160 employees of EDP Produção and EDP Distribuição) and Spain employees (41 employees of HC Group) in the amount of 48,434 thousands of Euros.

Other employee benefits include costs with medical services of employees in the amount of 6,544 thousands of Euros (31 December 2013: 7,420 thousands of Euros) and costs with tariff discount of active workers in the amount of 13,634 thousands of Euros (31 December 2013: 17,348 thousands of Euros).

The breakdown by management positions and category of professional staff as at 31 December 2014 and 2013 is as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Executive Board of Directors	7	7	7	7
Senior management	706	761	-	-
Managers	714	911	-	-
Specialists	3,711	3,454	1	3
Support, Operational and Administrative Technicians	6,660	7,046	-	-
	11,798	12,179	8	10

10. OTHER EXPENSES

Other expenses, for the Group, are analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Concession rents paid to local authorities and others	274,160	274,216
Direct and indirect taxes	259,791	234,346
Irrecoverable debts	11,854	15,096
Donations	26,558	21,691
Impairment losses:		
- Trade receivables	19,034	35,874
- Debtors	5,717	3,029
Other	77,503	86,376
	674,617	670,628

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.

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The impairment losses on Trade receivables and Debtors are analysed in notes 25 and 26, respectively.

Other expenses, for the Company, are analysed as follows:

	Company	
Thousands of Euros	**Dec 2014**	**Dec 2013**
Direct and indirect taxes	1,016	1,766
Donations	11,145	9,212
Impairment losses:		
- Debtors	28	19
Other	2,662	2,112
	14,851	13,109

11. PROVISIONS

Provisions are analysed as follows:

	Group		Company	
Thousands of Euros	**Dec 2014**	**Dec 2013**	**Dec 2014**	**Dec 2013**
Charge for the period	70,445	101,743	1,870	11,232
Write-back for the period	-18,350	-47,205	-888	-10,048
	52,095	54,538	982	1,184

Provisions for the period, at 31 December 2014, include a net increase in provisions for: labor, legal and other contingencies in Brazil in the amount of 10 millions of Euros (31 de December 2013: 17 millions of Euros); provisions for contractual, legal and other liabilities and charges in Spain of 25 millions of Euros (31 de December 2013: 35 millions of Euros) and in Portugal of 17 millions of Euros (31 de December 2013: 1,1 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	**Dec 2014**	**Dec 2013**	**Dec 2014**	**Dec 2013**
Property, plant and equipment				
Buildings and other constructions	10,678	12,975	239	2,837
Plant and machinery	884,551	884,284	22	27
Other	63,227	67,121	10,026	12,706
Impairment loss	34,390	49,205	-	4,782
	992,846	1,013,585	10,287	20,352
Intangible assets				
Concession rights and impairment	83,402	83,909	-	-
Intangible assets assigned to concessions - IFRIC 12	318,945	349,787	-	-
Other intangibles	3,409	2,450	2	9
Impairment loss	25,360	-	-	-
	431,116	436,146	2	9
Investment property	446	464	2,539	670
	1,424,408	1,450,195	12,828	21,031
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-27,448	-26,276	-	-
Impairment of Goodwill	278	1,127	-	-
	1,397,238	1,425,046	12,828	21,031

Property, plant and equipment amortisations reflects the useful life extension of the combined cycle plants from 25 to 35 years, as well as some coal plants in Spain since 1 October 2013, which impact in 2014 led to a reduction of amortisation by approximately 29.2 millions of Euros compared to 31 December 2013. This impact was partially offset by the charge of the year for the assets that entered into operation.

During the first semester of 2014, EDP Produção booked an impairment regarding with Alvito hydroelectric plant, due to current market conditions there is some economic viability uncertainty, of this project, in short term. As at 31 December 2014, this impairment amounts to 26,736 thousands of Euros (12,810 thousands of Euros in Property, plant and equipment and 13,926 thousands of Euros in Intangible assets). Additionally, in the last quarter of 2014, EDPR Romania booked an impairment of 15,571 thousands of Euros in Property, plant and equipment and 11,434 thousands of Euros in intangible assets, as a result of the impairment tests performed for wind farms and green certificates.

In 2013, as a result of impairment tests of wind generation assets and cogeneration in Spain, the EDP Group recognised impairment losses in the caption Property, plant and equipment, in the amount of 8,479 thousands of Euros (EDPR Group) and 30,980 thousands of Euros (HC Energia), due to regulatory changes following the publication of the Royal Decree-Law 9/2013 related with changes in remuneration of wind assets and special regime. Additionally, in EDPR Group there was a write-off of assets under construction in United States of America in the amount of 3,717 thousands of Euros (see note 16).

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Under the ANEEL Resolution 367/09, during the third quarter of 2013, the distributors Bandeirante and Escelsa conducted a physical inventory of assets assigned to concessions. Based on the assessment performed, a loss (write-down) in the amount of 20,830 thousands of Euros (59,738 thousands of Reais) was booked, under the caption amortisation of intangible assets assigned to concessions - IFRIC 12 (see note 17).

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 (registered under Trade and other payables from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

13. FINANCIAL INCOME AND EXPENSES

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

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Financial income		
Interest income from bank deposits and other applications	50,111	46,930
Interest income from loans to joint ventures and associates	29,230	22,410
Interest from derivative financial instruments	158,110	135,510
Derivative financial instruments	272,739	377,522
Other interest income	48,410	46,146
Foreign exchange gains	31,133	46,435
CMEC	47,775	51,113
Gains on the sale of financial investments	118,352	-
Other financial income	204,985	164,093
	960,845	890,159
Financial expenses		
Interest expense on financial debt	968,433	882,617
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-11,104	-8,529
- Other	-157,748	-120,094
Interest from derivative financial instruments	123,089	106,513
Derivative financial instruments	288,011	404,497
Other interest expense	27,066	33,211
Foreign exchange losses	68,208	34,105
CMEC	18,017	19,035
Unwinding of liabilities	94,885	101,523
Net interest on the net pensions plan liability (see note 36)	24,415	30,900
Net interest on the medical liabilities and other benefits (see note 36)	39,087	40,097
Other financial expenses	50,383	64,610
	1,532,742	1,588,485
Financial income / (expenses)	-571,897	-698,326

The caption Financial income - CMEC totalling 47,775 thousands of Euros includes 15,290 thousands of Euros related to interest on the initial CMEC (31 December 2013: 16,646 thousands of Euros) included in the annuity for 2014, 32,125 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (31 December 2013: 33,720 thousands of Euros) and 360 thousands of Euros relating to the financial component of the revisable mechanism of CMEC for 2014 (31 December 2013: 747 thousands of Euros).

The caption Gains on the sale of financial investments includes the gain in the sale of 50% of EDP Ásia - Investimento e Consultoria, Lda share capital (holder of 21.19% of the share capital of the Companhia de Electricidade de Macau (CEM)) by EDP S.A. to ACE Asia (company holded by CWEI Hong Kong Company Limited, a subsidiary of China Three Gorges). The shareholding was sold by 94,222 thousands of Euros and generated a consolidated gain of 117.978 thousands of Euros which includes the fair value revaluation effect for the retained interest (50%) in the amount of 55,728 thousands of Euros.

The caption Other financial income includes essentially 86,351 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (31 December 2013: 89,195 thousands of Euros), 3,721 thousands of Euros (31 December 2013: 6,277 thousands of Euros) related with interest income on tariff deficit in Spain and 77,718 thousands of Euros related to gains, on sale of part of the electricity tariff deficit related to the over cost with the aquisition of electricity from Special Regime Generators in Portugal and CMEC 2012 (31 December 2013: 50,457 thousands of Euros), 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 (see Annex I). Therefore, for the most representative geographies, the weighted average funding rates, in use in 2014, ranges from 3.7% to 7% in Portugal, from 5.2% to 5.4% in Spain and 5.9% and 10.9% in the United States of America and Brazil, respectively, depending on related assets under construction and related financing.

Financial expenses - CMEC, in the amount of 18,017 thousands of Euros (31 December 2013: 19,035 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

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The Unwinding of discounted value liabilities refers essentially to, (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 8,233 thousands of Euros (31 December 2013: 10,173 thousands of Euros), (ii) the implied financial return in institutional partnership in USA wind farms which amounted to 56,551 thousands of Euros (31 December 2013: 60,840 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 10,383 thousands of Euros (31 December 2013: 10,505 thousands of Euros), 1,706 thousands of Euros (31 December 2013: 3,534 thousands of Euros) and 6,074 thousands of Euros (31 December 2013: 9,097 thousands of Euros), respectively.

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

	Company	
Thousands of Euros	**Dec 2014**	**Dec 2013**
Financial income		
Interest income from loans to subsidiaries and related parties	514,521	490,544
Interest from derivative financial instruments	113,808	48,198
Derivative financial instruments	629,328	487,722
Income from equity investments	375,825	752,630
Gains on the sale of financial investments	376,572	-
Other financial income	16,412	20,290
	2,026,466	1,799,384
Financial expenses		
Interest expense on financial debt	472,351	400,695
Interest from derivative financial instruments	106,568	36,912
Derivative financial instruments	584,489	502,826
Other financial expenses	66,670	33,580
	1,230,078	974,013
Financial income / (expenses)	796,388	825,371

The caption Gains on the sale of financial investments, for the Company, includes 94,220 thousands of Euros related with the gain in the sale of 50% of the EDP Ásia - Investimento e Consultoria, Lda share capital by EDP S.A. to ACE Asia.

In the context of the corporate restructuring of the gas activity in Iberia, carried out during the second quarter of 2014, in December 2014, EDP, S.A. sold to Millenium Energy, 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. This transaction was made at 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 is subject to price adjustments under the purchase agreement. Millenium Energy, SL, on 19 February 2015 changed its name to EDP Gas Iberia, S.L., which already held 95% of Naturgas Energy Group, SA, now also holds, through EDP a share capital of 72% in Portgás, EDP Gás Serviço Universal and EDP Gás GPL, and an indirect share capital of 19.83% in Setgás. Currently, EDP Gas Iberia S.L. holds, directly and indirectly, all the gas companies of EDP Group in Iberia. This transaction has no impact in consolidated financial statements, giving the intercompany nature.

Income from equity investments is analysed as follows:

	Company	
Thousands of Euros	**Dec 2014**	**Dec 2013**
Group companies	359,968	749,453
Joint ventures		
EDP Ásia - Investimento e Consultoria, Lta	12,661	-
Other companies		
REN - Rede Eléctrica Nacional, S.A.	3,196	3,177
	375,825	752,630

The amount of 12,661 thousands of Euros is related to dividends received from EDP Asia in 2014 prior to the sale of 50% of that company to ACE Asia. After this sale, the company became jointly controlled by EDP, SA and ACE Asia.

The caption Other financial expenses includes 23,574 thousands of Euros, related to the increase of impairment of financial investments in the subsidiaries EDP Internacional and Balwerk, net of the impairment reduction on EDP Imobiliária, due to the valuation of financial assets held by it.

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14. INCOME TAX

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

Country	Dec 2014	Dec 2013
Portugal	[23% - 31.5%]	[25% - 29%]
Spain	[28% - 30%]	[28% - 30%]
Netherlands	25%	25%
Brazil	34%	34%
United States of America	38.2%	38.2%

EDP Group transfer pricing practices are 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 are subject to review and correction by the tax authorities during subsequent periods. In Portugal the limit is 4 years, or 5 or 12 years if tax losses have been used in 2012/2013 or 2014, respectively. In Spain the period is 4 years and in Brazil it is 5 years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity is 3 years.

Tax losses generated in each fiscal year, which are also subject to inspection and adjustment, 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 consolidated basis as allowed by the tax legislation of the respective countries.

The changes in the tax law which had more impact in the EDP Group were the following:

Portugal

- The Law 64-A/2011 of 30 December, determines that the state surcharge would be calculated as follows (i) at a rate of 3% over taxable income in the range of 1.5 to 10 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 10 millions of Euros. The Law 66-B/2012 of 31 December aggravated the state surcharge as follows: (i) at a rate of 3% over taxable income in the range of 1.5 to 7.5 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 7.5 millions of Euros. Accordingly, during 2012 and 2013, the maximum corporate income tax rate in Portugal applicable to entities with taxable income exceeding 10 and 7.5 millions of Euros, respectively, is 31.5%.

- The Law 2/2014, published on 16 January 2014, which approved the Reform of the CIT, introducing a set of new tax measures. The main measures are related to the reduction of CIT rate, the increase of state surcharge and the extended of the period to carry forward tax losses:
(i) The CIT rate was reduced from 25% to 23% in 2014 to which is added at the municipal and state tax. Additionally was established a new tier of state surcharge over taxable income exceeding 35 millions of Euros at a rate of 7%. Whereas these tax rates were already substantially approved at the the balance sheet date, they had been considered in the calculation of deferred tax assets and liabilities as at 31 December 2013;
(ii) The period to carry forward tax losses was extended from 5 to 12 years (for tax losses generated on or after 1 January 2014). Additionally, the deduction cap was reduced from 75% to 70% of the taxable income of the year.

- The Law 82-B/2014, published on 31 December (State Budget 2015) established a reduction of the standard applicable CIT rate from 23% to 21%.

Spain

- The Royal Decree-Law 12/2012, published on 31 March 2012, established a set of measures aimed to reduce the public deficit, namely a general limitation for the deduction of the net financial expenses to 30% limit of the adjusted operational profit. The amount of financial expenses incurred which exceed the above mentioned 30% limit may be deducted in the 18 following years, provided that this limit is not exceeded in each year. Additionally, the maximum annual rate of goodwill amortisation is established at 1% for the tax years of 2012 and 2013, being this limit extended until 2015 by the Law 16/2013.

- The Royal Decree-Law 20/2012, which was approved in July 2012, introduced a set of temporary measures regarding the Spanish Corporate Income Tax legislation. The main measures are related to the change of the method for the calculation of the payments on account due by large-sized companies in the years 2012 and 2013 and to the amendment of the limits to the deductibility of tax losses carried forward for the years 2012 and 2013, that was later extended also to fiscal years 2014 and 2015 by the Law 16/2013, published on 29 October:
(i) Companies whose last year turnover was between 20 and 60 millions of Euros, can only deduct tax losses up to 50% of the taxable income compared to the former limit of 75%; and
(ii) Companies whose last year turnover exceeded 60 millions of Euros, can only deduct tax losses up to 25% of the taxable income compared to the former limit of 50%.

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- Law 16/2012 was published on 28 December, introducing a set of tax measures aiming at the reduction of the public deficit and the expansion of the economic activity in Spain. The main measures with impact on the Group subsidiaries located in Spain were the following:
(i) Limit of 70% of the deductibility for tax purposes of the amortisation and depreciation of intangible and tangible assets and investment properties, on the tax years of 2013 and 2014. Therefore, the amortisation and depreciation which was not deductible for tax purposes in 2013 and 2014, may be deducted on a straight basis over a 10-year period or over the remaining useful life of the corresponding assets from the tax year of 2015 onwards; and
(ii) Possibility of companies revaluate their tangible assets and investment properties, based on pre defined coefficients. According to the law, the effect of the reevaluation was taxed in 2013 at a single rate of 5% over the net increase in the taxable asset value. The amortisation and depreciation expense of the above mentioned net increase (revaluation) was tax deductible for the revaluated assets remaining useful life.

- Law 27/2014, published in the Spanish Official State Gazette on 28 November 2014, reduces the CIT rate from 30% to 25% in 2016 (with an interim 28% rate applicable in 2015), introduces limits on the deduction of tax losses carried forward that may utilise up to a maximum of 60% of taxable income in 2016, and 70% from 2017 onwards and the elimination of the time limit in which tax losses can be carried forward. In addition, this Law established that the impairment losses on property, plant and equipment and intangible assets including goodwill, as well as capital losses generated in intra-group transactions becomes non-deductible and replaced the tax deduction of goodwill, limited to 5%.

In previous years, as a result of the Portuguese Tax Authorities interpretations regarding municipal surcharge and the underlying IT systems used by the tax authorities, EDP Group paid initially in excess municipal surcharge on the individual taxable income of the subsidiaries forming EDP taxation group in the amount of 43.1 millions of Euros.

On 30 December 2011, the Administrative Court of Lisbon issued a favourable decision to EDP Group regarding the municipal surcharge of 2007, which resulted in the recognition of an income of 10 millions of Euros in 2011. On 24 April 2012, an additional favourable decision was issued by the Administrative Court of Lisbon, regarding the municipal surcharge of 2010 in the amount of 12.7 millions of Euros, which was recorded as an income in the second quarter of 2012. On 31 December 2012, the Administrative Court of Lisbon formally released a decision in favour of EDP regarding the 2008 municipal surcharge and autonomous taxation, which resulted in the recognition of an income of 7.5 millions of Euros in 2012. On 20 May 2013, an additional favourable decision was issued by the Administrative Court of Lisbon, regarding the municipal surcharge of 2009 paid in excess in the amount of 1.6 millions of Euros, which was recorded as an income in the second quarter of 2013. On 24 October 2014, the EDP Group received the amount of 10.1 millions of Euros, concerning to the reimbursement of the municipal surcharge unduly paid in 2011 and which return is being discussed at the court. This return, however, was due to a decision of the Tax and Customs Authority, as the court did not issued any judgment on the process. Note that the amount received is less than the 11 millions of Euros previously reported, due to replacement of the declaration of income of year 2011, by EDP Group in which it was determined a lower value of municipal surcharge than the initial one.

Income tax expense is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Current tax	-114,539	-258,520	-10,604	-25,434
Deferred tax	-196,413	46,231	17,509	240
	-310,952	-212,289	6,905	-25,194

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

	Dec 2014		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	24.5%	1,636,257	400,883
Different tax rates (includes state surcharge)	6.5%	434,273	106,397
Tax losses and tax credits	-0.7%	-47,816	-11,715
Dividends	-1.0%	-65,837	-16,130
Tax benefits	-3.6%	-242,216	-59,343
Differences between tax and accounting gains and losses	-1.1%	-75,890	-18,593
Financial investments in join ventures, associates and subsidiaries	-0.6%	-41,731	-10,224
Change of CIT rate (Portugal and Spain)	-4.2%	-277,722	-68,042
Other adjustments and changes in estimates	-0.8%	-50,127	-12,281
Effective tax rate and total income tax	19.0%	1,269,191	310,952

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The reconciliation between the nominal and the effective income tax rate for the Group, in 2013, is analysed as follows:

	Dec 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,405,933	372,572
Different tax rates (includes state surcharge)	8.0%	426,245	112,955
Tax losses and tax credits	0.3%	19,955	5,288
Dividends	-1.0%	-53,162	-14,088
Tax benefits	-4.2%	-222,687	-59,012
Non deductible provisions and amortisations for tax purposes	1.8%	95,121	25,207
Accounting revaluations	-11.6%	-615,045	-162,987
Fair value of financial instruments and financial investments	-3.0%	-161,287	-42,741
Financial investments in join ventures, associates and subsidiaries	0.2%	8,543	2,264
Other adjustments and changes in estimates	-1.9%	-102,525	-27,169
Effective tax rate and total income tax	15.1%	801,091	212,289

The caption Accounting revaluations includes essentially the fiscal revaluation of EDP's assets held in Spain in accordance with Law 16/2012 of 27 December, which does not have accounting impact but led to an increase of the assets' tax basis of 542 millions of Euros. Therefore, the Group recognised deferred tax assets of 160 millions of Euros, that will be recovered through the tax deduction of assets' increased depreciation charge of the year starting on 1 January 2015 and along its remaining useful life. The effect of the revaluation was taxed in 2013 at a 5% flat rate, whose effect was recognised under current income tax, in the total amount of 27 millions of Euros. Consequently, the net effect of this revaluation in the net income for the period is approximately 133 millions of Euros.

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

	Dec 2014		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	31.5%	778,875	245,346
Tax losses and tax credits	-4.3%	-105,860	-33,346
Dividends	-15.1%	-372,629	-117,378
Difference between tax and accounting gains/losses	-14.1%	-348,308	-109,717
Other adjustments and changes in estimates	1.1%	26,000	8,190
Effective tax rate and total income tax	-0.9%	-21,922	-6,905

The caption Differences between tax and accounting gains / losses includes the gains arising from the sale of 50% of the share capital of EDP Asia and 100% of EDP Gas SGPS, in the amount of 376,572 thousands of Euros, which under the law in force are not included in the taxable income of EDP S.A.

The reconciliation between the nominal and the effective income tax rate for the Company, in 2013, is analysed as follows:

	Dec 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	29.0%	816,069	236,660
Tax losses and tax credits	-0.3%	-9,597	-2,783
Dividends	-26.3%	-739,762	-214,531
Other adjustments and changes in estimates	0.7%	20,168	5,848
Effective tax rate and total income tax	3.1%	86,878	25,194

As a result of the changes in the economic, regulatory and tax environment in Spain, the caption Tax losses and tax credits as at 31 December 2013 includes the write-off of deferred tax assets of 27 millions of Euros and the recognition of deferred tax liabilities of 26 millions of Euros related to contingencies on tax losses carried forward in Spain.

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

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Profit before tax	1,636,257	1,405,933	778,875	816,069
Income tax	-310,952	-212,289	6,905	-25,194
Effective income tax rate	19.0%	15.1%	-0.9%	3.1%

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15. EXTRAORDINARY CONTRIBUTION TO THE ENERGY SECTOR (CESE)

The Law no. 83-C/2013 31 December (General State Budget for 2014), established the Extraordinary contribution to the energy sector (CESE). 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.

CESE focuses on the assets value with reference to the first day of financial year 2014 (1 January 2014) 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 recognized by ERSE for the calculation of allowed revenues as at 1 January 2014) if it is higher than the value of those assets. Given its legal framework, CESE is not considered a deductible expense in determining taxable income.

Therefore, the Group booked under the caption Extraordinary contribution to the energy sector (CESE) in the Consolidated Income Statement, the amount of 61,495 thousands of Euros concerning to CESE for the year ended 31 December 2014.

This contribution is also applicable to EDP Producão power plants that are subject to the legal law that establishes the compensation mechanism to maintain the contractual balance, and so this contribution amount was recognised according to the Decree-Law No. 240/2004 of 27 December.

16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Cost				
Land and natural resources	129,589	149,857	24,130	60,148
Buildings and other constructions	450,017	471,276	16,536	85,393
Plant and machinery:				
- Hydroelectric generation	8,572,837	8,458,713	254	254
- Thermoelectric generation	7,620,657	7,580,154	-	-
- Renewable generation	12,704,857	11,387,426	-	-
- Electricity distribution	1,485,617	1,410,664	-	-
- Gas distribution	971,985	1,151,465	-	-
- Other plant and machinery	110,190	128,557	916	182
Other	871,444	808,591	125,772	117,256
Assets under construction	3,436,839	2,789,402	81,910	45,402
	36,354,032	34,336,105	249,518	308,635
Accumulated depreciation and impairment losses				
Depreciation charge	-958,456	-964,380	-10,287	-15,570
Accumulated depreciation in previous years	-14,770,676	-13,825,870	-96,957	-89,680
Impairment losses	-34,390	-49,205	-	-4,782
Impairment losses in previous years	-67,410	-42,551	-4,782	-
	-15,830,932	-14,882,006	-112,026	-110,032
Carrying amount	20,523,100	19,454,099	137,492	198,603

The movements in Property, plant and equipment, for the Group, for the year ended 31 December 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 31 December
Cost							
Land and natural resources	149,857	881	-1,672	-1,828	1,797	-19,446	129,589
Buildings and other constructions	471,276	520	-7,968	-17,854	3,865	178	450,017
Plant and machinery	30,116,979	80,454	-97,827	556,834	740,328	69,375	31,466,143
Other	808,591	23,301	-13,911	50,407	4,725	-1,669	871,444
Assets under construction	2,789,402	1,440,487	-5,210	-852,647	59,509	5,298	3,436,839
	34,336,105	1,545,643	-126,588	-265,088	810,224	53,736	36,354,032

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 31 December
Accumulated depreciation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	153,937	10,678	-6,367	-13,699	1,333	105	145,987
Plant and machinery	14,073,226	918,933	-92,390	-100,812	160,482	18,532	14,977,971
Other	650,811	63,235	-12,616	-731	3,443	-1,200	702,942
	14,882,006	992,846	-111,373	-115,242	165,258	17,437	15,830,932

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Assets under construction are analysed as follows:

Thousands of Euros	Dec.14
Solar photovoltaic plants in Europe	223,161
Wind farms in USA	559,853
Wind Farms in Europe	314,615
Hydric Portugal	1,910,126
Other assets under construction	429,084
	3,436,839

Additions include the investment in wind farms by the subgroups EDPR EU and EDPR NA. Additionally, the EDPR EU subgroup carried out investments related with the construction of the solar photovoltaic plants in Romania. In 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, Ribeiradio-Ermida, Venda Nova III and Salamonde II).

As at 31 December 2014, 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	1st semester 2015	787,822	28,783
Foz Tua	September 2016	261,619	135,260
Ribeiradio-Ermida	1st semester 2015	218,232	19,305
Venda Nova III	October 2015	348,679	37,053
Salamonde II	August 2015	197,981	25,091
		1,814,333	245,492

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

Charge / Impairment losses includes 12,810 thousands of Euros on Alvito hydroelectric and 15,571 thousands of Euros as a result of impairments on assets of wind farms in Romania (see note 12).

Transfers from assets under construction into operation, refer mainly to wind and solar farms of EDP Renováveis that become operational in Poland, Italy, France, United States of America and Canada. Additionally,this caption includes the transfer to Investment property in the net amount of 8,188 thousands of Euros (see note 22) and the Naturgas's gas distribution assets transfer to held for sale in the net amount of 141,659 thousands of Euros (see note 42).

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

The movements in Property, plant and equipment, for the Group, for the year ended 31 December 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regulari-sations	Balance at 31 December
Cost							
Land and natural resources	174,641	8,209	-2,266	-19,746	-11,221	240	149,857
Buildings and other constructions	529,836	101	-2,614	-7,682	-50,050	1,685	471,276
Plant and machinery	29,999,092	15,846	-31,988	642,097	-513,063	4,995	30,116,979
Other	807,077	14,100	-38,635	35,739	-3,093	-6,597	808,591
Assets under construction	2,453,535	1,503,837	-11,818	-1,083,132	-51,487	-21,533	2,789,402
	33,964,181	1,542,093	-87,321	-432,724	-628,914	-21,210	34,336,105

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regulari-sations	Balance at 31 December
Accumulated depreciation and impairment losses							
Land and natural resources	-	4,032	-	-	-	-	4,032
Buildings and other constructions	159,625	13,725	-1,607	-5,770	-12,101	65	153,937
Plant and machinery	13,287,871	928,622	-26,769	-3	-98,980	-17,515	14,073,226
Other	617,846	67,206	-30,532	-42	-2,168	-1,499	650,811
	14,065,342	1,013,585	-58,908	-5,815	-113,249	-18,949	14,882,006

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Charge / Impairment losses include an impairment of 43,176 thousands of Euros are related with wind generation assets and cogeneration plants in Spain and with wind generation assets in the United States of America (see note 12).

Transfers includes land and buildings which were classified as investment property in the amount of 27,234 thousands of Euros (see note 22) and Brazil generation assets which were classified as assets held for sale in the amount of 399,675 thousands of Euros (see note 42).

Transfers from assets under construction into operation during 2013, refer mainly to wind farms of EDP Renováveis that became operational.

The movement in Exchange differences in the year results mainly from the depreciation of American Dollar (USD), Polish Zloty (PLN) and Brazilian Real (BRL) against the Euro in 2013.

Perimeter Variations / Regularisations includes the effect of the acquisition of 100% of the share capital of Lone Valley Solar Park I L.L.C. (ex-EDPR Agincourt L.L.C.), Lone Valley Solar Park II L.L.C. (ex-EDPR Marathon L.L.C.), Gravitangle - Fotovoltaica Unipessoal, Lda., Dejann Trading and Investments Proprietary Ltd., Molen Wind II S.P. ZO.O. and the liquidation of Parc Eolic Molinars S.L.

As at 1 January 2013, Property, Plant and Equipment includes the impact of the adoption of IFRS 10 and 11, therefore the movements for the period are net of the effects of the companies which changed the consolidation method (see note 49).

As at 31 December 2014, Property, plant and equipment financed through lease contracts for the Group, amount to 14,249 thousands of Euros (14,709 thousands of Euros at 31 December 2013), with accumulated depreciation of 6,499 thousands of Euros (6,598 thousands of Euros at 31 December 2013) and the respective future lease payments amount to 7,316 thousands of Euros (7,564 thousands of Euros at 31 December 2013). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2014			**Dec 2013**		
Thousands of Euros	**Principal**	**Interest**	**Future lease payments**	**Principal**	**Interest**	**Future lease payments**
Less than one year	2,937	270	3,207	3,116	306	3,422
Between one and three years	3,533	198	3,731	3,524	252	3,776
Between three and five years	368	10	378	352	14	366
	6,838	478	7,316	6,992	572	7,564

During 2014, the costs incurred with these assets amounted to 643 thousands of Euros (31 December 2013: 674 thousands of Euros) and are booked in the income statement under Supplies and services.

The movements in Property, plant and equipment, for the Company, for the year ended 31 December 2014 are analysed as follows:

Thousands of Euros	**Balance at 1 January**	**Additions**	**Disposals / Write-offs**	**Transfers**	**Regulari-sations**	**Balance at 31 December**
Cost						
Land and natural resources	60,148	-	-19,660	-16,358	-	24,130
Buildings and other constructions	85,393	-	-1,671	-67,249	63	16,536
Other	117,692	7,089	-707	1,854	1,014	126,942
Assets under construction	45,402	42,261	-345	-5,408	-	81,910
	308,635	49,350	-22,383	-87,161	1,077	249,518

Thousands of Euros	**Balance at 1 January**	**Charge / Impairment losses**	**Disposals / Write-offs**	**Transfers**	**Regulari-sations**	**Balance at 31 December**
Accumulated depreciation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	22,445	239	-1,124	-6,574	66	15,052
Other	83,555	10,048	-550	-1,074	963	92,942
	110,032	10,287	-1,674	-7,648	1,029	112,026

Additions include the investment in the new building of EDP Group in Lisbon in the amount of 35,232 thousands of Euros (31 December 2013: 15,419 thousands of Euros).

Transfers are related to Investment Property (see note 22).

The movements in Property, plant and equipment, for the Company, for the year ended 31 December 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 31 December
Cost						
Land and natural resources	74,569	-	-3	-14,418	-	60,148
Buildings and other constructions	93,556	-	-1,023	-7,290	150	85,393
Other	117,591	3,286	-9,976	6,803	-12	117,692
Assets under construction	26,747	25,464	-	-6,803	-6	45,402
	312,463	28,750	-11,002	-21,708	132	308,635

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 31 December
Accumulated depreciation and impairment losses						
Land and natural resources	-	4,032	-	-	-	4,032
Buildings and other constructions	23,303	3,587	-514	-4,079	148	22,445
Other	80,591	12,733	-9,759	-	-10	83,555
	103,894	20,352	-10,273	-4,079	138	110,032

Transfers includes land and buildings which were classified as investment property (see note 22).

As at 31 December 2014 and for the Company, the Property, plant and equipment financed by leasing contracts amount to 3,785 thousands of Euros (3,792 thousands of Euros at 31 December 2013), with accumulated depreciation of 1,978 thousands of Euros (1,545 thousands of Euros at 31 December 2013) and the respective future lease payments amount to 1,605 thousands of Euros (2,047 thousands of Euros at 31 December 2013). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2014			Dec 2013		
Thousands of Euros	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	718	61	779	850	86	936
Between one and three years	735	39	774	983	67	1,050
Between three and five years	51	1	52	59	2	61
	1,504	101	1,605	1,892	155	2,047

During 2014, the costs incurred related to these assets amount to 185 thousands of Euros (164 thousands of Euros as at 31 December 2013) and are booked under Supplies and services in the income statement.

As at 31 December 2014, the Group has an agreement in place, which constitutes a financial lease as defined by IFRIC 4, and the net value of the assets allocated amounts to 21 millions of Euros.

17. INTANGIBLE ASSETS

This caption is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Cost		
Concession rights	15,168,856	15,006,697
CO2 licences	162,389	235,435
Other intangibles	197,272	158,218
Intangible assets in progress	518,679	580,193
	16,047,196	15,980,543
Accumulated depreciation and impairment losses		
Depreciation of concession rights	-402,347	-433,696
Depreciation of other intangibles	-3,409	-2,450
Accumulated depreciation in previous years	-9,803,054	-9,526,595
Impairment losses	-25,360	-
	-10,234,170	-9,962,741
Carrying amount	5,813,026	6,017,802

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.

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The concession rights over electricity production in Brazil, namely for Lajeado Energia and Investco, are amortised on a straight-line basis over the concession period, until 2032.

The movements in Intangible assets during the year ended 31 December 2014, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 31 December
Cost							
Concession rights:							
- Distribution and generation Brazil	1,079,171	1,958	-	-	4,177	-	1,085,306
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,418,998	624	-	-	-	-	1,419,622
CO2 licences	235,435	47,319	-120,365	-	-	-	162,389
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,370,174	340	-190,865	363,856	23,320	-41,251	12,525,574
- Intangible assets in progress	175,055	412,893	-7,719	-485,363	2,574	9,895	107,335
Other intangibles	158,218	29,627	-65	-1,177	10,535	134	197,272
Other intangible in progress	405,138	11,664	-251	-365	173	-5,015	411,344
	15,980,543	504,425	-319,265	-123,049	40,779	-36,237	16,047,196

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 31 December
Accumulated depreciation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	509,178	37,891	-	-	793	-	547,862
- Gas Portugal	31,444	3,145	-	-	-	-	34,589
- Hydric Portugal	260,459	42,366	-	-	-	-	302,825
Assigned to concessions (IFRIC 12)	9,129,664	318,945	-174,563	-	17,088	-2,975	9,288,159
Other intangibles	31,996	28,769	-50	-112	1,083	-951	60,735
	9,962,741	431,116	-174,613	-112	18,964	-3,926	10,234,170

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).

In the caption Hydric Portugal, the increase of 624 thousands of Euros (31 December 2013: 18,522 thousands of Euros) relates to the power enhancement performed during 2014 in the Alqueva hydroelectric power plant.

Additions of CO2 Licences include 14,703 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 32,616 thousands of Euros of licences purchased at market for own consumption. The disposals / write-off of CO2 licences correspond to the licences consumed during 2013 and delivered to regulatory authorities in the amount of 119,509 thousands of Euros.

The additions of Other intangibles includes the recognition of rights related to deferred green certificates in Romania in the amount of 24,885 thousand of Euros.

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 (86,025 thousands of Euros).

Charge / Impairment losses includes 13,926 thousands of Euros related to impairments on Alvito hydroelectric plant and 11,434 thousands of Euros related to green certificates in Romania (see note 12).

Transfers include the net transfers of intangible assets in progress assigned to concessions of 121,507 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 26), the remaining amounts relate to Naturgas gas distribution assets transfer to held for sale (see note 42).

The expenses of the year 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 year ended 31 December 2013, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 31 December
Cost							
Concession rights:							
- Distribution and generation Brazil	1,369,904	6,410	-	-209,055	-88,088	-	1,079,171
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,400,419	18,580	-	-	-	-1	1,418,998
CO2 licences	319,413	61,472	-145,450	-	-	-	235,435
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,524,033	1,757	-58,441	292,571	-389,746	-	12,370,174
- Intangible assets in progress	160,408	422,348	-1,521	-400,632	-12,265	6,717	175,055
Other intangibles	98,288	64,029	-29	580	-4,650	-	158,218
Other intangible in progress	390,451	23,941	-411	-8,679	-2,925	2,761	405,138
	16,401,270	598,537	-205,852	-325,215	-497,674	9,477	15,980,543

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 31 December
Accumulated depreciation and impairment losses							
Concession rights	738,245	83,909	-	-	-21,149	77	801,082
Assigned to concessions (IFRIC 12)	9,102,486	349,787	-53,130	-	-271,603	2,124	9,129,664
Other intangibles	30,464	2,450	-26	-6	-1,088	201	31,995
	9,871,195	436,146	-53,156	-6	-293,840	2,402	9,962,741

Additions of CO2 Licences are related to licences purchased in the market. The Disposals / write-off of CO2 licences include CO2 licences consumed during 2012 and delivered to regulatory authorities in the amount of 144,002 thousands of Euros.

Additions for other intangibles include the power purchase agreements of Rising Tree in the amount of 47,297 thousands of Euros and the recognition of the deferred portion of green certificate rights in Romania in the amount of 12,941 thousands of Euros.

Transfers include 217,154 thousands of Euros of cost of acquisition and 6 thousands of Euros of accumulated depreciation, related with Brazil generation assets, which were classified as assets held for sale (see note 42). Additionally, the net transfers of intangible assets assigned to concessions of 108,061 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 26).

As at 1 January 2013, Intangible Assets includes the impact of the adoption of IFRS 10 and 11, therefore the movements for the period are net of the effects of the companies which changed the consolidation method (see note 49).

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	Dec 2014	Dec 2013
HC Energia Group	1,940,712	1,946,935
EDP Renováveis Group	1,287,004	1,212,787
EDP Brasil Group	53,052	52,904
Other	40,518	40,518
	3,321,286	3,253,144

The movements in Goodwill during 2014, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 31 December
HC Energia Group	1,946,935	1,090	-7,313	-	-	1,940,712
EDP Renováveis Group	1,212,787	823	-2,587	-278	76,259	1,287,004
EDP Brasil Group	52,904	-	-	-	148	53,052
Other	40,518	-	-	-	-	40,518
	3,253,144	1,913	-9,900	-278	76,407	3,321,286

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The movements in Goodwill during 2013, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 31 December
HC Energia Group	1,919,526	27,409	-	-	-	1,946,935
EDP Renováveis Group	1,258,992	1,152	-21,050	-	-26,307	1,212,787
EDP Brasil Group	55,564	-	-	-	-2,660	52,904
Other	41,645	-	-	-1,127	-	40,518
	3,275,727	28,561	-21,050	-1,127	-28,967	3,253,144

HC Energia Group

The goodwill held in HC Energia Group, with reference to 31 December 2014 and 2013, is analysed as follows:

	HC Energia Group	
Thousands of Euros	Dec 2014	Dec 2013
Liberalised activities	592,487	592,178
Regulated networks	1,348,225	1,354,757
	1,940,712	1,946,935

In December 2014, the put option held by Liberbank over 0.13% of the share capital of HC Energia was totaly exercised leading to an increase in goodwill of 1,090 thousands of Euros, as described under accounting policies - note 2b). In this Group there was also a decrease in the amount of 7,313 thousands of Euros resulting from the reclassification of Naturgas Energía Distribuición Murcia, SA to assets held for sale (see note 42).

During 2013, the goodwill from Hidrocantabrico Group increased by 26,406 thousands of Euros as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Liberbank (ex-Cajastur), through the put option held by this entity over 3.13% of the share capital of HC Energia. In December 2013, this put option held by Liberbank was partially exercised in 3%. As a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interests from Liberbank, through the put option held over 0.13% of the share capital of HC Energia, the goodwill increased by 1,003 thousands of Euros.

EDP Renováveis Group

The goodwill held in EDP Renováveis Group, with reference to 31 December 2014 and 2013, is analysed as follows:

	EDP Renováveis Group	
Thousands of Euros	Dec 2014	Dec 2013
Goodwill in EDPR Europe Group	634,399	636,318
Goodwill in EDPR North America Group	651,264	574,867
Others	1,341	1,602
	1,287,004	1,212,787

EDPR Europe Group

The decrease in goodwill movement in EDPR Europe Group in the year end 31 December 2014 is related with the cancellation of the sucess fee associated to a project in EDPR France.

During 2014, EDPR Europe acquired 100% of Wincap, S.R.L. and Radziejów Wind Farm Sp. ZO.O. (see note 5) by 2,085 thousands of Euros, which generated a goodwill of 651 thousands of Euros.

The goodwill movement in EDPR Europe Group in 2013 includes essentially a decrease in the amount of 19,173 thousands of Euros related to the contingent prices revision of some purchase agreements signed before 1 January 2010, date of the adoption of the revised IFRS 3 (as described in accounting policy 2b)).

The adoption of IFRS 10 and 11 in 2014 implied the comparative adoption of these IFRS's, for comparative purposes, as at 1 January 2013. This adoption has generated a negative variation of 42,730 thousands of Euros at 1 January 2013, related to the change in the consolidation method of Arquiled - Projectos de Iluminação, S.A., Compañía Eólica Aragonesa, S.A. and Evolución 2000, S.L. Since the investments in these companies began to be booked by equity, the goodwill associated was reclassified to the caption Investments in joint ventures and associates (see note 49).

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Other information included in 2013

During 2013 EDP Renewables Polska, Sp. zo. o. acquired 65.07% of the share capital of the company Molen Wind II Sp. ZO. O. and has carried out the purchase price allocation which originated the recognition of an operating income of 3,477 thousands of Euros (see note 7).

Thousands of Euros	**Book value**	**PPA**	**Assets and Liabilities at fair value**
Property, plant and equipment	1,691	10,739	12,430
Other assets (including licences)	10,112	-	10,112
Total assets	11,803	10,739	22,542
Deferred tax liabilities	-	2,040	2,040
Current liabilities	1,868	-	1,868
Total liabilities	1,868	2,040	3,908
Net assets	9,935	8,699	18,634
Non-controlling interests	-3,470	-3,039	-6,509
Net assets acquired	6,465	5,660	12,125
Consideration transferred	8,648		8,648
Goodwill/ (Badwill)			-3,477

Goodwill impairment test analysis – EDP Group

The recoverable amount of the goodwill in subsidiaries is assessed annually, as at 30 September, independently of the existence of any indicators of impairment. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

The EDP Group is composed by a significant number of subsidiaries in several locations, as mentioned in its consolidation perimeter. Therefore, the impairment tests at subgroup level are carried out for each cash generating unit (CGU) identified in each country where the EDP Group develops its activities, namely:

- HC Energia - Distribution, Generation & Supply of electricity;
- HC Energia (including NG Energia) - Distribution & Supply of gas;
- EDPR Europe – Renewable generation;
- EDPR North America and EDPR Brasil - Renewable generation;
- EDP Brasil - Generation, Distribution, and Supply of electricity.

At EDP Group level, these cash generating units are subsquently aggregated by business units, ensuring however that goodwill impairment analysis does not exceed a business segment.

For the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments by each cash generating unit, being presented by aggregation in each business units after the impairment tests carried out at each subgroup / cash generating unit.

Goodwill impairment test analysis – HC Energia Group (including NG Energia)

The discount rates after taxes used by the Group in the impairment test analysis range between 4.7% and 5.8% (2013: between 5.7% and 6.8% respectively).

Regarding to generation business the future cash flow projection corresponds to the remaining useful life of the respective assets (power plants). In the electricity and gas transmission business the cash flow projection period considers the perpetuity of the business as assets are operating under a license with no foreseen ending date.

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The main assumptions on which impairment tests are based are as follows:

- In the generation business, the estimated energy produced by the power plants: consider the best estimate of future market demand and total installed capacity;

- Prices of electricity, gas and coal were defined considering the market expectations regarding future price curves and considering the regulation in force. Contracted prices for future long term purchases were also used;

- Investment costs: the best available estimates of the future investments were used in order to guarantee a regular use of existing assets, as well as the estimates that resulted from legislative changes;

- Operating costs: operating costs were projected consistent with the company's historical experience and internal models;

- In the regulated business, namely distribution of electricity and gas, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates;

- The projections for the generation and electricity distribution businesses are based on the long-term estimates of the various assumptions used in the analysis. Regarding the supply of electricity and gas businesses, long-term projections were extrapolated using growth rates of 1.25% and 1.0%, respectively, reflecting the expectations of growth of market and inflation.

- Discount rate: the discount rates used reflect EDP Group's best estimate regarding the specific risks associated to each CGU.

The Group has performed a series of sensitivity analyses to the results of impairment tests in some key variables, such as (i) cost of fuel and respectively pool price, (ii) commercialized energy and (iii) discount rates. The sensitivity analysis results show that (i) an increase of 5% in the cost of fuel accompanied by the expected impact in the pool prices and operation hours of the generation assets or (ii) a reduction of 5% of commercialized energy or (iii) an increase of 50 bps on the discount rate do not result in any impairment indicators.

Goodwill impairment test analysis – EDP Renováveis

The future cash flows projection used is the useful life of the assets (25 years) which is consistent with the current depreciation method. This projection also incorporate the long-term energy sale contracts in place and long-term estimates of energy prices, for the asset with market exposure.

The main assumptions used for the impairment tests are as follows:

- Power produced: net capacity factors used for each CGU utilize the wind studies carried out, which takes into account the long-term predictability of wind output and that wind generation is supported in nearly all countries by regulatory mechanisms that allow for production and priority dispatching whenever weather conditions permit;

- Electricity remuneration: regulated or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output during all or part of their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data references;

- New capacity: tests were based on the best information available on the wind farms expected to be built in coming years, adjusted by probability of success and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections. The tests considered the contracted and expected prices to buy turbines from various suppliers;

- Operating costs: established contracts for land leases and maintenance agreements were used; other operating costs were projected consistent with the company's experience and internal models;

- Terminal value: considered as a 15% of the initial investment in each wind farm, considering inflation; and

- Discount rate: the discount rates used are post-tax, reflect EDPR Group's best estimate of the risks specific to each CGU and range as follows:

	2014	2013
Europe	4.0% - 6.4%	4.8% - 7.6%
United States of America	5.1% - 7.1%	6.0% - 7.3%
Brazil	8.6% - 10.3%	8.6% - 9.9%

Impairment tests were performed taking into account the regulation changes in each country, as disclosed in note 1.

A series of sensitivity analysis were performed on the results of impairment tests namely in some of the key variables, such as:

- EDPR NA, decrease in the Net Capacity Factors;
- EDPR NA, 5% and 10% reduction of Merchant Prices.

Furthermore, EDPR Group has done an additional sensitivity analysis increasing 100 basis points the discount rate used in case base for EDPR EU and EDPR Brasil CGU's. These sensitivity analyses performed for each assumption independently would not suppose any impairment for the goodwill allocated to each country.

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Goodwill impairment test analysis – EDP Brasil

For EDP Brasil, the cash flows were determined based on the production and consumption volume and estimated tariffs and installed capacity and tariff evolution prospects in the different markets / power purchase agreements. The period considered for the cash flows corresponds to the useful life of the plant & machinery and other relevant equipments or until the end of the concession contracts, if lower than the useful life.

The discount rates used reflect the specific risks for each activities: 7.8% in generation, 8.9% in distribution and 9.3% in supply (2013: 7.6%, 8.2% and 9.1% respectively).

The terminal value of the generation business corresponds to the present value of the assets at the end of the concession period (Regulatory Asset Base). In the supply business, it is considered the perpetuity of the business.

This sensitivity analysis of considering and increase of 100 bps on the discount rate does not result in any impairment indicators for goodwill.

19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	**Dec 2014**	**Dec 2013**
Acquisition cost	11,047,079	11,189,870
Effect of equity method (transition to IFRS)	-785,593	-902,524
Equity investments in subsidiaries	10,261,486	10,287,346
Impairment losses on equity investments in subsidiaries	-224,517	-200,943
	10,036,969	10,086,403

On the date of transition to IFRS, EDP, S.A. ceased to apply the equity method of accounting to its investments in its unconsolidated financial statements, having considered this method in the determination of the deemed cost at transition date.

Investments in subsidiaries are analysed as follows:

	Company	
	Dec 2014	**Dec 2013**
Thousands of Euros	**Net amount**	**Net amount**
Investments in subsidiaries:		
EDP Renováveis, S.A.	2,939,889	2,939,889
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
Hidroeléctrica del Cantábrico, S.A.	2,093,601	2,087,871
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Servicios Financieros España, S.A.	482,695	482,695
EDP Comercial, S.A.	299,073	238,473
EDP Investments and Services, S.L.	281,854	281,854
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	-	60,600
Other	97,658	152,822
	10,036,969	10,086,403

The decrease in the caption Investments in subsidiaries (49,434 thousands of Euros) mainly results from the investment sale of EDP Gás - SGPS, S.A. to Millenium Energy, S.L. (47,796 thousands of Euros), which lead to a gain on the company basis of 282,352 thousands of Euros (see note 13), and from the exercise of the put option held by Liberbank over the capital of HC Energia, resulting in an increase of EDP share in 0.13% (in the amount of 5,730 thousands of Euros).

During 2014, EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A. was merged into EDP Comercial, S.A., as referred in note 5.

20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	**Dec 2014**	**Dec 2013**	**Dec 2014**	**Dec 2013**
Investments in joint ventures	748,750	462,859	6,595	6,595
Investments in associates	124,224	182,562	-	-
	872,974	645,421	6,595	6,595

As at 31 December 2014, for the Group, this caption includes goodwill in investments in joint ventures of 42,730 thousands of Euros (31 December 2013: 42,730 thousands of Euros) and goodwill in investments in associates of 36,900 thousands of Euros (31 December 2013: 44,602 thousands of Euros).

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The movement in Investments in joint ventures and associates, for the Group, is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Balance as at 1 January	645,421	696,938
Acquisitions / Entries	117,585	-
Fair value ajustments	118,877	-
Increases / Decreases of share capital	65,220	35,937
Disposals	-80,899	-25
Share of profit of joint ventures and associates	15,094	-14,166
Dividends	-33,783	-32,118
Exchange differences	27,458	-48,978
Hedging reserve in joint ventures and associates	-2,184	8,648
Others	185	-815
Balance as at 31 December	872,974	645,421

Under IFRS 11, the fair value of the retained interest in a joint venture, following a sale with loss of control, constitutes the deemed cost for the equity method aplication. Thus, the deemed cost of financial participation in Companhia Energética do Jari, EDP Ásia and Cachoeira Caldeirão amounts respectively to 140,078, 96,170 and 528 thousands of Euros.

As at 31 December 2014, the Fair value adjustments line refers to the revaluation of share of capital held in Companhia Energética do Jari, in EDP ASIA - Investimento e Consultadoria, Lda and in Empresa de Energia Cachoeira Caldeirão S.A., companies sold with loss of control (see notes 5 and 13). These sales with loss of control led to entries of these companies as joint ventures, which essentially justifies the value in the Acquisitions / Entries line.

As at 1 January 2013, investements in joint ventures and associates includes the impact of the adoption of IFRS 10 and 11, therefore the movements for the period are net of the effects of the companies which changed the consolidation method (see note 49).

The following table resumes the companies' financial information of joint ventures whose investment is booked by the equity method included in the Group consolidated accounts, as at 31 December 2014:

Thousands of Euros	Porto do Pecém	Companhia Energ. Do Jari	ECE Participações	Energia Cachoeira Caldeirão	Energia São Manoel	Compañía Eólica Aragonesa
Companies' financial information of joint ventures						
Non-Current Assets	1,259,134	280,105	365,412	238,542	134,136	134,860
Current Assets	167,600	8,746	80,418	78,494	84,272	16,560
Cash and cash equivalents	47,098	71	52,489	75,905	83,078	12,677
Total Equity	291,427	161,179	170,284	110,271	-850	108,144
Long term Financial debt	586,320	108,265	225,797	92,919	173,475	-
Non-Current Liabilities	816,682	110,766	231,383	95,819	204,081	30,066
Short term Financial debt	55,744	16,263	10,692	94,039	-	-
Current Liabilities	318,625	16,905	44,163	110,946	15,178	13,210
Revenues	369,570	-	62,117	-	-	14,167
Fixed and intangible assets amortisations	-43,826	-925	-2,625	-	-	-5,257
Other financial expenses	-95,621	-13,603	-3,215	-1,416	-7,609	-174
Income tax expense	43,548	-471	-14,811	567	452	2,531
Net profit for the year	-75,681	20,137	35,339	-1,101	-877	4,282
Amounts proportionally attributed to EDP Group						
Net assets	145,714	58,068	85,142	55,664	-	66,657
Goodwill	-	-	-	-	-	39,558
Dividends paid	-	-	-	-	-	2,500

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Thousands of Euros	Flat Rock Windpower II	Flat Rock Windpower	EDP Produção Bioeléctrica	CIDE HC Energía	EDP ASIA Invest. e Consultadoria	Others
Companies' financial information of joint ventures						
Non-Current Assets	115,477	289,039	133,424	1,776	80,883	77,170
Current Assets	869	4,392	9,397	47,046	-	23,889
Cash and cash equivalents	534	2,525	3,506	10	-	14,816
Total Equity	115,012	290,048	17,533	1,550	80,883	25,149
Long term Financial debt	-	-	72,018	-	-	47,098
Non-Current Liabilities	1,215	3,156	80,778	1,174	-	55,637
Short term Financial debt	-	-	9,798	732	-	6,815
Current Liabilities	119	227	44,510	46,098	-	20,273
Revenues	8,392	31,488	49,355	232,498	-	25,136
Fixed and intangible assets amortisations	-6,165	-18,206	-9,457	-24	-	-6,931
Other financial expenses	-57	-147	-1,940	-540	-5	-1,856
Income tax expense	-	-	-1,759	-1,770	-	572
Net profit for the year	-1,345	2,403	3,941	3,760	13,321	-1,511
Amounts proportionally attributed to EDP Group						
Net assets	57,506	145,024	8,766	775	96,170	29,264
Goodwill	-	-	-	-	-	3,172
Dividends paid	2,813	11,689	-	-	-	737

The following table resumes the companies' financial information of joint ventures whose investment is booked by the equity method included in the Group consolidated accounts, as at 31 December 2013:

Thousands of Euros	Porto do Pecém	Compañía Eólica Aragonesa	Flat Rock Windpower II	Flat Rock Windpower
Companies' financial information of joint ventures				
Non-Current Assets	1,199,161	127,966	107,611	267,622
Current Assets	110,863	12,727	1,467	6,488
Cash and cash equivalents	14,109	7,011	930	3,039
Total Equity	356,238	108,862	107,966	271,332
Long term Financial debt	606,198	-	-	-
Non-Current Liabilities	745,522	21,971	1,015	2,637
Short term Financial debt	51,627	-	-	-
Current Liabilities	208,264	9,860	97	141
Revenues	343,241	30,652	5,847	24,579
Fixed and intangible assets amortisations	-40,543	-4,811	-6,177	-16,004
Other financial expenses	-106,148	-1,018	-54	-140
Income tax expense	50,717	-3,434	-	-
Net profit for the year	-98,450	12,703	-3,750	-2,418
Amounts proportionally attributed to EDP Group				
Net assets	178,119	68,428	53,983	135,666
Goodwill	-	39,558	-	-
Dividends paid	-	4,972	1,094	5,900

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Thousands of Euros	EDP Produção Bioeléctrica	CIDE HC Energía	Others
Companies' financial information of joint ventures			
Non-Current Assets	136,887	1,821	77,163
Current Assets	13,744	50,349	29,218
Cash and cash equivalents	3,897	-	17,608
Total Equity	13,592	-2,210	28,495
Long term Financial debt	81,601	-	52,477
Non-Current Liabilities	85,526	51	58,964
Short term Financial debt	9,840	1,105	6,818
Current Liabilities	51,513	54,329	18,918
Revenues	47,247	234,648	36,842
Fixed and intangible assets amortisations	-9,215	-31	-6,740
Other financial expenses	-2,134	-893	-2,444
Income tax expense	-1,989	-1,372	-1,498
Net profit for the year	3,918	3,189	2,946
Amounts proportionally attributed to EDP Group			
Net assets	6,796	-	19,867
Goodwill	-	-	3,172
Dividends paid	-	-	4,523

The following table resumes the companies' financial information of associates whose investment is recognised in the Group consolidated accounts by the equity method, as at 31 December 2014:

Thousands of Euros	SETGAS	ENEOP Eólicas de Portugal	Seaenergy Renewables Inch-Cape	Others
Companies' financial information of associates				
Non-Current Assets	168,922	1,296,820	46,688	206,369
Current Assets	15,554	365,479	2,662	74,363
Total Equity	72,117	98,056	-3,228	110,347
Non-Current Liabilities	75,143	1,399,319	46,169	69,666
Current Liabilities	37,216	164,923	6,408	100,604
Revenues	27,501	212,687	-	100,169
Net profit for the year	5,475	36,167	-1,201	-12,493
Amounts proportionally attributed to EDP Group				
Net assets	35,135	35,261	14,190	39,638
Goodwill	11,986	-	15,772	9,142
Dividends paid	1,157	-	-	14,887

As at 31 December 2014, the "Others" includes companies with financial statements as of 31 December 2014, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2014, because the accounts of 31 December 2014 were not timelly approved.

The following table resumes the companies' financial information of associates included in the Group consolidated accounts under the equity method, as at 31 December 2013:

Thousands of Euros	CEM	SETGAS	ENEOP Eólicas de Portugal	Seaenergy Renewables Inch-Cape	Others
Companies' financial information of associates					
Non-Current Assets	499,359	170,808	1,184,916	19,778	208,428
Current Assets	91,738	13,266	282,449	1,033	77,074
Total Equity	281,979	70,147	74,739	-1,854	84,568
Non-Current Liabilities	97,425	78,960	1,248,590	19,211	66,582
Current Liabilities	211,694	34,967	144,037	3,453	134,351
Revenues	525,795	28,758	193,736	-	179,288
Net profit for the year	61,103	8,403	37,220	-731	-33,333
Amounts proportionally attributed to EDP Group					
Net assets	68,612	34,827	26,876	13,827	38,420
Goodwill	8,848	11,986	-	14,735	9,033
Dividends paid	11,057	-	-	-	4,572

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During 2014, the significant companies' financial information of joint ventures and associates presents the following fair value reconciliation of net assets proportionally attributed to EDP Group:

Thousands of Euros	Equity	% EM	Fair Value Ajustments	Goodwill	Others	Net Assets
Porto do Pecém Geração de Energia S.A.	291,427	50.00%	-	-	-	145,714
Companhia Energética do Jari	161,179	50.00%	62,620	-	-85,142	58,068
ECE Participações S.A.	170,284	50.00%	-	-	-	85,142
Energia Cachoeira Caldeirão S.A.	110,271	50.00%	528	-	-	55,664
Energia São Manoel S.A.	-850	33.40%	-	-	284	-
Compañía Eólica Aragonesa, S.A.	108,144	50.00%	12,585	-	-	66,657
Flat Rock Windpower II LLC	115,012	50.00%	-	-	-	57,506
Flat Rock Windpower LLC	290,048	50.00%	-	-	-	145,024
EDP Produção Bioeléctrica, S.A.	17,533	50.00%	-	-	-	8,766
CIDE HC Energía, S.A.	1,550	50.00%	-	-	-	775
EDP ASIA - Investimento e Consultadoria, Lda	80,883	50.00%	55,728	-	-	96,170
SETGAS - Soc. de Prod. e Dist. de Gás, S.A.	72,117	33.05%	11,300	-	-	35,135
ENEOP - Éolicas de Portugal, S.A.	98,056	35.96%	-	-	-	35,261
SeaEnergy Renewables Inch Cape Limited	-3,228	49.00%	-	15,772	-	14,190

During 2013, the significant companies' financial information of joint ventures and associates presents the following fair value reconciliation of net assets proportionally attributed to EDP Group:

Thousands of Euros	Equity	% EM	Fair Value Ajustments	Goodwill	Others	Net Assets
Porto do Pecém Geração de Energia S.A.	356,238	50.00%	-	-	-	178,119
Compañía Eólica Aragonesa, S.A.	108,862	50.00%	13,997	-	-	68,428
Flat Rock Windpower II LLC	107,966	50.00%	-	-	-	53,983
Flat Rock Windpower LLC	271,332	50.00%	-	-	-	135,666
EDP Produção Bioeléctrica, S.A.	13,592	50.00%	-	-	-	6,796
CIDE HC Energía, S.A.	-2,210	50.00%	-	-	1,105	-
CEM	281,979	21.19%	-	8,848	-	68,612
SETGAS - Soc. de Prod. e Dist. de Gás, S.A.	70,147	33.05%	11,643	-	-	34,827
ENEOP - Éolicas de Portugal, S.A.	74,739	35.96%	-	-	-	26,876
SeaEnergy Renewables Inch Cape Limited	-1,854	49.00%	-	14,735	-	13,827

Financial, operating and real guarantees granted by joint ventures included in the Group consolidated accounts under the equity method, as at 31 December 2014 and 31 December 2013, are disclosed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Operating guarantees		
Companhia Energética do Jari	6,097	-
Energia Cachoeira Caldeirão S.A.	6,644	-
Energia São Manoel S.A.	11,889	-
Others	1,747	1,747
	26,377	1,747
Real guarantees	24	23

The commitments relating to short and medium-long term financial debt, future lease payments under operating leases and other purchase obligations of joint ventures included in the Group consolidated accounts under the equity method, as at 31 December 2014 and 2013, are disclosed by maturity as follows:

	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 (inc. falling due interest)	1,005,043	136,881	207,486	227,468	433,208
Finance lease commitments	1,563	280	471	275	537
Operating lease commitments	25,000	1,754	3,380	2,995	16,871
Purchase obligations	1,172,001	402,184	416,248	173,348	180,221
	2,203,607	541,099	627,585	404,086	630,837

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	Dec 2013				
	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 (inc. falling due interest)	552,677	55,588	108,053	104,169	284,867
Finance lease commitments	-	-	-	-	-
Operating lease commitments	12,424	662	1,212	1,267	9,283
Purchase obligations	253,854	88,849	17,999	17,936	129,070
	818,955	145,099	127,264	123,372	423,220

21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Banco Comercial Português, S.A.	71,434	65,790	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	44,949	41,828	44,949	41,828
Tejo Energia, S.A.	19,700	21,500	-	-
Zephyr Fund (Energia RE portfolio)	59,584	53,751	-	-
Others	28,790	29,614	1,977	1,716
	224,457	212,483	46,926	43,544

As at 31 December 2014, the financial investment held in Banco Comercial Português, S.A. decreased by 39,329 thousands of Euros being the decrease booked against fair value reserves (see note 32). During the third quarter of 2014, regarding BCP share capital increase, EDP Group subscribed 691,898,425 shares of BCP at 0.065 Euros per share in a total investment of 44,973 thousands of Euros. After this operation, the Group holds 1,087,268,954 shares, maintaining its actual share of 2.01%.

During 2014, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 3,121 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 2014, Energia RE increased this participation by 3,000 thousands of Euros, therefore this investment increased by 2,833 thousands of Euros being the increase booked against fair value reserves (see note 32).

Under IFRS 13 (note 47), available for sale investments are classified into three levels of fair value: level 1 includes essencially 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.

In 2014, the movements in Available-for-sale investments are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value	Other variations	Balance at 31 December
Banco Comercial Português	65,790	44,973	-	-	-39,329	-	71,434
REN - Redes Energéticas	41,828	-	-	-	3,121	-	44,949
Tejo Energia	21,500	-	-	-	-1,800	-	19,700
Zephyr Fund (Energia RE portfolio)	53,751	3,000	-	-	2,833	-	59,584
Others	29,614	1,451	-168	-2,339	283	-51	28,790
	212,483	49,424	-168	-2,339	-34,892	-51	224,457

In 2013, the movements in Available-for-sale investments are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value	Other variations	Balance at 31 December
Banco Comercial Português	29,653	-	-	-	36,137	-	65,790
REN - Redes Energéticas	38,408	-	-	-	3,420	-	41,828
Tejo Energia	26,246	-	-	-	-4,746	-	21,500
Zephyr Fund (Energia RE portfolio)	48,229	4,000	-	-	1,522	-	53,751
Others	38,758	1,047	-549	-4,641	-2,179	-2,822	29,614
	181,294	5,047	-549	-4,641	34,154	-2,822	212,483

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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 31 December 2014 and 2013 is analysed as follows:

Thousands of Euros	Dec 2014	Dec 2013
Banco Comercial Português, S.A.	2,260	41,589
REN - Redes Energéticas Nacionais, SGPS, S.A.	19,129	16,008
Tejo Energia, S.A.	13,345	15,145
Zephyr Fund (Energia RE portfolio)	6,214	3,381
Others	6,029	4,496
	46,977	80,619

In addition in 2014, the variation in fair value reserve of available-for-sale investments includes the negative amount of 1,250 thousands of Euros attributable to non-controlling interests.

22. INVESTMENT PROPERTY

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Cost	57 718	35 354	120 246	33 085
Accumulated depreciation	-20,319	-6,174	-15,853	-5,666
Carrying amount	37,399	29,180	104,393	27,419

On a company basis, during 2014, Porto headquarters were transfered to investment property. The infrastructure's cost amounts to 85,487 thousands of Euros and the accumulated depreciation is 9,424 thousands of Euros. During 2014, the lease rents received by EDP S.A. regarding this building were 6,040 thousands of Euros. The usuful life of the building is 50 years. Since the building was built in 2011, the Group believes that its fair value does not differ from its carrying amount.

On a Group basis, Porto 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.

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23. DEFERRED TAX ASSETS AND LIABILITIES

The EDP Group records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

	Net Deferred tax assets		Net Deferred tax liabilities	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Europe				
Tax losses and tax credits	188,342	236,798	-	-
Provisions	451,351	500,282	909	1,108
Financial instruments	42,496	27,873	15,574	12,405
Tangible and intangible fixed assets	184,895	177,523	261,836	167,865
Reinvested gains	-	-	6,737	7,854
Financial and available-for-sale investments	73,797	71,949	16,327	20,749
Tariff adjustments and tariff deficit	59,612	47,263	596,039	586,205
Allocation of fair value to assets and liabilities acquired	25,538	31,061	548,179	610,880
Accounting revaluations	183,310	192,691	99,457	114,624
Deferred income relating to CMEC	-	-	123,662	205,468
Other temporary differences	21,290	23,502	57,198	33,910
Assets/liabilities compensation of deferred taxes	-1,062,248	-1,096,644	-1,062,248	-1,096,644
	168,383	212,298	663,670	664,424
Brazil				
Tax losses and tax credits	31,246	32,005	-	-
Provisions	81,610	83,645	-	-
Allocation of fair value to assets and liabilities acquired	-	-	52,201	53,500
Use of public property	29,551	27,943	13,236	12,510
Fair value of financial assets	-	-	4,091	12,173
Other temporary differences and assets/liabilities compensation of deferred taxes	-92,599	-36,411	13,355	-11,442
	49,808	107,182	82,883	66,741
United States of America and Canada				
Tax losses and tax credits	822,370	666,681	-	-
Property, plant and equipment	3,304	2,937	377,734	311,399
Allocation of fair value to assets and liabilities acquired	-	-	122,009	93,090
Gains from institutional partnerships in USA wind farms	-	-	389,475	299,403
Other temporary differences	7,399	7,769	1,490	312
Assets/liabilities compensation of deferred taxes	-832,517	-676,277	-832,517	-676,277
	556	1,110	58,191	27,927
	218,747	320,590	804,744	759,092

As referred under accounting policies - note 2 r), the compensation between deferred tax assets and liabilities is performed at each subsidiary, and therefore the consolidated financial statements reflect in its assets the total of the deferred tax of subsidiaries that have deferred tax assets and in its liabilities the total of the deferred tax of subsidiaries that have deferred tax liabilities.

On a company basis, EDP, S.A. records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

	Net Deferred tax assets		Net Deferred tax liabilities	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Tax losses and tax credits	50,491	39,386	-	-
Provisions	4,056	4,246	-	-
Financial instruments	4,877	6,808	-	7,407
Financial and available-for-sale investments	7,667	9,844	-	-
Property, plant and equipment	6,125	13,150	-	-
Accounting revaluations	-	-	13,274	14,194
Other temporary differences	3,068	3,169	35,576	29,905
Assets/liabilities compensation of deferred taxes	-48,850	-51,506	-48,850	-51,506
	27,434	25,097	-	-

The deferred tax movement, for the Group and for the Company, in 2014 and 2013 is analysed as follows:

	Deferred taxes Group		Deferred taxes Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Balance at 1 January	-438,502	-556,179	25,097	69,799
Charges to the profit and loss account	-196,413	46,231	17,509	240
Charges against reserves	23,389	16,561	4,772	-2,086
Exchange differences and other variations	25,529	54,885	-19,944	-42,856
Balance at 31 December	-585,997	-438,502	27,434	25,097

On an individual basis, the caption Other variations differences includes the tax losses charge-off from the subsidiaries of the EDP Sucursal Group for fiscal consolidation.

Taxes recorded against reserves are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Current tax				
Changes in fair value of derivative financial instruments	-	80	-	80
	-	80	-	80
Deferred tax				
Financial instruments and fair value	-3,416	-13,907	4,762	-4,761
Actuarial gains and losses	17,985	36,719	304	-
Changes in fair value of financial assets held for sale	8,820	-6,251	-294	2,675
	23,389	16,561	4,772	-2,086
	23,389	16,641	4,772	-2,006

The Group tax losses carried forward are analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Expiry date:		
2014	-	6,169
2015	22,996	23,644
2016	1,435	1,523
2017	40,535	381,153
2018	29,138	37,208
2019	20,538	3,122
2020 a 2034	2,138,804	2,208,935
Without expiry date	857,865	430,119
	3,111,311	3,091,873

24. INVENTORIES

This caption is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Merchandise	35,953	65,743
Finished, intermediate products and sub-products	15,457	8,152
Raw and subsidiary materials and consumables (coal and other fuels)	100,228	92,302
Nuclear fuel	18,324	18,491
Others	96,494	80,100
	266,456	264,788

The caption Others include CO_2 licences held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 y), in the amount of 23,360 thousands of Euros (31 December 2013: 16,745 thousands of Euros).

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25. TRADE RECEIVABLES

Trade receivables are analysed as follows:

Thousands of Euros	Group Dec 2014	Group Dec 2013	Company Dec 2014	Company Dec 2013
Trade receivables - Non-Current				
Corporate sector and individuals:				
- Spain	4,879	-	-	-
- Brazil	85,047	9,447	-	-
Public Sector:				
- Portugal	115,177	121,227	-	-
- Brazil	6,124	9,948	-	-
	211,227	140,622	-	-
Impairment losses	-36,636	-41,628	-	-
	174,591	98,994	-	-
Trade receivables - Current				
Corporate sector and individuals:				
- Portugal	1,119,608	1,293,916	188,604	193,432
- Spain	459,029	555,161	-	-
- Brazil	436,787	373,056	-	-
- U.S.A.	43,428	39,590	-	-
- Other	47,147	78,007	-	-
Public Sector:				
- Portugal	57,861	102,903	-	-
- Brazil	31,544	22,433	-	-
- Spain	39,075	30,438	-	-
	2,234,479	2,495,504	188,604	193,432
Impairment losses	-289,376	-313,601	-9,957	-9,954
	1,945,103	2,181,903	178,647	183,478
	2,119,694	2,280,897	178,647	183,478

Trade receivables - Non-Current in Spain is related with the establishment of the pool limits adjustments in EDPR EU, as a result of the publication of Royal Decree-Law 413/2014 and order IET/1045/2014 (see note 1).

Trade receivables - Non-Current in Brasil, corporate sector and individuals, is mainly due to the amount that Enertrade has to receive from Porto de Pecém related with energy supply.

The movement in Impairment losses, in 2014, for the Group is analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of Impairment losses	Charge-off	Exchange differences	Perimeter Variations / Regulari-sations	Balance at 31 December
Corporate sector and individuals							
Portugal	177,913	87,305	-63,214	-23,700	-	-	178,304
Brazil	47,327	3,596	-3,065	-	524	-	48,382
Spain	56,065	1,210	-1,254	-	-	-39	55,982
Public sector							
Portugal	72,197	-	-5,588	-25,032	-	-	41,577
Brazil	643	529	-	-	-9	-	1,163
Spain	1,084	49	-534	-	-	5	604
	355,229	92,689	-73,655	-48,732	515	-34	326,012

The movement in Impairment losses, in 2013, for the Group is analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of Impairment losses	Charge-off	Exchange differences	Perimeter Variations / Regulari-sations	Balance at 31 December
Corporate sector and individuals							
Portugal	157,648	50,753	-20,023	-10,395	-	-70	177,913
Brazil	48,404	9,330	-1,216	-	-9,204	13	47,327
Spain	52,420	8,882	-4,796	-	-	-441	56,065
Public sector							
Portugal	78,848	-	-6,651	-	-	-	72,197
Brazil	379	373	-	-	-109	-	643
Spain	1,862	33	-811	-	-	-	1,084
	339,561	69,371	-33,497	-10,395	-9,313	-498	355,229

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During 2014, the movement in Impairment losses in EDP S.A. is related with charge of the year (2013: reversals), booked against income statement.

26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities - Non-Current, are analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Amounts receivable from tariff expenses - Electricity - Spain	-	188,314
Amounts receivable from tariff adjustments - Electricity - Portugal	1,341,117	1,237,623
Amounts receivable from tariff adjustments - Electricity - Brazil	67,738	-
Amounts receivable relating to CMEC	661,457	898,500
Amounts receivable from concessions - IFRIC 12	888,941	768,963
Sundry debtors and other operations	96,131	98,089
	3,055,384	3,191,489
Impairment losses on debtors	-3,245	-3,310
	3,052,139	3,188,179

Debtors and other assets from commercial activities - Current, are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Amounts receivable from tariff expenses - Electricity - Spain	2,270	75,803	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	1,063,661	1,056,572	-	-
Amounts receivable from tariff adjustments - Electricity - Brazil	119,036	-	-	-
Receivables relating to other goods and services	64,439	46,622	13,125	7,394
Amounts receivable relating to CMEC	99,757	167,982	-	-
Accrued income relating to energy sales and purchase activity	133,165	169,984	223,871	265,778
Sundry debtors and other operations	276,083	322,589	64,605	58,053
	1,758,411	1,839,552	301,601	331,225
Impairment losses on debtors	-24,282	-18,652	-978	-950
	1,734,129	1,820,900	300,623	330,275

In 2014, according to Royal Decree 1054/2014 referred in note 3, the rigths to receive the tariff deficit of 2013 have been transferred to third parties in the amount of 202,244 thousands of Euros. Thus, the caption Amounts receivable from tariff expenses - Electricity - Spain presented an accumulated amount of just 2,270 thousands of Euros.

The caption Amounts receivable from tariff adjustments - Electricity – Brazil corresponds to the accumulated amount receivable from the Brazilian Government related to the temporary difference between the budgeted costs by ANEEL included in the tariff at the beginning of the tariff period, and those that are effectively incurred over the tariff period. As a consequence of the concession agreements changes (see note 3), Bandeirante and Escelsa recognised as Amounts receivable from tariff adjustments the accumulated amount as at 31 December 2014 of 109,143 thousands of Euros and 77.631 thousands of Euros, respectively.

The caption Amounts receivable relating to CMEC totalize 761,214 thousands of Euros, and includes 661,457 thousands of Euros as non-current and 99,757 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 608,115 thousands of Euros as non-current and 40,834 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 2014. The remaining 53,342 thousands of Euros as non-current and 58,923 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2013 and 2014.

As referred in the note 2 aa), the concession contracts currently in force in EDP Group are based only 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 888,941 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 mainly the effect of the appreciation of Brazilian Real against Euro in the amount of 1,157 thousands of Euros and transfers from intangible assets assigned to concessions in the amount of 121,507 thousands of Euros (see note 17).

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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 2013	668,965	980,225
Receipts through the electric energy tariff	-604,066	-
Partial securitisations of 2012 over costs for the special regime generators	-863,230	-
Tariff adjustment of 2012	-1,396	-
Tariff adjustment for the period	961,593	1,224,468
Transfer to / from tariff adjustment payable	-7,504	-842
Interest income	88,175	1,020
Securitisation adjustment of 2011 CMEC	-153,213	-
Transfer from Non-Current to Current	967,248	-967,248
Balance as at 31 December 2013	1,056,572	1,237,623
Receipts through the electric energy tariff	-895,939	-
Partial securitisations of 2013 and 2014 over costs for the special regime generators	-1,032,857	-
Tariff adjustment of 2013	36,849	-
Tariff adjustment for the period	983,856	1,161,612
Transfer to / from tariff adjustment payable	-463	-
Interest income	85,933	418
Securitisation adjustment of 2012 CMEC	-228,826	-
Transfer from Non-Current to Current	1,058,536	-1,058,536
Balance as at 31 December 2014	1,063,661	1,341,117

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 (see note 13). This transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. was a securitization transaction through the issuance of senior notes (see note 54).

During the first semester of 2014, EDP – Serviço Universal, S.A. (EDP SU) the supplier of last resort of the Portuguese electricity system, 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 (see note 13). 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 securitization 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 54).

During the year 2013, EDP – Serviço Universal, S.A. (EDP SU) the supplier of last resort of the Portuguese electricity system, sold, in four independent operations, the rights to receive part of the electricity adjustment related to the 2012 overcost with the acquisition of electricity activity from special regime generators, in the amount of 863,230 thousands of Euros. 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 918,100 thousands of Euros and generated gains net of transaction costs, as at 31 December 2013, of 49,572 thousands of Euros. From the four transactions, three of them were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 468,100 thousands of Euros and the other was a securitization transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 450,000 thousands of Euros.

On 19 December 2013, 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 2011 in the amount of 153,213 thousands of Euros, in accordance with the terms of Decree-Law n.º 256/2012 of 29 November. The operation consisted in a direct sale of the asset to BCP in the amount of 154,598 thousands of Euros, generating a gain of 885 thousands of Euros net of transaction expenses.

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 2014:

Thousands of Euros	Deficit	Tariff	Securiti-sation	Total
Year:				
2012	12,136	-	-	12,136
2013	1,152,244	393,152	-832,857	712,539
2014	1,746,740	362,189	-428,826	1,680,103
	2,911,120	755,341	-1,261,683	2,404,778

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The movements in Impairment losses on debtors - Non-Current are analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Balance at beginning of year	3,310	3,305
Charge of the year	1	5
Perimeter variations / Other regularisations	-66	-
Balance at year end	3,245	3,310

The movements in Impairment losses on debtors - Current are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Balance at beginning of year	18,652	15,915	950	931
Charge of the year	7,259	5,022	28	19
Reversal of impairment losses / Charge-off	-1,543	-1,998	-	-
Perimeter variations / Other regularisations	-86	-287	-	-
Balance at year end	24,282	18,652	978	950

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	6,310,508	6,382,524
Loans to related parties	434,062	361,789	90	90
Guarantees rendered to third parties	61,884	61,505	5	5
Derivative financial instruments	236,174	62,812	340,270	62,882
Sundry debtors and other operations	48,757	36,746	-	-
	780,877	522,852	6,650,873	6,445,501
Debtors and other assets - Current				
Loans to subsidiaries	-	-	1,271,831	445,877
Dividends attributed by subsidiaries	-	-	-	89,880
Loans to related parties	95,910	54,270	14,802	17,148
Receivables from the State and concessors	39,878	44,820	-	-
Derivative financial instruments	137,572	143,695	291,940	116,848
Subsidiary Companies	-	-	343,178	1,302,940
Guarantees rendered to third parties	6,779	6,341	-	-
Sundry debtors and other operations	38,709	57,453	3,896	2,134
	318,848	306,579	1,925,647	1,974,827
	1,099,725	829,431	8,576,520	8,420,328

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,332,139 thousands of Euros (31 December 2013: 4,042,803 thousands of Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 2,847,897 thousands of Euros (31 December 2013: 2,341,424 thousands of Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 46).

Subsidiary Companies, mainly includes receivables from the EDP Group's financial system of 297,303 thousands of Euros (31 December 2013: 1,220,963 thousands of Euros) (see note 46).

28. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Income tax	172,957	196,594	93,775	120,503
Value added tax (VAT)	154,378	214,581	20,951	7,942
Turnover tax (Brazil)	4,814	4,409	-	-
Other taxes	39,504	17,468	26,695	3,608
	371,653	433,052	141,421	132,053

On EDP Group, the caption Other taxes includes the amount of 4,121 thousands of Euros (31 December 2013: 8,132 thousands of Euros) related with credits from PIS and COFINS in Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to credits calculated based on expenses with materials applied or consumed in the electricity supply activity and on the depreciation of fixed assets to be offset with debits of these contributions.

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29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Cash	32	84	-	-
Bank deposits				
Current deposits	518,928	473,923	13,716	12,286
Term deposits	1,958,068	1,337,703	1,106,015	891,119
Specific demand deposits in relation to institutional partnerships	78,855	62	-	-
Other deposits	12	305,995	-	-
	2,555,863	2,117,683	1,119,731	903,405
Operations pending cash settlement				
Current deposits	15,000	-	225,000	280,000
Other short term investments	43,100	38,940	-	-
	2,613,995	2,156,707	1,344,731	1,183,405

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).

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: (i) 210,000 thousands of Euros, issued on 30 December 2014, acquired by EDP Finance B.V., and which settlement date occured on 2 January 2015; and (ii) 15,000 thousands of Euros, issued on 30 December 2014 and which settlement date occured on 5 January 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.), through a transaction executed outside a regulated market, 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. The decrease of the shareholding resulted from a private offer via an accelerated bookbuilding process, in which Caixa – Banco Investimento, S.A. and Morgan Stanley & Co. International plc acted as Joint Bookrunners and its corresponding settlement was held on the regulated market Eurolist by NYSE Euronext Lisbon.

As a result of this two last transactions, Parpública no longer has a qualified shareholding position in EDP share capital.

The share capital amounts of 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each.

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2014 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Capital Group Companies, Inc.	532,307,256	14.56%	14.56%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
Senfora, SARL	148,431,999	4.06%	4.06%
Grupo Millennium BCP e Fundo de Pensões	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%
José de Mello - SGPS, S.A.	73,285,710	2.00%	2.00%
BlackRock, Inc.	73,268,245	2.00%	2.00%
EDP Group (Treasury stock)	23,488,399	0.64%	
Remaining shareholders	1,503,059,748	41.11%	
	3,656,537,715	**100.00%**	

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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 31 December	3,656,538	503,923

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Net profit attributable to the equity holders of EDP (in Euros)	1,040,448,196	1,005,090,733	785,779,977	790,875,101
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,040,448,196	1,005,090,733		
Weighted average number of ordinary shares outstanding	3,632,169,707	3,627,442,609	3,633,682,707	3,628,955,609
Weighted average number of diluted ordinary shares outstanding	3,632,219,937	3,627,732,136	3,633,732,937	3,629,245,136
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.29	0.28		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.29	0.28		
Basic earnings per share from continuing operations (in Euros)	0.29	0.28		
Diluted earnings per share from continuing operations (in Euros)	0.29	0.28		

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period.

The average number of shares was determined as follows:

	Group		Company	
	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Ordinary shares issued at the beginning of the year	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the year	-	-	-	-
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	-24,368,008	-29,095,106	-22,855,008	-27,582,106
Average number of shares during the year	3,632,169,707	3,627,442,609	3,633,682,707	3,628,955,609
Effect of stock options	50,230	289,527	50,230	289,527
Diluted average number of shares during the year	3,632,219,937	3,627,732,136	3,633,732,937	3,629,245,136

31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Book value of EDP, S.A. treasury stock (thousands of Euros)	69,931	85,573	63,836	79,478
Number of shares	23,488,399	27,597,268	21,975,399	26,084,268
Market value per share (in Euros)	3.218	2.670	3.218	2.670
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	75,586	73,685	70,717	69,645

Operations performed from 1 January to 31 December 2014:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	1,360,001	-
Average purchase price (in Euros)	3.259	-
Total purchase value (thousands of Euros)	4,432	-
Volume sold (number of shares)	-5,468,870	-
Selling price average (in Euros)	3.292	-
Total sale value (thousands of Euros)	18,004	-
Final position (number of shares)	21,975,399	1,513,000
Highest market price (in Euros)	3.748	-
Lowest market price (in Euros)	2.210	-
Average market price (in Euros)	3.319	-

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	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Legal reserve	659,613	620,069	659,613	620,069
Fair value reserve (cash flow hedge)	-62,953	-74,003	-17,157	-1,125
Tax effect of fair value reserve (cash flow hedge)	15,172	20,987	5,019	257
Fair value reserve (available for sale investments)	46,977	80,619	14,783	11,648
Tax effect of fair value reserve (available for sale investments)	899	-7,684	4,338	4,632
Exchange differences arising on consolidation	-133,300	-128,291	-	-
Treasury stock reserve (EDP, S.A.)	63,836	79,478	63,836	79,478
Other reserves and retained earnings	2,960,243	2,774,602	1,538,131	1,446,267
	3,550,487	3,365,777	2,268,563	2,161,226

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 2013	494,463	-449,113
Changes in fair value	41,809	-9,661
Transfer of impairment to profit or loss	-	3,121
Balance as at 31 December 2013	536,272	-455,653
Changes in fair value	9,254	-43,775
Transfer of impairment to profit or loss	-	1,253
Transfer to the income statement relating to assets sold	-374	-
Balance as at 31 December 2014	545,152	-498,175

Changes in fair value reserve attributable to the EDP Group during 2014 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	-	-39,329
Zephyr Fund (Energia RE portfolio)	2,833	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	3,121	-
Tejo Energia, S.A.	-	-1,800
Others	3,300	-2,646
	9,254	-43,775

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 Dec 2014		Exchange rates at Dec 2013	
Currency		Closing rates	Average exchange rate	Closing rates	Average exchange rate
Dollar	USD	1.214	1.329	1.379	1.328
Brazilian Real	BRL	3.221	3.122	3.258	2.868
Macao Pataca	MOP	9.700	10.615	11.014	10.609
Canadian Dollar	CAD	1.406	1.466	1.467	1.368
Zloty	PLN	4.273	4.184	4.154	4.197
Romanian Leu	RON	4.483	4.444	4.471	4.419
Pound Sterling	GBP	0.779	0.806	0.834	0.849
Rand	ZAR	14.035	14.404	14.566	12.827

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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 12 May 2014, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2013 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. in the amount of 4,301 thousands of Euros). This distribution occurred on 29 May 2014.

33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	**Dec 2014**	**Dec 2013**
Non-controlling interests in income statement	223,362	188,553
Non-controlling interests in equity and reserves	3,064,317	2,893,593
	3,287,679	3,082,146

Non-controlling interests, by subgroup, are made up as follows:

	Group	
Thousands of Euros	**Dec 2014**	**Dec 2013**
EDP Renováveis Group	1,811,426	1,662,735
EDP Brasil Group	1,345,246	1,289,891
Other	131,007	129,520
	3,287,679	3,082,146

During 2014, EDP Group generated profits of 223,362 thousands of Euros attributable to non-controlling interests (31 December 2013: 188,553 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 77,059 thousands of Euros, a decrease of 42,230 thousands of Euros related to dividends attributable to non-controlling interests, a positive variation of 31,758 thousands of Euros resulting from exchange differences, and negative variations resulting from share capital increases/decreases of 6,213 thousands of Euros. In the first semester of 2014, EDP Renováveis Group has completed the sale, without loss of control of a 49% equity shareholding in a wind farm portfolio located in France to Axpo Power AG and Centralschweizerische Kraftwerke AG, both subsidiaries of Axpo Group, and, as a result, the Group recognised non-controlling interests of 23,537 thousands of Euros and a positive impact in reserves attributable to EDP Group of 4,108 thousands of Euros.

In October 2014, EDP Renováveis has reached an agreement with a fund led by EFG Hermes, which also includes investments from the Gulf Cooperation Council Countries, to sell a 49% equity shareholding of EDPR France, in an operating wind farm portfolio with net 270 MW of installed capacity. As a result, the Group recognised non-controlling interests of 61,360 thousands of Euros and a positive impact in reserves attributable to EDP Group of 7,611 thousands of Euros.

In November 2014, EDP Renováveis has reached an agreement with Northleaf Capital Partners to sell a 49% equity shareholding in an operating wind farm, South Dundas, with 30 MW of installed capacity, and, as a result, the Group recognised non-controlling interests of 13,584 thousands of Euros and a positive impact in reserves attributable to EDP Group of 1,910 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 141,127 thousands of Euros of profits attributable to non-controlling interests, a decrease of 116,357 thousands of Euros related to dividends attributable, a positive variation of 21,456 thousands of Euros resulting from exchange differences and the effect of actuarial gains net of taxes recognised in the year which resulted in an increase in non-controlling interests of 7,681 thousands of Euros.

34. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

	Group and Company	
Thousands of Euros	**Dec 2014**	**Dec 2013**
Balance at the beginning of the year	35,641	56,476
Amounts received / (paid) during the year	-35,641	-22,831
Financial charges	1,010	1,996
Balance at the end of the year	1,010	35,641

The hydrological account was established by Decree-law 338/91 and consists of a legal mechanism for compensating the variable costs of generating electricity. The hydrological account was set up in 1994 when the actual EDP Group was owned by the State, through a charge against the income statement. In 2000, through a spin-off of EDP, REN was set up, and new regulations were issued (through Decree-law 98/2000) which reinforced and maintained the requirement to keep the hydrological account in EDP's balance sheet.

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As explained above, REN was part of the EDP Group until 2000. Thus, the entries in the hydrological correction account were made within the EDP Group. Since the split of REN in June 2000, EDP, S.A. (the Group parent company) has paid to or received cash from REN, which is booked against the hydrological correction account in the balance sheet and the related financial charges are booked in the income statement. REN uses the amounts received or paid to compensate the operators in the liberalised market, in accordance with the objectives of the hydrological correction account as explained above.

In October 2010 it was issued the Decree-Law 110/2010, which determines the extinction of the hydrological account mechanism on 31 December 2016. The differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal. This decree regulates that the account of hydrological correction should be maintained in the balance sheet of EDP - Energias de Portugal, S.A. and the correspondent annual movements explained in the notes to the financial statements.

According with the Dispatch 8 of the Office of the Energy Secretary of State, of 24 September 2013, the amount that was on benefit of the global system use tariff in 31 December 2013 was fully settled during the year 2014. As at 31 December 2014, the amount is related exclusivity at financial charges to be settled in 2015.

35. FINANCIAL DEBT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	976,269	1,050,369	985,944	1,050,369
- EDP Finance B.V.	2,643,765	3,404,831	-	-
- EDP Brasil Group	108,641	182,135	-	-
- EDP Renováveis Group	742,723	696,759	-	-
- EDP Produção	89,342	96,470	-	-
- Others	25,506	29,685	-	-
	4,586,246	5,460,249	985,944	1,050,369
Non-convertible bond loans:				
- EDP, S.A.	450,000	689,011	5,800,000	6,039,011
- EDP Finance B.V.	10,320,906	8,743,467	-	-
- EDP Brasil Group	449,394	422,982	-	-
- EDP Renováveis Group	-	29,102	-	-
	11,220,300	9,884,562	5,800,000	6,039,011
Commercial paper:				
- EDP, S.A.	402,728	196,993	402,728	196,993
	402,728	196,993	402,728	196,993
Other loans:				
- Investco preference shares	15,657	15,127	-	-
- EDP Brasil Group	13,997	19,284	-	-
- EDP Renováveis Group	9,861	11,363	-	-
- Others	454	1,586	-	-
	39,969	47,360	-	-
	16,249,243	15,589,164	7,188,672	7,286,373
Accrued interest	-	14,257	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	151,584	-2,698	-	3,752
Total Debt and borrowings	16,400,827	15,600,723	7,188,672	7,290,125
Collateral Deposits - Non-current (*)				
Collateral deposit - BEI	-311,990	-334,497	-311,990	-334,497
Other collateral deposits	-76,818	-85,584	-	-
Total Collateral Deposits	-388,808	-420,081	-311,990	-334,497
	16,012,019	15,180,642	6,876,682	6,955,628

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Thousands of Euros	Group Dec 2014	Group Dec 2013	Company Dec 2014	Company Dec 2013
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	74,100	46,827	74,100	46,827
- EDP Finance B.V.	796,733	1,636,171	-	-
- EDP Brasil Group	173,697	114,453	-	-
- EDP Renováveis Group	144,023	88,041	-	-
- Others	13,775	18,668	-	-
	1,202,328	1,904,160	74,100	46,827
Non-convertible bond loans:				
- EDP, S.A.	247,019	200,000	247,019	200,000
- EDP Finance B.V.	1,581,236	1,376,628	-	-
- EDP Brasil Group	218,943	187,489	-	-
- EDP Renováveis Group	29,497	-	-	-
	2,076,695	1,764,117	247,019	200,000
Commercial paper:				
- EDP, S.A.	183,000	106,500	3,225,000	2,881,000
- EDP Renováveis Group	-	6,139	-	-
- HC Energia Group	47,372	1,000	-	-
	230,372	113,639	3,225,000	2,881,000
Other loans	10,733	19,905	-	-
	3,520,128	3,801,821	3,546,119	3,127,827
Accrued interest	371,468	344,683	81,319	82,950
Other liabilities:				
- Fair value of the issued debt hedged risk	5,760	11,582	1,207	-
Total Debt and borrowings	3,897,356	4,158,086	3,628,645	3,210,777
Collateral Deposits - Current (*)				
Collateral deposit - BEI	-22,507	-12,675	-22,507	-12,675
Other collateral deposits	-17,855	-6,054	-	-
Total Collateral Deposits	-40,362	-18,729	-22,507	-12,675
	3,856,994	4,139,357	3,606,138	3,198,102

(*) 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 31 December 2014 is 334,497 thousands of Euros (311,990 thousands of Euros non-current and 22,507 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit will be reduced by the repayment of these loans. In addition, the Group has 94,673 thousands of Euros (76,818 thousands of Euros non-current and 17,855 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 31 December 2014 and 31 December 2013 these loans amounted to 993,409 thousands of Euros and 939,826 thousands of Euros, respectively (see note 44).

EDP Group has short-term credit facilities of 199,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being totally available, as well as Commercial Paper programs of 100,000 thousands of Euros with guaranteed placement, being fully available as at 31 December 2014. 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 five years of maturity and a medium term RCF of 100,000 thousands of EUR (for liquidity management needs in EUR), with a firm underwriting commitment and two years of maturity, which as at 31 December 2014 are totally available.

Commercial Paper non-current refers to a Commercial Paper programs with a firm underwriting commitment for a period over to one year in the amounts of 250,000 thousands of Dollars and 200,000 thousands of Euros, with interests and fees paid in advance in the amount of 3,185 thousands of Euros.

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The nominal value of Bond loans issued with external counterparts and outstanding, as at 31 December 2014, is analysed as follows:

Issuer	Date issued	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.	May/12	Fixed rate EUR 6%	n.a.	May/15	250,000	250,000
EDP, S.A.	Oct/13	Variable rate (iii)	n.a.	Oct/18	150,000	150,000
					700,000	700,000
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.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
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	823,655	-
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	86,129	-
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	823,655	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iii)	Net Investment	Feb/15	82,366	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
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	617,742	-
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	82,366	-
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	617,742	-
					12,021,248	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/16	96,873	-
Energest	Apr/12	CDI + 0.98%	n.a.	Apr/17	37,259	-
Energias do Brasil	Apr/13	CDI + 0.55%	n.a.	Apr/16	155,246	-
Lajeado Energia	Nov/13	CDI + 1.20%	n.a.	Nov/19	139,721	-
Energias do Brasil	Feb/14	CDI + 0.72%	n.a.	Aug/15	93,147	-
Bandeirante	Apr/14	CDI + 1.39%	n.a.	Apr/19	93,147	-
Escelsa	Aug/14	CDI + 1.50%	n.a.	Aug/20	54,895	-
					670,288	-
Issued by the EDP Renováveis Brasil in the Brazilian domestic market						
Central Eólica Baixa do Feijão	Aug/13	CDI + 1.1%	n.a.	Feb/15	10,867	-
Central Eólica Baixa do Feijão	Oct/13	CDI + 1.1%	n.a.	Feb/15	18,629	-
					29,496	-
					13,421,032	700,000

(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	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Bank loans				
Up to 1 year	1,269,620	1,960,659	75,553	48,681
From 1 to 5 years	3,817,379	4,645,418	696,074	686,399
More than 5 years	768,867	828,305	289,870	363,970
	5,855,866	7,434,382	1,061,497	1,099,050
Bond loans				
Up to 1 year	2,384,768	2,063,882	325,524	279,440
From 1 to 5 years	6,744,535	6,795,551	4,950,000	5,192,763
More than 5 years	4,627,349	3,087,095	850,000	850,000
	13,756,652	11,946,528	6,125,524	6,322,203
Commercial paper				
Up to 1 year	232,234	113,639	3,227,568	2,882,656
From 1 to 5 years	402,728	196,993	402,728	196,993
	634,962	310,632	3,630,296	3,079,649
Other loans				
Up to 1 year	10,734	19,906	-	-
From 1 to 5 years	22,605	29,123	-	-
More than 5 years	17,364	18,238	-	-
	50,703	67,267	-	-
	20,298,183	19,758,809	10,817,317	10,500,902

The fair value of EDP Group’s debt is analysed as follows:

	Dec 2014		Dec 2013	
Thousands of Euros	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	16,400,827	17,585,217	15,600,723	16,501,692
Debt and borrowings - Current	3,897,356	3,606,383	4,158,086	3,868,207
	20,298,183	21,191,600	19,758,809	20,369,899

In accordance with accounting policies - note 2 d) and f), the financial liabilities risks hedged by derivative financial instruments that comply with hedge accounting requirements of IAS 39, are stated at fair value. The financial liabilities are booked at amortised cost.

As at 31 December 2014, 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	-	3,469,460	2,339,191	2,643,162	2,535,434	5,413,580	16,400,827
Debt and borrowings - Current	3,897,356	-	-	-	-	-	3,897,356
	3,897,356	3,469,460	2,339,191	2,643,162	2,535,434	5,413,580	20,298,183

Future payments of principal and interest and guarantees are detailed in note 44.

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Future debt and borrowings payments and interest by type of loan and currency are analysed as follows:

Thousands of Euros	2015	2016	2017	2018	2019	Following years	Total
Bank loans:							
Euro	791,607	796,490	1,135,159	1,112,061	122,267	572,161	4,529,745
Brazilian Real	155,090	26,728	26,494	26,134	5,297	6,458	246,201
US Dollar	250,986	-	-	-	432,419	-	683,405
Others	71,937	41,158	32,716	29,775	30,681	190,248	396,515
	1,269,620	864,376	1,194,369	1,167,970	590,664	768,867	5,855,866
Bond loans:							
Euro	1,974,049	2,250,000	1,037,778	554,072	657,755	3,071,596	9,545,250
Brazilian Real	279,652	144,689	102,459	94,807	87,170	20,270	729,047
US Dollar	131,067	-	-	823,655	992,150	1,535,483	3,482,355
	2,384,768	2,394,689	1,140,237	1,472,534	1,737,075	4,627,349	13,756,652
Commercial paper:							
Euro	232,234	196,814	-	-	-	-	429,048
US Dollar	-	-	-	-	205,914	-	205,914
	232,234	196,814	-	-	205,914	-	634,962
Other loans:							
Euro	2,995	9,135	956	-	-	224	13,310
Brazilian Real	7,739	4,446	3,629	2,658	1,781	17,140	37,393
	10,734	13,581	4,585	2,658	1,781	17,364	50,703
	3,897,356	3,469,460	2,339,191	2,643,162	2,535,434	5,413,580	20,298,183

36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Provisions for social liabilities and benefits	930,291	960,356
Provisions for medical liabilities and other benefits	949,982	974,179
	1,880,273	1,934,535

This caption is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Non-Current	1,682,988	1,751,066
Current	197,285	183,469
	1,880,273	1,934,535

As at 31 December 2014, Provisions for social liabilities and benefits include 927,141 thousands of Euros relating to retirement pension defined benefit plans (31 December 2013: 955,199 thousands of Euros) and 3,150 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2013: 5,157 thousands of Euros).

The movement in Provisions for social liabilities and benefits is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Balance at the beginning of the year	960,356	939,399
Charge for the period	33,959	41,165
Past service cost (Curtailment / Plan amendments)	11,180	-5,489
Actuarial (gains)/losses	80,376	137,274
Charge-off	-153,203	-145,973
Transfers, reclassifications and exchange differences	-2,377	-6,020
Balance at the end of the year	930,291	960,356

The breakdown of actuarial gains and losses is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Actuarial (gains)/losses arising from:		
- changes in demographic assumptions	727	166,612
- changes in financial assumptions	116,252	-34,113
- experience adjustments	663	24,792
Actuarial (gains)/losses arising from return on plan assets	-39,871	-27,324
Actuarial (gains)/losses of asset ceiling	2,605	7,307
	80,376	137,274

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The movement in Provisions for medical liabilities and other benefitis is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Balance at the beginning of the year	974,179	994,026
Charge for the period	47,495	51,995
Past service cost (Curtailment / Plan amendments)	-91,766	-3,754
Actuarial (gains)/losses	61,898	-181
Charge-off	-44,861	-46,959
Transfers, reclassifications and exchange differences	3,037	-20,948
Balance at the end of the year	949,982	974,179

The breakdown of actuarial gains and losses is analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Actuarial (gains)/losses arising from:		
- changes in demographic assumptions	-	21,562
- changes in financial assumptions	111,778	-15,609
- experience adjustments	-49,880	-6,134
	61,898	-181

The publication of the Decree-Law 167-E/2013 and the Administrative Order 378-G/2013 increased in nearly one year the estimated age of access to the Social Security retirement pension. This change resulted in an increase in the post-employment liability for the active population, which is based on the company' estimatives will adhere to ACT early retirement program and the actual early retirees. As at 31 December 2013, this effect in the amount of 164,932 thousands of Euros is recognized in OCI as an assumption change.

As mentioned under Accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefits plans. The impact on reserves at 31 December 2004 amounted to 1,162,000 thousands of Euros. In the following years, in compliance with the accounting policy adopted, the actuarial gains and losses of these plans were recorded directly in reserves, having recognised in 2014 losses of 142,274 thousands of Euros and in 2013 losses of 137,093 thousands of Euros.

On 16 July of 2014, EDP Group formalised and concluded the signature of the new agreement that had been intensely negotiated since September 2012 with the several unions representing its employees, namely the new Collective Labour Agreement (ACT 2014), that covers the 23 companies over which it exercises control, based in Portugal. This agreement covers approximately 6,700 employees of EDP Group in Portugal.

On 30 June 2014, the relevant aspects of the New ACT 2014 were already concluded and agreed, including among others, the following main changes in comparison with the previous collective agreement in force, with impact in the future liabilities:

i) Co-payment in the acquisition moment of 22,5% for the drugs not supportted by the SNS (National Healtcare Service) and 24% in the specialist medical consultations;
ii) 24 % of the costs not included in the first bullet through a monthly payment (“mútua”);
iii) Possibility of access to early retirement if the employee has 61 years old and 37 years of service (was 60/36 years).

The changes in the post-employment benefits described above are in accordance with IAS 19, a plan amendment which determines a decrease in 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).

During 2014, under the employees' reduction program, EDP Group entered into early retirement and anticipation of early retirement agreements with Portuguese employees (160 employees of EDP Produção and EDP Distribuição) and Spanish employees (41 employees of HC Group) that will cease their services during the years 2014 and 2015. This increase in liabilities with employee benefits was measured and recognised in the income statement in the amount of 48,434 thousands of Euros (see note 9).

The weighted average duration of the defined benefit liabilities in Portugal is 10 years.

Employee benefit plans

Some EDP Group companies grant post-retirement benefits to employees, under defined benefit and defined contribution plans, namely pension plans that pay retirement complements of age, disability and surviving pensions, as well as early retirement pensions. In some cases healthcare is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

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The following is a summary of the nature of the plans and the companies covered, as well as financial and economic data of the plans:

I. Defined benefit pension plans

The EDP Group companies in Portugal resulting from the spin-off of EDP in 1994 have a social benefits plan funded by a closed Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by Pensõesgere with the management of the assets subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complementary benefits (age, disability and survivor pension). The responsibilities for early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the collective labour agreement ("Convenio Colectivo") signed in December 2007, HC Energia Group companies implemented an early retirement program.

Bandeirante in Brazil has two defined benefit plans managed by EnerPrev, a closed complementary welfare entity, sponsored by companies of EDP Brasil, in order to manage a set of benefit plans for employees and ex-employees of Bandeirante:

- DB Plan in force up to 31 March 1998, a Benefit Plan that grants Balanced Proportional Supplementary Benefits (BSPS) in the form of an annuity payable to participants enrolled until 31 March 1998, of an amount defined in proportion to accumulated past service up to that date, based on compliance with the regulatory granting requirements. The company is fully liable to fund this plan;

- the DB plan in force after 31 March 1998, grants an annuity in proportion to the accumulated past services after 31 March 1998, on the basis of 70% of the average actual monthly wage for the last 36 months in service. In the event of death or disability caused by a labour accident, the benefits incorporate all the past service (including that accumulated up to 31 March 1998), and not only past service accumulated after 31 March 1998. The Company and the participants are equally responsible for funding the Plan.

Escelsa, Bandeirante and Energest have Defined Benefit Plans that grant complementary pensions for retirement due to age, disability, and survivor pensions. Escelsa also has a special complementary retirement pension plan for war veterans.

As at 31 December 2014 and 2013 the number of participants covered by the pension plans was as follows:

	2014			2013		
	Portugal	Spain	Brazil	Portugal	Spain	Brazil
Number of participants						
Retirees and pensioners	17,982	1,387	1,812	17,742	1,425	1,747
Active workers	5,178	1,395	1,256	5,661	1,405	1,425
	23,160	2,782	3,068	23,403	2,830	3,172

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans and similar obligations:

	Dec 2014				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Discount rate	1.90%	2.00%	12.25%	12.25%	12.25%
Salary increase rate	2.30%	3.00%	6.34%	6.34%	6.34%
Pension increase rate	1.50%	not applicable	5.50%	5.50%	5.50%
Social Security salary appreciation	2015 - 0% // After 2015 - 1,4%	not applicable	5.50%	5.50%	5.50%
Inflation rate	1.50%	1.75%	5.50%	5.50%	5.50%
Mortality table	Born< 1950 - - TV99/01 (+1) // Born>= 1950 -- TV99/01	PERM/F-2000P	AT-2000	AT-2000	AT-2000
Disability table	50%EKV 80	not applicable	Light Forte	Muller	Muller
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

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	Dec 2013				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Discount rate	3.00%	3.35%	12.00%	12.00%	12.00%
Salary increase rate	3.00%	3.00%	Until 2016 - 6.4% // After 2017 - 5.65%	Until 2016 - 6.4% // After 2017 - 5.65%	Until 2016 - 6.4% // After 2017 - 5.65%
Pension increase rate	2.00%	not applicable	5.00%	5.00%	5.00%
Social Security salary appreciation	2014 - 0% // After 2014 - 1.9%	not applicable	5.00%	5.00%	5.00%
Inflation rate	2.00%	2.25%	5.00%	5.00%	5.00%
Mortality table	Born< 1950 - - TV88/90 // Born>= 1950 -- TV99/01	PERM/F-2000P	RP-2000 Generational	RP-2000 Generational	RP-2000 Generational
Disability table	50%EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(b)	not applicable	not applicable	not applicable	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).
(b) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2014.

The liability for retirement pensions and related coverage for the Group, as at 31 December 2014 and 2013 is analysed as follows:

	Dec 2014			
Thousands of Euros	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the year	1,805,677	104,810	251,557	2,162,044
Fair value of plan assets at the end of the year	-992,501	-	-278,746	-1,271,247
Asset ceiling	-	-	36,344	36,344
Provision at the end of the year	813,176	104,810	9,155	927,141

	Dec 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the year	1,858,039	89,902	223,775	2,171,716
Fair value of plan assets at the end of the year	-993,423	-	-256,584	-1,250,007
Asset ceiling	-	-	33,490	33,490
Provision at the end of the year	864,616	89,902	681	955,199

The caption Asset ceiling refers to the unrecognised assets in the respective accounting years. The reconciliation beetween the opening balance and the closing balance is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Asset ceiling at the beginning of the year	33,490	32,601
Effect of changes in restricted net assets of benefits to the asset ceiling	-1,582	4,449
Interest received or paid	4,187	2,858
Exchange differences	249	-6,418
Asset ceiling at the end of the year	36,344	33,490

The evolution of the present value of the plan liability and fair value of the plan assets of the related funds is analysed as follows:

Thousands of Euros	2014	2013	2012	2011	2010
Provision for Pension Plans					
Liability at the end of the year	2,162,044	2,171,716	2,181,366	2,206,529	2,340,207
Fair value of plan assets at the end of the year	-1,271,247	-1,250,007	-1,281,773	-1,252,622	-1,290,865
Asset ceiling	36,344	33,490	32,601	40,754	43,733
Provision at the end of the year	927,141	955,199	932,194	994,661	1,093,075

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The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Pension Funds are analysed as follows:

Thousands of Euros	2014	2013	2012	2011	2010
Experience adjustments for the Plan liabilities	11,260	-25,100	-25,009	-53,764	11,939
Experience adjustments for the Plan assets	34,347	64,074	32,511	-70,732	-33,724

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are analysed as follows:

Thousands of Euros	2014	2013	2012	2011	2010
Experience adjustments for the Plan liabilities	-11,923	308	3,469	-12,478	-3,238
Experience adjustments for the Plan assets	5,524	-36,750	21,032	35,706	4,244

The past service liability of the pension plans for the Group, as at 31 December 2014 and 2013 is as follows:

	Dec 2014			
Thousands of Euros	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the year	1,858,039	89,902	223,775	2,171,716
Current service cost	11,193	-1,660	11	9,544
Net interest on the pensions plan liability	48,311	2,511	27,678	78,500
Benefits paid	-196,240	-10,022	-19,826	-226,088
Past service cost (Curtailment / Plan amendments)	3,050	8,130	-	11,180
Actuarial losses and gains	82,158	16,005	19,479	117,642
Currency fluctuation	-	-	1,299	1,299
Other	-834	-56	-859	-1,749
Liability at the end of the year	1,805,677	104,810	251,557	2,162,044

	Dec 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the year	1,727,211	104,539	349,616	2,181,366
Current service cost	10,753	-503	15	10,265
Net interest on the pensions plan liability	53,420	2,772	29,818	86,010
Benefits paid	-190,246	-9,666	-15,915	-215,827
Past service cost (Curtailment / Plan amendments)	-5,489	-	-	-5,489
Actuarial losses and gains	262,390	-7,240	-97,859	157,291
Currency fluctuation	-	-	-50,437	-50,437
Other	-	-	8,537	8,537
Liability at the end of the year	1,858,039	89,902	223,775	2,171,716

The components of the consolidated net cost of this pension plans recognised during the year are as follows:

	Dec 2014			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	11,193	-1,660	11	9,544
Past service cost (Curtailment / Plan amendments)	3,050	8,130	-	11,180
Operational component (see note 9)	14,243	6,470	11	20,724
Net interest on the net pensions plan liability	21,805	2,511	99	24,415
Financial component (see note 13)	21,805	2,511	99	24,415
	36,048	8,981	110	45,139

	Dec 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	10,753	-503	15	10,265
Past service cost (Curtailment / Plan amendments)	-5,489	-	-	-5,489
Operational component (see note 9)	5,264	-503	15	4,776
Net interest on the net pensions plan liability	23,258	2,772	4,870	30,900
Financial component (see note 13)	23,258	2,772	4,870	30,900
	28,522	2,269	4,885	35,676

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The evolution of the consolidated assets of the Pension Funds is analysed as follows:

	Dec 2014			
Thousands of Euros	Portugal	Spain	Brazil	Group
Pension funds				
Assets value at the beginning of the year	993,423	-	256,584	1,250,007
Group contribution	-	-	6,579	6,579
Plan participants contributions	-	-	702	702
Benefits paid	-61,775	-	-19,695	-81,470
Interest on the pensions plan assets	26,506	-	27,579	54,085
Actuarial gains/(losses)	34,347	-	5,524	39,871
Currency fluctuation	-	-	2,329	2,329
Other variations	-	-	-856	-856
Assets value at the end of the year	992,501	-	278,746	1,271,247

The actuarial gains/losses in Brazil include the positive amount of 2,605 thousands of Euros (8,134 thousands of Reais) related to actuarial gains and losses of the asset ceiling not recognised in reserves (2013: positive in 7,307 thousands of Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 36,344 thousands of Euros, converted at the closing rate of Brazilian Real (117,054 thousands of Reais). As at 31 December 2013 the value of the asset ceiling was 33,490 thousands of Euros.

	Dec 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Pension funds				
Assets value at the beginning of the year	960,342	-	321,431	1,281,773
Group contribution	-	-	5,066	5,066
Plan participants contributions	-	-	989	989
Benefits paid	-61,155	-	-15,814	-76,969
Interest on the pensions plan assets	30,162	-	24,948	55,110
Actuarial gains/(losses)	64,074	-	-36,750	27,324
Currency fluctuation	-	-	-53,280	-53,280
Other variations	-	-	9,994	9,994
Assets value at the end of the year	993,423	-	256,584	1,250,007

As at 31 December 2014 and 2013, the assets of the pension fund in Portugal are analysed as follows:

	Fund assets by nature					
Thousands of Euros	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2014	11,264	471,078	376,393	56,452	77,314	992,501
31 December 2013	11,779	417,126	343,953	147,783	72,782	993,423

	Fund assets by nature					
%	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2014	1.13%	47.46%	37.92%	5.69%	7.80%	100.00%
31 December 2013	1.19%	41.99%	34.62%	14.88%	7.32%	100.00%

The portfolio shares and bonds have a quoted market price in an active market.

Properties included in the fund, that are being used by the Group amount to 26,901 thousands of Euros as at 31 December 2014 (31 December 2013: 118,232 thousands of Euros). Bonds include 10,887 thousands of Euros (31 December 2013: 13,216 thousands of Euros) relating to bonds issued by EDP Finance B.V.

Shares include securities issued by Group companies that are analysed as follows:

Thousands of Euros	2014	2013
Shares:		
EDP Renováveis	8,053	5,714
EDP S.A.	-	-
	8,053	5,714

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Pension fund assets in Brazil as at 31 December 2014 and 2013 are analysed as follows:

	Fund assets by nature					
Thousands of Euros	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2014	-	232,483	41,398	916	3,950	278,746
31 December 2013	-	229,562	22,171	900	3,951	256,584

	Fund assets by nature					
%	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2014	-	83.40%	14.85%	0.33%	1.42%	100.00%
31 December 2013		89.47%	8.64%	0.35%	1.54%	100.00%

Assumptions regarding the discount rate

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available on the date for the high quality corporate bonds. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods that the benefits are expected to be paid.

The real return rate on assets of the pension fund in 2014 was positive in 6.39% (2013: positive in 10.31%).

As at 31 December 2014 the amount of future benefits expected to be paid, related to the activity in Portugal, Spain and Brazil, is analysed as follows:

Expected future benefits to be paid			
Portugal	Pensions	Medical plans and other benefits	Total
2015	201,907	31,534	233,441
2016	188,757	31,882	220,639
2017	175,460	32,727	208,187
2018	162,438	33,296	195,734
2019	148,179	33,697	181,876
2020	135,729	34,393	170,122
2021	123,749	34,382	158,131
2022	108,355	34,770	143,125
2023	94,919	35,090	130,009
2024	82,261	35,260	117,521

In 2014 and 2013, no contributions were made to the pension funds.

In 2014, the pensions paid by the funds in Portugal totalled 61,776 thousands of Euros (31 December 2013: 61,155 thousands of Euros).

Expected future benefits to be paid	
Spain	Other Benefits
2015	16,087
2016	6,455
2017	6,808
2018	6,976
2019	5,429
2020	5,017
2021	4,912
2022	4,796
2023	4,684
2024	4,577

In 2014, the pensions paid by the Funds in Spain totalled 10,022 thousands of Euros (31 December 2013: 9,666 thousands of Euros).

The amount of 104,810 thousands of Euros related to HC Energia Group, included in provisions for social welfare and benefits, includes 89,584 thousands of Euros (31 December 2013: 58,623 thousands of Euros) related with provisions for the revision of the collective labour agreement. The provision includes 15,226 thousands of Euros (31 December 2013: 31,279 thousands of Euros) related with responsibilities with pre-retirement before 31 December 2007.

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Expected future benefits to be paid

Brazil	Pensions	Medical Plans	Other Benefits	Total
2015	19,080	6,238	275	25,593
2016	17,890	6,931	92	24,913
2017	19,155	7,601	43	26,799
2018	20,401	8,348	128	28,877
2019	21,633	9,120	49	30,802
2020 to 2024	130,555	59,343	179	190,077

The contributions made to the Pension funds in 2014 amounted to 6,579 thousands of Euros (31 December 2013: 5,066 thousands of Euros) and were fully paid in cash.

The pensions paid by the Funds in 2014 totalled 19,695 thousands of Euros (31 December 2013: 15,814 thousands of Euros).

The sensitivity analysis for the Pension Plan in Portugal is analysed as follows:

	Liabilities at the end of the year	
Thousands of Euros	**Increase**	**Decrease**
Discount rate (0.5% movement)	-66,141	71,584
Pension increase (0.5% movement)	398,803	-179,702
Social Security Pension increase (0.5% movement)	-131,251	252,451
Mortality (increase of 1 year in expected lifetime of plan participants)	48,916	

The sensitivity analysis for the Pension Plan in Brazil is analysed as follows:

	Liabilities at the end of the year	
Thousands of Euros	**Increase**	**Decrease**
Discount rate (0.5% movement)	-12,248	13,444
Mortality (increase of 1 year in expected lifetime of plan participants)	2,747	

II. Defined contribution pension plan

EDPR Europe and HC Energia in Spain, Bandeirante in Brazil and several subsidiaries in Portugal, have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

In Brazil, Escelsa, Energest and Investco in Brazil also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

The actuarial assumptions used to calculate the liability for Medical Care Plans are as follows:

	Dec 2014		**Dec 2013**	
	Portugal	**Brazil**	**Portugal**	**Brazil**
Assumptions				
Discount rate	1.90%	12.25%	3.00%	12.00%
Annual increase rate of medical service costs	3.50%	11,51% (b)	3.50%	11,59% (d)
Estimated administrative expenses per beneficiary per year (Euros)	223.8€ / year	not applicable	219€ / year	not applicable
Mortality table	Born<1950 -- TV99/01(+1) // Born>=1950 -- TV99/01	RP-2000 Geracional	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	RP-2000 Generational
Disability table	50%EKV 80	Wyatt 85 Class 1	50%EKV 80	Wyatt 85 Class 1
Expected % of elegible employees accepting early retirement	(a)	not applicable	(c)	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).
(b) 11.51% in the first year, decreasing to 6.55% in 10 years.
(c) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).
(d) 11.59% in the first year, decreasing to 6.05% in 10 years.

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The number of participants covered by the Medical and other benefits plans as at 31 December 2014 and 2013 is as follows:

	Dec 2014		Dec 2013	
	Portugal	**Brazil**	**Portugal**	**Brazil**
Number of participants				
Retirees and pensioners	17,973	2,397	17,731	2,321
Current employees	5,178	1,081	5,661	1,215
	23,151	3,478	23,392	3,536

The evolution of the present value of the liability for Medical and other benefits for the Group is as follows:

Thousands of Euros	2014	2013	2012	2011	2010
Provision for medical care					
Liability at the end of the year	949,982	974,179	994,026	819,215	800,473
Provision at the end of the year	949,982	974,179	994,026	819,215	800,473

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Portugal Medical Care Liabilities are analysed as follows:

Thousands of Euros	2014	2013	2012	2011	2010
Experience adjustments for the Medical Plan liabilities	5,828	48,685	36,991	35,051	15,249
	5,828	48,685	36,991	35,051	15,249

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Brazil Medical Care Liabilities are analysed as follows:

Thousands of Euros	2014	2013	2012	2011	2010
Experience adjustments for the Medical Plan liabilities	44,054	-42,551	-39,238	-2,469	-7,931
	44,054	-42,551	-39,238	-2,469	-7,931

The change of the consolidated past service liability for medical and other benefits for the Group is as follows:

	Dec 2014			Dec 2013		
Thousands of Euros	**Portugal**	**Brazil**	**Group**	**Portugal**	**Brazil**	**Group**
Evolution of the liability						
Liability at the beginning of the year	834,708	139,471	974,179	859,961	134,065	994,026
Current service cost	7,564	844	8,408	8,319	3,579	11,898
Net interest on the net medical liabilities and other benefits	22,264	16,823	39,087	27,637	12,460	40,097
Benefits paid	-37,327	-7,534	-44,861	-39,870	-7,089	-46,959
Past service cost (Curtailment / Plan amendments)	-91,766	-	-91,766	-3,754	-	-3,754
Actuarial gains and losses	102,201	-40,303	61,898	-20,683	20,502	-181
Currency fluctuation	-	-726	-726	-	-24,046	-24,046
Other and "mútua"	3,763	-	3,763	3,098	-	3,098
Liability at end of the year	841,407	108,575	949,982	834,708	139,471	974,179
Provision at end of the year	841,407	108,575	949,982	834,708	139,471	974,179

The Medical Plan liability is recognised in the Group's accounts through provisions that fully cover the liability.

The components of the consolidated net cost of this medical and other benefits plans recognised during the year are as follows:

	Dec 2014			Dec 2013		
Thousands of Euros	**Portugal**	**Brazil**	**Group**	**Portugal**	**Brazil**	**Group**
Cost for the year						
Current service cost	7,564	844	8,408	8,319	3,579	11,898
Past service cost (Curtailment / Plan amendments)	-91,766	-	-91,766	-3,754	-	-3,754
Operational component (see note 9)	-84,202	844	-83,358	4,565	3,579	8,144
Net interest on the net medical liabilities and other benefits	22,264	16,823	39,087	27,637	12,460	40,097
Financial component (see note 13)	22,264	16,823	39,087	27,637	12,460	40,097
Net cost for the year	-61,938	17,667	-44,271	32,202	16,039	48,241

The sensitivity analysis for the Medical Care Plan in Portugal is analysed as follows:

	Liabilities at the end of the year	
Thousands of Euros	**Increase**	**Decrease**
Discount rate (0.5% movement)	-61,240	69,044
Health care cost trend (0.5% movement)	20,283	-18,398
Mortality (increase of 1 year in expected lifetime of plan participants)	19,487	

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The sensitivity analysis for the Medical Care Plan in Brazil is analysed as follows:

	Liabilities at the end of the year	
Thousands of Euros	Increase	Decrease
Discount rate (0.5% movement)	-5,739	6,303
Mortality (increase of 1 year in expected lifetime of plan participants)	3,195	

37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Provision for legal and labour matters and other contingencies	69,817	62,415	-	-
Provision for customer guarantees under current operations	3,837	12,679	-	-
Provisions for dismantling and decommissioning	240,630	164,141	-	-
Provision for other liabilities and charges	171,255	142,435	22,811	22,150
	485,539	381,670	22,811	22,150

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Non-Current	463,975	354,233	22,540	19,942
Current	21,564	27,437	271	2,208
	485,539	381,670	22,811	22,150

The changes in the Provisions for legal and labour matters and other contingencies are analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Balance at the beginning of the year	62,415	78,486
Charge for the year	23,012	32,940
Reversals	-11,819	-18,754
Charge-off for the year	-11,598	-29,925
Other and exchange differences	7,807	-332
Balance at the end of the year	69,817	62,415

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 10,905 thousands of Euros (31 December 2013: 11,790 thousands of Euros). These requests result from the application of Administrative Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousands of Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 31 December 2014, 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;

iii) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

The movement in Provision for customer guarantees under current operations is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Balance at the beginning of the year	12,679	10,121
Charge for the year	-	18
Reversals	-66	-
Charge-off for the year	-3,380	-6,800
Other and exchange differences	-5,396	9,340
Balance at the end of the year	3,837	12,679

Provisions for customer guarantees under current operations of 3,837 thousands of Euros (31 December 2013: 12,679 thousands of Euros) includes essentially provisions for commercial losses.

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The movement in Provision for dismantling and decommissioning is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Balance at the beginning of the year	164,141	163,846
Unwinding	8,233	9,874
Increase of the responsibility	67,939	10,239
Decrease of the responsibility	-312	-12,921
Reversals	-1,018	-
Other and exchange differences	1,647	-6,897
Balance at the end of the year	240,630	164,141

As at 31 December 2014, Provision for dismantling and decommissioning includes the following situations:

i) The Group holds a provision of 34,682 thousands of Euros (31 December 2013: 19,188 thousands of Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. The assumptions used in the calculation of the provision include an inflation rate of 1.80% and a discount rate of 2.25% (31 December 2013: 2% and 6.25% respectively). 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 96,676 thousands of Euros (31 December 2013: 62,461 thousands of Euros) to cover the costs of returning the sites to their original state, of which 49,413 thousands of Euros refer to the wind farms of the EDPR NA Group, 46,403 thousands of Euros to the wind farms of the EDPR EU Group, 574 thousands of Euros to the wind farms of the EDPR Brasil Group and 286 thousands of Euros to the wind farms of the EDPR Canada Group. The assumptions used when computing these provisions consider: (i) an average per MW cost of decommissioning of 14,000 Euros in Europe and 19,768 Euros in the U.S.A. (31 December 2013: 14,000 Euros and 18,549 Euros, respectively); (ii) a salvage value of 41,000 Euros in Europe and 28,828 Euros in the U.S.A. (31 December 2013: 25,000 Euros and 17,776 Euros, respectively); (iii) a discount rate between 1.90% and 2.50% in Europe and between 3.85% and 5% in the U.S.A.(31 December 2013: 6.33% and 5.38%, respectively); (iv) an inflation rate of 1.75% and 1.85% in Europe and 2.5% in the U.S.A. (31 December 2013: 2% and 2.5%, respectively), and (v) an original capitalization period of 25 years;

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 31 December 2014, the provision which amounts to 68,015 thousands of Euros (31 December 2013: 59,219 thousands of Euros) and 41,258 thousands of Euros (31 December 2013: 23,275 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the future liability and are accounted against an increase in property, plant and equipment and are depreciated on a straight line basis over the average useful life of the assets. The calculation of these provisions was based on an inflation rate between 1.75% and 1.85% (31 December 2013: 1.5% and 2%) and discount rates between 1.9% and 2.5% (31 December 2013: 3% and 6.5%).

The movement in Provision for other liabilities and charges for is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Balance at the beginning of the year	142,435	123,727	22,150	27,882
Charge for the year	47,433	68,785	1,870	11,232
Reversals	-5,448	-28,451	-888	-10,048
Charge-off for the year	-19,551	-21,015	-1,339	-10,495
Other and exchange differences	6,386	-611	1,018	3,579
Balance at the end of the year	171,255	142,435	22,811	22,150

In 2013, following the grant of the construction license for the hydroelectric plant - UHE Cachoeira Caldeirão, EDP Brasil took the responsability to implement and perform several social and environmental programs being booked a provision for other liabilities and charges in the amount of 15,328 thousands of Euros, against Property, Plant and Equipment. As at 31 December 2013, this amount was transfered to assets held for sale (see note 42), the net effect is presented under Other.

As part of the institutional collaboration between EDM - Eletricidade de Moçambique E.P and EDP, was agreed in 2012 to rehabilitation and the conversion of 2 gas turbines of 16 MW decommissioned from Tunes Thermoelectric plant to be installed in Chokwé - Mozambique in open cycle mode. In 2014, EDM requested the transfer of the project to the Nacala area, passing the turbines working on diesel. It is estimated that from this conversion may result a negative impact of 4,561 thousands of Euros.

In the course of its normal activity, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of administrative, civil, tax, labour and other natures. These legal, arbitration or other actions, involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In EDP Group's opinion and its legal advisors the risk of a loss in these actions is not probable and the outcome will not affect on a material way its consolidated financial position.

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The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 31 December 2014, the more relevant situations considered as possible contingencies are as follows:

	Group			
Thousands of Euros	Subsidiaries based in Portugal	Subsidiaries based in Spain	Subsidiaries based in Brazil	Total
Administrative and Civil	8,670	9,566	138,418	156,654
Fiscal	104,302	4,408	260,348	369,058
Others	7,588	105	27,387	35,080
	120,560	14,079	426,153	560,792

The possible contingencies more relevant in Portugal, are as follows:

i) EDP Produção has several judicial claims arising from an alleged incorrect application of social security contribution rates below the maximum for employees covered by pre-retirement agreements, in the amount of 4,192 thousands of Euros;

ii) EDP Produção and EDP Serviço Universal have several lawsuits of civil nature associated with claims for property damage in the amount of 3,000 thousands of Euros;

iii) There is a tax judicial process, in EDP S.A., resulting from an external inspection work done by the Tax Authority for 2003, which proposed a number of corrections to taxable income of companies included in the EDP S.A. tax group. EDP S.A. does not agree with most of the proposed corrections and, as a parent company of the companies' Group taxed under the Special Taxation of corporate Groups Scheme (RETGS), presented a legal appeal contesting several corrections, being the most relevant concerning with the incorrect attribution of profits of a subsidiary to EDP International SGPS. As at 31 December 2014, the tax contingency associated with this adjustment, classified as possible, amounts to 43,289 thousands of Euros;

iv) EDP S.A., EDP Distribuição and EDP Produção have a tax judicial process resulting from an external inspection work done by the Tax Authority for 2002, which proposed a number of corrections to the taxable income of these companies. EDP S.A. does not agree with most of the proposed corrections and, as a parent company of the companies' Group taxed under the Special Taxation of corporate Groups Scheme (RETGS), presented a legal appeal contesting several corrections, being the most relevant correction associated with the classification of the costs incurred with medical care as socially useful procedures. As at 31 December 2014, the tax contingency associated with this adjustment, classified as possible, amounts to 17,269 thousands of Euros.

The possible contingencies more relevant in Brazil, are as follows:

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 33,495 thousands of Euros (31 December 2013: 27,769 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 customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints;

ii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 28,944 thousands of Euros (31 December 2013: 27,035 thousands of Euros);

iii) Escelsa is involved in several legal action of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 14,545 thousands of Euros (31 December 2013: 14,582 thousands of Euros).

iv) There is a public civil action filed against Bandeirante and Escelsa by ADIC – Associação de Defesa dos Interesses Colectivos, claiming a compensation arising from a tariff readjustment on part A from 43 concessionaires. The estimated value attributable to Bandeirante and Escelsa amounts to 31,060 thousands of Euros (31 December 2013: 25,644 thousands of Euros).

v) In Bandeirante, there is a legal measure, related to the COFINS from 1993 to 1995 in joinder with AES Eletropaulo, regarding the right to use the amnesty brought by the Provisional Measures paragraphs 1858-6 and 1858-8, granted to taxpayers who didn't collect taxes, by considering them undue. In the trial of 2nd Instance, was partially confirmed the right to amnesty, excluding the portion inherent to charges of Decree-Law No. 1,025/69. The adjusted amount until 31 December 2014 is 21,269 thousands of Euros (31 December 2013: 32,982 thousands of Euros). The reduction of the contingency is due to the revision of the current interest values. Currently, the process is pending on trial in higher courts.

vi) EDP Escelsa has administrative and judicial tax actions regarding compensations which were not approved by the Brazilian Tax Authorities, supported by judicially recognized credits, tax credits (IRPJ and CSLL) and excessive tax contributions (IRPJ, CSLL, PIS and COFINS) performed in 2001 has a consequence of the application of "Parecer COSIT 26/2012" which, as at 31 December 2014, amounts to 34,283 thousands of Euros (31 December 2013: 32,866 thousands of Euros).

vii) Lajeado has a judicial tax action initiated by the Brazilian Tax Authorities in 2014 aimed at collecting tax contributions (IRPJ and CSLL) resulting from the disallowance of expenses regarding goodwill arising from a business combination (acquisition). As at 31 December 2014, this contingency amounts to 24,345 thousands of Euros.

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On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2014, the amount of this tax contingency totals 245 millions of Euros (31 December 2013: 235.2 millions of Euros).

Considering the analysis made, the technical advice received and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 number 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (actual article 81).

Bearing the above in mind, and given that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional assessments. As a result of the administrative appeal dismissal, EDP presented a judicial claim, on 6 June 2012, which is still being analysed.

Additionally, Bandeirante through the Union of Power Industry of the State of São Paulo - SindiEnergia, filed two claims against the Department of Finance of the State of São Paulo, seeking the suspension of the effects of Decrees 55,421/2010 and 55,867/2010. Both claims obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts, however, given that the higher courts jurisprudence supports the thesis discussed in this process, the EDP Group classifies as remote the risk of losing this action. The estimated value at 31 December 2014 amounts to 69,479 thousands of Euros (31 December 2013: 51,124 thousands of Euros).

38. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

The caption Institutional partnership in USA wind farms is analysed as follows:

	Group	
Thousands of Euros	Dec 2014	Dec 2013
Deferred income related to benefits provided	735,260	672,154
Liabilities arising from institutional partnerships in USA wind farms	1,066,703	836,341
	1,801,963	1,508,495

EDPR North America books the receipts of institutional investors associated with wind 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 2014 EDPR Group, through its subsidiary EDPR NA, has secured 193 millions of USD (approximately 145 millions of Euros) of institutional equity financing from BAL Investment & Advisory, Inc. (Bank of America) in exchange for an interest in the Vento XI portfolio, 66 millions of USD (approximately 50 millions of Euros) of institutional equity financing from Bankers Commercial Corporation (Union Bank) in exchange for an interest in the Vento XII portfolio and 32 millions of USD (approximately 24 millions of Euros) of institutional equity financing from Firststar Development, LLC (US Bank).

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	Dec 2014	Dec 2013
Government grants for investment in fixed assets	610,561	567,559
Amounts payable for tariff adjustments - Electricity - Portugal	15,409	-
Energy sales contracts - EDPR NA	30,827	35,750
Deferred income - CMEC	306,153	351,822
Amounts payable for concessions	226,832	226,569
Other creditors and sundry operations	79,694	69,492
	1,269,476	1,251,192

Trade and other payables from commercial activities - Current, are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Suppliers	1,123,667	1,239,323	343,696	323,313
Accrued costs related with supplies	405,260	421,488	241,880	287,104
Property, plant and equipment suppliers and accruals	689,946	457,116	5,630	1,589
Holiday pay, bonus and other charges with employees	154,522	143,961	15,897	11,882
CO2 emission licences	100,688	109,233	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	214,227	285,274	-	-
Deferred income - CMEC	45,669	56,461	-	-
Other creditors and sundry operations	448,276	507,080	31,717	48,983
	3,182,255	3,219,936	638,820	672,871

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The movement for the period in Amounts payable from Portuguese tariff adjustments - Electricity (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2013	144,994	842
Payment through the electricity tariff	-138,029	-
Tariff adjustment of 2012	2,203	-
Tariff adjustment of the period	280,129	-
Interest expense	3,481	-
Transfer to / from tariff adjustment to receive	-7,504	-842
Balance as at 31 December 2013	285,274	-
Payment through the electricity tariff	-285,518	-
Tariff adjustment of 2013	106	-
Tariff adjustment of the period	212,727	15,409
Interest expense	2,101	-
Transfer to / from tariff adjustment to receive	-463	-
Balance as at 31 December 2014	214,227	15,409

Government grants for investment in fixed assets non-current 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 programm 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 allows 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 includes an one year extension 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 CO2 emission licenses includes the CO2 consumptions made during 2014 in Portugal and Spain, in the amount of 41,468 thousands of Euros and 59,220 thousands of Euros, respectively. In 2015, these licences will be returned to regulatory authorities.

At the moment of the EDPR North America 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 351,822 thousands of Euros (31 December 2013: 408,283 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 2014 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 146,618 thousands of Euros (31 December 2013: 150,116 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 78,305 thousands of Euros (31 December 2013: 77,238 thousands of Euros).

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2013: 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	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	266,026	168,325	-	-
Put options over non-controlling interest liabilities	89	8,138	-	-
Derivative financial instruments	197,223	115,773	148,630	-
Payables - Group companies	-	-	1,529,974	2,439,880
Amounts payable for acquisitions and success fees	10,707	14,720	-	-
Other creditors and sundry operations	43,441	19,614	6,626	11,062
	517,486	326,570	1,685,230	2,450,942
Other liabilities and other payables - Current				
Loans from non-controlling interests	77,691	91,424	-	-
Dividends attributed to related companies	68,393	36,145	-	-
Derivative financial instruments	64,616	53,683	102,710	80,128
Payables - Group companies	-	-	777,132	131,407
Put options over non-controlling interest liabilities	3,658	-	-	-
Amounts payable for acquisitions and success fees	14,150	16,863	-	-
Other creditors and sundry operations	7,287	11,536	33,069	37,403
	235,795	209,651	912,911	248,938
	753,281	536,221	2,598,141	2,699,880

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 the interests are paid half-yearly. At 31 December 2014 this loan amounts to 90,610 thousands of Euros, from which 9,308 thousands of Euros as current and 81,302 thousands of Euros as non-current (see note 46). Additionally, the caption Loans from non-controlling interests Non-Current includes the amount 93,553 thousands of Euros of loans to pay to Vortex, due the sale of 49% of several interests of EDPR France, the fixed rates used for these loans vary between 3.10% and 7.18%.

The variation in the caption Put options over non-controlling interest liabilities - Non-Current, includes the exercise of the remaining 0.13% of the original written put option of Liberbank (ex-Cajastur) over EDP of HC Energia share capital in the amount of 4,641 thousands of Euros (see note 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 Payables - Group companies Non-Current on a company basis, of 1,529,974 thousands of Euros (31 December 2013: 2,439,880 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 46). The variation in this caption, includes 719,051 thousands of Euros that were transferred to current.

The caption Payables - Group companies Current on a company basis of 777,132 thousands of Euros (31 December 2013: 131,407 thousands of Euros) corresponds to debt financing obtained by EDP S.A. Sucursal en Espanã through EDP Finance BV and EDP Servicios Financieros España, S.A., respectively (see note 46).

41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Income tax	40,725	156,591	2,386	18,728
Withholding tax	54,721	56,536	364	337
Value added tax (VAT)	105,939	161,657	2,158	857
Turnover tax (Brazil)	49,741	39,066	-	-
Social tax (Brazil)	25,104	15,904	-	-
Other taxes	139,591	144,326	295	57
	415,821	574,080	5,203	19,979

As at 31 December 2014, for the Group, the caption Other taxes includes essentially taxes regarding HC Energia Group (include NG Energia) of 100,834 thousands of Euros (31 December 2013: 103,969 thousands of Euros) and EDP Brasil Group of 5,511 thousands of Euros (31 December 2013: 9,199 thousands of Euros).

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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	Dec 2014	Dec 2013
Assets held for sale		
Assets of the business of electricity generation - Jari e Cachoeira	-	715,837
Assets of the business of gas transmission - Naturgas	164,402	-
	164,402	715,837
Liabilities held for sale		
Liabilities of the business of electricity generation - Jari e Cachoeira	-	-577,964
Assets of the business of gas transmission - Naturgas	-11,328	-
	-11,328	-577,964
	153,074	137,873

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). On 31 December 2014, and to the extent that these transactions, though highly probable, are subject to prior authorization by the competent authorities, the assets and liabilities related to these transactions were presented as non-current assets and liabilities held for sale. The significant assets and liabilities that have been reclassified to assets and liabilities held for sale are: property, plant and equipment (141,659 thousands of Euros), intangible assets (1,430 thousands of Euros) and goodwill (7,313 thousands of Euros). These reclassifications were made only for financial statements presentation purposes, without changing the measurement criteria of these assets and liabilities, being expected that the fair value less costs to sell is higher than the book value of these assets and liabilities in accordance with IFRS 5. The conclusion of the assets sale held by Gas Energía Distribucion Murcia has occurred on 30 January 2015 (see note 50) being the sale of the remaining distribution assets pending of the necessary approvals.

ANEEL, through Authorizing Resolution No. 4,546, of 21 February 2014 approved the transfer of the equity interest in ECE Participações S.A. and Empresa de Energia Cachoeira Caldeirão S.A., owned by Energias do Brasil S.A. to CWEI (Brazil) Participações Ltda.

On 6 December 2013, EDP Energias do Brasil comunicated to the market the establishement of a partnership with CWE Investment Corporation (CWEI) and CWEI Brasil Participações (CWEI Brasil), subsidiaries controlled by China Three Gorges (CTG), for joint energy projects in Brazil. In the context of this partnership, was concluded on 27 June 2014, the sale of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects. The total amount of the transaction, paid by CWEI to EDP Brasil was 420,646 thousands of Reais, 420,204 thousands of Reais on the sale of 50% stake in Santo Antônio do Jari hydro power plant project and 442 thousands of Reais on the sale of 50% stake in Cachoeira Caldeirão hydro power plant project, generating a gain in the amount of 407,926 thousands of Reais (130,676 thousands of Euros) as referred in note 7.

Under IFRS 10, with this sale, EDP Group lost control over these subsidiaries beginning to control them jointly with CWEI Brasil. Under IFRS 11, the new arrangement configures a joint venture therefore EDP Brasil started to valuate these financial interests at the equity method.

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

	Fair value		Notional			
Thousands of Euros	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	Total
Net Investment hedge						
Cross currency interest rate swaps	14,699	-27,664	119,968	29,059	300,000	449,027
	14,699	-27,664	119,968	29,059	300,000	449,027
Fair value hedge						
Interest rate swaps	111,241	-	1,000,000	350,000	1,500,000	2,850,000
Cross-currency interest rate swaps	139,568	-35,640	-	423,922	410,314	834,236
	250,809	-35,640	1,000,000	773,922	1,910,314	3,684,236
Cash flow hedge						
Commodities swaps	55,409	-27,486	468,461	96,104	-	564,565
Interest rate swaps	8	-81,507	83,567	167,005	337,892	588,464
Currency forwards	6,188	-19	198,853	3,445	-	202,298
	61,605	-109,012	750,881	266,554	337,892	1,355,327
Trading						
Commodities swaps	18,084	-61,166	2,374,786	487,007	-	2,861,793
Interest rate swaps	21,380	-285	470	1,411	600,000	601,881
Cross-currency interest rate swaps	2,451	-26,909	-	138,606	-	138,606
Currency forwards	7,419	-569	221,016	30,069	-	251,085
Commodities forwards	-2,701	-	6,417	7,821	-	14,238
Options purchased and sold	-	-594	-	-	-	-
	46,633	-89,523	2,602,689	664,914	600,000	3,867,603
	373,746	-261,839	4,473,538	1,734,449	3,148,206	9,356,193

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

	Fair value		Notional			
Thousands of Euros	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	Total
Net Investment hedge						
Cross currency interest rate swaps	12,858	-	-	122,412	-	122,412
Currency forwards	2,360	-	33,305	-	-	33,305
	15,218	-	33,305	122,412	-	155,717
Fair value hedge						
Interest rate swaps	58,315	-	-	1,000,000	500,000	1,500,000
Cross-currency interest rate swaps	62,393	-60,056	177,911	423,922	410,314	1,012,147
	120,708	-60,056	177,911	1,423,922	910,314	2,512,147
Cash flow hedge						
Commodities swaps	10,756	-6,729	362,884	61,578	-	424,462
Interest rate swaps	-	-49,317	46,586	206,773	365,748	619,107
Currency forwards	180	-5,703	215,460	8,232	-	223,692
	10,936	-61,749	624,930	276,583	365,748	1,267,261
Trading						
Commodities swaps	14,335	-14,982	2,101,868	46,818	-	2,148,686
Interest rate swaps	35,337	-8,352	500,470	1,881	600,000	1,102,351
Cross-currency interest rate swaps	7,589	-15,784	-	69,750	590,017	659,767
Currency forwards	2,384	-5,160	399,365	11,836	-	411,201
Options purchased and sold	-	-3,373	-	-	-	-
	59,645	-47,651	3,001,703	130,285	1,190,017	4,322,005
	206,507	-169,456	3,837,849	1,953,202	2,466,079	8,257,130

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 47) and no changes of leves 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.

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The changes in the fair value, including accrued interest, of hedging instruments and risks being hedged are as follows:

			2014		2013	
			Changes in fair value		Changes in fair value	
Thousands of Euros	**Hedging instrument**	**Hedged risk**	**Instrument**	**Risk**	**Instrument**	**Risk**
Net investment	Cross-curr. int. rate swaps	Subsidiaries in PLN, BRL and USD	-25,823	35,679	9,413	-8,890
Net investment	Currency forwards	Subsidiaries in CAD	-2,360	2,158	2,360	-2,360
Fair value	Interest rate swap	Interest rate	52,926	-53,660	-9,924	11,173
Fair value	Cross-curr. int. rate swaps	Exchange and interest rate	101,591	-107,530	-91,711	89,442
Cash flow	Interest rate swap	Interest rate	-32,182	-	26,875	-
Cash flow	Currency forwards	Exchange rate	11,692	-	1,256	-
Cash flow	OMIP futures	Commodity prices	-	-	-2,346	-
Cash flow	Commodities swaps	Commodity prices	23,896	-	12,239	-
			129,740	-123,353	-51,838	89,365

During 2014 and 2013 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, CAD/DKK, CAD/USD, 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.

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

	Group	
Thousands of Euros	**Dec 2014**	**Dec 2013**
Balance at the beginning of the year	-74,003	-121,097
Fair value changes	8,462	34,118
Transfers to results from hedging of financial liabilities and commodity prices	1,263	5,631
Comprehensive Income changes in associates	-2,360	8,333
Changes resulting from acquisitions/sales without control changes	3,685	-988
Balance at the end of the year	-62,953	-74,003

The gains and losses on the financial instruments portfolio, excluding accrued interest, booked in the income statement in 2014 and 2013 are as follows:

	Group		Company	
Thousands of Euros	**Dec 2014**	**Dec 2013**	**Dec 2014**	**Dec 2013**
Derivatives held for trading	-22,608	-30,008	44,839	-15,117
Net investment hedge - ineffectiveness	15,533	523	-	-
Fair value hedges				
Derivatives	154,517	-101,635	259,430	-86,375
Hedged liabilities	-161,190	100,615	-259,430	86,375
Cash flow hedges				
Transfer to results from hedging of financial liabilities	-1,524	3,517	-	-
Transfer to results from hedging of commodity prices	261	-9,148	-	-1,022
Ineffectiveness	-	13	-	13
	-15,011	-36,123	44,839	-16,126

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

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	3,915,927	EUR	[4.45% - -0.44%]	[4.88% - -0.44%]
Interest rate swaps	99,077	PLN	[5.41% - 3.30%]	[2.06% - 2.05%]
Interest rate swaps	25,341	CAD	2.59%	1.30%
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,314	EUR / GBP	[4.07% - 1.80%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	68,856	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	173,374	EUR / PLN	[2.07% - 1.08%]	[0.09% - 0.08%]
CIRS (currency interest rate swaps)	45,403	EUR / BRL	[9.37% - 9.02%]	0.08%
CIRS (currency interest rate swaps)	103,922	EUR / CHF	[4.37% - 4.21%]	4.01%
CIRS (currency interest rate swaps)	300,000	USD / EUR	[5.36% - 5.33%]	4.13%

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

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	3,114,303	EUR	[4.95% - -0.23%]	[5.50% - -0.23%]
Interest rate swaps	107,155	PLN	[5.41% - 3.30%]	[2.70% - 2.61%]
Currency interest rate				
CIRS (currency interest rate swaps)	730,314	EUR / GBP	[4.22% - 1.84%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	20,918	USD / BRL	6.94%	[1.69% - 1.62%]
CIRS (currency interest rate swaps)	69,099	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	146,759	EUR / PLN	[2.55% - 1.73%]	[0.29% - 0.25%]
CIRS (currency interest rate swaps)	45,403	EUR / BRL	[7.91% - 7.62%]	[0.29% - 0.22%]
CIRS (currency interest rate swaps)	281,833	EUR / CHF	[4.52% - 2.93%]	[4.01% - 3.51%]
CIRS (currency interest rate swaps)	500,000	USD / EUR	[5.36% - 5.33%]	4.13%

44. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 31 December 2014 and 2013, are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Financial guarantees				
EDP, S.A.	162,144	241,196	162,144	241,196
HC Energia Group	4,005	4,005	-	-
EDP Brasil Group	1,096,945	1,061,209	-	-
Other	3,706	6,022	-	-
	1,266,800	1,312,432	162,144	241,196
Operating guarantees				
EDP, S.A.	492,379	599,502	492,379	599,502
HC Energia Group	267,796	338,059	-	-
EDP Brasil Group	317,774	375,682	-	-
EDP Renováveis Group	1,453,944	867,846	-	-
Other	7,491	9,224	-	-
	2,539,384	2,190,313	492,379	599,502
Total	3,806,184	3,502,745	654,523	840,698
Real guarantees	53,878	21,693	-	-

The financial guarantees contracted as at 31 December 2014 and 2013 amounts to 1,266,800 thousands of Euros and 1,312,432 thousands of Euros, respectively. These guarantees include 437,679 thousands of Euros and 454,976 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. The difference between the amount of financial guarantees and the relating loans already included in the consolidated debt respects mainly to Cachoeira Caldeirão, Jari and Pecém which are being accounted by the equity consolidation method under IFRS 11.

Operating guarantees contracted as at 31 December 2014 and 2013 amounts to 2,539,384 thousands of Euros and 2,190,313 thousands of Euros, respectively. These guarantees include, 142,867 thousands of Euros and 303,182 thousands of Euros, respectively, which refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position.

EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 31 December 2014 and 2013, 316,722 thousands of Euros and 299,470 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 31 December 2014 and 2013 these loans amounted to 993,409 thousands of Euros and 939,826 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 31 December 2014 and 2013, EDPR's obligations under the tax equity agreements, in the amount of 948,216 thousands of Euros and 803,006 thousands of Euros, respectively, are reflected under the Institutional Partnerships in USA wind farms;

iii) EDP has constituted an escrow deposit in the amount of 334,497 thousands of Euros (311,990 thousands of Euros non-current and 22,507 thousands of Euros current), as presented in note 35, associated with several loans contracted with the EIB. 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, as at 31 December 2014 and 2013, by maturity, as follows:

	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

	Dec 2013				
	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)	23,642,571	4,903,020	7,985,496	6,039,361	4,714,694
Finance lease commitments	7,564	3,422	3,776	366	-
Operating lease commitments	759,098	45,428	60,092	57,771	595,807
Purchase obligations	21,994,828	4,102,631	4,926,894	3,123,721	9,841,582
Other long term commitments	2,285,923	265,599	513,292	476,716	1,030,316
	48,689,984	9,320,100	13,489,550	9,697,935	16,182,399

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 commitments related to the companies whose investments started to be booked by equity in the consolidated financial statements under IFRS 10 and 11 (referred in note 5), are presented in note 20.

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 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 as at 31 December 2014 is related with:

Thousands of Euros	**Total**
Fixed assets	2,527,734
Fuels and electricity	18,296,545
Others supplies and services	959,791
	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 31 December 2014, 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 exercised, through its subsidiary EDP Renewables Europe, S.L., the call option over Liberbank for 51% of interest held by Cajastur in the companies Sauvageons, Le Mee and Petite Pièce in December 2014;
- 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 these options is 7,500 thousands of Euros. The options 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 option can be exercised until 1 February 2015. 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 park;
- 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.

45. SHARE BASED PAYMENTS

EDP implemented a stock options plans applicable to senior management and directors, under the terms approved by the General Meeting, in order to promote the creation of value added.

Until April 2014, EDP Group had a stock option plan for the President of the Board of Directors, Chief Executive Officer and Executive Members for the 2003/2005 period in which the options granted could be exercised up to 1/3 in each of the following three years following the grant date. Options not exercised expired eight years after being granted (April 2014). The exercise price of the options was calculated based on the market price of the company's shares at the grant date. The options maximum term was eight years. The options were granted by the EDP Group's Remunerations Committee and could only be exercised after two years of service.

During the first semester of 2014, were exercised the remaining options of the last Plan for Members of the Board of Directors and Management of the Group subsidiaries.

The movements in the stock options plans are analysed as follows:

	Option movements	**Weighted average exercise price (Euros)**
Balance as at 31 December 2012	567,201	2.21
Options exercised	416,511	
Options granted	-	
Options expired	-	
Balance as at 31 December 2013	150,690	2.21
Options exercised	150,690	
Options granted	-	
Options expired	-	
Balance as at 30 December 2014	-	-

During 2014 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During 2014, EDP Group granted treasury stocks to employees (416,929 shares) totalling 1,460 thousands of Euros.

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46. RELATED PARTIES

Shares held by company officers

This breakdown should be read together with note 50 – Relevant or subsequent events, where are disclosed the changes occurred in the shareholder structure after 31 December 2014.

The number of shares of EDP S.A. held or attributtable to company officers as at 31 December 2014 and 2013 are as follows:

	2014 Nr. of shares	2013 Nr. of shares
General and Supervisory Board		
Eduardo de Almeida Catroga	1,375	1,375
China Three Gorges Corporation (represented by Dingming Zhang)	780,633,782	780,633,782
CWEI (Europe) S.A. (represented by Shengliang Wu)	780,633,782	780,633,782
José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira)	73,285,710	168,097,034
Luís Filipe da Conceição Pereira	4,233	1,459
Senfora SARL (represented by Mohamed Al Fahim)	148,431,999	148,431,999
Sonatrach (represented by Harkat Abderezak)	87,007,433	87,007,443
Alberto João Coraceiro de Castro	6,917	6,917
Fernando Maria Masaveu Herrero	264,709,056	264,709,056
Ilídio da Costa Leite de Pinho	1,647,516	-
Vasco Joaquim Rocha Vieira	3,203	3,203
Rui Eduardo Ferreira Rodrigues Pena	4,541	4,541

	2014 Nr. of shares	2013 Nr. of shares
Executive Board of Directors		
António Luís Guerra Nunes Mexia	41,000	41,000
António Fernando Melo Martins da Costa	34,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
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 Stilwell de Andrade	126,576	111,576

Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remunerations Committee appointed by the Shareholders' General Meeting, except for the fixed and variable remuneration of the members of the Executive Board of Directors, which is set by a Remunerations Committee appointed by the General and Supervisory Board.

In 2014, the annual fixed and variable remuneration cost accounted for the members of the Executive Board of Directors (EBD) and the fixed remuneration of the General and Supervisory Board (GSB), was as follows:

Thousands of Euros	EBD	GSB
President	1,004	491
Members	4,453	1,233
	5,457	**1,724**

The remuneration costs accounted with the EBD, includes the amount of 1,303 thousands of Euros related to the annual variable remuneration. This amount was calculated considering the best estimation of the variable remuneration for the year, in accordance with Remunerations Committee policy of the GSB, deducted from the correction of the accrual from the previous year compared with the amount paid.

Additionally the Remunerations Committee policy of the GSB, foresees in certain circumstances, a variable multi-annual remuneration to the EBD members, corresponding to the current mandate (2012-2014). On this basis, an estimated amount of 10,814 thousands of Euros was accrued (31 December 2013: 7,981 thousands of Euros).

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EDP has no specific benefits system in place for its directors. The remuneration fixed by the Remuneration Committee of the General and Supervisory Board provides for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, who contribute 10% (ten percent) of their net fixed annual remuneration. It was granted by decision of the General Meeting of 12 May, 2014 as part of the remuneration policy statement. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the Company Code.

During 2014 the remuneration costs of the members of the Remunerations Committee of the General Assembly amounted to 35,000 Euros.

Audit and non audit fees

In 2014, KPMG fees relating to external audit and statutory audit of all subsidiaries of EDP Group, except EDP Brasil subgroup, amounted to 5,033,047 Euros. This amount includes 180,000 Euros for the fees of the Statutory auditor of EDP Energias de Portugal, S.A. Additionally, the total fees charged by KPMG for other assurance services, tax advisory services and other non audit services amounted to 1,309,515 Euros, 671,309 Euros and 330,172 Euros, respectively.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the course of its activity and regardeless their relevance, EDP concludes business and operations under normal market conditions for similar transactions with different entities, namely financial institutions, including holders of qualified shareholdings in EDP's share capital and those related parties.

On 11 May 2012, after the strategic partnership agreement concluded with China Three Gorges Corporation (CTG) came into effect in December 2011, this company (and three other group companies) became part of EDP's General and Supervisory Board.

Under the strategic partnership with China Three Gorges Corporation, on 28 June 2013 EDP Renováveis, S.A. sold for a total final price of 368 millions of Euros to a CTG Group company (CITIC CWEI Renewables S.C.A.) a 49% shareholding in EDP Renováveis Portugal and 25% of the shareholder loans capital and supplementary capital contributions under the applicable rules for additional contributions granded to this company.

Also under this partnership, on 6 December 2013, EDP Brasil signed a memorandum of understanding with CWE Investment Corporation (CWEI), a wholly owned subsidiary of CTG, setting out the main guidelines for a future partnership in joint investments between EDP Brasil and CWEI and that governs parties' participation in joint projects in Brazil. These investments by CWEI Brasil will be considered for purposes of fulfilment of the strategic partnership agreement in relation to the total investment of 2 billions of Euros to be made by CTG up to 2015 (including co-funding of operating investments) in ready-to-build operational renewable energy generation projects.

Balances and transactions with companies of China Three Gorges Group

In June 2013, in accordance with the EDP / CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of 49% equity shareholding in EDP Renováveis Portugal, S.A., as a result, the Group recognised non-controlling interests of 111,231 thousands of Euros and an impact in reserves attributable to Group of 112,566 thousands of Euros. Following the conclusion of the sale, CTG holds a loan over EDPR Group in the amount of 111 millions of Euros. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 31 December 2014, this loan amounts to 90,610 thousands of Euros (see note 40).

On 27 June 2014, EDP Energias do Brasil concluded the sale to China Three Gorges of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects, with the consequent loss of control. The total amount of the transaction, paid by CWEI, subsidiary controlled by CTG, to EDP Brasil was 420,646 thousands of Reais, generating a gain in the amount of 130,676 thousands of Euros (407,926 thousands of Reais), recognised in the income statement, as referred in note 7.

On 11 November 2014, EDP Energias do Brasil concluded the sale to China Three Gorges, through CWEI (Brasil) Participações Ltda. (CWEI), of 50% of 66.67% stake in the company holding the rights to develop the São Manoel hydro power plant project, with the consequent loss of control. CWEI becomes São Manoel's shareholder together with EDP Brasil and Companhia Furnas Centrais Elétricas S.A. (Furnas), with resulting ownerships of 33.334%, 33.333% and 33.333%, respectively, of São Manoel's social capital. Empresa de Energia São Manoel S.A. holds the construction and exploration concession of São Manoel hydro power plant, with installed capacity of 700MW, which is to be built on the frontier between Mato Grosso and Pará States, in Teles Pires River.

On 30 December 2014, EDP concluded the sale to China Three Gorges of 50% of the stake held in EDP Ásia - Investimento e Consultoria, Limitada (EDP Ásia), with the consequent loss of control. The total amount of the transaction, paid by ACE Asia (company holded by CWEI Hong Kong Company Limited, a subsidiary of China Three Gorges) to EDP Group was 94,222 thousands of Euros, generating a gain in the amount of 117,978 thousands of Euros, recognised in the consolidated income statement, as referred in note 13.

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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

Thousands of Euros	December 2014 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

Thousands of Euros	December 2013 Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
Balwerk	844	210,066	1,261	212,171
EDP Comercial	39,909	10,070	165,536	215,515
EDP Distribuição	590,275	2,341,424	12,116	2,943,815
EDP Gás - SGPS	19,257	115,066	4,160	138,483
EDP Produção	508,466	4,042,803	223,011	4,774,280
EDP Imobiliária e Participações	-	83,720	186	83,906
EDP Renováveis	-	-	91,025	91,025
HC Energia	-	-	113,026	113,026
Others	71,350	45,002	171,071	287,423
	1,230,101	6,848,151	781,392	8,859,644

Debits

Thousands of Euros	December 2014 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 Serviços 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

The amount of 10,668,797 thousands of Euros includes three intragroup bonds issuence by EDP Finance BV to EDP SA as at 31 December 2014, in the total amount of 5,421,726 thousands of Euros, of variable rate at medium-long term (5 and 7 years).

Thousands of Euros	December 2013 Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Finance BV	-	10,500,930	16,630	10,517,560
EDP Servicios Financieros (España)	-	88,977	-	88,977
EDP Produção	-	-	362,515	362,515
EDP Serviço Universal	-	-	146,692	146,692
Others	9,138	180,500	130,728	320,366
	9,138	10,770,407	656,565	11,436,110

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Expenses and income related to subsidiaries, joint ventures and associates, at Company level, are analysed as follows:

Expenses

	December 2014			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	-386,909	-114,000	-500,909
EDP Produção	-303	-	-1,138,019	-1,138,322
Naturgas Comercializadora	-	-	-76,004	-76,004
Others	-148	-2,009	-155,982	-158,139
	-451	-388,918	-1,484,005	-1,873,374

	December 2013			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	-309,912	-24,078	-333,990
EDP Produção	-	-	-1,083,232	-1,083,232
Empresa Hidroeléctrica do Guadiana	-	-	-50,084	-50,084
EDP Renewables Europe	-	-	-33,370	-33,370
Others	-318	-10,094	-122,525	-132,937
	-318	-320,006	-1,313,289	-1,633,613

Income

	December 2014			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	813	812	898,275	899,900
EDP Distribuição	9,757	169,354	46,262	225,373
EDP Gás.Com	196	-	149,812	150,008
EDP Produção	3,589	302,763	450,168	756,520
Others	3,509	23,728	400,020	427,257
	17,864	496,657	1,944,537	2,459,058

	December 2013			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	592	411	780,318	781,321
EDP Distribuição	16,896	158,773	229,857	405,526
EDP Gás.Com	376	-	170,296	170,672
EDP Produção	7,380	276,324	451,964	735,668
Others	2,668	27,124	469,684	499,476
	27,912	462,632	2,102,119	2,592,663

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Assets, liabilities and transactions with related companies, for the Group are analysed as follows:

Assets and Liabilities

	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 de 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
Setgas	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

	December 2013		
Thousands of Euros	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioeléctrica	17,645	5,363	12,282
Cide HC Energía	3,746	9,786	-6,040
Porto de Pecém	86,465	1,667	84,798
Others	4,933	1,709	3,224
	112,789	18,525	94,264
Associates			
ENEOP - Eólicas de Portugal	304,976	-	304,976
Seaenergy Renewables Inch.Cape	9,428	-	9,428
Setgas	9,103	40	9,063
Parque Eólico Sierra del Madero	13,790	-	13,790
Others	12,917	726	12,191
	350,214	766	349,448
	463,003	19,291	443,712

Transactions

	December 2014			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioeléctrica	1,883	293	-49,465	-
Cide HC Energía	85,930	23	-81	-
Porto de Pecém	82,686	6,092	-14,977	-
Others	2,727	45	-24,865	-1
	173,226	6,453	-89,388	-1
Associates				
ENEOP - Eólicas de Portugal	-	20,852	-	-
Seaenergy Renewables Inch.Cape	-	-	-	-
Setgas	283	504	-269	-
Parque Eólico Sierra del Madero	12	519	-	-
Others	7,834	902	-843	-3
	8,129	22,777	-1,112	-3
	181,355	29,230	-90,500	-4

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	December 2013			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioeléctrica	1,993	319	-45,327	-
Cide HC Energía	96,612	33	-57	-
Porto de Pecém	73,264	4,556	-23,616	-
Others	6,333	254	-4,765	-3
	178,202	5,162	-73,765	-3
Associates				
ENEOP - Eólicas de Portugal	-	15,992	-	-
Seaenergy Renewables Inch.Cape	-	-	-	-
Setgas	154	503	-383	-
Parque Eólico Sierra del Madero	1,441	426	-160	-
Others	14,979	327	-1,171	-3
	16,574	17,248	-1,714	-3
	194,776	22,410	-75,479	-6

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg).

As at 31 December 2014 and 2013, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount:

	31 December 2014			31 December 2013		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	0.08%	0.26%	12.19%	0.29%	0.25%	10.50%
6 months	0.17%	0.36%	12.43%	0.39%	0.35%	10.79%
1 year	0.33%	0.63%	12.62%	0.56%	0.58%	11.06%
2 years	0.18%	0.90%	12.39%	0.52%	0.48%	11.93%
3 years	0.22%	1.30%	12.24%	0.73%	0.86%	12.49%
4 years	0.28%	1.58%	12.22%	1.00%	1.31%	12.75%
5 years	0.36%	1.78%	12.13%	1.25%	1.75%	12.91%
6 years	0.44%	1.93%	12.01%	1.48%	2.12%	12.96%
7 years	0.53%	2.05%	11.97%	1.68%	2.43%	13.07%
8 years	0.62%	2.14%	11.98%	1.85%	2.67%	13.12%
9 years	0.72%	2.21%	12.00%	2.01%	2.87%	13.18%
10 years	0.81%	2.28%	11.94%	2.15%	3.03%	13.20%

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

	Group Dec 2014			Group Dec 2013		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	224,457	224,457	-	212,483	212,483	-
Trade receivables	2,119,694	2,119,694	-	2,280,897	2,280,897	-
Debtors / other assets from commercial activities	4,786,268	4,786,268	-	5,009,079	5,009,079	-
Other debtors and other assets	725,979	725,979	-	622,924	622,924	-
Derivative financial instruments	373,746	373,746	-	206,507	206,507	-
Financial assets at fair value through profit or loss	10,665	10,665	-	4,217	4,217	-
Collateral deposits / financial debt	429,170	429,170	-	438,810	438,810	-
Cash and cash equivalents	2,613,995	2,613,995	-	2,156,707	2,156,707	-
	11,283,974	11,283,974	-	10,931,624	10,931,624	-
Financial liabilities						
Financial debt	20,298,183	21,191,600	893,417	19,758,809	20,369,899	611,090
Suppliers and accruals	1,813,613	1,813,613	-	1,696,439	1,696,439	-
Institutional partnerships in USA wind farms	1,801,963	1,801,963	-	1,508,495	1,508,495	-
Trade / other payables from commercial activities	2,027,557	2,027,557	-	2,207,130	2,207,130	-
Other liabilities and other payables	491,442	491,442	-	366,765	366,765	-
Derivative financial instruments	261,839	261,839	-	169,456	169,456	-
	26,694,597	27,588,014	893,417	25,707,094	26,318,184	611,090

Considering that 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;
- Level 3 – Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

	31 December 2014			31 December 2013		
Thousands of Euros	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	116,383	59,584	48,490	111,003	53,751	47,729
Derivative financial instruments	-	373,746	-	-	206,507	-
Financial assets at fair value through profit or loss	10,665	-	-	4,217	-	-
	127,048	433,330	48,490	115,220	260,258	47,729
Financial liabilities						
Derivative financial instruments	-	261,839	-	-	169,456	-
	-	261,839	-	-	169,456	-

As at 31 December 2014 and 2013, the movement in financial assets and liabilities included in Level 3 is analysed as follows:

	Available for sale investments	
Thousands of Euros	Dec 2014	Dec 2013
Balance at beginning of year	47,729	57,682
Change in fair value	-206	-8,307
Acquisitions	1,451	1,048
Disposals	-168	-549
Impairment	-118	-1,533
Transfers and other changes	-198	-612
Balance at the end of the year	48,490	47,729

The assumptions used in the determination of Available for sale investments fair value are described in note 21, as stated in IFRS 13.

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48. CO2 LICENCES

The movements in the portfolio of CO2 licences held for trading and classified as inventories are analysed as follows:

	Group	
CO2 (Ton)	Dec 2014	Dec 2013
CO2 licences held for trading on 1 January	4,939,052	563,297
Licences acquired in the market	6,976,000	9,708,328
Emission licences transferred from intangibles to the trading portfolio	-	3,740,077
Licences sold	-8,396,573	-9,072,650
CO2 licences held for trading on 31 December	3,518,479	4,939,052
CO2 licences for trading on 31 December (in thousands of Euros)	23,360	16,745

Purchases and sales of licences are booked based on the listed price on the transaction date. Emission licences transferred to the trading portfolios are classified as Inventories (see note 24), in accordance with Accounting policy - note 2 y).

Fair value corresponds to the spot price (closing price) at the end of December in each year.

49. ADOPTION OF STANDARDS IFRS 10 - CONSOLIDATED FINANCIAL STATEMENTS AND IFRS 11 - JOINT ARRANGEMENTS

As referred in the note 2 b), the EDP Group adopted the standards IFRS 10 - Consolidated Financial Statements and IFRS 11 - Joint Arrangements with an effective date of mandatory application for periodos beginning on or after 1 January 2014, and restated the comparative periods beginning at 1 January 2013.

The impacts of the adoption of these standards as at 31 December 2013 are presented as follows:

Consolidated Income Statement

Thousands of Euros	Dec 2013	IFRS 10 and 11 impacts	Dec 2013 restated
Revenues from energy sales and services and other	16,527,295	-247,134	16,280,161
Cost of energy sales and other	-10,976,265	146,901	-10,829,364
	5,551,030	-100,233	5,450,797
Other income	360,003	-618	359,385
Supplies and services	-934,903	25,133	-909,770
Personnel costs and employee benefits	-638,516	6,741	-631,775
Other expenses	-720,646	50,018	-670,628
	-1,934,062	81,274	-1,852,788
	3,616,968	-18,959	3,598,009
Provisions	-54,877	339	-54,538
Amortisation and impairment	-1,477,247	52,201	-1,425,046
	2,084,844	33,581	2,118,425
Financial income	904,922	-14,763	890,159
Financial expenses	-1,642,378	53,893	-1,588,485
Share of net profit in joint ventures and associates	34,132	-48,298	-14,166
Profit before income tax	1,381,520	24,413	1,405,933
Income tax expense	-187,997	-24,292	-212,289
Net profit for the year	1,193,523	121	1,193,644
Attributable to:			
Equity holders of EDP	**1,005,091**	**-**	**1,005,091**
Non-controlling Interests	**188,432**	**121**	**188,553**
Net profit for the year	**1,193,523**	**121**	**1,193,644**
Earnings per share (Basic and Diluted) - Euros	0.28	-	0.28

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Consolidated Statement of Comprehensive Income

	Dec 2013		IFRS 10 and 11 impacts		Dec 2013 Restated	
Thousands of Euros	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the year	1,005,091	188,432	-	121	1,005,091	188,553
Items that will never be reclassified to profit or loss						
Actuarial gains / (losses)	-153,390	16,297	-	-	-153,390	16,297
Tax effect from the actuarial gains / (losses)	42,260	-5,541	-	-	42,260	-5,541
	-111,130	10,756	-	-	-111,130	10,756
Items that are or may be reclassified to profit or loss						
Exchange differences arising on consolidation	-151,878	-243,635	-13,001	-10,602	-164,879	-254,237
Fair value reserve (cash flow hedge)	43,468	10,701	-3,719	-3,128	39,749	7,573
Tax effect from the fair value reserve (cash flow hedge)	-12,998	-3,124	1,239	1,056	-11,759	-2,068
Fair value reserve (available for sale financial assets)	35,269	-1,115	-	-	35,269	-1,115
Tax effect from the fair value reserve (available for sale investments)	-6,276	25	-	-	-6,276	25
Share of other comprehensive income of joint ventures and associates, net of taxes	2,705	932	15,481	12,672	18,186	13,604
	-89,710	-236,216	-	-2	-89,710	-236,218
Other comprehensive income for the year (net of income tax)	-200,840	-225,460	-	-2	-200,840	-225,462
Total comprehensive income for the year	804,251	-37,028	-	119	804,251	-36,909

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Consolidated Statement of Financial Position

Thousands of Euros	Dec 2013	IFRS 10 and 11 impacts	Dec 2013 restated	1 Jan 2013	IFRS 10 and 11 impacts	1 Jan 2013 restated
Assets						
Property, plant and equipment	20,316,306	-862,207	19,454,099	20,905,340	-1,006,501	19,898,839
Intangible assets	6,028,307	-10,505	6,017,802	6,541,862	-11,787	6,530,075
Goodwill	3,295,874	-42,730	3,253,144	3,318,457	-42,730	3,275,727
Investments in joint ventures and associates	182,562	462,859	645,421	163,881	533,057	696,938
Available for sale investments	212,483	-	212,483	181,298	-4	181,294
Investment property	29,180	-	29,180	1,540	-	1,540
Deferred tax assets	388,813	-68,223	320,590	340,816	-64,353	276,463
Trade receivables	99,005	-11	98,994	97,099	-	97,099
Debtors and other assets from commercial activities	3,188,586	-407	3,188,179	2,736,902	-7	2,736,895
Other debtors and other assets	495,897	26,955	522,852	533,033	36,962	569,995
Collateral deposits associated to financial debt	430,607	-10,526	420,081	415,045	-3,828	411,217
Total Non-Current Assets	34,667,620	-504,795	34,162,825	35,235,273	-559,191	34,676,082
Inventories	280,009	-15,221	264,788	377,618	-21,625	355,993
Trade receivables	2,208,287	-26,384	2,181,903	2,280,104	-65,594	2,214,510
Debtors and other assets from commercial activities	1,827,815	-6,915	1,820,900	2,051,519	-13,789	2,037,730
Other debtors and other assets	308,155	-1,576	306,579	296,674	15,269	311,943
Current tax assets	439,109	-6,057	433,052	435,628	-8,128	427,500
Financial assets at fair value through profit or loss	4,217	-	4,217	390	-	390
Collateral deposits associated to financial debt	18,729	-	18,729	13,451	-	13,451
Cash and cash equivalents	2,180,122	-23,415	2,156,707	1,695,336	-21,754	1,673,582
Assets held for sale	715,837	-	715,837	241,851	-	241,851
Total Current Assets	7,982,280	-79,568	7,902,712	7,392,571	-115,621	7,276,950
Total Assets	42,649,900	-584,363	42,065,537	42,627,844	-674,812	41,953,032
Equity						
Share capital	3,656,538	-	3,656,538	3,656,538	-	3,656,538
Treasury stock	-85,573	-	-85,573	-103,706	-	-103,706
Share premium	503,923	-	503,923	503,923	-	503,923
Reserves and retained earnings	3,365,777	-	3,365,777	4,135,599	-	4,135,599
Consolidated net profit attributable to equity holders of EDP	1,005,091	-	1,005,091	-	-	-
Total Equity attributable to equity holders of EDP	8,445,756	-	8,445,756	8,192,354	-	8,192,354
Non-controlling Interests	3,082,805	-659	3,082,146	3,239,314	-755	3,238,559
Total Equity	11,528,561	-659	11,527,902	11,431,668	-755	11,430,913
Liabilities						
Financial debt	15,968,756	-368,033	15,600,723	16,715,725	-453,644	16,262,081
Employee benefits	1,751,066	-	1,751,066	1,750,838	-	1,750,838
Provisions	360,203	-5,970	354,233	340,068	-6,686	333,382
Hydrological correction account	-	-	-	33,644	-	33,644
Deferred tax liabilities	775,269	-16,177	759,092	852,054	-19,412	832,642
Institutional partnerships in USA wind farms	1,508,495	-	1,508,495	1,679,753	-	1,679,753
Trade and other payables from commercial activities	1,252,337	-1,145	1,251,192	1,262,771	-1,405	1,261,366
Other liabilities and other payables	375,846	-49,276	326,570	409,737	-68,298	341,439
Total Non-Current Liabilities	21,991,972	-440,601	21,551,371	23,044,590	-549,445	22,495,145
Financial debt	4,192,168	-34,082	4,158,086	3,807,503	-42,297	3,765,206
Employee benefits	183,469	-	183,469	182,587	-	182,587
Provisions	28,003	-566	27,437	42,798	-	42,798
Hydrological correction account	35,641	-	35,641	22,832	-	22,832
Trade and other payables from commercial activities	3,289,002	-69,066	3,219,936	3,220,599	-47,864	3,172,735
Other liabilities and other payables	238,086	-28,435	209,651	368,143	-25,152	342,991
Current tax liabilities	585,034	-10,954	574,080	467,738	-9,299	458,439
Liabilities held for sale	577,964	-	577,964	39,386	-	39,386
Total Current Liabilities	9,129,367	-143,103	8,986,264	8,151,586	-124,612	8,026,974
Total Liabilities	31,121,339	-583,704	30,537,635	31,196,176	-674,057	30,522,119
Total Equity and Liabilities	42,649,900	-584,363	42,065,537	42,627,844	-674,812	41,953,032

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Consolidated Statement of Cash Flows

Thousands of Euros	Dec 2013	IFRS 10 and 11 impacts	Dec 2013 restated
Operating activities			
Cash receipts from customers	14,551,137	-287,299	14,263,838
Proceeds from tariff adjustments securitization	1,559,978	-	1,559,978
Payments to suppliers	-10,946,648	184,090	-10,762,558
Payments to personnel	-792,484	6,250	-786,234
Concession rents paid	-267,499	183	-267,316
Other receipts / (payments) relating to operating activities	-326,715	37,155	-289,560
Net cash flows from operations	3,777,769	-59,621	3,718,148
Income tax received / (paid)	-257,919	-	-257,919
Net cash flows from operating activities	3,519,850	-59,621	3,460,229
Investing activities			
Cash receipts relating to:			
Sale of assets / subsidiaries with loss of control	256,173	-	256,173
Other financial assets and investments	2,178	-	2,178
Property, plant and equipment and intangible assets	26,314	-	26,314
Other receipts relating to tangible fixed assets	-	-	-
Interest and similar income	82,382	2,056	84,438
Dividends	20,604	16,261	36,865
	387,651	18,317	405,968
Cash payments relating to:			
Acquisition of assets / subsidiaries	-253,185	-36,857	-290,042
Other financial assets and investments	-9,987	-	-9,987
Changes in cash resulting from consolidation perimeter variations	-175,287	-	-175,287
Property, plant and equipment and intangible assets	-2,269,316	44,403	-2,224,913
	-2,707,775	7,546	-2,700,229
Net cash flows from investing activities	-2,320,124	25,863	-2,294,261
Financing activities			
Receipts / (payments) relating to loans	687,121	25,998	713,119
Interest and similar costs including hedge derivatives	-803,402	35,640	-767,762
Governmental grants received	90,539	-	90,539
Share capital increases / (decreases) by non-controlling interests	-96,691	-	-96,691
Receipts / (payments) relating to derivative financial instruments	3,029	-30,394	-27,365
Dividends paid to equity holders of EDP	-670,932	-	-670,932
Dividends paid to non-controlling interests	-158,873	-	-158,873
Treasury stock sold / (purchased)	8,976	-	8,976
Sale of assets / subsidiaries without loss of control	292,143	-	292,143
Receipts / (payments) from wind activity institutional partnerships - USA	-35,579	-	-35,579
Net cash flows from financing activities	-683,669	31,244	-652,425
Changes in cash and cash equivalents	516,057	-2,514	513,543
Effect of exchange rate fluctuations on cash held	-31,271	853	-30,418
Cash and cash equivalents at the beginning of the year	1,695,336	-21,754	1,673,582
Cash and cash equivalents at the end of the year	2,180,122	-23,415	2,156,707

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50. RELEVANT OR SUBSEQUENT EVENTS

EDPR executes a new asset rotation transaction in the US

During the third quarter of 2014, EDP Renováveis S.A. (EDPR) has reached an agreement with Fiera Axium Infrastructure US L.P. (Fiera Axium) to sell a minority cash equity interest in a US wind portfolio with a total production capacity of 1,101 MW. Fiera Axium's interest in the portfolio will represent 394.5 MW and is the second asset rotation transaction announced by EDPR with Fiera Axium, further strengthening the existing partnership.

The portfolio is comprised of 9 operating wind farms. All of the wind farms have long-term offtake agreements in place.

Based on i) the transaction price and ii) the expected tax equity liabilities of the projects, the total enterprise value on the 1,101 MW portfolio amounts to US 1.7 billions of US Dollar translating to 1.54 millions of US Dollar/MW.

The transaction is subject to regulatory approvals. The offer contemplates an initial funding to occur upon obtaining regulatory approvals and a final funding to occur upon achievement of commercial operations of the assets under construction.

EDP Brazil signs an agreement for the acquisition of Eneva's stake in Pecem plant

On 9 December 2014, EDP Brasil entered into an agreement for the acquisition of the 50% participation owned by Eneva, S.A. in Porto do Pecém Geração de Energia, S.A. Under the terms of the contract, EDP Brasil acquires 50% of Porto do Pecém capital, including loans and coal and energy credits for the amount of 300 millions of Reais, becoming to hold full control of this company.

This transaction is subject to approval and authorization of the competition authority, ANEEL, the banks that finance Porto Pecém and Eneva (BNDS and Banco Interamericano de Desenvolvimento – BID) and other creditors of Eneva. In addition, the transaction completion is dependent on other measures of corporate and contractual nature, in particular, the approval of the recovery plan of Eneva.

EDPR announces the sale of minority stakes in wind farms in Brazil to CTG

In December 2014, EDP Renováveis, S.A. through its subsidiary EDPR Brasil entered into an agreement with CWEI Brasil Participações Ltda, a subsidiary of China Three Gorges (CTG) to sell an equity shareholding of 49% in both operational and under development wind farms in Brasil. The transaction scope covers 84 MW in operation, as mentioned above, with an average age of 4 years, as well as 237 MW under development, remunerated according to long-term awarded contracts to sell the electricity produced for 20 years. Financial closing is expected to occur by the first half of 2015 and is subject to the normal regulatory approvals.

Fitch affirms EDP at "BBB-" and outlook at stable

On 19 January 2015, Fitch Ratings (Fitch) has affirmed EDP and EDP Finance B.V.'s "BBB-" Long-term Issuer Default Ratings (IDR) and senior unsecured ratings and "F3" Short-term IDR. Fitch also maintained its outlook at stable.

Qualified Shareholding in EDP – Intra-Group Transaction

On 22 January 2015, Senfora S.AR.L. (Senfora Sarl), a company incorporated under Luxembourg law, notified EDP that transmitted, on 21 January 2015, over the counter, to Senfora BV (Senfora BV), a company incorporated under the law of Netherlands, 148,431,999 ordinary shares, representing 4.06% of the share capital and voting rights of EDP.

As a result of the above, Senfora Sarl no longer holds any participation in share capital and voting rights of EDP, and Senfora BV now holds a direct interest in the share capital of EDP.

Senfora BV is fully owned by the International Petroleum Investment Company (IPIC), a company wholly owned by the Abu Dhabi Government.

EDP Renováveis executes project finance for 120 MW in Brazil

On 26 January 2015, EDP Renováveis, S.A. (EDPR) has executed project finance structure agreements with the Brazilian Development Bank (BNDES) for the Baixa do Feijão project, which comprises four wind farms with a total capacity of 120 MW. The Baixa do Feijão project is currently under construction and is located in the State of Rio Grande do Norte, one of the windiest locations of Brazil.

The long-term contracted debt facilities amount to 306 millions of Brazilian Reais and its financial closing is subject to customary conditions. The execution of this agreement reflects EDPR financing strategy to contract long-term debt in local currency at competitive prices in order to mitigate the refinancing risk and to reduce the foreign exchange risk by having a natural hedge between revenues and costs.

In December 2011, at the Brazilian energy A-5 auction, these four projects were awarded with 20-year Power Purchase Agreements (PPAs) starting in January 2016.

Conclusion of sale of gas distribution assets in Murcia to Redexis

On 30 January 2015, regarding the signing of an agreement with Redexis Gas, S.A. (Redexis), EDP, through its gas sector subsidiary in Spain, has completed the sale of the assets held by Gas Energía Distribucion Murcia, included as part of the agreed transaction perimeter. The amount received for these assets was 186 millions of Euros, resulting in a estimated capital gain of approximately 78 millions of Euros.

The completion in relation to the remaining asset perimeter is expected to occur within the first half of 2015, subject to authorizations by relevant regulatory authorities, for an amount of 51 millions of Euros and should result in an additional capital gain for EDP estimated at approximately 5 millions of Euros.

Ratings

On 30 January 2015, Standard & Poor's Ratings Services (S&P) mantained its "BB+" long-term and "B" short-term corporate credit ratings on EDP and EDP Finance BV revised the outlook from stable to positive.

S&P revised the outlook to positive to reflect expectation that the group's financial risk profile will strengthen markedly over the next 2 years, anticipating that EDP's debt will continue gradually decreasing while its credit metrics continue to slowly strengthen, thanks to additional asset sales, tariff deficit securitizations, and cuts in capital spending.

A lowering of S&P’s long-term rating on Portugal by up to two notches would leave the rating on EDP unchanged, all else remaining equal.

On 13 February 2015, Moody’s Investors Service upgraded EDP and the subsidiaries EDP Finance BV and Hidroelectrica del Cantabrico to “Baa3” from “Ba1”. Concurrently, Moody's upgraded the short-term ratings of these entities to “Prime-3” from “Not-Prime”. The assigned outlook on all ratings is stable.

Decreases of ownership interest in the share capital of EDP

On 3 February 2015, José de Mello Energia, SA (JME) notified EDP regarding the sale, over the counter, in a particular offer addressed to qualified investors, of 73,249,881 shares corresponding to 2.00% of the share capital and voting rights of EDP. The change in participation was due to an accelerated book building occurred on 29 January 2015.

Following this operation, JME no longer holds any qualified holding in EDP and, indirectly José de Mello Participações II, SGPS, SA (JM II), which holds the entire share capital of JME, as well as José de Mello, SGPS SA, owner of the entire share capital of JM II, no longer hold any share in the share capital of EDP.

EDP signed credit facility of 2,000,000,000 Euros

On 27 February 2015, EDP – Energias de Portugal (EDP) has signed a five-year credit facility in the amount of 2,000,000,000 Euros, with a group of 16 domestic and international banks.

The new 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 will be used mainly to refinance a 1,600 millions of Euros, syndicated loan signed in January 2013 which matured in January 2017 (50%) and January 2018 (50%) and which will therefore be early repaid and cancelled. The intention is therefore to increase the average life of EDP’s debt and reinforce the Group’s financial flexibility.

For the current rating level the facility bears an interest rate of Euribor plus 1.1 per cent.

The new facility was self-arranged as a Club Deal and received the support of a group of international banks: Banco Bilbao Vizcaya Argentaria, Banco BPI, Banco Popular Español, Banco Santander Totta, Bank of China (Luxembourg), The Bank of Tokyo Mitsubishi UFJ, BNP Paribas, Caixabank, Citigroup Global Markets, Deutsche Bank Luxembourg, HSBC Bank, ING Bank, J.P. Morgan, Mediobanca International, The Royal Bank of Scotland and Société Générale. BNP Paribas acts as a Facility Agent.

ANEEL approved extraordinary tariff revisions for EDP Bandeirante and EDP Escelsa

On 27 February 2015, the National Electricity Agency (ANEEL) approved the extraordinary tariff reviews for both EDP Bandeirante and EDP Escelsa, to be applied as of 2 March 2015.

The tariff repositioning was set at 32.18% for EDP Bandeirante and 33.27% for EDP Escelsa. The extraordinary tariff reviews rebalance the revenue in relation to the increase in non controllable costs of distributors, namely to what regards the increase of the Energy Development Account - CDE and the increase in energy purchase cost, due to the inclusion of new energy auctions and the update of the dollar and the Itaipu rate.

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51. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements with significant impact are the following:

- **IFRS 10 - Consolidated Financial Statements**

  The International Accounting Standards Board (IASB), issued in May 2011, IFRS 10 - Consolidated Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

  This standard introduces a new approach in determining which investments should be consolidated, replacing IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation SPE. This standard establishes a single model to be applied in assessing the existence of control over subsidiaries, where an investor has control over a subsidiary when it is exposed, or has the right, to variable returns arising from its involvement in the subsidiary and has the ability to influence these returns because of the power over it. Additionally, was introduced the concept of "de facto control".

  The Group presents the impact from the adoption of this standard on note 49.

- **IFRS 11 - Joint Arrangements**

  The International Accounting Standards Board (IASB), issued in May 2011, IFRS 11 - Joint Arrangements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

  This standard superseded IAS 31 - Interests in Joint Ventures and introduces several changes for accounting jointly controlled investments, the main aspect is the elimination of the option to consolidate joint ventures by the proportional method, being the equity method mandatory.

  The structure of a joint agreement ceases to be the main factor in determining the accounting model to adopt. The classification of a joint agreement requires the identification and evaluation of the structure, legal form of the contractual agreement and other facts and circumstances.

  The Group presents the impact from the adoption of this standard on note 49.

- **IFRS 12 - Disclosure of Interests in Other Entities**

  The International Accounting Standards Board (IASB), issued in May 2011, IFRS 12 - Disclosure of Interests in Other Entities, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

  The information disclosed has to help users of the financial statements evaluate the nature and risks associated with its interests in other entities and the effects of those interests on the financial statements. The main issues considered are as follows:

  - for the interests in subsidiaries, it should be disclosed: (i) the composition of the group; (ii) non-controlling interests; (iii) significant restrictions on the parent's ability to access or use the assets and settle the liabilities of its subsidiares; (iv) the nature of, and changes in, the risks associated with interests in consolidated structured entities; and (v) changes in its ownership interest that did or did not result in a loss of control during the reporting period;

  - for the interests in joint arrangements and associates, it should be disclosed: (i) the nature, extent and financial effects of its interests in joint arrangements and associates, including information about contractual relationships with other parties; and (ii) the nature of, and the changes in, the associated risks with its interests in joint ventures and associates;

  - for the interests in unconsolidated structured entities, it should be disclosed: (i) the nature and the extent of its interests in unconsolidated structured entities; and (ii) the evaluation of the nature and changes in the risks associated with the interests in unconsolidated structured entities.

  The disclosures resulted from the adoption of this standard were made in the notes 5 and 20.

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements with no significant impact are the following:

- IAS 27 (Amended) - Separate Financial Statements;

- IAS 28 (Amended) - Investments in Associates and Joint Ventures;

- IAS 32 (Amended) - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities;

- IAS 36 (Amended) - Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets;

- IAS 39 (Amended) - Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting; and

- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27.

Standards, amendments and interpretations issued but not yet effective for the Group

- **IFRS 9 - Financial Instruments**

The International Accounting Standards Board (IASB), issued in November 2009, IFRS 9 - Financial instruments part I: Classification and measurement, with effective date of mandatory application for periods beginning on or after 1 January 2018, being allowed its early adoption. This standard, changed in July 2014, has not yet been adopted by the European Union.

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

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

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

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

- the exemption that allows unquoted equity investments and related derivatives to be measured at cost, under IAS 39, is not allowed under IFRS 9; and

- changes in fair value attributable to own credit risk of financial liabilities classified as fair value through profit or loss, shall be recognised in Other comprehensive income. The remaining fair value changes related to these financial liabilities shall be recognised through profit or loss. The amounts recognised in Other comprehensive income shall not be reclassified/transferred to profit and loss.

The Group is evaluating the impact of adopting this standard.

- **IFRS 11 (Amended) - Accounting for Acquisitions of Interests in Joint Operations**

The International Accounting Standards Board (IASB), issued in May 2014, IFRS 11 (Amended) - Accounting for acquisitions of Interests in Joint Operations, with effective date of mandatory application for periods beginning on or after 1 January 2016, being allowed its early adoption. This amendment has not yet been adopted by the European Union.

This amendment introduces guidance on accounting that should be made in the acquisition of participation in joint operations that qualifies as a business, by applying the principles of IFRS 3 - Business Combinations.

The Group is evaluating the impact of adopting this amendments.

- **IFRS 15 - Revenue from the Contracts with Customers**

The International Accounting Standards Board (IASB), issued in May 2014, IFRS 15 - Revenue from the Contracts with Customers, with effective date of mandatory application for periods beginning on or after 1 January 2017, being allowed its early adoption. This standard has not yet been adopted by the European Union.

This new standard applies only to contracts for the delivery of products or services, and requires an entity to recognize revenue when the contractual obligation to deliver assets or services is satisfied and the amount that reflects the consideration to which the entity is entitled, as provided in the "5 steps methodology".

The 5 steps methodology consists in the following steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognise revenue when (or as) the entity satisfies a performance obligation.

The Group is evaluating the impact of adopting this standard.

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- **IAS 1 (Amended) - Initiative Disclosures**

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

  The following narrow scope amendments have been made to IAS1:

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

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

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

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

  The Group is evaluating the impact of adopting this amendment.

- **IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contributions**

  The International Accounting Standards Board (IASB), issued in November 2013, IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contributions, with effective date of mandatory application for periods beginning on or after 1 July 2014, being allowed its early adoption.

  This amendment allows for:

  - contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service; and

  - other contributions made by employees or third parties to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis.

  The Group is evaluating the impact of adopting this amendment.

- **IAS 27 (Amended) - Equity Method in Separate Financial Statements;**

  The International Accounting Standards Board (IASB), issued in August 2014, IAS 27 (Amended) - Equity Method in Separate Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2016, being allowed its early adoption. This amendments has not yet been adopted by the European Union.

  The amendment reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

  The Group is evaluating the impact of adopting these amendments.

The standards, amendments and interpretations issued but not yet effective for the Group with no significant impact are the following:

- IFRS 10 (Amended) and IAS 28 (Amended) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 10 (Amended), IFRS 12 (Amended) and IAS 28 (Amended) - Investment Entities: Applying the Consolidation Exception;
- IFRS 14 - Regulatory Deferral Accounts;
- IAS 16 (Amended) and IAS 38 (Amended) - Clarification of Acceptable Methods of Depreciation and Amortisation;
- IFRIC 21 - Levies;
- Annual Improvement Project (2010-2012);
- Annual Improvement Project (2011-2013); and
- Annual Improvement Project (2012-2014).

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52. 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 ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Administration and Finance ("Direcção de Administração e Finanças"), Department of Human Resources ("Direcção de Recursos Humanos"), Department of Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of EDP Spain Foundation ("Direcção da Fundação EDP Espanha") and IT Department ("Direcção 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 31 December 2014, 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.

The condensed statement of financial position of the Branch as at 31 December 2014 and 2013 is analysed as follows:

	EDP Branch	
Thousands of Euros	**Dec 2014**	**Dec 2013**
Investments in subsidiaries:		
- EDP Renováveis, S.A.	2,939,889	2,939,889
- Hidroeléctrica del Cantábrico, S.A. (HC Energia)	2,093,601	2,087,871
- EDP Servicios Financieros (España), S.A.	482,695	482,695
- EDP Investments and Services, S.L.	281,854	281,854
Deferred tax assets	21,599	9,481
Other debtors and others assets	130,772	63,467
Total Non-Current Assets	5,950,410	5,865,257
Trade receivables	7,892	9,168
Debtors and other assets	268,288	197,514
Tax receivable	85,350	92,169
Cash and cash equivalents	1,391	1,407
Total Current Assets	362,921	300,258
Total Assets	6,313,331	6,165,515
Equity	3,948,525	3,529,730
Employee benefits	1,346	-
Trade and other payables	1,529,974	2,439,880
Provisions	4,791	3,518
Total Non-Current Liabilities	1,536,111	2,443,398
Trade and other payables	826,283	191,461
Tax payable	2,412	926
Total Current Liabilities	828,695	192,387
Total Liabilities	2,364,806	2,635,785
Total Equity and Liabilities	6,313,331	6,165,515

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53. ENVIRONMENTAL MATTERS

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are recorded as expenses for the year, except if they qualify for capitalization under the terms of IAS 16.

Investments of an environmental nature recorded as Property, plant and equipment assets during the years 2014 and 2013 are analysed as follows:

	Group	
Thousands of Euros	**Dec 2014**	**Dec 2013**
Air and climate protection	4,096	6,556
Water management	276	238
Waste management	206	303
Soil, subterranean and surface water protection	4,717	3,980
Noise and vibration reduction	346	351
Biodiversity protection	9,271	13,422
Landscape protection	7,344	1,415
Energetic efficiency	1,667	1,949
Research and development in the environmental area	61	4
Other environmental management and protection activities	11,041	14,495
	39,025	42,713

Investments recognised in Air and climate protection as Property, plant and equipment in 2014 include costs incurred by EDP Produção of 1,344 thousands of Euros (31 December 2013: 6,232 thousands of Euros). The main assets correspond to gas desulphurisation and denitrification equipments of the Sines thermoelectric plant, which at 31 December 2014, have a net book value of aproximately 215 millions of Euros (31 December 2013: 235 millions of Euros).

During the year, the Group recognised expenses that are analysed as follows:

	Group	
Thousands of Euros	**Dec 2014**	**Dec 2013**
Air and climate protection	6,852	7,478
Water management	8,500	9,354
Waste management	11,602	11,734
Soil, subterranean and surface water protection	3,296	3,747
Noise and vibration reduction	80	52
Biodiversity protection	2,895	4,279
Landscape protection	10	47
Energetic efficiency	1,500	7,867
Radiations management	53	7
Research and development in the environmental area	888	440
Other environmental management and protection activities	8,969	12,258
	44,645	57,263

Under current and future socioeconomic trends and practices followed by the EDP Group regarding to sustainability and environment, the group accounts for provisions to cover the costs of dismantling, decommissioning, restoring and decontaminating land where electric power plants are located, of 68,015 thousands of Euros and 41,258 thousands of Euros for thermoelectric power plants located in Portugal and Spain, respectively. Regarding the liability to dismantle and restore the land where wind farms are located to its original condition, as at 31 December 2014, the provisions amount to 96,676 thousands of Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 34,682 thousands of Euros (see notes 2 o) and 37).

During 2014, the EDP Group incurred in fines and other penalties for breaching environmental regulations and indemnities to third parties related to damages caused in the past with pollution of 78 thousands of Euros (31 December 2013: 236 thousands of Euros).

Environmental income recognised in 2014 relates to the sale of by-products of 1,761 thousands of Euros (31 December 2013: 2,039 thousands of Euros) and the sale of environmental waste of 1,676 thousands of Euros (31 December 2013: 2,224 thousands of Euros).

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54. 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 securitization 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 2,821 thousands of Euros, as at 31 December 2014;

• In April 2014, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to 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 4,832 thousands of Euros, as at 31 December 2014;

• 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 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 3,012 thousands of Euros, as at 31 December 2014.

Under IAS 39, the assets (tariff adjustments) transferred in these operations were derecognised from the Statement of Financial Position of EDP Group.

55. 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.

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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;
• 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.
• Pebble-Hydro – Consultoria, Investimentos e Serviços, Lda.

The Liberalised Activities segment in Iberia corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

• EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
• Empresa Hidroeléctrica do Guadiana, S.A.;
• Hidroeléctrica Del Cantábrico, S.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;
• 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 purchasing 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.;
• 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.

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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".

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 II.

Geographic information

The Group manages its activity based on business segments mentioned above, however has business in several geographical locations, being its main office located in Portugal.

Revenues from energy sales and services and other by geographic market, for EDP Group, are presented in note 6. Additionally, the geographical information bellow, details the Non-current assets excluding Deferred tax assets and Derivative financial instruments (Adjusted Non-current assets). In the disclosure of this information, the Revenues from energy sales and services and other, as well as the Non-current assets, are based on companies' geographical location were the Assets are booked.

Non-current assets by geographical market for the Group EDP, are as follows:

	Dec 2014					
Thousands of Euros	**Portugal**	**Spain**	**Brazil**	**U.S.A.**	**Other**	**Group**
Total Non-Current Assets	19,522,305	3,781,733	3,558,780	6,430,839	2,113,747	35,407,404
Deferred tax assets	-6,385	-124,314	-49,808	-	-38,240	-218,747
Derivative financial instruments	-50,049	-	-	-7,751	-178,374	-236,174
Adjusted Non-current assets	19,465,871	3,657,419	3,508,972	6,423,088	1,897,133	34,952,483

	Dec 2013					
Thousands of Euros	**Portugal**	**Spain**	**Brazil**	**U.S.A.**	**Other**	**Group**
Total Non-Current Assets	19,615,707	3,864,971	3,316,086	5,374,098	1,991,963	34,162,825
Deferred tax assets	-1,266	-185,868	-107,180	-	-26,276	-320,590
Derivative financial instruments	-18,769	-	-	-1,290	-42,753	-62,812
Adjusted Non-current assets	19,595,672	3,679,103	3,208,906	5,372,808	1,922,934	33,779,423

56. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

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ANNEX I. Companies in the Consolidation perimeter

The subsidiary companies where the Group exercises control as at 31 December 2014 are as follows:

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-14 Euro'000	Liabilities 31-Dec-14 Euro'000	Equity 31-Dec-14 Euro'000	Total Income 31-Dec-14 Euro'000	Net Profit / (Loss) 31-Dec-14 Euro'000	% Group	% Company
Group's parent holding company and Related Activities:										
Portugal:										
EDP - Energias de Portugal, S.A. (EDP Group Parent Company)	Lisbon	3,656,537,715	EUR	19,368,376	11,870,480	7,497,897	4,475,134	835,692	100.00%	-
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal	Lisbon	5,000	EUR	223,934	210,027	13,907	24,088	-61,514	100.00%	100.00%
CEO-Comp Energia Oceânica,S.A.	Póvoa do Varzim	65,435	EUR	2,625	968	1,657	618	6	52.07%	-
EDP - Projectos SGPS, S.A.	Lisbon	50,000	EUR	49	10	39	-	-14	100.00%	100.00%
EDP Estudos e Consultoria, S.A.	Lisbon	50,000	EUR	27,613	20,378	7,235	64,051	4,005	100.00%	100.00%
EDP Gás - SGPS, S.A.	Lisbon	73,200,000	EUR	272,375	135,423	136,952	15,723	3,148	100.00%	-
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000	EUR	168,804	124,550	44,254	5,160	-6,144	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000	EUR	27,060	25,121	1,939	4,979	-900	100.00%	100.00%
EDP Internacional, S.A.	Lisbon	50,000	EUR	32,166	41,149	-8,984	3,417	-18,958	100.00%	100.00%
EDP Ventures, SGPS, S.A.	Lisbon	50,000	EUR	19,770	13,098	6,672	436	-239	100.00%	-
ENAGÁS - SGPS, S.A.	Lisbon	299,400	EUR	15,230	13,220	2,010	1,662	951	60.00%	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavem	2,200,000	EUR	14,396	9,290	5,105	12,849	1,081	100.00%	100.00%
Sãvida - Medicina Apoiada, S.A.	Lisbon	450,000	EUR	21,359	14,291	7,068	32,414	3,238	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000	EUR	291	72	219	180	144	100.00%	-
Other Countries:										
EDP - Ásia Soluções Energéticas Limitada	Macao	1,500,000	MOP	1,855	9	1,846	-	-133	100.00%	5.00%
EDP Finance BV	Amsterdam	2,000,000	EUR	16,787,688	16,644,275	143,413	1,106,909	14,779	100.00%	100.00%
EDP Investments and Services, S.L.	Oviedo	4,702	EUR	468,369	98,662	369,708	54,256	48,462	100.00%	36.07%
EDP Servicios Financieros España, S.A.	Oviedo	10,300,058	EUR	2,841,474	2,316,385	525,089	124,368	27,017	100.00%	100.00%
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	3,000,000	EUR	94,842	53,944	40,897	13,428	4,169	100.00%	100.00%
Electricity and Gas Activity - Portugal:										
Electricity Generation:										
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505	EUR	8,320,344	6,209,193	2,111,151	1,598,137	247,970	100.00%	100.00%
Empresa Hidroeléctrica do Guadiana, S.A.	Lisbon	48,750,000	EUR	510,838	477,032	33,806	73,036	-3,941	100.00%	-
Energin Azóia, S.A.	Lisbon	50,000	EUR	1,209	10,757	-9,547	2,503	-3,548	65.00%	-
FISIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000	EUR	29,043	33,798	-4,755	28,577	-973	51.00%	-
Greenvouga - Soc. Gestora do Aproveitamento Hidroeléctrico de Ribeiradi	Lisbon	1,000,000	EUR	225,774	148,689	77,085	11,770	8,257	100.00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000	EUR	9,018	8,051	967	9,509	453	100.00%	100.00%
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5,100	EUR	145,167	133,652	11,515	33,948	15,264	100.00%	-
Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A.	Carregado	250,000	EUR	3,466	2,346	1,121	5,834	291	100.00%	-
Electricity Distribution:										
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000	EUR	5,560,493	4,915,858	644,635	3,523,571	225,725	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica,	Lisbon	50,000	EUR	1,202	1,144	58	190	-365	100.00%	-
Electricity Supply:										
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,874,695	EUR	552,023	498,887	53,136	2,430,730	-9,083	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000	EUR	2,816,931	2,657,534	159,396	3,538,385	96,164	100.00%	-
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50,000	EUR	4,723	3,741	983	9,576	430	100.00%	100.00%
Home Energy II, S.A.	Lisbon	50,000	EUR	9,321	2,487	6,834	9,483	-643	100.00%	-
Gas Distribution:										
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996	EUR	48,896	33,661	15,235	46,943	2,523	71.97%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150	EUR	445,993	267,219	178,774	111,034	24,073	71.97%	-
Gas Supply:										
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito,S.A.	Oporto	549,998	EUR	7,124	1,342	5,782	3,683	573	71.97%	-
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000	EUR	65,453	59,743	5,710	194,551	2,513	100.00%	100.00%
Shared Services:										
EDP Soluções Comerciais, S.A.	Lisbon	50,000	EUR	119,596	112,360	7,237	153,628	4,745	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000	EUR	75,903	62,420	13,483	58,068	6,628	100.00%	100.00%
Other Activities:										
CNET - Centre for new energy technologies, S.A.	Sacavem	300,000	EUR	300	-	300	-	-	60.00%	
EDP Mediadora, S.A.	Lisbon	50,000	EUR	2,532	2,637	-104	428	-199	100.00%	-
SGORME-SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	500,000	EUR	156	651	-494	1	-143	91.00%	-
Electricity and Gas Activity - Spain:										
Electricity Generation:										
Central Termica Ciclo Combinado Grupo 4, S.L.	Oviedo	2,117,000	EUR	162,195	268,245	-106,050	30,453	-24,032	75.00%	-
Cogeración Montjuic, S.L.U.	Bilbao	1,250,000	EUR	2,690	-1	2,691	13	7	100.00%	-
EDP Cogeneracion, S.L.	Oviedo	5,829,200	EUR	20,516	25,678	-5,162	27,819	-4,508	100.00%	-
Energia e Industria de Toledo, S.A.	Oviedo	2,139,603	EUR	1,446	2,217	-771	2,278	969	100.00%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,790	EUR	4,787,019	2,326,431	2,460,588	1,792,372	-18,016	100.00%	99.74%
Millenium Energy, S.L.	Bilbao	130,260,000	EUR	1,981,920	1,287,076	694,845	60,064	37,212	100.00%	-
Electricity Distribution:										
Electra de Llobregat Energía, S.L.	Barcelona	300,000	EUR	5,302	5,442	-140	221	-202	75.00%	-
Iberenergia, S.A.	Oviedo	60,200	EUR	224,733	191,066	33,667	68,943	5,538	100.00%	-
Electricity Supply:										
EDP Comercializadora de Ultimo Recurso, S.A.	Oviedo	120,000	EUR	23,426	21,258	2,167	99,177	-2,026	97.50%	-
EDP Empresa de Servicios Energeticos, S.L.	Oviedo	90,000	EUR	6,894	6,259	635	10,720	-35	97.50%	-
EDP Energia Ibérica, S.A.	Madrid	60,200	EUR	16	13,376	-13,360	-	-	100.00%	-
Hidrocantábrico Distribucion Eléctrica, S.A.U.	Oviedo	44,002,000	EUR	904,510	573,893	330,618	218,108	41,551	100.00%	-
Hidrocantabrico Energia, S.A.U.	Oviedo	1,000,000	EUR	318,678	299,695	18,983	1,708,057	9,033	100.00%	-

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Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-14 Euro'000	Liabilities 31-Dec-14 Euro'000	Equity 31-Dec-14 Euro'000	Total Income 31-Dec-14 Euro'000	Net Profit / (Loss) 31-Dec-14 Euro'000	% Group	% Company
Electricity and Gas Activity - Spain:										
Gas Distribution:										
Naturgas Energia Grupo, S.A. (NG Energia Subgroup Parent Company)	Bilbao	296,385,957	EUR	1,886,876	740,554	1,146,322	382,188	68,132	95.00%	-
HC Energia Gas, S.L.	Oviedo	214,293,400	EUR	1,151,515	35,060	1,116,456	484,331	120,592	100.00%	-
Naturgas Energía Distribución Murcia, S.A.	Murcia	61,414,185	EUR	153,167	81,542	71,625	23,897	5,353	94.98%	-
Naturgas Energia Distribución, S.A.U.	Bilbao	100,000,000	EUR	1,956,288	345,969	1,610,319	218,839	89,903	95.00%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200	EUR	7,997	7,591	405	11,654	176	95.00%	-
Gas Supply:										
Naturgas Energia Comercializadora, S.A.	Bilbao	1,487,895	EUR	300,153	284,052	16,102	1,339,270	13,964	95.00%	-
Shared Services:										
EDP Soluciones Comerciales, S.A.	Oviedo	60,300	EUR	16,552	17,242	-690	73,638	-799	97.50%	-
Other Activities:										
Cerámica Técnica de Illescas Cogeneración S.A.	Oviedo	62,247	EUR	404	2,677	-2,273	20	-106	90.00%	-
Iniciativas Tecnológicas de Valorizacón Energética de Residuos S.A.	Oviedo	2,996,022	EUR	4,993	4,943	50	2,951	-220	100.00%	-
Sinova Medoambiental, SA	Oviedo	2,687,364	EUR	5,054	6,785	-1,731	2,712	-575	100.00%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Oviedo	3,731,202	EUR	5,784	5,659	125	2,833	-773	100.00%	-
Electricity Activity - Brazil:										
Parent company and Related Activities:										
EDP Energias do Brasil, S.A. (EDP Brasil Subgroup Parent Company)	Sao Paulo	3,182,715,954	BRL	1,942,184	401,261	1,540,923	350,511	228,549	51.09%	-
EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A.	Espirito Santo	9,342,530	BRL	3,102	227	2,875	2,538	1,537	51.09%	-
Electricity Generation:										
Costa Rica Energética, Lda.	Sao Paulo	14,318,185	BRL	6,847	596	6,251	4,698	1,946	26.06%	-
Enercouto, S.A.	Sao Paulo	5,816,118	BRL	25	66	-41	1	-1,491	51.09%	-
Energest, S.A.	Sao Paulo	263,435,676	BRL	254,443	73,456	180,986	137,530	35,138	51.09%	-
Enerpeixe, S.A.	Sao Paulo	882,627,748	BRL	573,889	142,414	431,474	143,638	43,888	30.65%	-
Investco, S.A.	Tocantins	804,458,842	BRL	419,290	67,698	351,592	67,588	28,730	20.83%	-
Lajeado Energia S.A.	Sao Paulo	306,867,541	BRL	488,091	214,715	273,376	175,212	12,864	28.54%	-
Pantanal Energética, Ltda	Sao Paulo	23,390,369	BRL	33,614	10,383	23,231	17,483	6,737	51.09%	-
Resende Engenharia e Assessoria, Ltda	Sao Paulo	18,085,318	BRL	6,590	1,064	5,526	-	-3	51.09%	-
Santa-Fé Energia, S.A.	Espirito Santo	86,371,000	BRL	52,367	17,460	34,907	8,993	2,054	51.09%	-
Terra Verde Bioenergia Participações S.A.	Sao Paulo	17,532,769	BRL	1	87	-86	-	-	51.09%	-
Electricity Distribution:										
Bandeirante Energia, S.A.	Sao Paulo	339,628,684	BRL	870,101	529,123	340,978	1,062,590	73,852	51.09%	-
Escelsa - Espírito Santo Centrais Eléctricas, S.A.	Espirito Santo	443,815,286	BRL	888,222	600,427	287,795	815,021	55,617	51.09%	-
Electricity Supply:										
EDP - Comercialização e Serviços de Energia, S.A.	Sao Paulo	26,217,026	BRL	184,372	156,769	27,603	918,278	18,296	51.09%	-
Renewable Energy Activity:										
Parent company and Related Activities:										
EDP Renováveis, S.A. (EDP Renováveis Subgroup Parent Company)	Oviedo	4,361,540,810	EUR	6,264,851	854,560	5,410,291	723,368	212,704	77.53%	62.02%
EDP Renováveis Servicios Financieros, S.L.	Oviedo	84,691,368	EUR	3,305,968	2,833,399	472,569	358,574	38,453	77.53%	-
Europe Geography / Platform:										
Spain:										
EDP Renewables Europe, S.L. (EDPR EU Subgroup Parent Company)	Oviedo	249,498,800	EUR	3,191,285	771,331	2,419,954	169,582	67,141	77.53%	-
Acampo Arias,S.L.	Zaragoza	3,314,300	EUR	20,250	16,784	3,466	2,742	48	76.12%	-
Aplicaciones Industriales de Energías Limpias, S.L.	Zaragoza	131,288	EUR	1,367	-	1,367	-	-	47.68%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350	EUR	949	46	902	193	37	37.75%	-
Bon Vent de Corbera, S.L.	Barcelona	7,255,000	EUR	65,457	45,711	19,746	11,054	1,277	77.53%	-
Bon Vent de L'Ebre, S.L.	Barcelona	12,600,000	EUR	65,838	49,384	16,454	11,402	1,809	77.53%	-
Bon Vent de Vilalba, S.L.	Barcelona	3,600,000	EUR	58,913	54,370	4,543	10,607	669	77.53%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945	EUR	1,410	247	1,163	286	27	58.79%	-
Desarrollo Eólico Almarchal, S.A.U.	Cadiz	2,061,190	EUR	16,080	10,567	5,513	2,203	-53	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cadiz	1,712,369	EUR	8,549	4,329	4,219	1,288	-78	77.53%	-
Desarrollo Eólico de Corme, S.A.	La Coruna	3,666,100	EUR	9,881	1,998	7,882	1,582	-314	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000	EUR	60,284	39,285	20,999	8,706	945	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cadiz	5,799,650	EUR	11,651	2,032	9,619	2,257	36	77.53%	-
Desarrollo Eólico Dumbria, S.A.U.	La Coruna	61,000	EUR	66,460	51,842	14,618	10,941	1,101	77.53%	-
Desarrollo Eólico Rabosera, S.A.	Huesca	7,560,950	EUR	29,772	15,611	14,161	4,098	558	73.72%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	10,992,600	EUR	65,138	34,421	30,717	1,653	-5	46.52%	-
Desarrollos Eolicos de Galicia, S.A.	La Coruna	6,130,200	EUR	13,264	2,736	10,528	1,832	-541	77.53%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60,100	EUR	408	348	60	22	-	39.54%	-
EDP Renovables España, S.L.	Madrid	36,861,000	EUR	969,600	161,028	808,573	74,519	42,209	77.53%	-
EDP Renováveis Cantábria, S.L.	Madrid	300,000	EUR	2,047	1,800	246	-	-1	77.53%	-
EDPR España Promoción y Operación, S.L.U.	Seville	306,510	EUR	339	-	338	-	-5	77.53%	-
Eólica Alfoz, S.L.	Madrid	8,480,000	EUR	143,874	118,192	25,681	25,585	8,629	64.91%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980	EUR	20,537	9,808	10,729	3,007	16	60.08%	-
Eólica Campollano S.A.	Madrid	6,559,994	EUR	79,175	56,947	22,227	10,603	-611	58.15%	-
Eólica Curiscao Pumar, S.A.	Madrid	60,200	EUR	69,601	67,807	1,794	12,446	1,691	77.53%	-
Eólica de Radona, S.L.	Madrid	22,088,000	EUR	55,380	33,385	21,995	8,086	652	77.53%	-
Eólica Don Quijote, S.L.	Albacete	3,006	EUR	39,699	38,867	832	7,349	751	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000	EUR	26,514	26,030	484	4,672	303	77.53%	-
Eólica Fontesilva, S.L.	La Coruna	6,860,000	EUR	40,699	29,260	11,439	5,722	-12	77.53%	-
Eólica Garcimuñoz, S.L.	Madrid	4,060,000	EUR	44,677	30,052	14,625	4,451	-810	77.53%	-
Eólica Guadalteba, S.L.	Seville	1,460,000	EUR	171,912	160,787	11,125	31,012	3,672	77.53%	-
Eólica La Brújula, S.A.	Madrid	3,294,000	EUR	54,919	38,805	16,114	8,242	984	65.82%	-
Eólica La Janda, S.L.	Madrid	4,525,000	EUR	187,848	169,417	18,431	31,798	3,267	77.53%	-
Eólica La Manchuela, S.L.U.	Madrid	1,141,900	EUR	16,460	14,201	2,259	2,424	-160	77.53%	-
Eólica La Navica, S.L.	Madrid	10,000	EUR	30,539	28,227	2,312	5,854	958	77.53%	-
Eólica Muxía, S.L.	La Coruna	23,480,000	EUR	23,516	-	23,516	41	28	77.53%	-
Eólica Sierra de Avila, S.L.	Madrid	12,977,466	EUR	108,354	75,205	33,149	14,579	-35	77.53%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728	EUR	23,775	21,597	2,178	3,615	-149	77.53%	-

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Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-14 Euro'000	Liabilities 31-Dec-14 Euro'000	Equity 31-Dec-14 Euro'000	Total Income 31-Dec-14 Euro'000	Net Profit / (Loss) 31-Dec-14 Euro'000	% Group	% Company
Renewable Energy Activity:										
Europe Geography / Platform:										
Spain:										
Industrias Medioambientales Río Carrión, S.A.	Madrid	15,124	EUR	2	597	-596	-	-	69.78%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	29,450,970	EUR	137,593	111,777	25,816	23,368	2,495	46.20%	-
Molino de Caragüeyes,S.L	Zaragoza	180,300	EUR	301	72	229	117	13	62.02%	-
NEO Energia Aragon, S.L.	Madrid	10,000	EUR	7	-	7	-	-	77.53%	-
Parc Eólic de Coll de la Garganta, S.L.	Barcelona	6,018,010	EUR	38,191	21,316	16,874	4,068	-300	77.53%	-
Parc Eólic de Coll de Moro, S.L.	Barcelona	7,808,920	EUR	99,425	93,329	6,095	10,701	152	46.52%	-
Parc Eòlic de Torre Madrina, S.L.	Barcelona	7,754,897	EUR	91,025	81,146	9,879	11,436	739	46.52%	-
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona	3,065,739	EUR	49,215	43,521	5,694	6,519	765	46.52%	-
Parc Eòlic Serra Voltorera, S.L.	Barcelona	3,458,010	EUR	25,272	15,334	9,939	3,482	166	77.53%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	6,434,349	EUR	27,192	4,730	22,462	4,621	-232	47.29%	-
Parque Eólico Belchite S.L.	Zaragoza	3,600,000	EUR	36,040	29,667	6,373	4,844	-741	77.53%	-
Parque Eólico la Sotonera, S.L.	Zaragoza	2,000,000	EUR	15,962	8,848	7,115	2,445	133	50.27%	-
Parque Eólico Los Cantales, S.L.U.	Zaragoza	1,963,050	EUR	21,415	17,510	3,905	4,438	745	77.53%	-
Parque Eólico Santa Quiteria, S.L.	Huesca	63,006	EUR	23,108	5,983	17,124	3,446	499	65.09%	-
Parques de Generación Eólica, S.L	Burgos	1,924,000	EUR	32,143	31,550	594	5,022	260	46.52%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9,079,680	EUR	40,956	8,625	32,332	5,225	-1,700	77.53%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102	EUR	29,765	28,489	1,277	5,019	295	69.78%	-
South África Wind & Solar Power, S.L.	Oviedo	385,500	EUR	5,398	534	4,865	2,005	1,390	77.53%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200	EUR	10	-	10	-	-	62.02%	-
Portugal:										
EDP Renováveis Portugal, S.A.	Oporto	7,500,000	EUR	555,880	451,340	104,540	154,382	55,774	39.54%	-
EDP Renewables, SGPS, S.A.	Oporto	50,000	EUR	418,916	394,118	24,798	21,180	387	77.53%	-
EDPR PT - Promoção e Operação, S.A.	Oporto	50,000	EUR	6,904	6,697	207	10,097	299	77.53%	-
Eólica da Alagoa, S.A.	Arcos de Valdevez	50,000	EUR	8,894	5,284	3,610	3,661	1,830	23.72%	-
Eólica da Serra das Alturas, S.A.	Boticas	50,000	EUR	13,836	8,994	4,842	3,125	1,200	19.81%	-
Eólica de Montenegrelo, S.A.	Vila Pouca de Aguiar	50,000	EUR	24,081	14,805	9,276	5,620	2,248	19.81%	-
Gravitangle - Fotovoltaica Unipessoal, Lda	Oporto	5,000	EUR	4,146	3,923	224	639	248	77.53%	-
Malhadizes, S.A	Oporto	50,000	EUR	19,516	17,382	2,134	5,621	1,984	39.54%	-
France:										
EDP Renewables France, S.A.S.	Paris	151,703,747	EUR	246,060	124,463	121,598	43,425	22,555	39.54%	-
Bourbriac II, S.A.S.	Paris	1,000	EUR	77	76	1	-	-	77.53%	-
C.E. Canet-Pont de Salars, S.A.S.	Paris	125,000	EUR	14,914	14,219	695	2,603	271	20.15%	-
C.E. Gueltas Noyal-Pontivy, S.A.S.	Paris	2,261,000	EUR	8,777	3,423	5,354	1,545	459	20.16%	-
C.E. NEO Truc L'Homme, S.A.S.	Paris	3,830,700	EUR	17,590	13,962	3,628	660	-104	39.54%	-
C.E. Patay, S.A.S.	Paris	1,640,000	EUR	16,768	10,735	6,033	2,867	793	20.17%	-
C.E. Saint Barnabe, S.A.S.	Paris	1,600,000	EUR	14,513	10,618	3,894	2,468	476	20.17%	-
C.E. Segur, S.A.S.	Paris	1,615,000	EUR	14,783	10,503	4,280	2,746	563	20.16%	-
EDPR France Holding, S.A.S.	Paris	8,500,000	EUR	13,637	10,632	3,005	4,179	-4,159	77.53%	-
Eolienne de Callengeville, S.A.S.	Elbeuf	37,004	EUR	3	1	2	-	4	77.53%	-
Eolienne de Saugueuse, S.A.R.L.	Elbeuf	1,000	EUR	11,213	10,354	859	1,946	608	20.17%	-
Eolienne D'Etalondes, S.A.R.L.	Elbeuf	1,000	EUR	4	45	-40	-	-2	77.53%	-
Le Mee, S.A. R.L.	Toulouse	1,000	EUR	12,888	12,880	8	1,817	-118	58.91%	-
Mardelle, S.A.R.L.	Toulouse	3,001,000	EUR	7,991	5,403	2,589	1,110	6	39.54%	-
Monts du Forez Energie, S.A.S.	Paris	37,000	EUR	557	530	28	68	-6	77.53%	-
Parc Éolien de Boqueho-Pouagat, S.A.S.	Paris	1,000	EUR	4	3	1	-	-	77.53%	
Parc Éolien de Dammarie, S.A.R.L.	Elbeuf	1,000	EUR	425	589	-164	35	-7	77.53%	-
Parc Éolien de Francourville, S.A.S.	Paris	1,000	EUR	109	109	-	-	-1	77.53%	
Parc Eolien de La Hetroye, S.A.S.	Elbeuf	37,004	EUR	7	9	-3	-	3	77.53%	-
Parc Eolien de Mancheville, S.A.R.L.	Elbeuf	1,000	EUR	7	56	-50	2	-2	77.53%	-
Parc Eolien de Montagne Fayel, S.A.S.	Paris	37,000	EUR	2,300	2,360	-61	52	-	77.53%	-
Parc Éolien de Preuseville, S.A.R.L.	Elbeuf	1,000	EUR	11,724	11,917	-193	156	-33	77.53%	-
Parc Eolien de Roman, S.A.R.L.	Elbeuf	1,000	EUR	10,468	11,060	-593	1,917	-1,757	39.54%	-
Parc Éolien de Tarzy, S.A.R.L.	Elbeuf	1,504,692	EUR	15,041	13,308	1,733	1,299	275	39.54%	-
Parc Eolien de Varimpre, S.A.S.	Elbeuf	37,003	EUR	12,735	14,514	-1,780	2,570	-1,109	20.16%	-
Parc Eolien des Longs Champs, S.A.R.L.	Elbeuf	1,000	EUR	78	156	-78	1	1	77.53%	-
Parc Eolien des Vatines, S.A.S.	Elbeuf	841,014	EUR	12,061	14,146	-2,085	2,238	-1,419	20.17%	-
Parc Eolien d'Escardes, S.A.S.	Paris	1,000	EUR	2,068	2,067	1	-	-	77.53%	
Parc Eolien du Clos Bataille, S.A.S.	Elbeuf	410,096	EUR	9,984	11,746	-1,761	1,904	-1,098	20.17%	-
Petite Piece, S.A.R.L.	Toulouse	1,000	EUR	3,943	3,859	84	611	70	58.91%	-
Plouvien Breiz, S.A.S.	Carhaix	5,040,000	EUR	9,938	7,967	1,971	1,467	-1,114	39.54%	-
Quinze Mines, S.A.R.L.	Toulouse	1,000	EUR	15,983	18,105	-2,122	2,261	-1,614	39.54%	-
Sauvageons, S.A.R.L.	Toulouse	1,000	EUR	8,328	8,477	-148	1,147	66	58.91%	-
Vallée du Moulin, S.A.R.L.	Toulouse	8,001,000	EUR	16,396	8,814	7,582	2,247	214	39.54%	-
Poland:										
EDP Renewables Polska, S.P. ZO.O	Warsaw	434,845,000	PLN	262,917	167,751	95,166	14,890	-1,417	77.53%	-
Elektrownia Wiatrowa Kresy I, S.P. ZO.O	Warsaw	70,000	PLN	18,286	18,999	-713	1,164	-53	77.53%	-
Farma Wiatrowa Starozreby, SP. ZO.O.	Warsaw	465,500	PLN	3,798	3,857	-59	149	-44	77.53%	-
J&Z Wind Farms SP. ZO.O.	Warsaw	14,520,000	PLN	80,156	70,699	9,457	9,154	-744	46.52%	-
Karpacka Mala Energetyka, S.P. ZO.O.	Warsaw	50,000	PLN	96	344	-248	-	-30	77.53%	-
Korsze Wind Farm, SP. ZO.O.	Warsaw	38,855,000	PLN	91,485	76,870	14,615	18,758	5,384	77.53%	-
Masovia Wind Farm I, S.P. ZO.O	Warsaw	1,257,500	PLN	12,909	8,760	4,149	320	-145	77.53%	-
MFW Gryf SP. ZO.O.	Warsaw	5,000	PLN	18	50	-32	-	-5	77.53%	-
MFW Neptun SP. ZO.O.	Warsaw	5,000	PLN	18	50	-32	-	-5	77.53%	-
MFW Pomorze SP. ZO.O.	Warsaw	5,000	PLN	18	50	-32	-	-5	77.53%	-
Molen Wind II, S.P. ZO.O.	Warsaw	14,600	PLN	86,482	77,131	9,351	10,555	-168	50.45%	-
Radziejów Wind Farm, S.P. ZO.O	Warsaw	17,005,000	PLN	28,411	24,573	3,838	889	-139	77.53%	
Relax Wind Park I, S.P. ZO.O	Warsaw	2,140,000	PLN	187,761	197,332	-9,570	26,909	-261	77.53%	-
Relax Wind Park II, S.P. ZO.O	Warsaw	440,000	PLN	151	689	-538	-2	-60	77.53%	-
Relax Wind Park III, S.P. ZO.O	Warsaw	59,602,500	PLN	147,606	140,631	6,975	15,374	-4,069	77.53%	-
Relax Wind Park IV, S.P. ZO.O	Warsaw	390,000	PLN	112	962	-850	-18	-76	77.53%	-
Romania:										
EDP Renewables Romania, S.R.L.	Bucharest	2,000,200	RON	154,865	155,476	-611	17,682	-5,666	65.90%	-

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Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-14 Euro'000	Liabilities 31-Dec-14 Euro'000	Equity 31-Dec-14 Euro'000	Total Income 31-Dec-14 Euro'000	Net Profit / (Loss) 31-Dec-14 Euro'000	% Group	% Company
Renewable Energy Activity:										
Europe Geography / Platform:										
Romania:										
Castellaneta Wind, S.R.L.	Milan	16,014	EUR	22	18	3	-	-6	77.53%	-
Cernavoda Power, S.R.L.	Bucharest	335,692,400	RON	190,099	133,591	56,508	24,066	-3,022	65.90%	-
Cujmir Solar, S.R.L.	Bucharest	23,716,000	RON	19,417	11,661	7,756	3,341	864	77.53%	-
EDPR RO Trading, S.R.L.	Bucharest	6,750,000	RON	1,501	1	1,500	21	-5	77.53%	
EDPR-RO-PV, S.R.L.	Bucharest	165,406,510	RON	40,186	5,291	34,895	470	-375	77.53%	-
Foton Delta, S.R.L.	Bucharest	1,200,000	RON	7,100	5,600	1,500	1,152	-46	77.53%	-
Foton Epsilon, S.R.L.	Bucharest	1,743,840	RON	11,084	8,017	3,067	2,003	335	77.53%	-
Laterza Wind, S.R.L.	Milan	16,665	EUR	23	19	4	-	-6	77.53%	-
Pestera Wind Farm, S.A.	Bucharest	269,955,070	RON	113,679	75,952	37,727	12,970	-4,341	65.90%	-
Potelu Solar, S.R.L.	Bucharest	29,343,040	RON	13,584	5,013	8,571	2,068	563	77.53%	-
S.C. Ialomita Power, S.R.L.	Bucharest	308,052,900	RON	247,074	180,948	66,126	13,018	-725	77.53%	-
Sibioara Wind Farm, S.R.L.	Bucharest	81,900,600	RON	58,266	42,869	15,397	4,840	-2,065	65.90%	-
Studina Solar, S.R.L.	Bucharest	20,746,330	RON	15,901	8,967	6,934	2,735	673	77.53%	-
Vanju Mare Solar, S.R.L.	Bucharest	18,788,000	RON	16,146	10,627	5,519	2,439	97	77.53%	-
VS Wind Farm, S.A.	Bucharest	105,000	RON	41,504	43,335	-1,831	2,222	-340	65.90%	-
Great Britain:										
EDPR UK Limited	Cardiff	5,678,629	GBP	79,640	18,362	61,278	5,466	-2,589	77.53%	-
MacColl Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Moray Offshore Renewables Limited	Cardiff	8,819,909	GBP	63,769	53,237	10,532	1,730	-216	51.66%	-
Stevenson Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Telford Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Other Countries:										
EDP Renewables Italia, S.R.L.	Milan	34,439,343	EUR	202,156	166,749	35,408	56,372	-297	77.53%	-
EDP Renewables Belgium, S.A.	Brussels	61,500	EUR	15,367	16,028	-662	11	-561	77.53%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000	EUR	93,890	55,347	38,543	14,388	4,665	77.53%	-
Monts de la Madeleine Energie, S.A.S.	Paris	37,000	EUR	782	750	32	64	-1	77.53%	-
Pietragalla Eolico, S.R.L.	Milan	15,218	EUR	30,276	26,055	4,221	7,138	2,464	77.53%	-
Re Plus - S.R.L	Milan	100,000	EUR	3,496	3,631	-136	325	-26	62.02%	-
Repano Wind, S.R.L.	Milan	11,000	EUR	390	278	112	5	-12	77.53%	-
Tarcan, BV	Amsterdam	20,000	EUR	14,706	39	14,667	2,530	2,467	77.53%	-
Villa Castelli Wind, S.R.L.	Milan	100,000	EUR	33,855	23,460	10,395	5,579	1,603	77.53%	-
WinCap, S.R.L.	Milan	2,550,000	EUR	4,322	538	3,784	71	-102	77.53%	
North America Geography / Platform:										
United States of America:										
EDP Renewables North America, L.L.C. (EUA Subgroup Parent Company)	Texas	4,099,973,714	USD	3,256,642	258,234	2,998,408	31,303	-84,432	77.53%	-
17th Star Wind Farm, L.L.C.	Ohio	-	USD	-	-	-	-	-	77.53%	-
2007 Vento I, L.L.C.	Texas	853,256,711	USD	715,666	1,646	714,020	4,293	3,890	77.53%	-
2007 Vento II	Texas	750,467,459	USD	614,959	501	614,458	-	-168	39.54%	-
2008 Vento III	Texas	848,753,128	USD	695,303	66	695,237	-	-495	77.53%	-
2009 Vento IV, L.L.C.	Texas	220,364,148	USD	180,913	-	180,913	-	-113	77.53%	-
2009 Vento V, L.L.C.	Texas	115,276,052	USD	94,362	-	94,362	-	-113	77.53%	-
2009 Vento VI, L.L.C.	Texas	180,567,548	USD	148,257	-	148,257	-	-101	77.53%	-
2010 Vento VII, L.L.C.	Texas	185,138,899	USD	152,089	-	152,089	-	-100	77.53%	-
2010 Vento VIII, L.L.C.	Texas	195,372,124	USD	160,774	405	160,369	-	-100	77.53%	-
2011 Vento IX, L.L.C.	Texas	160,553,856	USD	131,910	-	131,910	-	-99	77.53%	-
2011 Vento X, L.L.C.	Texas	143,722,319	USD	118,082	-	118,082	-	-99	77.53%	-
2014 Sol I, L.L.C.	Texas	58,205,961	USD	47,919	-	47,919	-	-22	77.53%	
2014 Vento XI, L.L.C.	Texas	162,332,406	USD	133,706	-	133,706	-	-	77.53%	-
2014 Vento XII, L.L.C.	Texas	117,809,035	USD	97,034	-	97,034	-	-	77.53%	
Alabama Ledge Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Antelope Ridge Wind Power Project, L.L.C.	Oregon	12,753,931	USD	10,421	11	10,410	27	30	77.53%	-
Arbuckle Mountain, L.L.C.	Oklahoma	4,797,366	USD	4,057	115	3,942	-	-6	77.53%	-
Arkwright Summit Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Arlington Wind Power Project, L.L.C.	Oregon	133,196,145	USD	127,845	7,623	120,222	13,586	2,732	77.53%	-
Aroostook Wind Energy, L.L.C.	Maine	14,529,951	USD	12,666	823	11,843	-	-21	77.53%	-
Ashford Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
AZ Solar, L.L.C.	Arizona	-	USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Holdings, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Wind, L.L.C.	Texas	302,315,414	USD	253,096	-	253,096	1,201	1,315	77.53%	-
Black Prairie Wind Farm II, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm, L.L.C.	Illinois	6,399,485	USD	5,269	-	5,269	-	-	77.53%	-
Blackstone Wind Farm II, L.L.C.	Illinois	279,662,142	USD	304,462	84,871	219,591	20,991	2,039	77.53%	-
Blackstone Wind Farm III, L.L.C.	Illinois	6,219,923	USD	5,050	31	5,019	-	-4	77.53%	-
Blackstone Wind Farm IV, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm, L.L.C.	Illinois	127,461,721	USD	141,384	39,494	101,891	13,946	4,494	77.53%	-
Blue Canyon Wind Power VII, L.L.C.	Oklahoma	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower II, L.L.C.	Oklahoma	131,210,357	USD	134,272	4,902	129,370	16,112	4,308	77.53%	-
Blue Canyon Windpower III, L.L.C.	Oklahoma	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV, L.L.C.	Oklahoma	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower V, L.L.C.	Oklahoma	114,564,525	USD	133,762	2,793	130,969	16,430	8,498	77.53%	-
Blue Canyon Windpower VI, L.L.C.	Oklahoma	143,363,472	USD	124,511	1,688	122,822	10,049	1,770	77.53%	-
Broadlands Wind Farm II, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Clinton County Wind Farm, L.L.C.	New York	295,062,748	USD	243,024	-	243,024	-	-	77.53%	-
Cloud County Wind Farm	Kansas	255,726,595	USD	225,715	4,066	221,648	20,657	4,499	77.53%	-

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Renewable Energy Activity:										
North America Geography / Platform:										
United States of America:										
Cloud West Wind Project, L.L.C.	Kansas	-	USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project, L.L.C.	Colorado	-	USD	-	-	-	-	-	77.53%	-
Dairy Hills Wind Farm, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Diamond Power Partners, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
East Klickitat Wind Power Project, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Eastern Nebraska Wind Farm, L.L.C.	Nebraska	-	USD	-	-	-	-	-	77.53%	-
EDPR Solar Ventures I, L.L.C.	Texas	26,545,540	USD	47,942	26,117	21,824	10	-40	77.53%	
EDPR Wind Ventures X, L.L.C.	Texas	66,004,696	USD	118,378	51,481	66,897	7,705	5,013	77.53%	-
EDPR Wind Ventures XI, L.L.C.	Texas	-	USD	158,405	158,344	61	278	61	77.53%	-
EDPR Wind Ventures XII, L.L.C.	Texas	52,829,348	USD	97,034	53,522	43,513	-1	-1	77.53%	
Five-Spot, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Ford Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Green Country Wind Farm, L.L.C.	Oklahoma	-	USD	-	-	-	-	-	77.53%	
Green Power Offsets, L.L.C.	Texas	10,134	USD	1	1	-	-	-8	77.53%	-
Gulf Coast Windpower Management Company, L.L.C.	Indiana	-	USD	-	-	-	-	-	77.53%	-
Headwaters Wind Farm, L.L.C.	Indiana	162,332,406	USD	331,317	196,493	134,825	1,375	1,121	77.53%	-
Hidalgo Wind Farm, L.L.C.	Texas	5,928,393	USD	5,228	358	4,870	-	-13	77.53%	-
High Prairie Wind Farm II, L.L.C.	Minnesota	115,000,697	USD	112,617	10,975	101,642	12,466	3,303	39.54%	-
High Trail Wind Farm, L.L.C.	Illinois	284,974,050	USD	270,680	6,478	264,202	27,526	7,525	77.53%	-
Horizon Wind Chocolate Bayou I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX, L.L.C.	Kansas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I, L.L.C.	New Mexico	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Ventures I, L.L.C.	Texas	536,208,510	USD	1,621,675	848,646	773,029	34,292	21,880	77.53%	-
Horizon Wind Ventures IB, L.L.C.	Texas	166,746,478	USD	618,127	356,118	262,008	34,420	24,811	39.54%	-
Horizon Wind Ventures IC, L.L.C.	Texas	34,551,652	USD	417,699	337,826	79,873	31,709	15,048	77.53%	-
Horizon Wind Ventures II, L.L.C.	Texas	140,071,518	USD	182,248	60,872	121,376	1,980	1,474	77.53%	-
Horizon Wind Ventures III, L.L.C.	Texas	48,376,751	USD	94,948	42,686	52,262	6,977	4,924	77.53%	-
Horizon Wind Ventures IX, L.L.C.	Texas	52,411,826	USD	132,241	95,361	36,880	1,238	-1,311	77.53%	-
Horizon Wind Ventures VI, L.L.C.	Texas	112,487,440	USD	148,890	56,856	92,035	1,336	469	77.53%	-
Horizon Wind Ventures VII, L.L.C.	Texas	109,118,300	USD	152,491	60,943	91,548	1,464	174	77.53%	-
Horizon Wind Ventures VIII, L.L.C.	Texas	112,864,160	USD	160,919	67,816	93,103	1,606	266	77.53%	-
Horizon Wind, Freeport Windpower I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Jericho Rise Wind Farm, L.L.C.	New York	5,815,384	USD	4,806	53	4,753	-	-	77.53%	-
Juniper Wind Power Partners, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm II, L.L.C.	Illinois	600,283	USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm III, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm, L.L.C.	Illinois	11,704,696	USD	9,632	25	9,607	-	-	77.53%	-
Lone Valley Sollar Park I, L.L.C.	California	16,397,161	USD	23,575	9,817	13,759	270	254	77.53%	-
Lone Valley Sollar Park II, L.L.C.	California	30,291,523	USD	46,666	21,143	25,523	567	574	77.53%	-
Lost Lakes Wind Farm, L.L.C.	Iowa	179,998,437	USD	142,503	3,372	139,131	15,833	3,629	77.53%	-
Machias Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Madison Windpower, L.L.C.	New York	13,046,397	USD	5,173	404	4,770	880	-427	77.53%	-
Marble River, L.L.C.	New York	295,054,993	USD	355,121	98,961	256,159	33,180	9,668	77.53%	-
Martinsdale Wind Farm, L.L.C.	Colorado	3,476,785	USD	2,864	26	2,838	-	-	77.53%	-
Meadow Lake Wind Farm II, L.L.C.	Indiana	184,651,458	USD	145,028	2,904	142,124	6,056	-3,446	77.53%	-
Meadow Lake Wind Farm IV, L.L.C.	Indiana	118,671,463	USD	129,164	35,706	93,458	6,694	-2,083	77.53%	-
Meadow Lake Wind Farm V, L.L.C.	Indiana	3,305,726	USD	2,732	18	2,714	-	-	77.53%	-
Meadow Lake Wind Farm, L.L.C.	Indiana	257,370,209	USD	278,298	78,067	200,231	22,026	3,080	77.53%	-
Meadow Lake Windfarm III, L.L.C.	Indiana	135,803,612	USD	152,095	43,222	108,873	8,658	-282	77.53%	-
Mesquite Wind, L.L.C.	Texas	185,625,499	USD	216,420	15,541	200,878	20,787	3,094	77.53%	-
New Trail Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm, L.L.C.	Maine	-	USD	-	-	-	-	-	77.53%	-
Old Trail Wind Farm, L.L.C.	Illinois	309,297,254	USD	277,505	4,806	272,699	27,757	7,252	39.54%	-
OPQ Property, L.L.C.	Illinois	-	USD	143	-	143	7	8	77.53%	-
Pacific Southwest Wind Farm, L.L.C.	Arizona	-	USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm II, L.L.C.	Ohio	160,152,260	USD	152,428	3,314	149,114	14,652	3,562	77.53%	-
Paulding Wind Farm III, L.L.C.	Ohio	4,680,350	USD	3,712	56	3,656	-	-53	77.53%	-
Paulding Wind Farm IV, L.L.C	Ohio	-	USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm, L.L.C.	Ohio	5,848,705	USD	4,868	56	4,812	-	-1	77.53%	-
Peterson Power Partners, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection, L.L.C.	Iowa	-	USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm I, L.L.C.	Iowa	447,395,164	USD	409,620	9,075	400,545	46,428	13,415	77.53%	-
Pioneer Prairie Wind Farm II, L.L.C.	Iowa	-	USD	-	-	-	-	-	77.53%	-
Post Oak Wind, L.L.C.	Texas	219,006,380	USD	240,853	9,497	231,355	24,985	6,059	39.54%	-
Quilt Block Wind Farm, L.L.C.	Wisconsin	6,164,708	USD	5,131	70	5,062	-	-	77.53%	-
Rail Splitter, L.L.C.	Illinois	219,647,010	USD	160,226	5,796	154,430	8,650	-2,774	77.53%	-

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Renewable Energy Activity:										
North America Geography / Platform:										
United States of America:										
Rio Blanco Wind Farm, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm II, L.L.C.	California	9,849,429	USD	24,235	16,129	8,106	-	-7	77.53%	-
Rising Tree Wind Farm III, L.L.C.	California	75,293,166	USD	67,713	5,714	61,999	-	-17	77.53%	-
Rising Tree Wind Farm, L.L.C.	California	85,539,932	USD	145,023	74,591	70,432	-	-	77.53%	-
Rush County Wind Farm, L.L.C	Kansas	-	USD	-	-	-	-	-	77.53%	-
Saddleback Wind Power Project, L.L.C.	Washington	2,355,923	USD	1,588	-	1,588	-	-28	77.53%	-
Sagebrush Power Partners, L.L.C.	Washington	195,195,908	USD	137,487	3,212	134,275	12,608	2,599	77.53%	-
Sardinia Windpower, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Signal Hill Wind Power Project, L.L.C.	Colorado	4,502	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Stinson Mills Wind Farm, L.L.C.	Colorado	3,863,724	USD	3,129	29	3,101	-	-	77.53%	-
Stone Wind Power, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Sustaining Power Solutions, L.L.C.	Texas	922,627	USD	451	724	-272	9,616	-688	77.53%	-
Telocaset Wind Power Partners, L.L.C.	Oregon	91,865,695	USD	120,694	10,297	110,396	13,982	4,025	39.54%	-
The Nook Wind Power Project, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Tumbleweed Wind Power Project, L.L.C.	Colorado	4,003	USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm, L.L.C.	Iowa	-	USD	-	-	-	-	-	77.53%	-
Verde Wind Power, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Waverly Wind Farm, L.L.C.	Kansas	9,218,622	USD	11,900	4,351	7,549	-	-23	77.53%	-
Western Trail Wind Project I, L.L.C.	Kansas	-	USD	-	-	-	-	-	77.53%	-
Wheatfield Holding, L.L.C.	Oregon	57,843,583	USD	47,631	-	47,631	-	-12	39.54%	-
Wheatfield Wind Power Project, L.L.C.	Oregon	57,828,583	USD	110,231	32,042	78,188	14,522	6,331	39.54%	-
Whiskey Ridge Power Partners, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Whistling Wind WI Energy Center, L.L.C.	Wisconsin	-	USD	-	-	-	-	-	77.53%	-
Whitestone Wind Purchasing, L.L.C.	Illinois	2,570,639	USD	1,141	24	1,117	-	-106	77.53%	-
Wilson Creek Power Partners, L.L.C.	Nevada	-	USD	-	-	-	-	-	77.53%	-
Wind Turbine Prometheus, L.P.	California	5,990	USD	-	-	-	-	-	77.53%	-
WTP Management Company, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Canada:										
EDP Renewables Canada, Ltd. (Canada Subgroup Parent Company)	Ontario	22,950,000	CAD	11,929	458	11,472	1,307	-1,359	77.53%	-
EDP Renewables Canada GP, Ltd.	Ontario	-	CAD	-	-	-	-	-	77.53%	-
EDP Renewables Canada LP, Ltd.	Ontario	11,153,925	CAD	25,315	711	24,603	-	-535	77.53%	-
SBWFI GP, Inc.	Ontario	1,980	CAD	3	-	3	-	-	39.54%	-
South Dundas Wind Farm LP	Ontario	35,355,905	CAD	62,407	35,300	27,107	7,061	2,874	39.54%	-
South America Geography / Platform:										
Brazil:										
EDP Renovaveis Brasil, SA (EDPR BR Subgroup Parent Company)	Sao Paulo	237,755,660	BRL	100,994	26,888	74,106	11,657	5,688	65.63%	-
Central Eólica Aventura, S. A.	Sao Paulo	1,000	BRL	-	-	-	-	-	65.63%	
Central Eólica Baixa do Feijao I, S.A.	Sao Paulo	15,016,713	BRL	19,593	15,142	4,451	1,107	-77	65.63%	-
Central Eólica Baixa do Feijao II, S.A.	Sao Paulo	10,516,713	BRL	12,269	9,158	3,111	1,091	-37	65.63%	-
Central Eólica Baixa do Feijao III, S.A.	Sao Paulo	10,516,713	BRL	12,263	9,166	3,097	1,087	-41	65.63%	-
Central Eólica Baixa do Feijao IV, S.A.	Sao Paulo	10,516,713	BRL	12,242	9,146	3,095	1,084	-42	65.63%	-
Central Eólica Jau, S. A.	Sao Paulo	31,354,085	BRL	9,887	50	9,837	157	102	65.63%	-
Central Nacional de Energia Eólica, S.A.	Santa Catarina	12,396,000	BRL	9,721	4,466	5,255	3,131	1,110	65.63%	-
Elebras Projetos, Ltda	Rio Grande do Sul	103,779,268	BRL	102,543	53,039	49,504	24,353	10,215	65.63%	-
South Africa Geography / Platform:										
South Africa:										
Dejann Trading and Investments Proprietary, Ltd	Cape Town	200	ZAR	186	1,150	-963	7	-660	77.53%	-
EDP Renewables South Africa, Proprietary, Ltd	Cape Town	56,617,753	ZAR	4,623	798	3,824	295	44	77.53%	-
Jouren Trading and Investments Pty, Ltd	Cape Town	120	ZAR	-	1,510	-1,510	-	-1,357	77.53%	-

The companies main financial data of joint ventures as at 31 December 2014 are as follows:

Jointly controled entities *	Head Office	Share Capital / Currency		Activity	% Group	% Company
Arquiled Group	Lisbon	168,700	EUR	Other activities	46.15%	-
Bioastur, AIE	Sérin	60,101	EUR	Electricity generation	50.00%	-
Bioeléctrica Group	Lisbon	50,000	EUR	Electricity generation	50.00%	40.00%
Ceprastur, A.I.E.	Oviedo	360,607	EUR	Electricity generation	44.01%	-
CIDE HC Energía, S.A.	Madrid	500,000	EUR	Gas Supply	50.00%	-
Cogeración Bergara, A.I.E.	Bergara	450,000	EUR	Electricity generation	50.00%	-
Cogneracion y Matenimiento, A.I.E.	Oviedo	1,208,010	EUR	Electricity generation	50.00%	-
Companhia Energética do JARI	Sao Paulo	525,623,746	BRL	Electricity generation	25.55%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	Renewable energies	38.76%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025	EUR	Gas Distribution	38.69%	-
ECE Participações, S.A.	Sao Paulo	473,275,545	BRL	Electricity generation	25.55%	-

EDP - Energias de Portugal, S.A.
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Jointly controled entities *	Head Office	Share Capital / Currency		Activity	% Group	% Company
EDP ASIA - Investimento e Consultadoria , Limitada	Macao	200,000	MOP	Other activities	50.00%	49.00%
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	Electricity supply	60.00%	-
Empresa de Energia Cachoeira Caldeirão S.A.	Amapá	360,600,500	BRL	Electricity generation	25.55%	-
Empresa de Energia São Manoel, S.A.	Rio de Janeiro	100	BRL	Electricity generation	17.06%	-
Eólica de Coahuila, S. de R.L. de C.V.	Mexico City	114,443	USD	Renewable energies	77.50%	-
Evolución 2000, S.L.	Albacete	117,994	EUR	Renewable energies	38.11%	-
Flat Rock Windpower II, L.L.C.	New York	207,447,187	USD	Renewable energies	38.76%	-
Flat Rock Windpower, L.L.C.	New York	528,626,287	USD	Renewable energies	38.76%	-
HC Tudela Cogeneración	Oviedo	306,030	EUR	Electricity generation	50.10%	-
Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.	Ceara	1,527,000	BRL	Electricity generation	25.55%	-
Porto do Pecém Geração de Energia S.A.	Ceara	1,886,872,262	BRL	Electricity generation	25.55%	-
Porto do Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000	BRL	Electricity generation	25.55%	-
Tébar Eólica, S.A.	Cuenca	4,720,400	EUR	Renewable energies	38.76%	-

The companies main financial data of joint ventures as at 31 December 2013 are as follows:

Jointly controled entities *	Head Office	Share capital / Currency		Activity	% Group	% Company
Flat Rock Windpower II, L.L.C.	New York	207,447,187	USD	Renewable energies	38.76%	-
Flat Rock Windpower, L.L.C.	New York	522,818,885	USD	Renewable energies	38.76%	-
Arquiled Group	Lisbon	168,700	EUR	Other activities	46.15%	-
Bioastur, AIE	Sérin	60,101	EUR	Electricity generation	50.00%	-
Bioeléctrica Group	Lisbon	50,000	EUR	Electricity generation	50.00%	40.00%
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	Renewable energies	38.76%	-
CIDE HC Energía, S.A.	Madrid	500,000	EUR	Gas Supply	50.00%	-
Cogneracion y Matenimiento, A.I.E.	Oviedo	1,208,010	EUR	Electricity generation	50.00%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025	EUR	Gas Distribution	38.69%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	Electricity supply	60.00%	-
Evolución 2000, S.L.	Albacete	117,994	EUR	Renewable energies	38.11%	-
Porto do Pecém Geração de Energia S.A.	Ceara	1,886,872,262	BRL	Electricity generation	25.55%	-
Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.	Ceara	1,527,000	BRL	Electricity generation	25.55%	-
Porto do Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000	BRL	Electricity generation	25.55%	-
Tébar Eólica, S.A.	Cuenca	4,720,400	EUR	Renewable energies	38.76%	-

* The companies financial data of joint ventures are disclosed in note 20

The companies where the Group has significant influence as at 31 December 2014 are as follows:

Associated companies	Head Office	Share capital / Currency		Activity	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020	EUR	Renewable energies	14.71%	-
Biomasas del Pirineo, S.A.	Huesca	454,896	EUR	Renewable energies	23.26%	-
Blue Canyon Windpower I, L.L.C.	Oklahoma	47,835,419	USD	Renewable energies	25.00%	-
Carriço Cogeração, S.A.	Lisbon	50,000	EUR	Electricity generation	35.00%	-
Couto Magalhães, S.A.	Sao Paulo	2,593,963	BRL	Electricity generation	25.03%	-
Cultivos Energéticos de Castilla, S.A	Burgos	300,000	EUR	Renewable energies	23.26%	-
Desarollos Eolicos de Canárias, S.A.	Gran Canaria	3,191,580	EUR	Renewable energies	34.69%	-
EDERG - Produção Hidroeléctrica, Lda	Lisbon	1,000,000	EUR	Electricity generation	25.00%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Alcobaça	150,000	EUR	Other activities	30.00%	-
ENEOP Group	Lisbon	25,247,525	EUR	Renewable energies	27.88%	-
IME - IE Mobile Elétrica, ACE	Lisbon	-	EUR	Electricity supply	20.00%	-
Inkolan, A.I.E.	Bilbao	96,162	EUR	Gas Distribution	11.88%	-
Inverasturias - Fondo Capital Riesgo	Madrid	3,005,000	EUR	Other activities	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500	EUR	Electricity generation	23.75%	-
Les Eoliennes en Mer de Dieppe - Le Tréport, SAS	Bois Guillaume	4,367,538	EUR	Renewable energies	33.34%	-
Les Eoliennes en Mer de Vendée, SAS	Nantes	4,804,914	EUR	Renewable energies	33.34%	-
Mabe Construções e Administração de Projetos, Lda.	Ceara	520,459,000	BRL	Other activities	25.55%	-
Modderfontein Wind Energy Project, Ltd.	Cape Town	1,000	ZAR	Renewable energies	32.95%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400	EUR	Renewable energies	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021	EUR	Renewable energies	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000	EUR	Other activities	39.60%	-
Principle Power, Inc	Seattle	11,557	USD	Other activities	25.75%	-
SeaEnergy Renewables Inch Cape Limited	Edinburgh	1	GBP	Renewable energies	37.99%	-
Setgás Comercializadora, S.A.	Charneca da Caparica	50,000	EUR	Gas Supply	19.83%	-
SETGAS-Sociedade de Produção e Distribuição de Gás, SA.	Charneca da Caparica	9,000,000	EUR	Gas Distribution	19.83%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000	EUR	Electricity generation	19.38%	-
Tolosa Gasa, S.A.	Tolosa	651,100	EUR	Gas Distribution	38.00%	-

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
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The companies where the Group has significant influence as at 31 December 2013 are as follows:

Associated companies	Head Office	Share capital / Currency		Activity	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020	EUR	Renewable energies	14.71%	-
Biomasas del Pirineo, S.A.	Huesca	454,896	EUR	Renewable energies	23.26%	-
Carriço Cogeração, S.A.	Lisbon	50,000	EUR	Electricity generation	35.00%	-
CEM, S.A.	Macao	580,000,000	MOP	Other activities	21.19%	-
Couto Magalhães, S.A.	Sao Paulo	2,593,963	BRL	Electricity generation	25.03%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000	EUR	Renewable energies	23.26%	-
Desarollos Eolicos de Canárias, S.A.	Gran Canaria	3,191,580	EUR	Renewable energies	34.69%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000	EUR	Electricity generation	25.00%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Alcobaça	150,000	EUR	Other activities	30.00%	-
ENEOP Group	Lisbon	25,247,525	EUR	Renewable energies	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000	EUR	Electricity generation	49.90%	-
Inkolan, A.I.E.	Bilbao	96,162	EUR	Gas Distribution	11.88%	-
Inverasturias - Fondo Capital Riesgo	Madrid	3,005,000	EUR	Other activities	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500	EUR	Electricity generation	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400	EUR	Renewable energies	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021	EUR	Renewable energies	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000	EUR	Other activities	39.60%	-
Principle Power, Inc	Seattle	11,557	USD	Other activities	33.46%	-
SeaEnergy Renewables Inch Cape Limited	Edinburgh	1	GBP	Renewable energies	37.99%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000	EUR	Gas Distribution	19.83%	-
Setgás Comercializadora, S.A.	Charneca da Caparica	50,000	EUR	Gas Supply	19.83%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000	EUR	Electricity generation	19.38%	-
Tolosa Gasa, S.A.	Tolosa	651,100	EUR	Gas Distribution	38.00%	-
IME - IE Mobile Elétrica, ACE	Lisbon	-	EUR	Electricity supply	20.00%	-
Mabe Construções e Administração de Projetos, Lda.	Ceara	488,184,664	BRL	Other activities	25.55%	-
Les Eoliennes en Mer de Dieppe - Le Tréport, SAS	Bois Guillaume	40,000	EUR	Renewable energies	38.76%	-
Les Eoliennes en Mer de Vendée, SAS	Nantes	40,000	EUR	Renewable energies	38.76%	-
Modderfontein Wind Energy Project, Ltd.	Cape Town	1,000	ZAR	Renewable energies	32.95%	-

* The companies financial data of associated companies are disclosed in note 20

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2014, are as follows:

Other companies	Head Office and Country	% Indirect	% Direct
Tejo Energia, S.A.	Abrantes - Portugal	11.11%	-
EDA, S.A.	Azores - Portugal	10.00%	-
Parque Eólico Montes de las Navas, S.L.	Madrid - Spain	17.00%	-
Yedesa Cogeneración, S.A.	Almería - Spain	10.00%	-

ANNEX II

EDP Group Operating Segments Report
31 December 2014

	Iberia					
Thousands of Euros	LT Contracted Generation	Liberalised Activities	Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Receipts from energy sales and services and others	1,153,296	8,618,367	6,408,871	1,170,923	2,851,443	20,202,900
Gross Profit	790,467	867,792	1,741,959	1,153,126	812,883	5,366,227
Other income	13,919	17,475	66,032	169,249	140,472	407,147
Supplies and services	-68,970	-206,125	-379,340	-256,645	-160,163	-1,071,243
Personnel costs and employee benefits	-48,709	-61,456	-98,512	-66,093	-124,199	-398,969
Other costs	-15,669	-201,281	-288,464	-96,441	-49,886	-651,741
Gross Operating Profit	671,038	416,405	1,041,675	903,196	619,107	3,651,421
Provisions	-7,646	-19,034	-2,036	-21	-9,947	-38,684
Amortisation and impairment	-166,215	-233,514	-339,629	-480,767	-113,114	-1,333,239
Operating Profit	497,177	163,857	700,010	422,408	496,046	2,279,498
Equity method in joint ventures and associates	2,294	1,880	129	21,756	-22,889	3,170
Assets	4,034,487	7,520,887	9,164,652	12,584,855	3,172,425	36,477,306
Liabilities	860,932	1,410,455	2,595,834	1,183,479	662,920	6,713,620
Operating Investment	35,639	558,503	381,542	710,295	118,666	1,804,645

Reconciliation of information between Operating Segments and Financial Statements for December 2014

Thousands of Euros	
Total Receipts from energy sales and services and others of Reported Segments	**20,202,900**
Receipts from energy sales and services and others from Other Segments	493,295
Adjustments and Inter-segments eliminations	-4,402,312
Total Receipts from energy sales and services and others of EDP Group	**16,293,883**
Total Gross Profit of Reported Segments	**5,366,227**
Gross Profit from Other Segments	462,164
Adjustments and Inter-segments eliminations	-461,262
Total Gross Profit of EDP Group	**5,367,129**
Total Gross Operating Profit of Reported Segments	**3,651,421**
Gross Operating Profit from Other Segments	-17,183
Adjustments and Inter-segments eliminations	8,155
Total Gross Operating Profit of EDP Group	**3,642,393**
Total Operating Profit of Reported Segments	**2,279,498**
Operating Profit from Other Segments	-55,492
Adjustments and Inter-segments eliminations	-30,946
Total Operating Profit of EDP Group	**2,193,060**
Total Assets of Reported Segments	**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	**6,713,620**
Liabilities Not Allocated	24,436,208
Financial Liabilities	20,309,511
Institutional partnership in USA wind farms	1,801,963
Taxes Liabilities	1,220,565
Other payables	1,103,159
Hydrological correction account	1,010
Liabilities from Other Segments	1,093,707
Inter-segments Liabilities eliminations	-1,339,662
Total Liabilities of EDP Group	**30,903,873**
Total Operating Investment of Reported Segments	**1,804,645**
Operating Investment from Other Segments	67,002
Total Operating Investment of EDP Group	**1,871,647**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
Other income	**407,147**	37,257	-42,126	**402,278**
Supplies and services	**-1,071,243**	-312,254	486,538	**-896,959**
Personnel costs and employee benefits	**-398,969**	-176,733	20,264	**-555,438**
Other costs	**-651,741**	-27,616	4,740	**-674,617**
Provisions	**-38,684**	-13,012	-399	**-52,095**
Amortisation and impairment	**-1,333,239**	-25,297	-38,702	**-1,397,238**
Equity method in joint ventures and associates	**3,170**	13,269	-1,345	**15,094**

EDP Group Operating Segments Report
31 December 2013*

	Iberia					
Thousands of Euros	LT Contracted Generation	Liberalised Activities	Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Receipts from energy sales and services and others	1,320,291	8,350,793	6,573,322	1,209,150	2,474,135	19,927,691
Gross Profit	866,551	702,472	1,763,545	1,191,246	906,841	5,430,655
Other income	10,763	29,219	119,297	166,462	40,389	366,130
Supplies and services	-71,533	-173,600	-403,924	-255,172	-168,905	-1,073,134
Personnel costs and employee benefits	-60,252	-66,957	-161,932	-66,466	-123,388	-478,995
Other costs	-28,909	-157,727	-293,884	-115,563	-54,306	-650,389
Gross Operating Profit	716,620	333,407	1,023,102	920,507	600,631	3,594,267
Provisions	-11,716	-18,211	4,863	-1,290	-16,891	-43,245
Amortisation and impairment	-195,269	-227,676	-336,614	-446,202	-146,336	-1,352,097
Operating Profit	509,635	87,520	691,351	473,015	437,404	2,198,925
Equity method in joint ventures and associates	195	5,422	149	14,726	-48,966	-28,474
Assets	4,746,221	7,361,342	9,283,904	11,613,424	2,807,322	35,812,213
Liabilities	927,061	1,374,856	2,937,279	858,569	599,401	6,697,166
Operating Investment	56,756	529,169	387,366	536,465	381,559	1,891,315

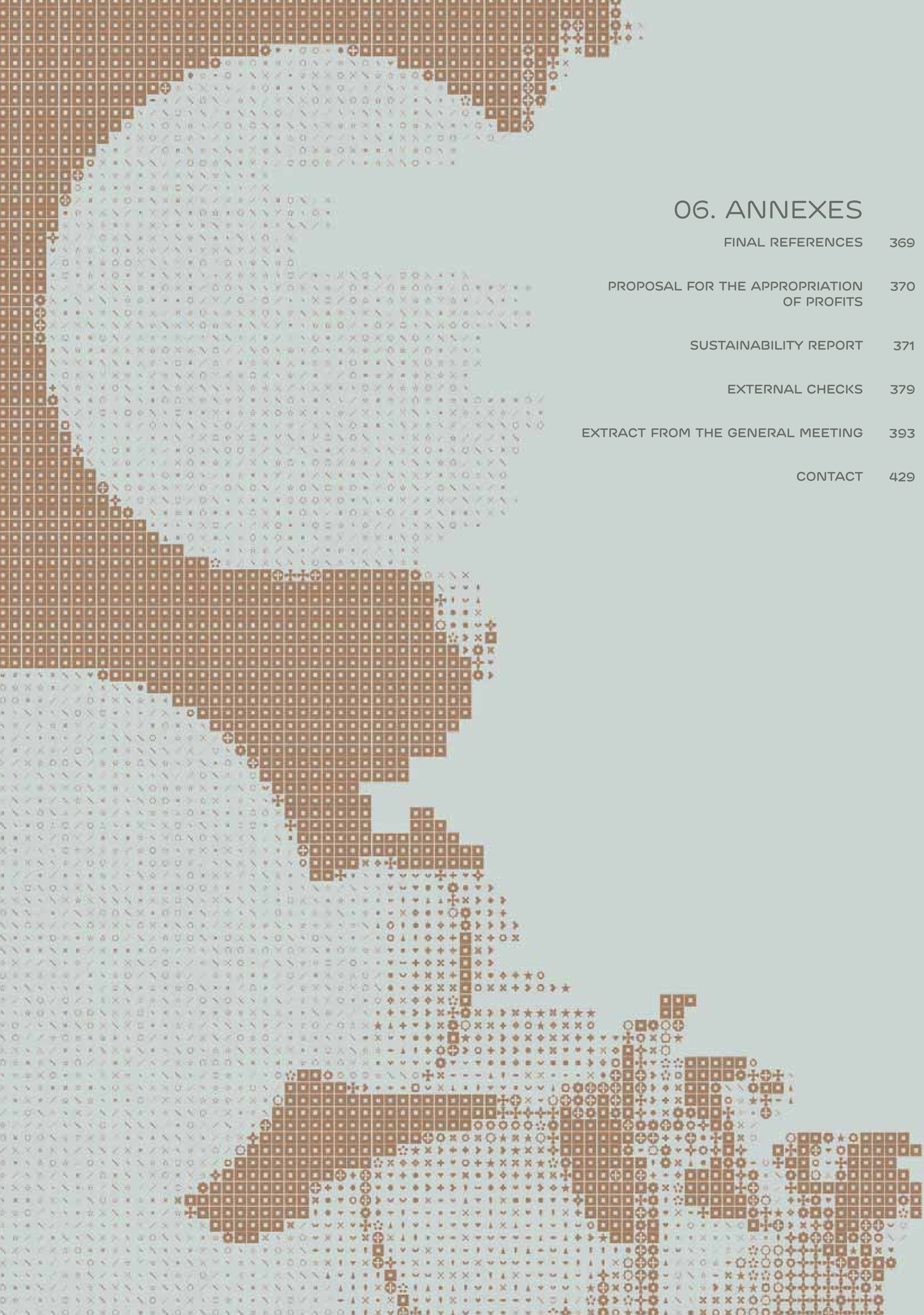
* Restated for IFRS 10 and 11 purposes

Reconciliation of information between Operating Segments and Financial Statements for December 2013*

Thousands of Euros	
Total Revenues from energy sales and services and other of Reported Segments	**19,927,691**
Revenues from energy sales and services and other from Other Segments	485,875
Adjustments and Inter-segments eliminations	-4,133,405
Total Revenues from energy sales and services and other of EDP Group	**16,280,161**
Total Gross Profit of Reported Segments	**5,430,655**
Gross Profit from Other Segments	461,121
Adjustments and Inter-segments eliminations	-440,979
Total Gross Profit of EDP Group	**5,450,797**
Total Gross Operating Profit of Reported Segments	**3,594,267**
Gross Operating Profit from Other Segments	-3,694
Adjustments and Inter-segments eliminations	7,436
Total Gross Operating Profit of EDP Group	**3,598,009**
Total Operating Profit of Reported Segments	**2,198,925**
Operating Profit from Other Segments	-47,421
Adjustments and Inter-segments eliminations	-33,079
Total Operating Profit of EDP Group	**2,118,425**
Total Assets of Reported Segments	**35,812,213**
Assets Not Allocated	6,081,151
Financial Assets	4,173,474
Taxes Assets	753,642
Other Assets	1,154,035
Assets from Other Segments	889,218
Inter-segments assets eliminations	-717,045
Total Assets of EDP Group	**42,065,537**
Total Liabilities of Reported Segments	**6,697,166**
Liabilities Not Allocated	24,126,951
Financial Liabilities	20,336,773
Institutional partnership in USA wind farms	1,508,495
Taxes Liabilities	1,333,172
Other payables	912,870
Hydrological correction account	35,641
Liabilities from Other Segments	889,361
Inter-segments Liabilities eliminations	-1,175,843
Total Liabilities of EDP Group	**30,537,635**
Total Operating Investment of Reported Segments	**1,891,315**
Operating Investment from Other Segments	42,260
Total Operating Investment of EDP Group	**1,933,575**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
Other income	**366,130**	42,225	-48,970	**359,385**
Supplies and services	**-1,073,134**	-300,929	464,293	**-909,770**
Personnel costs and employee benefits	**-478,995**	-178,390	25,610	**-631,775**
Other costs	**-650,389**	-27,721	7,482	**-670,628**
Provisions	**-43,245**	-11,292	-1	**-54,538**
Amortisation and impairment	**-1,352,097**	-32,435	-40,514	**-1,425,046**
Equity method in joint ventures and associates	**-28,474**	14,874	-566	**-14,166**

* Restated for IFRS 10 and 11 purposes



06. ANNEXES

FINAL REFERENCES 369

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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.

FINAL REFERENCES

The Executive Board of Directors expresses its gratitude to all those who have supported and followed, directly or indirectly, the activity of EDP Group over the year of 20134.

First of all, we would like to thank the shareholders for the trust and support given to the Executive Board of Directors and to each of its members in the exercise of its activity.

To all the members of the Corporate Bodies, responsible for the auditing and supervision of the Group, a special thanks is also due, for the support given over the year. A special word to the General and Supervisory Board for the guidance provided to the activity of the Executive Board of Directors.

The successful results of the Group and the intrepid defense of all stakeholders' interests clearly demonstrate that the governance model is fully consolidated.

Additionally, as a result of the support granted to the group's activities during last year, the Board thanks the members of the governmental bodies and the public authorities of countries in which EDP is present, for the continued support provided.

Within the energy sector, it is also important to refer the constant and constructive dialogue between EDP and the different energy sector regulators. Particularly with the Regulatory Body for Energy Services (ERSE) and the Directorate-General for Energy and Geology (DGEG) in Portugal, as well as to other regulators in countries where the activity of the EDP group is most visible, such as CNE in Spain, ANEEL in Brazil and FERC and NERC in the USA.

The Executive Board of Directors also extends its gratitude to all the other entities that interacted with the group during 2014, namely, the financial markets regulators, the sectorial associations and the social and environmental non-government organizations.

It is also imperative to thank our customers and reaffirm our full commitment to seek continuous improvement of our offer, as well as to achieve excellence in the service delivery. We are focused and determined to satisfy our customers' needs.

The Board's gratitude is also extended to suppliers, as well as to the social media that followed the company throughout the year.

Lastly, a special thanks to all EDP employees. Their knowledge, determination, and dynamism were crucial for the company to achieve its results.

O Conselho de Administração Executivo

António Luís Guerra Nunes Mexia (Presidente)

António Fernando Melo Martins da Costa

Nuno Maria Pestana de Almeida Alves

João Manuel Veríssimo Marques da Cruz

João Manuel Manso Neto

Miguel Stilwell de Andrade

António Manuel Barreto Pita de Abreu

PROPOSAL FOR THE APPROPRIATION OF PROFITS

Under the terms of the Article 30, number 1, of the Company constitution, the Executive Board of Directors proposes to the shareholders that the Net Profit, amounted to €785,779,976.18, is appropriated as follows:

Legal Reserves	€ 39,288,998.81
Dividends *	€ 676,459,477.28
Donations to Fundação EDP	€ 7,200,000.00
Retained Earnings	€ 62,831,500.09

* The proposed dividend per share is € 0.185.

G4 REPORTING PRINCIPLES AND AA1000

This Annual Report is in accordance with the reporting principles (content and quality) of the Global Reporting Initiative – G4 Standards. 2014 is the first year where this standard is being used and new initiatives have already been identified to be implemented during 2015. Those initiatives will help improving the report's content of several indicators, still partially or not reported at all. These opportunities are mentioned along the document and resumed in the GRI Table (page 373), following the standards of the Global Reporting Initiative, G4, in accordance with the Comprehensive option.

G4 REPORTING PRINCIPLES

QUALITY PRINCIPLES

Balance	Comparability	Clarity
The content reported considered the most positive facts of the year, as well as the less positive, when material.	The information reported covers four years, for EDP's Corporate Indicators (page 12) and two years for specific indicators, allowing a comparative analyses of the company's performance (page 109)	A glossary is available on-line to help readers understand some technical terms used on the report. Along with the printed and pdf version of this report, it is also available an on-line version to help readers navigating throughout the content.

Accuracy	Timelines	Reliability
Scope is clearly set, as well as the consolidation criteria. All exceptions are identified and explained. An on-line glossary is available with the definitions and the description of the methods used to quantify indicators.	The report covers one calendar year. It becomes publicly available, in accordance to the Portuguese Legislation, 30 days before the General Assembly (GA).	Internal assurance process is disclosed in page 372 and external verification, either financial or non financial, is an additional guarantee of the reliability of the content.

CONTENT PRINCIPLES: G4 AND AA1000 APS

SUSTAINABILITY CONTEXT

In accordance with its Principles of Sustainable Development, commitments and goals are regularly set for each Sustainability dimension – Economic, Environmental and Social. These Commitments are in line with the materiality process synthesized in page 27 and detailed in the following chapter.

AA 1000APS 2008

EDP takes a systematic approach within the framework defined by the AA1000 APS (2008) standard to identify critical stakeholders, integrate their expectations into corporate strategy and provide feedback on their contributions.

EDP was subject to compliance verification in 2014, as in previous years, with the AA1000 AS (2008) standard, type 2, by the auditor KPMG. It audited, in particular, the principle of inclusion, materiality and responsiveness.

PRINCIPLE OF INCLUSION

The principle of inclusion envisages that stakeholders are consulted, their expectations and concerns are known and incorporated into the decision-making process.

On a regular basis, initiatives for stakeholder engagement are set. The company also provides specific communication channels for some stakeholder groups.

During 2014 the following initiatives were promoted:

- Stakeholders' consultation processes were extended to the countries where EDP operates, namely EDP Spain and EDP Brazil. This development will continue in 2015.
- Interviews and surveys were made to the following stakeholder groups: Institutions of Social Solidarity Sector, Local Authorities, Academy, consumer associations, business associations, suppliers and opinion makers;
- The corporate Project Communication training course (ComPro) continued among employees whose job requires a suitable external relationship.

During 2015, the first Stakeholder Report will be published, reporting in more detail the company's practices in these matters.

MATERIALITY

Materiality results from the comparison between society's perception on issues relevant to EDP (sector and company), and the importance of the same issues recognized by the company. This process starts with the identification of relevant issues to society, it follows the analysis of those issues by the companies' top executives in the different EDP's companies and ends with comparison of both perceptions through the materiality matrix. The most material issues are the ones important both to business and to society (page 26).

IMPORTANCE TO SOCIETY

The themes identified by society are prioritized according to the frequency obtained in the different categories analyzed. In 2014 there were six categories considered:

- REGULATION: The survey of current and emerging regulations was updated by region: Iberia (Spain and Portugal), other European countries, USA and Brazil.
- BENCHMARK: An international benchmark of 25 companies operating in the electricity and/or gas markets and headquartered in countries where EDP operates, was conducted. These peers were chosen based on external recognition of their sustainability practices.
- INTERNATIONAL STUDIES: All materially relevant issues identified by sustainability strategy studies directed at the electricity or gas sector were updated.
- ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) SURVEYS OF INVESTORS: The topics most frequently requested by ESG investors, based on benchmark surveys, were updated.
- STAKEHOLDERS EXPECTATIONS: Based on 2013 results, information was updated with the outputs of the initiatives described in "Stakeholder Inclusion", as well as with the identification and classification of issues collected through the communication channels used for specific stakeholders segments.
- REPRISK: In 2014 RepRisk data from countries where EDP operates was also included

IMPORTANCE TO BUSINESS

The internal perspective of the importance to the business was measured based on the interviews with the Managers and Heads of different areas of the corporate centre and companies, which identified the most important topics for the business in 2013. There was no update in 2014.

RESPONSIVENESS AND COMPLETENESS

EDP set goals, targets and outlines for material issues, replying strategically to the main stakeholders' expectations. In page 27 the relationship between material issues presented in the materiality matrix and the Principles of Sustainable Development of EDP is highlighted. In page 49 it is also disclosed EDP's future Goals and Targets organized according to the same Principles. So, when comparing the table in page 27 with EDP's Goals and Targets, it becomes evident the relationship between EDP commitments and the Materiality Matrix.

INTERNAL AND EXTERNAL ASSURANCE

Management Planning and Control Office globally coordinates this Annual Report. Several corporate offices colaborate collecting and consolidating information from EDP's Companies. The content is then read and approved by the Board of Directors and finally by the General and Supervisory Board.

The sustainability content is externally assured by KPMG & Associados – Sociedade de Revisores de Contas, S.A. The level of external verification is "Reasonable" for a set of 32 key indicators and is "Limited" for the rest of the sustainability data (page 373). For additional information about the external auditor selection criteria, please check page 168.

GLOSSARY

An online glossary is available to improve the report's transparency. It includes definitions of the methods and quantitative indicators used throughout the document: www.edp.pt/pt/pages/glossário.aspx

GRI INDEX AND GLOBAL COMPACT

This Report has been prepared in accordance with the guidelines of the Global Reporting Initiative, G4. The following table summarises the indicators according to the protocol of the Electricity Sector, stating deadlines for the implementation of those specific indicators for which full compliance has not yet been possible to achieve.

Simultaneously, the following table identifies the available information that responds to the 10 principles of the Global Compact, demonstrating EDP's commitment to this initiative.

GRI TABLE - COMPREHENSIVE OPTION

GENERAL STANDARD DISCLOSURES	ANNUAL REPORT PAGE NUMBERS	REPORT OMISSIONS/ADDITIONAL INFORMATION		EXTERNAL ASSURANCE	GLOBAL COMPACT
STRATEGY AND ANALYSIS					
G4-1	4	●		L	
G4-2	50	●		L	
ORGANIZATIONAL PROFILE					
G4-3	10	●		L	
G4-4	10	●		L	
G4-5	10	●		L	
G4-6	11	●		L	
G4-7	10	●		L	
G4-8	11	●		L	
G4-9	11; 12	●		L	
G4-10	95; 112	●		L	
G4-10 SE*		○	Supply Chain: page 102	L	
G4-11	95; 112	●		L	
G4-11 SE*		○	Supply Chain: page 102	L	
G4-12	101-104	●		L	
G4-13	26	●		L	
G4-14	Code of Ethics - page 17	●	www.edp.pt/en/aedp/governosocietario/etica/codigodeetica/Pages/CodeofEthics.aspx	L	
G4-15	www.edp.pt	●	www.edp.pt/en/sustentabilidade/abordagemasustentabilidade/principios/Pages/PDS.aspx	L	
G4-16	www.edp.pt	●	www.edp.pt/en/sustentabilidade/abordagemasustentabilidade/principios/Pages/PDS.aspx	L	
EU1	70	●		R	
EU2	70	●		R	
EU3	99	●		R	
EU4	74	●		R	
EU5	86; Note 48 of the financial statements	●		R	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	Note 5 of the Financial Statements	●		L	
G4-18	372	●		L	
G4-19	26	●		L	
G4-20	26	●		L	
G4-21	26	●		L	
G4-22	26	●		L	
G4-23	26	●		L	
STAKEHOLDER ENGAGEMENT					
G4-24	91	●	www.edp.pt/en/sustentabilidade/partesinteressadas/Pages/partesinteressadas.aspx	L	
G4-25	www.edp.pt	●	www.edp.pt/en/sustentabilidade/partesinteressadas/Pages/Dialogo.aspx	L	
G4-26	www.edp.pt	●	www.edp.pt/en/sustentabilidade/partesinteressadas/Pages/Dialogo.aspx	L	
G4-27	www.edp.pt	●	www.edp.pt/en/sustentabilidade/partesinteressadas/Pages/Dialogo.aspx; www.edp.pt/en/sustentabilidade/partesinteressadas/Pages/TemasRelevantes.aspx	L	
REPORT PROFILE					
G4-28	26	●		L	
G4-29	26	●		L	
G4-30	26	●		L	
G4-31	Last page - Contacts	●		L	
GOVERNANCE					
G4-34	131-136	●		L	
G4-35	139	●		L	
G4-36	136; 163	●		L	
G4-37	92; 148	●		L	
G4-38	129	●		L	
G4-39	127	●		L	
G4-40	207	●		L	
G4-41	130-131; 193-194	●	www.edp.pt/en/aedp/governosocietario/Independenciaeincompatibilidade/Pages/Declara%C3%A7%C3%A3odeIndepend%C3%AAnciaeIncompatibilidades.aspx	L	
G4-42	132-133; 138	●		L	
G4-43	93	●		L	
G4-44	186	●		L	
G4-45	139-140	●		L	
G4-46	139-140	●		L	
G4-47	141	●		L	
G4-48	373	●		L	
G4-49	140; 163	●		L	
G4-50	79	●		L	
G4-51	185-186	●		L	
G4-52	185	●		L	

GENERAL STANDARD DISCLOSURES	ANNUAL REPORT PAGE NUMBERS	REPORT	OMISSIONS/ ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
G4-53	185-186			L	
G4-54	112			L	
G4-55	112			L	
ETHICS AND INTEGRITY					
G4-56	Code of Ethics			L	
G4-57	79			L	
G4-58	79-80			L	
SPECIFIC STANDARD DISCLOSURES	**ANNUAL REPORT PAGE NUMBERS**	**REPORT**	**OMISSIONS/ ADDITIONAL INFORMATION**	**EXTERNAL ASSURANCE**	**GLOBAL COMPACT**
ECONOMIC					
ECONOMIC PERFORMANCE					
G4-DMA	Disclosures Management Approach Report			L	
G4-EC1	13			R	
G4-EC2	50-53			L	
G4-EC3	Note 9 or 36 of Financial Statements			L	
G4-EC4	51.6 M€ support from public authorities			R	
MARKET PRESENCE					
G4-DMA	Disclosures Management Approach Report			L	
G4-EC5	94			R	
G4-EC6	100%			L	
INDIRECT ECONOMIC IMPACTS					
G4-DMA	102; Disclosures Management Approach Report			L	
G4-EC7	106-108			L	
G4-EC8	94; 99; 102; 105-106		Further sudies are ongoing and will be disclosed in 2015	L	
PROCUREMENT PRACTICES					
G4-DMA	93-95; Disclosures Management Approach Report			L	
G4-EC9	103-104			R	
AVAILABILITY AND RELIABILITY					
DMA*	Disclosures Management Approach Report			L	
EU10	11; 36			L	
DEMAND SIDE MANAGEMENT					
DMA*	100; Disclosures Management Approach Report			L	
CO_2 saved	100			R	
RESEARCH AND DEVELOPMENT					
DMA*	82; Disclosures Management Approach Report			L	
EU8	73			L	
PLANT DECOMMISSIONING					
DMA*	Disclosures Management Approach Report			L	
Decommissioning provisions	322; Note 7 of Financial Statements			L	
SYSTEM EFFICIENCY					
DMA*	Disclosures Management Approach Report			L	
EU11	71			L	
EU12	74			L	
ENVIRONMENTAL					7.8
MATERIALS					
G4-DMA*	Disclosures Management Approach Report			L	
G4-EN1*	109			L	
G4-EN2			This figure is considered not material compared to the total materials used.	L	
ENERGY					
G4-DMA	84; Disclosures Management Approach Report			L	
G4-EN3	109			R	
G4-EN4	109			L	
G4-EN5	109			L	
G4-EN6	77; 93; 85; 101; 109			L	
G4-EN7	92-93; 100-101			L	
WATER					
G4-DMA*	Water Management Policy		www.edp.pt/en/aedp/sobreaedp/principiosepoliticas/Pages/Principios_e_politicas.aspx	L	
G4-EN8*	71; 87; 109			R	
G4-EN9	Biodiversity Report 2013-2014		www.edp.pt/en/sustentabilidade/ambiente/biodiversidade/Pages/Biodiversidade.aspx	L	
G4-EN10			This figure is considered not material compared to the total water used by EDP.	L	

SPECIFIC STANDARD DISCLOSURES	ANNUAL REPORT PAGE NUMBERS	REPORT	OMISSIONS/ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
BIODIVERSITY					
G4-DMA*	80; Biodiversity Report 2013-2014; Biodiversity Policy; Disclosures Management Approach Report	●	www.edp.pt/en/sustentabilidade/ambiente/biodiversidade/Pages/Biodiversidade.aspx; www.edp.pt/en/aedp/sobreaedp/principiosepoliticas/Pages/Principios_e_politicas.aspx	L	
G4-EN11	87-89; 110	●		R	
G4-EN12*	87-89	●		L	
G4-EN13	87-89	●		L	
EU13	88-89	●		L	
G4-EN14	www.edp.pt	●	www.edp.pt/en/sustentabilidade/ambiente/biodiversidade/impactesnabiodiversidade/Pages/impactes_na_biodiversidade.aspx	L	
EMISSIONS					
G4-DMA	84-85; Disclosures Management Approach Report	●		L	
G4-EN15*	85	●		R	
G4-EN16*	85	●		R	
G4-EN17	85	●		L	
G4-EN18	109	●		L	
G4-EN19	84-86; 109	●		L	
G4-EN20		○	Equipment swith these substances no longer have exmpression in the Group.	L	
G4-EN21*	71; 89-90; 109	●		R	
EFFLUENTS AND WASTE					
G4-DMA*	87; 90; Disclosures Management Approach Report	●		L	
G4-EN22*	87; 109	●		L	
G4-EN23*	71; 74-75; 90; 109	●		R	
G4-EN24	90	●		L	
G4-EN25		○	There was no import or export of hazard waste	L	
G4-EN26	Relatorio de Biodiversidade 2013-2014	●	www.edp.pt/en/sustentabilidade/ambiente/biodiversidade/Pages/Biodiversidade.aspx	L	
PRODUCTS AND SERVICES					
G4-DMA		○	Not applicable	L	
G4-EN27		○	Not applicable	L	
G4-EN28		○	Not applicable	L	
COMPLIANCE					
G4-DMA	86; Disclosures Management Approach Report	●		L	
G4-EN29	110; Note 53 of Financial Statements	●		R	
TRANSPORT					
G4-DMA	Disclosures Management Approach Report	●		L	
G4-EN30		○	Not material for the organization. Programme ongoing as mentioned in page 102	L	
OVERALL					
G4-DMA	86; Disclosures Management Approach Report	●		L	
G4-EN31	86; Disclosures Management Approach Report	●		R	
SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DMA	102-104; Disclosures Management Approach Report	●		L	
G4-EN32	102-104	◒	Programme is ongoing as mentioned in page 102	L	
G4-EN33	102-104	◒	Programme is ongoing as mentioned in page 102	L	
ENVIRONMENTAL GRIEVANCE MECHANISMS					
G4-DMA	110; Disclosures Management Approach Report	●		L	
G4-EN34	79; 87	●		L	
LABOR PRACTICES AND DECENT WORK					
EMPLOYMENT					6
G4-DMA*	Disclosures Management Approach Report	●		L	
G4-LA1*	112	●		R	
EU15	92	●		R	
EU17	112	●		L	
EU18	112	●		L	
G4-LA2	Social Report 2014	●	www.edp.pt/en/Investidores/publicacoes/RelatoriosGrupoEDP/Pages/PublicacoeseRelatorios.aspx	L	
G4-LA3	112	●		L	
LABOR/MANAGEMENT RELATIONS					
G4-DMA	Social Report 2014; Disclosures Management Approach Report	●	www.edp.pt/en/Investidores/publicacoes/RelatoriosGrupoEDP/Pages/PublicacoeseRelatorios.aspx	L	
G4-LA4				L	
OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	95; Information Security Policy; Disclosures Management Approach Report	●	www.edp.pt/en/aedp/sobreaedp/principiosepoliticas/Pages/Principios_e_politicas.aspx	L	
G4-LA5	95	●		L	
G4-LA6*	112	●		R	
G4-LA7	Social Report 2014	●	www.edp.pt/en/Investidores/publicacoes/RelatoriosGrupoEDP/Pages/PublicacoeseRelatorios.aspx	L	
G4-LA8	Social Report 2014; Disclosures Management Approach Report	●	www.edp.pt/en/Investidores/publicacoes/RelatoriosGrupoEDP/Pages/PublicacoeseRelatorios.aspx	L	

SPECIFIC STANDARD DISCLOSURES	ANNUAL REPORT PAGE NUMBERS	REPORT	OMISSIONS/ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
TRAINING AND EDUCATION					
G4-DMA	93; Training Policy; Disclosures Management Approach Report		www.edp.pt/en/aedp/sobreaedp/principiosepoliticas/Pages/Principios_e_politicas.aspx	L	
G4-LA9	93; 112			R	
G4-LA10	93			R	
G4-LA11	94			L	
DIVERSITY AND EQUAL OPPORTUNITY					
G4-DMA	Diversity Policy; Disclosures Management Approach Report		www.edp.pt/en/aedp/sobreaedp/principiosepoliticas/Pages/Principios_e_politicas.aspx	L	
G4-LA12	95; 115			R	
EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DMA	Disclosures Management Approach Report			L	
G4-LA13	94			L	
SUPPLIER ASSESSMENT FOR LABOR PRACTICES					
G4-DMA	102-104; Disclosures Management Approach Report			L	
G4-LA14	102-104		Programme is ongoing as mentioned in page 102	L	
G4-LA15	102-104		Programme is ongoing as mentioned in page 102	L	
LABOR PRACTICES GRIEVANCE MECHANISMS					
G4-DMA	Disclosures Management Approach Report			L	
G4-LA16	79			L	
HUMAN RIGHTS					1
INVESTMENT					
G4-DMA	79-81; Code of Ethics; Disclosures Management Approach Report		www.edp.pt/en/aedp/governosocietario/etica/codigodeetica/Pages/CodeofEthics.aspx	L	1
G4-HR1	80		Programme is ongoing as mentioned in page 72	L	
G4-HR2	80; 112		Programme is ongoing as mentioned in page 72	L	
NON-DISCRIMINATION					1; 6
G4-DMA	79-81; Code of Ethics; Disclosures Management Approach Report		www.edp.pt/en/aedp/governosocietario/etica/codigodeetica/Pages/CodeofEthics.aspx	L	
G4-HR3	79			L	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					1; 3
G4-DMA*	79-81; Code of Ethics; Disclosures Management Approach Report		www.edp.pt/en/aedp/governosocietario/etica/codigodeetica/Pages/CodeofEthics.aspx	L	
G4-HR4	79			L	
CHILD LABOR					5
G4-DMA	79-81; Code of Ethics; Disclosures Management Approach Report		www.edp.pt/en/aedp/governosocietario/etica/codigodeetica/Pages/CodeofEthics.aspx	L	
G4-HR5	79			L	
FORCED OR COMPULSORY LABOR					4
G4-DMA	79-81; Code of Ethics; Disclosures Management Approach Report		www.edp.pt/en/aedp/governosocietario/etica/codigodeetica/Pages/CodeofEthics.aspx	L	
G4-HR6	79			L	
SECURITY PRACTICES					2
G4-DMA	Disclosures Management Approach Report		Not material	L	
G4-HR7			Not material	L	
INDIGENOUS RIGHTS					1; 2
G4-DMA	69; Disclosures Management Approach Report			L	
G4-HR8	69			L	
ASSESSMENT					
G4-DMA	79-81; Disclosures Management Approach Report		www.edp.pt/en/aedp/governosocietario/etica/codigodeetica/Pages/CodeofEthics.aspx	L	
G4-HR9	79		Programme is ongoing as mentioned in pages 94 and 72	L	
SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DMA	Disclosures Management Approach Report			L	
G4-HR10	80		Programme is ongoing as mentioned in pages 102	L	
G4-HR11	80		Programme is ongoing as mentioned in pages 102	L	
HUMAN RIGHTS GRIEVANCE MECHANISMS					
G4-DMA	79-81; Disclosures Management Approach Report		www.edp.pt/en/aedp/governosocietario/etica/codigodeetica/Pages/CodeofEthics.aspx	L	
G4-HR12	79			L	
SOCIETY					1
LOCAL COMMUNITIES					
G4-DMA*	107-108; Disclosures Management Approach Report			L	
G4-SO1	106			L	
G4-SO2	107-108			L	
EU22	107-108			L	
ANTI-CORRUPTION					
G4-DMA	81; Disclosures Management Approach Report			L	
G4-SO3	81			L	
G4-SO4	81			L	
G4-SO5	81			L	

SPECIFIC STANDARD DISCLOSURES	ANNUAL REPORT PAGE NUMBERS	REPORT	OMISSIONS/ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
PUBLIC POLICY					
G4-DMA	73; Disclosures Management Approach Report	●		L	
G4-SO6	73	●		L	
ANTI-COMPETITIVE BEHAVIOR					6
G4-DMA	Disclosures Management Approach Report	●		L	
G4-SO7		●	Not material	R	
COMPLIANCE					
G4-DMA	Disclosures Management Approach Report	●		L	
G4-SO8	Note ## of Financial Statements	●		R	
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-DMA	95; Disclosures Management Approach Report	●		L	
G4-SO9	95	◒	Programme ongoing as mentioned in page 102	L	
G4-SO10	95	◒	Programme ongoing as mentioned in page 102	L	
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY					
G4-DMA	71; Disclosures Management Approach Report	●		L	
G4-SO11	71	●		L	
DISASTER AND EMERGENCY PLANNING AND RESPONSE					
G4-DMA*	65; 89; Disclosures Management Approach Report	●		L	
PRODUCT RESPONSIBILITY					1
CUSTOMER HEALTH AND SAFETY					
G4-DMA*	Disclosures Management Approach Report	●	www.edp.pt/en/sustentabilidade/prevencaoeseguranca2/segurancaecidadania/Pages/SegurancaCidadania3.aspx	L	
G4-PR1		●	www.edp.pt/en/sustentabilidade/prevencaoeseguranca2/segurancaecidadania/Pages/SegurancaCidadania3.aspx	L	
G4-PR2	2.046 €	●		L	
EU25	105	●		L	
PRODUCT AND SERVICE LABELING					
G4-DMA	Disclosures Management Approach Report	●		L	
G4-PR3	www.edp.pt	●	www.edpsu.pt/en/origemdaenergia/Pages/OrigensdaEnergia.aspx; www.edpenergia.es/en/atencion-al-cliente/preguntas-frecuentes/informacion-util/?provincia=orense	R	
G4-PR4		●	Not material	L	
G4-PR5	89	●		L	
MARKETING COMMUNICATIONS					
G4-DMA	Disclosures Management Approach Report	●		L	
G4-PR6		○	Not applicable	L	
G4-PR7		○	There were no material incidents concerning marketing communications	L	
CUSTOMER PRIVACY					
G4-DMA	Disclosures Management Approach Report	●		L	
G4-PR8	90	●		L	
COMPLIANCE					
G4-DMA	Disclosures Management Approach Report	●		L	
G4-PR9	90	●		R	
ACCESS					
DMA*	93; Disclosures Management Approach Report	●		L	
EU26	91	●		L	
EU27	90	●		L	
EU28	66	●		L	
EU29	66	●		L	
EU30	63	●		L	
PROVISION OF INFORMATION					
DMA*	Disclosures Management Approach Report	●		L	

● Fully Reported
◒ Partially Reported
○ Not reported

R Reasonable Verification
L Limited Verification
***** Specific indicator for this sector

EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

With reference to 2014 financial year, and according to No. 1, item c) of article 245º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the information foreseen in No. 1 item a) of the article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 3rd of March 2015

António Luís Guerra Nunes Mexia, Chairman

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Manuel Barreto Pita de Abreu

António Fernando Melo Martins da Costa

João Manuel Veríssimo Marques da Cruz

Miguel Stilwell de Andrade

EDP – Energias de Portugal, S.A.
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira
Senior Accounting Officer - Corporate Centre

STATEMENT

With reference to 2014 financial year, and according to No. 1, item c) of article 245º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the information foreseen in No. 1 item a) of article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. ("EDP"), and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP, and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 3rd of March 2015

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(This report is a free translation to English from the original Portuguese version In case of doubt or misinterpretation the Portuguese version will prevail)

To EDP – Energias de Portugal, S.A.

1 As a statutory auditor of EDP – Energias de Portugal, S.A., we present attached the Auditors' Report on the individual and consolidated financial statements, presented by the Executive Board of Directors of EDP - Energias de Portugal, S.A., for the year ended 31 December 2014, including the opinion on the consistency between the Executive Board of Directors report and the financial statements.

2 In the development of our audit functions, and in accordance with article 456º of the Companies Code, our procedures included i) the verification of the regularity of the accounting records and supporting documentation; ii) the verification, when it was thought appropriate and by the way deemed appropriate, of the extension of cash and the existence of any kind of goods or assets belonging to the company or received as collateral, deposit or otherwise; iii) the verification that the financial statements give a true and fair view, in all material respects of the financial position of the company and its group and the results of its operations, changes in equity and cash flows for the period ended 31 December 2014, in accordance with International Financial Reporting Standards as adopted by the European Union; iv) the verification of the application of accounting policies and criteria adopted by the company, in material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

3 Accordingly, we verified that the financial statements, as a whole, that include:

i) The statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the corresponding notes, present adequately the financial position and the results of EDP and its subsidiaries; and

ii) The financial information included in the Executive Board of Directors report is consistent with the financial statements.

4 We presented timely to the Audit Committee the statements provided in point a) and b) of paragraph 1 of Article 62-B of the Statute of OROC, in which we confirm our independence from EDP - Energias de Portugal, S.A. as well as all subsidiaries, associates and joint ventures included in its consolidation perimeter and communicate any additional services provided to EDP that were duly reported in the the Report on Corporate Governance prepared by the Executive Board of Directors.

Lisbon, 3 March 2015

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

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AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

**(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)**

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information included in the Executive Board of Directors report and in the accompanying consolidated financial statements as at and for the year ended 31 December 2014 of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated statement of financial position as at 31 December 2014 (showing total assets of 42,873,017 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 8,681,465 thousand Euros, including a net profit for the year attributable to equity holders of EDP of 1,040,448 thousand Euros), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the corresponding notes.

Responsibilities

2 The Executive Board of Directors is responsible for:

a) the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") that present fairly the consolidated financial position of the group of companies included in the consolidation, the consolidated results of its operations, the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows;

b) that the historical financial information prepared in accordance with IFRS is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ('CVM');

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced the activity of the companies included in the consolidation, their financial position or results.

3 Our responsibility is to verify the consolidated financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

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Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly our audit included:

- verification that the financial statements of the companies included in the consolidation have been properly audited and in those significant cases in which they were not, verification, on a sample basis, of the documents underlying the figures and disclosures contained therein, and an assessment of the estimates, based on judgments and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
- verification of the consolidation procedures and of the application of the equity method;
- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
- assessment of the applicability of the going concern principle;
- assessment of the appropriateness of the overall presentation of the consolidated financial statements; and
- assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code (*"Código das Sociedades Comerciais"*).

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2014, the consolidated results of its operations, the consolidated comprehensive income, the consolidated cash flows and the consolidated changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the consolidated financial information included in the Executive Board of Directors report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 3 March 2015

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AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Executive Board of Directors report and in the accompanying financial statements as at and for the year ended 31 December 2014 of **EDP – Energias de Portugal, S.A.,** which comprise the statement of financial position as at 31 December 2014 (showing total assets of 21,237,360 thousand Euros and shareholders' equity of 7,150,968 thousand Euros, including a net profit of 785,780 thousand Euros), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the corresponding notes.

Responsibilities

2 The Executive Board of Directors is responsible for:

a) the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") that present fairly the financial position of the company, the results of its operations, the comprehensive income, the changes in equity and the cash flows;

b) that the historical financial information prepared in accordance with IFRS is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ('CVM');

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced the activity of the company, its financial position or results.

3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

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Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:

- verification, on a sample basis, of the information underlying the figures and disclosures contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
- assessment of the applicability of the going concern principle;
- assessment of the appropriateness of the overall presentation of the financial statements; and
- assessment of whether the financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2014, the results of its operations, the comprehensive income, the changes in equity and the cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the financial information included in the Executive Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.°-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 3 March 2015

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INDEPENDENT ASSURANCE REPORT

(This Report is a free translation to English from the Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

To the Executive Board of Directors of
EDP - Energias de Portugal, S.A.

Introduction

1 We have been engaged by the Executive Board of Directors of EDP- Energias de Portugal, S.A ("EDP") to provide reasonable assurance in respect of the indicators identified in paragraph 4 of the scope paragraph and limited assurance in respect of the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report ("the Report") as a whole for the year ended 31 December 2014.

Responsibilities

2 The Executive Board of Directors of EDP is responsible for:

- The preparation and presentation of the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report in accordance with the Sustainability Reporting Guidelines (G4.0) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report, and the information and assertions contained within it;
- Determining EDP's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, in accordance with the principles of inclusiveness, materiality and response of AA1000APS (2008); and
- Establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

3 Our responsibility is to express, based on the work performed:

- A reasonable assurance conclusion on whether GRI indicators: Economic Data (G4-EC 1, G4-EC 4, G4-EC 5, G4-EC 9), Sector (G4-EU 1, G4-EU 2, G4-EU 3, G4-EU 4, G4-EU 5, G4-EU 15), Environmental (G4-EN 3, G4-EN 8, G4-EN 11, G4-EN 15, G4-EN 16, G4-EN 21, G4-EN 23; G4-EN 31), Product (G4-PR 3), Labour Practices (G4-LA 1, G4 10, G4-LA 6, G4-LA 9, G4-LA 12), Fines and Penalties (G4-EN 29, G4-SO 7, G4-SO 8, G4-PR 9) Absenteeism rate, Billing of Energy Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, are free from material misstatement; and
- A limited assurance conclusion on whether the information on the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report, as a whole, as of and for the year ended 31 December 2014, is not free from material misstatement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants.

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Our work included also a moderate level of assurance in accordance with the AA1000 Accountability Assurance Standard 2008 (AA1000AS) (Type 2) issued by Accountability, that consists in the verification of the nature and extent of the organization's adherence to the AA1000APS (2008), and the evaluation of the reliability of the performance information as reported in the appendix "Sustainability Reporting".

These Standards require that we comply with applicable ethical requirements, including independence requirements.

Scope

4 The scope of our work was as follows:

- Reasonable Assurance:

  A reasonable assurance engagement with respect to the indicators: Economic Data (G4-EC 1, G4-EC 4, G4-EC 5, G4-EC 9), Sector (G4-EU 1, G4-EU 2, G4-EU 3, G4-EU 4, G4-EU 5, G4-EU 15), Environmental (G4-EN 3, G4-EN 8, G4-EN 11, G4-EN 15, G4-EN 16, G4-EN 21, G4-EN 23; G4-EN 31), Product (G4-PR3), Labour Practices (G4-LA 1, G4 10, G4-LA 6, G4-LA 9, G4-LA 12), Fines and Penalties (G4-EN 29, G4-SO 7, G4-SO 8, G4-PR 9) Absenteeism rate, Billing of Energy Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, involves performing procedures to obtain sufficient evidence to give reasonable assurance that the indicators disclosed are free from material misstatement whether caused by fraud or error. The procedures performed depend on professional judgment, including the assessment of the risk of material misstatement in the indicators mentioned above, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to EDP in the preparation and presentation of the referred indicators in order to design assurance procedures that are appropriate in the circumstances. Our engagement also included assessing the suitability of the criteria used by the Board of Directors of EDP in the preparation of the indicators, as explained in the chapter "Report Profile"and appendix "Sustainability Reporting" of the EDP Annual Report, in the evaluation of the appropriateness of the quantification methods, in the reporting of the policies used and the reasonableness of the estimates made by EDP.

  Among others, our procedures included:

  - Interviews with relevant responsible persons and relevant staff at operating and corporate level concerning the identification of the indicators mentioned above;
  - Interviews with relevant responsible persons and relevant staff at operating and corporate level concerning the preparation of the indicators;
  - Evaluation of the systems used for collection, calculation and reporting of the indicators;
  - Recalculation of the indicators at corporate and operational level; and
  - Validation of the design and effectiveness of controls.

  We understand that the evidence obtained is sufficient and appropriate for the expression of our conclusion.

- Limited assurance:

  Our limited assurance engagement on the sustainability information consisted in inquiries, primarily of persons responsible for the preparation of information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report as a whole

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for the year ended 31 December 2014, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with relevant responsible persons and relevant staff at corporate and operational level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at corporate operational level responsible for the preparation of the sustainability information;
- Visits to operating sites in Portugal, Spain and Brazil, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria;
- Comparing the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the Report for the year ended 31 December 2014 to corresponding information sources to determine whether all the relevant information contained in such underlying sources has been included in the Report;
- Reading the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of EDP.

The extent of evidence gathering procedures performed in a limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing and Assurance Engagements, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion on the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report as a whole.

5 Our multidisciplinary team included specialists in AA1000APS, stakeholder dialogue, social, environmental and economic business performance.

Conclusion

6 Based on the procedures performed, as described above:

- We conclude that the indicators: Economic Data (G4-EC 1, G4-EC 4, G4-EC 5, G4-EC 9), Sector (G4-EU 1, G4-EU 2, G4-EU 3, G4-EU 4, G4-EU 5, G4-EU 15), Environmental (G4-EN 3, G4-EN 8, G4-EN 11, G4-EN 15, G4-EN 16, G4-EN 21, G4-EN 23; G4-EN 31), Product (G4-PR 3), Labour Practices (G4-LA 1, G4 10, G4-LA 6, G4-LA 9, G4-LA 12), Fines and Penalties (G4-EN 29, G4-SO 7, G4-SO 8, G4-PR 9) Absenteeism rate, Billing of Energy Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, are presented in all material respects, in accordance with the Sustainability Reporting Guidelines (G4.0), of the Global Reporting Initiative (GRI) as described in the chapter "Performance" and appendix "Sustainability Reporting" of EDP's Annual Report.
- Nothing has come to our attention that causes us to believe that the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of EDP's Annual Report for the year ended 31 December 2014 is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4.0) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the appendix "Sustainability Reporting" of EDP's Annual Report. Additionally and also based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that EDP has not applied the principles of inclusivity, materiality and responsiveness

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as included in the AA1000 Accountability Principles Standard 2008, as described in the appendix "Sustainability Reporting" of EDP's Annual Report.

Without affecting our conclusions presented above, we present some of the key observations:

In relation to the Inclusiveness principle

EDP has consolidated its process of stakeholders' consultation in the different countries where operates, in line with the stakeholder management model defined at the corporate level, however it still needs to ensure better harmonization across geographies. EDP annually performs specific initiatives of relationship with some groups of stakeholders, ensuring inclusion and the review of stakeholder expectations on a regular basis and monitored at the highest level of corporate management.

In relation to the Materiality principle

EDP has established a comprehensive process for determining material issues, which consolidates a vision at the corporate and local levels. The outputs resulting from the identification of material issues reflect the main themes for the energy sector, regions where the group is present and main stakeholder's groups. EDP ensure the enlargement of the materiality process scope to all geographies where the group operates.

In relation to the Responsiveness principle

EDP address the answer of its main stakeholders' expectations by defining a set of goals and targets, however should improve the alignment and communication of its commitments and corporate goals to the most relevant material issues identified by stakeholders.

Our assurance report is made solely to EDP in accordance with the terms of our engagement. Our work has been undertaken so that we might state to EDP those matters we have been engaged to state in this assurance report and for no other purpose. We do not accept or assume responsibility to any third party other than EDP for our work, for this assurance report, or for our conclusions.

Lisbon, 3 March 2015

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

AA1000
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Independent Evaluation Report on the Internal Control System Over Financial Reporting of EDP Group

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

To the
Executive Board of Directors
EDP – Energias de Portugal, S.A.

Introduction

1 We were engaged by EDP – Energias de Portugal, S.A. ("EDP" or "the Company") to perform a work to assess the internal control system over consolidated financial reporting ("SCIRF") of the Company and its subsidiaries ("Group" or "EDP Group") as at 31 December 2014, based on the criteria established in the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) in relation with global business and control procedures, and with the Control Objectives for Information and Related Technologies ("COBIT") in relation to the general information technologies controls.

Responsibilities

2 The Executive Board of Directors is responsible for adopting adequate measures to ensure to a reasonable degree of security the implementation and maintenance of an adequate internal control system over the consolidated financial reporting and the proper development of improvements to the system.

3 Our responsibility is to assess and express a conclusion, with reasonable assurance, on the effectiveness of the EDP Group's internal control system over consolidated financial reporting.

Scope

4 The internal control system over the consolidated financial reporting is a process designed, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles and includes policies and procedures that:

- respect to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of assets of EDP Group;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of EDP Group are being made only in accordance with authorizations of the Executive Board of Directors and Directors of EDP or Directors and Management of EDP subsidiaries; and
- provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisitions, use or disposals of assets of EDP Group that could have a material effect on the consolidated financial statements.

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5 Our work was conducted in accordance with the International Standard on Assurance Engagements - "ISAE 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform our work to obtain reasonable assurance about whether the Group's internal control system is effective in all material respects.

6 Our evaluation included obtaining an understanding of the Group's internal control system over the consolidated financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk and performing such other procedures as we considered necessary in the circumstances.

7 We believe that the work performed provides a reasonable basis for our conclusion.

8 Due to the limitations inherent in any form of internal control system, there is a possibility that internal control over consolidated financial reporting may not prevent or detect the errors or irregularities that might arise, whether due to collusion, errors in judgment, human error, fraud or malpractice. Also, projections of any evaluation of effectiveness to future periods of the internal control over consolidated financial reporting are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Conclusion

9 In our opinion, the Group's internal control system over consolidated financial reporting as at 31 December 2014 is adequate and effective, in all material aspects, according to the criteria established in the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) in relation with global business and control procedures, and with the Control Objectives for Information and related Technologies (COBIT) for general information technologies controls.

10 On 3 March 2015 we issued our audit report on the consolidated financial statements of the Group as at 31 December 2014, expressing an unqualified opinion.

11 This report has been prepared according to your request in accordance with terms as described in paragraph 1. We do not accept any liability to any third parties other than the intended recipients of this report.

Lisbon, 3 March 2015

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vítor Manuel da Cunha Ribeirinho (ROC n.º 1081)

---------------------- Extract of Minutes no. 1/2015 of the General Shareholders' Meeting --------------------

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--- On the twenty-first of April, of the year of two thousand and fifteen, at fifteen hours, at Avenida 24 de Julho, 12 to 12D, in Lisbon, the General Shareholders' Meeting of EDP – Energias de Portugal, S.A., a listed company (hereinafter referred to as "EDP" or "Company"), with head office at Praça Marquês de Pombal, 12, in Lisbon, with the share capital of € 3 656 537 715, with the sole number with the tax authorities and with the Commercial Registry Office of Lisbon 500 697 256, met. The meeting took place outside of the Company's head office since it did not allow the meeting to occur in satisfactory conditions, considering, as EDP is a listed company, the high level of shareholders participating. --------

The Chairman of the General Shareholders' Meeting Mr. Rui Eduardo Ferreira Rodrigues Pena welcomed all present - namely the shareholders and their representatives, the members of the General and Supervisory Board, the members of the Executive Board of Directors, Ms. Susana de Macedo Melim de Abreu Lopes of KPMG & Associados – Sociedade de Revisores oficiais de Contas, S.A representative of the Statutory Auditor, the Chairman of the Remuneration Committee elected by the General Shareholders, his colleagues of the Board of the General Shareholders and the guests, and expressed his satisfaction with the meeting taking place in the new premises of EDP´s future head office, such fact being one more milestone in the life of the company.---

--- The Chairman of the General Shareholders' Meeting, then informed that, before the beginning of the works, an institutional movie of EDP would be presented.--

--- After the presentation of the institutional movie, the Chairman of the General Shareholders' Meeting explained the participation procedures in the present General Shareholders' Meeting and the respective functioning, which are provided in the General Shareholders´ Meeting folder, namely: notice to convene meeting, accounts' reporting documents, opinions and statements of the relevant Corporate Bodies, resolution proposals and EDP By-Laws in force. Afterwards, and assisted by the Vice-Chairman of the General Shareholders' Meeting, Mr. Rui Pedro Costa Melo Medeiros, and by the Company Secretary, Ms. Maria Teresa Isabel Pereira, the Chairman of the General Shareholders' Meeting verified the regularity of the notice to convene the meeting through the mandatory publications made at the Ministry of Justice's, CMVM's and EDP's websites, as well as in the Euronext's Official Listing Bulletin.--

--- The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the attendance list was duly organized and that there were representation letters for the shareholders that were legal persons or that were not physically present. ---

--- Afterwards, the Chairman of the General Shareholders' Meeting and the Company Secretary verified the percentage of the share capital present or represented at the General Shareholder's

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Meeting – which, adding the correspondence votes, represented 76.2524% of the share capital and the voting rights – based upon the shares' registry statements issued by the financial intermediaries responsible for the individual registry of shares for each shareholder. ---

--- Following, considering that the agenda included the modification of the articles of association, the Chairman of the General Shareholders' Meeting informed that the constitutive quorum of the general meeting was higher than one third of the share capital and that therefore there were legal conditions for the taking of resolutions on the modification of the articles of association. --------------------------------

--- The Chairman of the General Shareholders' Meeting proceeded underlining that the exercise of participating and voting rights at the General Shareholders' Meeting would not be prejudiced by the transfer of shares after the registration date (14th of April 2015), nor was dependent from the respective block between registration date and the present date. Nevertheless, the Chairman of the General Shareholders' Meeting referred that shareholders that declared their intention to participate at the General Shareholders' Meeting and, meanwhile, transferred ownership of their shares between registration date and the General Shareholders' Meeting were obliged to communicate it immediately to the Chairman of the General Shareholders' Meeting and to the Portuguese Securities Market Commission. ---

--- The Chairman of the General Shareholders' Meeting mentioned, subsequently that shareholders who, by professional title, own shares on its own name, but on behalf of clients, may vote on a different way with its shares, as long as, beyond the participating statement and the sending, by the respective financial intermediary, of the shares' registry statements, they had presented to the Chairman of the General Shareholders' Meeting, until 23:59 hours (GMT) of the 13th of April 2015 – with sufficient and proportional evidence, being understood that the indication of the number of corporate entity issued by the competent authority of the origin country – the following information and documentation: (i) identification of each client and number of shares to vote on its own account and (ii) vote instructions, which shall be specific for each different item of the agenda and shall be given by each client. The Chairman of the General Shareholders' Meeting referred also that in case one shareholder had designated several representatives regarding shares held in different book-entry registries, and these representatives vote in a different way regarding the same proposal, all the expressed votes may be annulled. If any of the representatives would not attend the General Shareholders' Meeting, the votes of the representatives present would be considered, as long as all of the representatives vote in the same way. The presence at the General Shareholders' Meeting of a shareholder that had designated one or more representatives revokes the representation powers conferred. ---

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--- Following, the Chairman of the General Shareholders' Meeting also stated that, according to article 14, number 3 of EDP's By-Laws, votes would not be cast in the event that they exceeded 25% of the total votes, situation that was not verified at the date of the General Shareholders' Meeting. ------------

--- The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the remaining General Shareholders' Meeting's prior formalities were observed, namely, that the proposals and other information in relation to the nine items of the agenda were made available to shareholders, at the head office and at the CMVM's and EDP's websites, within the periods provided for by law. --

(...)--

--- Following all these verifications, the Chairman of the General Shareholders' Meeting declared having sufficient conditions to initiate the works, as the General Shareholders was validly constituted and ready to deliberate, and proceeded by reading the agenda, according to the notice to convene meeting, with the following content: ---

Item One – Resolve on the approval of the individual and consolidated accounts' reporting documents for 2014, including the global management report (which incorporates a chapter regarding corporate governance), the individual and consolidated accounts, the annual report and the opinion of the General and Supervisory Board (which incorporates the annual report of the Financial Matters Committee /Audit Committee) and the legal certification of the individual and consolidated accounts.

Item Two – Resolve on the allocation of profits in relation to the 2014 financial year. -----------------------

Item Three – Resolve on the general appraisal of the management and supervision of the company, under article 455 of the Portuguese Companies Code. ---

Item Four – Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and subsidiaries of EDP. --

Item Five – Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and subsidiaries of EDP.---

Item Six – Resolve on the remuneration policy of the members of the Executive Board of Directors presented by the Remunerations Committee of the General and Supervisory Board. ------------------------

Item Seven – Resolve on the remuneration policy of the other members of the corporate bodies presented by the Remunerations Committee elected by the General Shareholders' Meeting. -------------

Item Eight – Resolve on the modification of the following dispositions of EDP' By-Laws: (i) article 4, through alteration of its numbers 2 and 3 and withdraw of its numbers 4 and 5, (ii) article 11, through alteration of its number 4, (iii) article 16, through alteration of its numbers 2 and 4. -------------------------

Item Nine – Resolve on the election of (i) the members of the General and Supervisory Board, (ii) the members of the Executive Board of Directors, (iii) the Statutory Auditor and the Alternate Statutory

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Auditor, (iv) the members of the Board of the General Shareholders' Meeting, (v) the members of the Remunerations Committee to be nominated by the General Shareholders' Meeting (including their respective remuneration) and (vi) the members of the Environment and Sustainability Board, for the three year period 2015-2017. ---

--- The Chairman of the General Shareholders' Meeting initiated the works of the General Shareholders' Meeting by submitting to discussion **Item One** in the agenda – "*Resolve on the approval of the individual and consolidated accounts' reporting documents for 2014, including the global management report (which incorporates a chapter regarding corporate governance), the individual and consolidated accounts, the annual report and the opinion of the General and Supervisory Board (which incorporates the annual report of the Financial Matters Committee /Audit Committee) and the legal certification of the individual and consolidated accounts*".--

(…) --- --

--- Subsequently, Mr. Rui Eduardo Ferreira Rodrigues Pena granted permission to speak to the Chairman of the Executive Board of Directors, Mr. António Luís Guerra Nunes Mexia, in order to present a summary of the Company activity during 2014, as reflected in the annual management report and in the individual and consolidated accounts.---

(…)--

--- The Chairman of the General Shareholders' Meeting thanked Mr. António Luís Guerra Nunes Mexia for his presentation and granted permission to speak to the Chairman of the General and Supervisory Board, Prof. Eduardo de Almeida Catroga in order to present the opinion and report of the activity of the corporate body chaired by him regarding 2014. ---

(…)--

--- The Chairman of the General Shareholders' Meeting thanked the intervention of the Chairman of the General and Supervisory Board and declared open the debate regarding Item One of the agenda.(…) --

--- After the debate and since no other person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal, having been issued 2,786,343,629 votes, corresponding to 2,786,343,629 shares, which represent 76.2017% of the share capital. As abstentions are not considered, the sole management report, the other accounts' reporting documents regarding 2014 and the Report of the General and Supervisory Board were approved by majority of the votes cast (99.9997% of votes in favour). --

--- The Chairman of the General Shareholders' Meeting proceeded the works, regarding **Item Two** of the agenda, which content is as follows: – "*Resolve on the allocation of profits in relation to the 2014 financial year*". ---

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--- Subsequently the Chairman of the General Shareholders' Meeting read the proposal presented by the Executive Board of Directors, within the scope of item two of the agenda, according to following terms: --

"In accordance with number 1 of article 30 of EDP's Articles of Association, the Executive Board of Directors hereby proposes for approval by the Shareholders the following allocation of profits, in the total value of € 785,779,976.18: ---

Legal reserve	*€ 39,543,755.03* --------------------------
Dividends (The proposed dividend is € 0.185 per share)	*€ 676,459,47.28* --------------------------
Endowment to EDP Foundation	*€ 7,200,000.00* ---------------------------
Profit forwarded	*€ 62,831,500.09"* ------------------------

--- After reading out, Mr. Rui Eduardo Ferreira Rodrigues Pena granted permission to speak to the Chairman of the Executive Board of Directors, Mr. António Luís Guerra Nunes Mexia in order to present the allocation of profits proposal, who waived the permission granted.-------------------------------

--- Following that, the Chairman of the General Shareholders' Meeting granted permission to speak to the Chairman of the General and Supervisory Board, in order to present the appreciation made by the aforesaid corporate body regarding EDP Foundation activities plan. (…) ---

--- The Chairman of the General Shareholders' Meeting thanked the presentation of the Chairman of the General and Supervisory Board and declared opened the discussion regarding Item Two of the agenda. (…)--

--- Having confirmed that none of the shareholders asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Two of the agenda, having been issued 2,785,307,235 votes, corresponding to 2,785,307,235 shares, which represent 76.1733% of the share capital. As abstentions are not considered, the aforementioned proposal was approved by majority of the votes cast (99.9999% of votes in favour).--

--- Next entering into **Item Three** of the agenda, the Chairman of the General Shareholders' Meeting read its content, namely, *"Resolve on the general appraisal of the management and supervision of the company, under article 455 of the Portuguese Companies Code*". ---

--- Following the Chairman of the General Shareholders' Meeting explained that, about this item of the agenda, a proposal was presented to him on 16th of March, by the shareholders CWEI (Europe), S.A., Oppidum Capital, S.L. and Fundação Millenium BCP, document attached to these minutes, and read the same proposal, as follows: --

"*Considering article 455 of the Portuguese Companies Code and the quality of the performance of the members of the management and supervision bodies of EDP - Energias de Portugal, S.A. who exercised their functions during 2014:* ---

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The Shareholders propose: ---

1º - A vote of confidence and praise to the Executive Board of Directors and each of its members for the performance of their offices during 2014 financial year. ---

2º - A vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2014 financial year. ---

3º - A vote of confidence and praise to the Statutory Auditor for the performance of its office during 2014 financial year".--

--- Subsequently, the Chairman of the General Shareholders' Meeting reminded that, in accordance with the information included in the notice to convene, and without prejudice to the discussion being jointly made, the voting of this item would be made separately, and so it should be made by sub items as following: ---

1. Vote of confidence and praise to the Executive Board of Directors and each of its members for the performance of their offices during 2014 financial year. ---
2. Vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2014 financial year.---
3. Vote of confidence and praise to the Statutory Auditor for the performance of its office during 2014 financial year. ---

--- Following, the Chairman of the General Shareholders' Meeting also informed that he had received the Opinion of the General and Supervisory Board on the vote of confidence to the Executive Board of Directors regarding 2014 (document attached to these minutes), and granted the right to speak to the Chairman of the General and Supervisory Board in order that he present the said opinion. ----------------

The Chairman of the General and Supervisory Board thanked the granting of the right to speak and proceeded to present the Opinion of the General and Supervisory Board on the vote of confidence to the Executive Board of Directors regarding 2014, as follows:--

"*As established on the article 22º nº 1 h) of the Articles of Association of EDP, the General and Supervisory Board (GSB) must "Issue an opinion, by its own initiative, or when so requested by the Chairman of the Executive Board of Directors (EBD), on the annual vote of confidence which is referred in the article 455º of the Portuguese Code of Commercial Companies*." ---

The GSB, in the uncompromising pursuit of the interests of the EDP and in the exercise of its powers and without prejudice to the principle of institutional cooperation that steers the relationship with the EBD, believes and has also put into practice a principle of maximum exigency and accountability, which has special significance in terms of the assessment of the work and performance of the Executive Board of Directors. --

EDP established a formal and impartial process to assess the work of the Executive Board of Directors. This distinctive practice adopted by the General Supervisory Board directly contributes to the Dow Jones Sustainability Index evaluation, and it acknowledges the continued endeavor for excellence in corporate governance practices that the General Supervisory Board has sought to develop. ---------------

At the beginning of 2015, the members of the General Supervisory Board were invited to complete a questionnaire to assess the Executive Board of Directors, which was divided into two major areas: ------

- *Assessment of the adequacy of aspects of a formal and organizational nature. ---------------------------*
- *Material assessment of the work of the Executive Board of Directors.--*

The purpose of the questionnaire was to be an impartial support document for the General Supervisory Board 's appraisal with a view to the assessment of the Executive Board of Directors that it has to issue and present to EDP's shareholders to vote on. ---

Based on the answers to the questionnaires, the General Supervisory Board jointly analysed these data at the meeting of 3 March 2015, and drew its conclusions. Hence, pursuant to its rules, which were approved in line with best corporate governance practices, the General Supervisory Board wishes to record the following conclusions on the assessment of the work and performance of the Executive Board of Directors in 2014.---

The General Supervisory Board assessed all aspects under evaluation as satisfactory. These being: -----

- *Organization and powers of the Executive Board of Directors ---*
- *Compliance with the provisions defined by the General Supervisory Board concerning: ---------------*

- The issue and waiving of prior opinions --

- Handling conflicts of interest --

- Independence of the Statutory Auditor and of the External Auditor. --

The General Supervisory Board considered the overall performance of the Executive Board of Directors in 2014 to be excellent, with particular emphasis on the following areas of activity: --------------------------

- *Strategy ---*
- *Financing---*
- *Information and management control --*
- *Preparation of financial and accounting information---*

Regardless of the assessment results obtained, the work of the Executive Board of Directors is underpinned by the continual improvement of its performance, both in terms of carrying out its duties and the relationship with the other bodies and corporate bodies of EDP, and also in the best interests of the shareholders.--

Proposal ---

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On the basis of this analysis, at the aforementioned meeting the General Supervisory Board decided to classify the overall work of the Executive Board of Directors during the business year 2014 as excellent. Therefore, the General Supervisory Board unanimously decided to issue its favorable opinion on the activity and performance of the EBD during 2014 and to transmit to the Shareholders its support to the vote of confidence and praise to the Executive Board of Directors, to its Chairman, Mr. António Mexia, and to each of its Members".---

--- After the intervention of the Chairman of the General and Supervisory Board, the Chairman of the General Shareholders' Meeting thanked him and asked if any of the proposing shareholders wished to speak to present the proposal, being the answer negative.---

--- Afterwards, Mr. Rui Eduardo Ferreira Rodrigues Pena declared open the discussion on Item Three of the agenda.--

--- Within the scope of the discussion of this item, the shareholder Mr. Luís António Dinis Correia handed a Point of Order to the Chair, which was immediately rejected by unanimous decision of the members of the chair on the grounds that there is no legal duty to clarify by the Chairman of the General Supervisory Board regarding the question formulated by the referred shareholder when item One of the agenda was discussed, as it is a recurrent subject largely discussed in the previous year General Shareholders´ Meeting, which was duly clarified by the Support Office of the General Supervisory Board and was not included in items of this meeting´s agenda. (…) -----------------------------

--- Concluded the interventions, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding "*vote of confidence and praise to the Executive Board of Directors and each of its members for the performance of their offices during 2014 financial year"*, having been issued 2,773,668,375 votes, corresponding to 2,773,668,375 shares, which represent 75.8550% of the share capital. As abstentions are not considered, the aforementioned proposal was approved by majority of the votes cast (99.9907% of votes in favour).--

--- Afterwards, the Chairman of the General Shareholders' Meeting submitted to vote the proposal *"vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2014 financial year",* having been issued 2,773,430,651 votes, corresponding to 2,773,430,651 shares, which represent 75.8485% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.9901% of votes in favour). --

--- Following that, the Chairman of the General Shareholders' Meeting submitted to vote the proposal "*vote of confidence and praise to the Statutory Auditor for the performance of its office during 2014 financial year",* having been issued 2,773,696,839 votes, corresponding to 2,773,696,839 shares, which represent 75.8558% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.9374% of votes in favour). -------------------------

---- The Chairman of the General Shareholders' Meeting then received from the shareholder Mr. Luís António Dinis Correia, holder of 3 534 shares representing the share capital of EDP, a vote declaration referring to vote of confidence and praise to the General and Supervisory Board and to each of its members, which is reproduced herein as follows and is filed as an attachment to these minutes:--------

"Vote declaration---

I vote against the "vote of confidence and praise" to the General Supervisory Board because of the conduct adopted by its Chairman, having been asked several time for answers for more than three years (after extraordinary GSM of 20-Fev-2012), never having done so, using different misunderstandings, which does not fit the "company with character" in the words of the CEO. -----------

Luís António Dinis Correia ---

Shareholder 313144". --

--- The Chairman of the General Shareholders' Meeting continued the works and informed that Items Four and Five of the Agenda would be jointly discussed, without prejudice to the voting being made separately. ---

--- The Chairman of the General Shareholders' Meeting continued the works by reading the content of **Item Four** of the agenda – *"Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and subsidiaries of EDP"* – and **Item Five** of the agenda – "*Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and subsidiaries of EDP".*--

--- After reading the items of the agenda, the Chairman of the General Shareholders' Meeting asked the shareholders that were present to waive the reading of the proposal presented by the Executive Board of Directors relating to *(i)* authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and subsidiaries of EDP and to *(ii)* authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and subsidiaries of EDP, which are reproduced herein as follows and are filed as an attachment to these minutes, since the referred proposals are known by all: ---

"---PROPOSAL OF ITEM 4 OF THE AGENDA --

Grant authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and subsidiaries of EDP **---**

Considering:---

A) The legal regulations applicable to the acquisition and sale of own shares by limited liability companies set forth in the Portuguese Companies Code; ---

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B) The permission granted on no. 3 of article 5 of the Articles of Association to acquire, hold and sell own shares, as provided in the law and up to the limits set forth in the law; ------------------------------------

C) The provisions laid down in Regulation (EC) 2273/2003 of the European Commission dated December 22nd, 2003, that established a special regime contemplating, namely, requirements to exempt from the general regime of market abuse for certain programs of reacquisition of own shares that should be taken into consideration even if the acquisition of own shares is not integrated on the reacquisition programs covered by the referred Regulation;--

D) The obligation to communicate and disclose the execution of own shares' operations by companies listed into trading that are provided for in CMVM's Regulation no. 5/2008, in its current version; --------

E) The authorization granted to the Executive Board of Directors to buy and sell own shares by resolution of the General Shareholders' Meeting of May 12th, 2014 by virtue of which EDP carried out stock operations on own shares and currently holds, directly or through its subsidiaries, 21,755,399 own shares; --

F) From the Company's point of view it is deemed convenient for EDP and its subsidiaries to hold an authorization to buy or to sell own shares, namely considering the stock-options programs previously approved or for any actions deemed necessary or appropriate for the development of the Company's interests;---

The Executive Board of Directors proposes that the Annual General Shareholder's Meeting: ---------------

1. Approves to grant authorization to the Executive Board of Directors of EDP and the management bodies of EDP's subsidiaries for acquiring or selling own shares;---

2. Approves the acquisition by EDP, or any of its current or future subsidiaries, of own shares, including acquisition or allocation rights, subject to decision of the Executive Board of Directors of EDP and under the following terms and conditions: ---

a) Maximum number of shares to buy: to a total not exceeding 10% of the share capital of EDP, less any sales that might have occurred, regardless of the exceptions included in number 3 of article 317 of the Portuguese Companies Code and the number of shares required for the buying entity to comply with its commitments set forth by law, contract, issue of securities or contractual requirement regarding the provision of stock-options previously approved programs for the Executive Board members to purchase shares, subject to, if required and in compliance with legislation, the subsequent sale of shares exceeding the foregoing threshold; ---

b) Period during which shares can be acquired: eighteen months from the date of this resolution; -------

c) Forms of acquisition: acquisition of shares or shares purchase or allocation rights, against payment, in any shape or form and pursuant to the terms and limits peremptorily determined in legislation, *either in regulated market where EDP shares have been admitted for trading or outside of stock market, respecting the principle of shareholder equal treatment, under the legal terms applicable, namely through (i) transaction performed outside regulated market with entity (ies) selected by the Executive Board of Directors, including financial institution(s) with which EDP or a subsidiary has entered into an equity swap agreement or similar derivative financial instrument agreement, or (ii) any acquisition of any form in order to or for the purpose of complying with any legal or contractual requirements, or the conversion or exchange of convertible or exchangeable securities issued by the company or a subsidiary, under the terms of the respective issuance conditions or agreements executed in relation to such conversion or exchange;---*

d) Minimum and maximum consideration for acquisitions: the maximum and the minimum buying price shall be, respectively, 120% and 80% of the weighted daily average of the closing price of EDP shares in the last 5 sessions of the Euronext Lisbon immediately prior to the date of acquisition or the date on which the right to acquire or allocate shares was attained, or it will correspond to the acquisition price arising from contractual financial instruments, from the issuance conditions established by the company or any subsidiary, from securities convertible into or exchangeable for shares of the company, or any agreement entered into concerning such conversions or exchanges.------

e) When to acquire: to be determined by the Executive Board of Directors of EDP, considering the security market situation and the convenience or commitments of the buying entity, of any of its subsidiaries or of the buyer(s). Acquisitions may occur on one or more occasions, broken down in the manner that the referred Board deems appropriate. ---

3. Approves the selling of own shares, including the right to acquire and to hold, that have already been acquired by EDP or any of its current or future subsidiary, subject to decision by the Executive Board of Directors of EDP and under the following terms and conditions:--

a) Minimum number of shares to sell: the number of sale transactions and the number of shares to sell shall be determined by the Executive Board of Directors of EDP, whenever deemed necessary or convenient for the development of the corporate interest or for compliance with legal or contractual obligations. Sales transactions include the allocation of stock purchase options under the abovementioned stock-option programs;---

b) Period during which shares can be acquired: eighteen months from the date of this resolution; -------

c) Forms of selling: selling of shares or share purchase or allocation rights, against payment, in any shape or form and pursuant to the terms and limits peremptorily determined in legislation, namely by sale or exchange, by negotiating proposal or public offer, respecting the principle of shareholder equal treatment under the applicable legal terms, to perform on regulated market where EDP shares have been admitted for trading or through transaction performed outside regulated market with entity (ies)

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selected by the Executive Board of Directors, including financial institution(s) with which EDP or a subsidiary has entered into an equity swap agreement or similar derivative financial instrument agreement, or through sale, in any title, in compliance with legal or contractual obligations, or even with the intention or meeting any commitment made in regard to EDP's stock-options programs incorporated under the express approval of the Annual General Shareholder's Meeting;--------------------

d) Minimum Price: the minimum selling price shall be either (i) no less than 80% of the weighted daily average of the closing price of EDP shares in the last 5 sessions of the Euronext Lisbon immediately prior to the date of the sale, except when the purpose of the sale is to permit the full implementation of stock-options programs that have been created under the express approval of the General Meeting of Shareholders, or (ii) it shall be the price that was set or results from the terms and conditions of the issuance of other securities, namely convertible or exchangeable securities, or from a contract entered into in regard to such issue, conversion or exchange, relative to a sale obliged by the same;---------------

e) When to sell: the Executive Board of Directors of EDP shall determine the timing of each transaction in view of the securities market conditions and whether the sale is appropriate to or complies with the requirements of the selling entity, the Company or its subsidiary. Sales transactions may occur one or more times, broken down in the manner the referred Executive Board deems appropriate.-----------------

4. Approves that the Executive Board of Directors be indicatively notified that, without prejudice to its freedom to decide and to act as per the resolutions taken in respect to paragraphs 1 to 3 precedent, in as much as possible and under the terms and according to the circumstances it deems appropriate – particularly in relation to acquisitions forming part of stock repurchase programs for the purpose of covering bond or other securities' conversion rights, or stock-options programs or similar rights, or other programs that may be governed by the Regulation mentioned in Recital C) – it should not only consider the legislation applicable regarding the disclosure of remuneration policy of the corporate bodies and the Securities Market Commission recommendations in force but also the following recommended practices concerning the buying and selling of own shares in accordance with the authorizations granted under the previous paragraphs: --

a) Disclose to the public, before beginning purchase and sale transactions, the contents of the authorization referred to in the foregoing paragraphs 1 to 3, in particular, the objective, maximum acquisition counter value, maximum number of shares to buy and the authorized timeframe established for the transaction;--

b) Record each transaction performed in the ambit of the preceding authorizations;-------------------------

c) Perform stock transactions in such a manner, in terms of timing, form and volume, that does not disturb the regular operation of the market, trying to avoid execution during sensitive trading periods, *in particular the opening and closure of a session, at times when the market is disturbed, or when relevant facts are announced or financial results are being disclosed; --*

d) Restrict acquisitions to 25% of the average daily trading volume, or to 50% of this trading volume provided that the competent authority is previously notified of the intention of exceeding that limit;

e) Publicly disclose of any transactions performed, that are relevant according to the applicable regulations, until the end of the third trading day subsequent to the date on which such transaction occurred;---

f) Communicate to the competent authority, until the end of the third working day counting from the transaction date, all acquisitions and sales performed; --

g) Refrain from shares selling when stock repurchase transactions are occurring under the auspices of the program governed by the Regulation referred to in Recital C). ---

For that purpose and in the event of acquisitions under stock repurchasing programs, or other plans that might be covered by the Regulation referred to on C), the Executive Board of Directors may divide up acquisitions and their conditions according to the respective program. It may provide information of such division in any public disclosure that may be made ". --

"---PROPOSAL OF ITEM 5 OF THE AGENDA ---------------------------------------

Grant authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and subsidiaries of EDP **---**

"Considering that: ---

A) The Articles of Association allow, according to number 1 of article 6, to carry out transactions legally permitted by law involving its own bonds or other securities issued by EDP; ------------------------------------

B) It is deemed appropriate from the Company's and Group EDP point of view, that EDP holds an authorization to acquire or to sell own bonds;---

The Executive Board of Directors proposes to the General Shareholders' Meeting the approval of the following resolution:---

To approve the granting of the authorization to allow EDP's Executive Board of Directors to buy or to sell own bonds or, independently of the applicable jurisdiction, other securities representative of debt of EDP and/or of its current or future subsidiaries, for a period of 18 months and under any business condition or negotiation structure, either out of the Stock Exchange or within national or international regulated markets, applying or not to a financial trustee, through direct transaction or by means of derivative instruments, as well as in accordance with further condition and the following restraints:----

1. Acquisition --

1.1. Maximum number of bonds to buy: ---

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a) When the acquisition is for amortization, partial or total, of the bonds acquired, until the total number of bonds of each issuance; ---
b) When the acquisition has other purpose, until the limit correspondent to 10% of the nominal aggregate amount of all bonds issued, deducted the sales performed, without prejudice of the exceptions foreseen on no. 3 of article 317 of the Portuguese Companies Code and of the quantity that is required for the compliance of buyer obligations pursuant to law, agreement or securities issuance;
1.2. Minimum and maximum consideration of the acquisition: --
a) The maximum and minimum buying price will be, respectively, 120% and 80% of the weighted average of the closing price of the issuance published in the last 5 negotiation sessions prior to the date of acquisition or it will be correspondent to the acquisition price resulting from financial instruments entered into or from the respective issuance terms;---
b) The maximum and minimum buying price concerning issuances not listed in the Euronext Lisbon, irrespective of being listed or not in other markets, its average buying and selling price published by an entity internationally well known in the bond market;---
c) For issuances not complying with the previous paragraph, the limit price is the value indicated by an independent and qualified consultant or by a financial trustee appointed by the Executive Board of Directors; --
d) In the case where a transaction results from or has to do with contractual conditions contemplated in another securities issuance, the price will be the value that results from the said contractual conditions;--
1.3. Moment of acquisition: the Executive Board of Directors shall determine the timing of each transaction and acquisition may take place one or more times, depending on what the Board deems more appropriate from the Company's point of view. ---
2. Selling --
2.1. Maximum number of bonds to sell: the total number of bonds held; ---------------------------------------
2.2. Minimum consideration of the sale: ---
a) The minimum selling price will be 80% of the weighted average of the closing price of the issuance in the last 5 negotiation sessions prior to the date of selling or it will be correspondent to the selling price resulting from financial instruments entered into or from the respective issuance terms; ------------
b) For issuances not listed in the Euronext Lisbon, irrespective of being listed or not in other markets, the limit price is the average buying and selling price published by an entity internationally well known in the bond market; --

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c) For issuances not complying with the previous paragraph, the limit price is the value indicated by an independent and qualified consultant or by a financial trustee appointed by the Executive Board of Directors; ---

d) In the case where a transaction results from or has to do with contractual conditions contemplated in another bond issuance, the price will be the value that results from the said contractual conditions; -

2.3. Moment of selling: the Executive Board of Directors shall determine the timing of each transaction and selling may take place one or more times, depending on what the Board deems more appropriate from the Company's point of view". ---

--- As the shareholders waived the reading of the proposals, the Chairman of the General Shareholders' Meeting granted permission to speak to the Executive Board of Directors to present the proposals. (…) ---

--- Afterwards, Mr. Rui Eduardo Ferreira Rodrigues Pena declared open the discussion on Items Four and Five of the agenda.(…)---

--- As no one wanted to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal related to Item Four of the agenda, having been issued 2,782,663,445 votes, corresponding to 2,782,663,445 shares, which represent 76.1010% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (98.0257% of votes in favour). --

--- Then the Chairman of the General Shareholders' Meeting submitted to vote the proposal related to Item Five of the agenda, having been issued 2,782,773,797 votes, corresponding to 2,782,773,797 shares, which represent 76.1041% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (98.0252% of votes in favour). -------------

--- Afterwards, the Chairman of the General Shareholders' Meeting informed that, as previously made regarding the former two items of the agenda, the discussion of item Six and item Seven of the agenda would be made aggregately, without prejudice of the voting of this items be separate.---------------------

--- The Chairman of the General Shareholders' Meeting read **item Six** of the agenda – "*Resolve on the remuneration policy of the members of the Executive Board of Directors presented by the Remunerations Committee of the General and Supervisory Board*" – and **Item Seven** of the agenda – "*Resolve on the remuneration policy of the other members of the corporate bodies presented by the Remunerations Committee elected by the General Shareholders' Meeting*". ------------------------------------

--- The Chairman of the General Shareholders' Meeting asked all attendees about the waiving of the reading of the proposal presented by the Remunerations Committee of the General and Supervisory Board regarding the remuneration policy of the members of the Executive Board of Directors, in view of the extension of the statement and since it was already acknowledged by the shareholders,

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according to the document, which is filed as an attachment to these minutes and is hereby reproduced:---

"*Statement on the remuneration policy of the executive board of Directors of EDP – Energias de Portugal, S.A. for the three year period 2015-2017 to be presented at the General Shareholders' meeting on the 21st of april of 2015* ---

Pursuant to article 2, No. 1, of the Law 28/2009, 19th June and article 27º, No. 2 of EDP Bylaws, the Remuneration Committee of the General and Supervisory Board of EDP submits to approval of the shareholders the following statement on the remuneration policy of members of the Executive Board of Directors (EBD) of EDP:---

1. On the 12th of May of 2014, at the General Shareholders' Meeting of EDP – Energias de Portugal, S.A. (EDP), it was presented and approved, according to the law the remuneration policy of the members of EBD for 2013 and 2014. During 2014 the Remuneration Committee of the General and Supervisory Board (Committee or REMC) held several meetings in which benchmarking exercise was conducted with similar sized companies in the PSI 20 or with foreign peers, in particular, Spanish and incorporating the Eurostoxx Utilities, to assess the adequacy of the remuneration policy. ----------------

2. Based on past experience and work undertaking during 2014, the REMC decided to propose to this Assembly the maintenance of the remuneration policy of the EBD members of EDP, for the triennium 2015-2017, without prejudice to any adjustments to be made next year, taking into account the election of the Social Bodies for the next term in this Assembly, which is based on the following principles and rules: --

a. Maintenance of the fixed remuneration of the EBD Chairman of 600 000 EUR, an amount already practiced on the last three terms of office, since 2006. Likewise, the ratio between the fixed remuneration of the other Executive Directors and its Chairman remains at 80%. Based on the analysis undertaken, although competitive, this value is below the average remuneration of the analyzed universe. As a result of this decision, if approved, at the end of this current term, the fixed remuneration component (and by consequence, the maximum limit of the total compensation of the EBD members) will be the same in nominal terms, for 12 consecutive years;

b. Maintenance of the Retirement Saving Plans (RSP) assigned to the Executive Board of Directors members during their term of office, amounting in net terms, 10% of their fixed annual remuneration. The characteristics of these RSP are covered by the legislation applicable to these financial products; ---

c. Maintenance of the remuneration structure by which the variable component can duplicate the fixed component and the multiannual variable component that reflects the evaluation for the *whole term of office, will have a weighting of 60% compared with 40% of the weight assigned to the set of indicators that assess the annual performance; --*

d. Maintenance of minimum and maximum thresholds to define the existence of a performance bonus and the highest value that it may assume. More specifically, if the actual performance falls below 90% of the targets submitted to the GSB, there will not be any payment. If, on the other hand, it exceeds 10% of its targets, it shall be assigned, always and only, the maximum value. These general criteria apply both to the annual variable component (limited to 80% of the fixed remuneration) as to the multiannual component (which can go up to 120% of the fixed remuneration);---

e. Maintenance of the criteria that determines the allocation of the multiannual variable remuneration regarding the performance throughout the term of office: although it is calculated annually, it only becomes effective if, at the end of the mandate, 90% of the goals have been achieved, according to the performance of the company, its comparison with strategic benchmarks and the individual contribution of each member of the EDB; ---------------------------------

f. Individual performance will weight 20% regarding the annual objectives and 32% for multi-year targets; ---

g. The payment of the multiannual performance bonus will occur with a three year lag regarding the respective year;---

3.The indicators used to evaluate the performance of the EBD, particularly regarding the comparison between the stock market performance of EDP and its Iberian and European pears and regarding the economic and financial performance, will be as follows:---

a. Annual performance indicators ---

a.1. Quantitative component and its weight: ---

Total shareholder return vs Eurostoxx utilities e PSI20-- (19%)

ROIC/WACC-- (19%)

Growth of gross profit --- (14%)

Growth of net profit-- (14%)

EBITDA performance ---(7%)

Operating cash flow excluded of regulatory receivables performance ---------------------------------(7%)

The 80% resulting from the weighted sum of these indicators reflect the performance that is common to all EBD members.---

a.2. Qualitative component: --

The remaining 20% result from an individualized evaluation by the REMC, based on the individual performance of each of the EBD members.---

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a.3. *The resulting value of the quantitative and qualitative component is also weighted, as previously mentioned, by a factor of 80% of the fixed annual remuneration.* -------------------------------

b. Multiannual performance indicators --

b.1. Quantitative component and its weight --

Total shareholder return vs Eurostoxx utilities e PSI20 -- *(17%)*

ROIC/WACC-- *(17%)*

EBITDA performance -- *(8,5%)*

Operating cash flow excluded of regulatory receivables performance ----------------------------- (8,5%)

Sustainability Performance Indicator --- (17%)

The 68% resulting from the weighted sum of these indicators reflect the performance that is common to all EBD members.---

b.2. Qualitative component:---

The remaining 32% result from an individualized assessment by REMC, based on the individual performance of each of the EBD members.---

b.3. The resulting value of the quantitative and qualitative component is also weighted, as previously mentioned, by a factor of 120% of the fixed annual remuneration.----------------------------

4. In accordance with the criteria set out above, in annual terms, the potential maximum amount, to be assigned to the members of EBD, if all the goals have been achieved, which implies the payment of the maximum values set for the remuneration annual and multi-annual variable, as described above, is as follows: --

a. EBD Chairman: € 1,937,931 --

b. Other Executive Directors (individual amount): € 1,542,621--

c. Total: € 11,193,655 (assuming the maintenance of the current number of Directors) -----------

5.EDP Directors will not enter into contracts, either with the company or with third parties, with the goal of mitigating the risk inherent to the variability of their remuneration established by the company. ---

6.It is further clarified that there are no contracts in EDP that foresee payments in the event of dismissal or termination by agreement of the directors' functions, nor were any payments made in this context during the year of 2014.---

7.The development of EDP's activity has increasingly added an international dimension, which may affect the remuneration and compensation policies. Beyond the regime of remuneration associated with work performed abroad, consigned to the purview of the EBD, the RC, within the framework of its statutory powers, proposes that the fixed and variable remuneration, irrespective of the

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geography where members of EBD are to operate, be treated, for domestic purposes, under the existing tax regime in Portugal, so as to prevent unjustified discrepancies in net remuneration between members of EBD. --

In accordance to the applicable law and EDP's articles of association, the Remuneration Committee of the General and Supervisory Board submits to the approval of the Shareholders the declaration on remuneration policy of the members of the Executive Board of Directors in accordance with the above stated terms". ---

Afterwards, the Chairman of the General Shareholders' meeting asked again all presents about the waive of reading of the proposal presented by the Remunerations Committee elected by the General Shareholders' Meeting, regarding the remuneration policy of the other members of the corporate bodies, as per the extension of the referred proposal, which was already acknowledged by the shareholders, document, which is filed as an attachment to these minutes and is hereby reproduced: -

"*Statement of the Remunerations Committee on the Remuneration Policy of the Corporate Bodies* --------

I. Brief Historical and Circumstantial Vision--

1. In accordance and for effects of the contents of article 2, no. 1 of Law no. 28/2009, dated 19th June, and of article 11, no. 2 d) of the By-Laws of EDP – Energias de Portugal, S.A. (hereinafter "EDP" or "Company") it competes to the General Annual Shareholders' Meeting of the Company to approve the proposal on the Remuneration Policy of the Corporate Bodies that is submitted by the respective Remunerations Committee. --

The General Shareholders' Meeting held on the 17th April 2012 elected the current Remunerations Committee, composed by: --

- *José Manuel Galvão Teles – Chairman reelected* --
- *José de Mello Energia, S.A., represented by Luís Brito de Goes – Member*-------------------------------------
- *Álvaro Pinto Correia – Member* ---

Meanwhile, the member Luís Brito de Goes, representative of José de Mello Energia, S.A., resigned to its office, on the past 5th February and so, the Committee was reduced to the remaining two members.

The proposals of the Remuneration Committee on the Remuneration Policy of the Corporate Bodies regarding the years of 2012, 2013 and 2014 were always approved by the respective General Shareholder's Meeting, competing now to this Committee to propose again to the General Shareholders' Meeting the Remuneration Policy to be adopted in the current 2015 year. ---------------------

2. *EDP By-Laws establish, on its article 8, no. 1, that the Corporate Bodies are:* ---------------------------------

a) The General Shareholders' Meeting (GSM) ---

b) The General and Supervisory Board (GSB) --

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c) The Executive Board of Directors (EBD) --

d) The Statutory Auditor (SA) ---

On the other hand, the By-Laws of the Company also foresee the existence of other Corporate Bodies, with statutory dignity:--

a) The Environment and Sustainability Board (ESB)--

b) The Remuneration Committee, elected by the General Shareholders' Meeting and, within the GSB, a Committee for the Monitoring of Financial Matters, which according to the By-Laws, also assumes the designation of Audit Committee ---

c) The Board of the General Shareholders' Meeting ---

These are EDP's corporate bodies. --

3. The Remuneration Committee, elected by the General Shareholders' Meeting, is therefore, responsible for determining the remunerations of the members of the following corporate bodies: Board of the General Shareholders' Meeting; Chairman and members of the GSB; Statutory Auditor and Environment and Sustainability Board. The Financial Matters Committee, or Audit Committee, shall be dealt together with the other Committees of the GSB. ---

In compliance with the powers, which were conferred to it by the General Shareholder's Meeting, the Remunerations Committee set the remunerations of EDP' Corporate Bodies members for the 2012-2014 term of office (with exception of the EBD), although with an express reservation regarding the fact that the Committee would comply with its duty of following, every year, the activity of the respective corporate bodies.---

4. In that sense, it also competes to this Committee, as done in previous years, to propose to the annual General Shareholders' Meeting the Remuneration Policy of the Corporate Bodies, which has been held unchanged in the past years and has been observed to the fundamental principles approved in the General Shareholders' meetings.---

It occurs, however, that this Remuneration Committee considers that, in this specific year, it shall be taken into account the following circumstances with unquestionable influence on the resolutions to be taken by the General Shareholders' Meeting on the Remuneration Policy to be adopted: ---------------------

- *for one hand, the fact that this is the Committee (which has already terminated its mandate) that proposes to the next General Shareholders' Meeting the remuneration policy for the 2015/2017 term of office, when its guaranteed that it will be the new Remuneration Committee (to be elected on the referred General Shareholders' Meeting) the entity competent for determining the remunerations related to the referred mandate; ---*

- *for the other hand, one should take into account that the General Shareholders' Meeting that will resolve on the Remuneration Policy is composed by a shareholders body quite different than the one that elected the current Committee.---*

In these conditions, and although this Committee does not intend to fail to observe on a strictly manner the law, it considers that the spirit of the law, the logic of the system and the natural common sense should allow it the duty/right to prepare a proposal, which consciousness adopted the referred limitations. --

Nevertheless, and despite everything, this proposal will comply with its obligation of presenting to the General Shareholders' Meeting the fundamental and perennial principles of the Remuneration Policy to be adopted by EDP with a long-term vision. --

II. Framework--

5. In the last three years, EDP's Remuneration Policy was framed by the guidelines defined by shareholders of reference of the Company, which were issued in accordance with the applicable rules and recommendations and with the best practices in the sector. ---

The Corporate Bodies Remuneration Policy has been annually reviewed and a statement, which resumes its general guidelines has been, equally and with the same periodicity, subject to the approval by the General Shareholders' Meeting, under proposal of the Remunerations Committee. On the respective definition it were formulated proposals aiming to assure that remunerations are adequate and reflect the risk profile and the long-term objectives of the Company, being also in conformity with the legal rules, principles and pertinent national and international recommendations. ------------------------

Is this the line to enforce and it is proposed to be followed by EDP. ---

Therefore, --

III. Guiding Principles --

This Committee has guided its decisions on remuneration policy, namely of the General and Supervisory Board members, by the following guiding principles: ---

i) Definition of a policy, which is simple, clear, transparent and aligned with EDP's culture, in order that the remuneration practice may be based on uniform, consistent, fair and balanced criteria. -----------

ii) Definition of a policy, consistent with the management and risk control, efficient, to avoid an excessive exposure to risk and to conflicts of interest and seeking coherence with the purposes and long-term values of the Company. --

iii) Assessment and stimulus of a careful performance, in which the merit shall be dully awarded, assuring homogeneity levels compatible with GSB necessary cohesion, without prejudice of the economic and financial situation of the company and of the country. --

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iv) Alignment of the remunerations of the several corporate bodies members of the companies with higher stock market capitalization and congeners, namely Iberian.---

v) The more recent recommendations issued by European Union and Portuguese Securities Commission. ---

vi) Taking into consideration of the circumstances arising from the serious economical crisis and the current European financial constraint, with the necessary consequences for the Company, with the purpose of complying with the demands of a greater social justice within the scope in general of the country, as well as within the scope of the company's several remuneration regimes. -------------------------

The remuneration policy of EDP's corporate bodies shall, in essence, be simple, transparent, moderate, adapted to the conditions of the work performed and to the company's economical situation, but also, competitive and equitable, in order to assure the purpose of value creation for the shareholders and remaining stakeholders. ---

IV. Structure of the Remuneration Policy ---

Based on these criteria, and considering the challenges that the Company intends to pursue, the Committee defined the following remuneration policy guidance:--

i*) It shall be maintained a differentiation between remunerations attributed to GSB members and the ones assigned to EBD members, and it shall not be attributed to the firsts a variable remuneration component or any other remuneration complement*.---

ii) The difficulties that the country is still struggling in consequence of the generalized economical, financial and social crisis installed worldwide and the challenges that the country still has arising from the exit of financial rescue process that it has supported, imply the maintenance of the remuneration framework in force, but, in any case, it shall always be taken into account the merit of the performance and the complexity of the functions performed by the members of each body, so that the cohesion, stability and development of the company is not endangered. ---

iii) *It shall be considered the progressive increase of work and responsibility of the Audit Committee members, assuring a differentiation in relation to other GSB members*. --

iv) It is also important to distinguish the performance of other specific functions within GSB, namely the coordination, assigned to the Chairman and Vice-Chairman. --

V. Remuneration limits---

i) The inexistence of variable components within the remuneration structure of the supervisory body members leads to the establishing, as the sole maximum limit on the remuneration policy, of the fixed component of remuneration. --

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It has been understood, on that subject, according to proportionality and adequacy criteria, that it should be differentiated remuneration limits according to the level of work and responsibility inherent to each supervisory board member. --

VI. Conclusion--

Current circumstances, in which the companies with national relevance carried out their activity deserve, from our point of view, that it is maintained a particular care in the development of the value chain which, beyond economical aspects, reveal its social sustainability point of view, reason why we ask for the best acceptance, by the General Shareholders Meeting, of the proposal hereby submitted."

--- As the shareholders waived the reading of the above said statements, Mr. Rui Eduardo Ferreira Rodrigues Pena granted permission to speak to Prof. Alberto João Coraceiro de Castro, Chairman of the Remuneration Committee of the General and Supervisory Board, who, after welcoming all presents, made a brief summary of the referred proposal (…). ---

--- After the presentation, the Chairman of the General Shareholders' Meeting thanked Prof. Alberto João Coraceiro de Castro, and granted the permission to speak to Mr. José Manuel Archer Galvão Teles, who began by welcoming the shareholders and the members of the corporate bodies that were present, and subsequently made some considerations regarding the policy of remuneration defined by the Committee chaired by him (…)---

(…)---

Following the Chairman of the General Shareholders' Meeting declared open the debate relating to Item Six and Seven of the agenda. (…)---

--- Concluded the debate, the Chairman of the General Shareholders' Meeting submitted to vote the proposal on Item Six of the agenda, having been issued 2,773,320,242 votes, corresponding to 2,773,320,242 shares, which represent 75.8455% of the share capital. As abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9627% of votes in favour). --- -

--- Forthwith, the Chairman of the General Shareholders' Meeting submitted to vote the proposal on Item Seven of the agenda, having been issued 2,784,396,501 votes, corresponding to 2,784,396,501 shares, which represent 76.1484% of the share capital. As abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9658% of votes in favour). -----------------

--- Mr. Rui Eduardo Ferreira Rodrigues Pena read the content of **Item Eight** of the agenda – "*Resolve on the modification of the following dispositions of EDP' By-Laws: (i) article 4, through alteration of its*

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numbers 2 and 3 and withdraw of its numbers 4 and 5, (ii) article 11, through alteration of its number 4, (iii) article 16, through alteration of its numbers 2 and 4". ---

Following, the Chairman of the General Shareholders' Meeting noted that, since the resolutions to be taken regarded to the modification of the By-Laws, the necessary constitutive quorum for the first notice to convene meeting correspond to one third of the share capital. Therefore, the Chairman of the General Shareholders' Meeting verified the percentage of the share capital present or represented at the General Shareholder's Meeting for the voting of Item Eight - which, represented 76, 2124% of the share capital and the voting rights – based upon the shares' registry statements issued by the financial intermediaries responsible for the individual registry of shares for each shareholder. -----------

--- Afterwards, the Chairman of the General Shareholders' Meeting recalled that, according to the information of the notice to convene meeting and without prejudice of the discussion being made aggregately, the voting casting of this item of the agenda would be made separately, as regards: -------

1 - Alteration of number 2 and 3 of article 4 of the By-Laws and withdraw of its numbers 4 and 5; --
2 - Alteration of number 4 of article 11 of the By-Laws;---
3 - Alteration of number 2 of article 16 of the By-Laws and;---
4 - Alteration of number 4 of article 16 of the By-Laws.---

--- Moreover, also stated that, in generic terms, the proposed alterations only aimed the elimination, from the the By-Laws, of the references to category B shares (which, in fact, does not exist since the conclusion of the reprivatisation process), clarification of a provision of the By-Laws regarding the constitutive quorum and possibility of enlargement of the permitted number of members that currently comprises the Executive Board of Directors, from the current seven members to a maximum of eight members.---

--- Subsequently, the Chairman of the General Shareholders' Meeting asked all presents about the waive of reading of the proposal presented on the past 16th of March, by the shareholders CWEI (Europe), S.A., Oppidum Capital, S.L. and Fundação Millenium BCP, in view of the same being already acknowledged by all, according to the document which is filed as an attachment to these minutes and is hereby reproduced:--

"*Whereas:* ---

a) *The reference to category B shares in the Bylaws does not reflect the current EDP shareholders structure. With effect, on February 14th 2013, Parpública – Participações Públicas (SGPS), S.A. ("Parpública") sold in the market its 151.517.000 category B shares, with the nominal value of 1*

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euro each, corresponding to 4,14% of EDP share capital, which it held. As a result of the liquidation of this transaction, on the 19th of February 2013, Parpública reduced its participation in EDP share capital to 0%. Pursuant to number 5 of Article 4. º of EDP Bylaws, category B shares shall only have that category when held by public entities, thus its conveyance to non-public entities determines the respective conversion to category A shares. Therefore, as a result of the transfer of the shares held by Parpública and as per the referred automatic conversion into category A shares, there are no category B shares. Considering this, it is considered appropriate to adequate the text of the Bylaws to the current share capital structure of the company. ----------------

b) *Furthermore we shall also take this opportunity to adjust the current wording of article 11. º, No. 4 of EDP Bylaws. The proposed rewording clarifies the alignment between this provision of the Bylaws and the applicable corporate rule.* --

c) *At last, in view of EDP dimension and the multiple aspects of its activity, the corporate practise leads us to the conclusion that there are advantages by establishing in the Bylaws the possibility to enlarge the permitted number of members that currently comprises the Executive Board of Directors, from the current seven members to a maximum of eight members.* ----------------------------

It is hereby proposed that the Shareholders approve:--

The amendment of the Bylaws, through the modification of article 4. º No. 2 and 3, withdraw of No. 4 and 5 and modification of article 11. º No. 4 and article 16. º, No. 2 and 4, which shall read as the following: ---

--*Article 4.º*--

(…)

1. *The share capital amounts to 3 656 537 715 (three thousand six hundred and fifty six million, five hundred and thirty seven thousand seven hundred and fifteen), euros and is fully paid up.* ----------------

2. *The share capital is represented by 3 656 537 715 shares, and each share has the nominal value of 1 euro.* --

3. *The Executive Board of Directors is authorized to increase the share capital, one or more times, in an amount corresponding to a maximum of 10% of the current share capital, through the issuance of shares, to be subscribed by new contributions in cash, in accordance with the terms and conditions of the issuance defined by the executive board of directors, being the proposed resolution subject to prior approval by the general and supervisory board with a majority of two thirds.* -------------------------

4. *[Withdraw].* --

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5. [Withdraw]. ---

---*Article 11.º* --

(…)

1- The general shareholders' meeting shall adopt resolutions concerning all the matters provided for in law and in these articles of association. --

2- In particular, the general shareholders' meeting shall, according to the law and to these articles of association: --

a) assess the report of the executive board of directors, discuss and vote on the balance sheet, the accounts and the opinion of the statutory auditor and those of the general and supervisory board and the audit committee, if applicable, and resolve on the allocation of the annual results;---------------------

b) elect and remove the members of the general shareholders' meeting board, of the executive board of directors and of the general and supervisory board, as well as the respective chairmen and vice-chairmen, should they exist, the statutory auditor, following a proposal of the general and supervisory board or, upon delegation by it, the members of the audit committee, and furthermore, the members of the environment and sustainability board;--

c) resolve on any amendments to the articles of association, including increases of the share capital; -----

d) appoint a remuneration committee charged with fixing the remuneration of the members of the corporate bodies, whose members should, in their majority, be independent; ---------------------------------

e) assess the annual report on the activity of the general and supervisory board;--------------------------------

f) deal with any other matter for which it has been convened. --

3 – The resolutions of the general shareholders' meeting shall be passed by a majority of the votes cast, except when a provision of the law or of these articles of association requires a qualified majority. -----

4 – The resolutions relating to the amendment of the articles of association and the merger, demerger transformation or winding up of the company, with the exception of the provisions of paragraph 5, must be approved by two-thirds of the votes cast and, whenever the general meeting takes place following a first convening announcement, as long as the number of shareholders present or represented at such meetings hold, at least, shares corresponding to one third of the share capital. ---

5 - Resolutions for the amendment of the articles of association referring to Article 10 and to paragraphs 3 to 5 of Article 14, as well as amendments to this paragraph insofar as it refers to any of such provisions, must be approved by two-thirds of the votes cast, except if a lower limit is provided for in mandatory law, in which case the limit set forth here is deemed to be reduced accordingly. --------------

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6 - Abstentions are not cast. ---

---*Article 16.º* --

(…)

1– The executive board of directors is composed of a number of members set by the general shareholders' meeting that elects them. ---

2 - The number of members set in accordance with the foregoing paragraph shall be between a minimum of five and a maximum of eight. ---

3 - The chairman of the executive board of directors is appointed by the general shareholders' meeting from amongst the elected directors, and has a casting vote. ---

4 – If the board is composed of an even number of members, in case of absence or temporary impairment of the chairman of the executive board of directors, it shall have a casting vote the vice-chairman of the executive board of directors, should he exist, or, the member of the executive board of directors to whom such right has been granted in the respective election act." ----------------------------

--- Following, the Chairman of the General Shareholders' Meeting asked if any of the above mentioned shareholders would like to have a word about their proposal.---

--- As no one asked to speak, the Chairman of the General Shareholders' Meeting declared open the debate regarding the matter on Item Eight of the agenda (…) ---

--- After conclusion of the interventions, the Chairman of the General Shareholders' Meeting submitted to vote the " *alteration of number 2 and 3 of article 4 of the By-Laws and withdraw of its numbers 4 and 5",* having been issued 2,785,811,259 votes, corresponding to 2,785,811,259 shares, which represent 76.1871% of the share capital. As the abstentions are not considered, the referred proposal was approved by unanimous of the votes cast (100% of votes in favour). ---------------------------

--- Successively, the Chairman of the General Shareholders' Meeting submitted to vote the "*alteration of number 4 of article 11 of the By-Laws",* having been issued 2,785,828,359 votes, corresponding to 2,785,828,359 shares, which represent 76.1876% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99,9995% of votes in favour).---

--- Subsequently, it was submitted by the Chairman of the General Shareholders' Meeting to vote the " *alteration of number 2 of article 16 of the By-Laws",* having been issued 2,785,801,545 votes,

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corresponding to 2,785,801,545 shares, which represent 76.1869% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99,9998% of votes in favour). --

In order to conclude the voting of Item Eight of the agenda, it was submitted to vote the " *alteration of number 4 of article 16 of the By-Laws"* having been issued 2,785,801,545 votes, corresponding to 2,785,801,545 shares, which represent 76.1869% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99,9472% of votes in favour).--

--- Being completed the voting of item Eight of the agenda, the Chairman of the General Shareholders' Meeting and the Company Secretary verified the existence of a qualified majority of two thirds of the voting cast, and therefore the alteration of EDP By-Laws foreseen in Item Eight of the agenda was validly approved. --

--- The Chairman of the General Shareholders' Meeting continued the works by reading **item Nine** of the agenda - *Resolve on the election of (i) the members of the General and Supervisory Board, (ii) the members of the Executive Board of Directors, (iii) the Statutory Auditor and the Alternate Statutory Auditor, (iv) the members of the Board of the General Shareholders' Meeting, (v) the members of the Remunerations Committee to be nominated by the General Shareholders' Meeting (including their respective remuneration) and (vi) the members of the Environment and Sustainability Board, for the three year period 2015-2017" .* --

--- As a result, Mr. Rui Eduardo Ferreira Rodrigues Pena referred that six proposals were presented, which would be appreciated and voted separately.--

--- The Chairman of the General Shareholders' Meeting read the proposal presented by the shareholders, CWEI (Europe), S.A., Oppidum Capital, S.L. and Fundação Millenium BCP, in view of the election of the members of the General and Supervisory Board for the term of office 2015-2017, with the following content.--

"*Whereas:* **--**

a) The term of office of the current members of the General and Supervisory Board of EDP – Energias de Portugal, S.A. (EDP), appointed for the 2012-2014 period, has ended on December 31 2014. ----------

b) Under article 21 of EDP's articles of association, the General and Supervisory Board is composed of a number of members not inferior to nine, provided that they exceed the number of members of the Executive Board of Directors, it being required also that the majority of said members is independent.

c) The Chairman of the Board of the General Meeting of Shareholders is inherently a member of the General and Supervisory Board. ---

d) As per the aforementioned articles of association, the Chairman and the Vice-Chairman of EDP's General and Supervisory Board are also appointed by the General Shareholders Meeting. -----------------

It is hereby proposed that the Shareholders approve the following resolution: --------------------------------

To appoint as members of EDP's General and Supervisory Board for the 2015-2017 period: --------------

- *China Three Gorges Corporation (Chairman)* --
- *Luis Filipe Marques Amado (Vice-Chairman)* --
- *China Three Gorges New Energy Corp.* ---
- *China International Water & Electric Corp.* --
- *CWEI (Europe), S.A.* ---
- *CWEI (Portugal), Sociedade Unipessoal, Lda.* --
- *DRAURSA, S.A* --
- *Fernando María Masaveu Herrero* ---
- *Banco Comercial Português, S.A.* ---
- *Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (SONATRACH)* --
- *Senfora BV* --
- *António Sarmento Gomes Mota* ---
- *Maria Celeste Ferreira Lopes Cardona* ---
- *Ilídio da Costa Leite de Pinho* --
- *Jorge Braga de Macedo* ---
- *Vasco Joaquim Rocha Vieira* ---
- *Augusto Carlos Serra Ventura Mateus* ---
- *João Carvalho das Neves* ---
- *Alberto Joaquim Milheiro Barbosa* ---
- *María del Carmen Fernández Rozado* --
- *António Manuel de Carvalho Ferreira Vitorino (Chairman of the Board of the General Meeting of Shareholders)".* ---

--- After the reading, the Chairman of the General Shareholders' Meeting asked if any of the above referred shareholders would like to present their proposal. ---

--- As no one asked to speak about the first proposal presented within the scope of item Nine of the agenda, the Chairman of the General Shareholders' Meeting declared open the discussion of the matter regarding the mentioned proposal.(…) ---

--- (…)The Chairman of the General Shareholders' Meeting immediately submitted to vote the proposal "*election of the members of the General and Supervisory Board for the term of office 2015-*

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2017" having been issued 2,680,990,431 votes, corresponding to 2,680,990,431 shares, which represent 73.3205% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (96,8751% of votes in favour). ------------------------------------

--- Once the voting was closed, the Chairman of the General Shareholders' Meeting received from the shareholder Mr. Luís António Dinis Correia, owner of 3,534 shares representative of EDP share capital, the vote declaration regarding the election of the members of the General and Supervisory Board, which are reproduced herein according to the originals as follows and filed as attachments to these minutes: ---

"Vote declaration--

I vote against the election of the members of GSB because I don't vote on "not identified persons" namely its Chairman, according to the list presented to this General Shareholders meeting. ---------------

Lisbon, 21st – April – 2015 ---

Luís António Dinis Correia ---

Shareholder 313144" ---

--- The Chairman of the General Shareholders' Meeting proceeded reading the proposal presented by the shareholders, CWEI (Europe), S.A., Oppidum Capital, S.L. and Fundação Millenium BCP – "for the election of the members of the Executive Board of Directors for the term of office 2015-2017" with the following content:---

"Whereas: ---

a) The term of office of the current members of the Executive Board of Directors of EDP – Energias de Portugal, S.A. (EDP), appointed for the 2012-2014 period, has ended on December 31 2014. ----------

b) Under EDP's articles of association, the members of the Executive Board of Directors of EDP are appointed by the General Shareholders Meeting which shall also appoint the respective Chairman.

c) The Chairman of the Executive Board of Directors has a casting vote, being that, pursuant to article 395, number 4 of the Companies Act, if and when the Board is composed of an even number of Directors, it shall have a casting vote, in the absence or impediments of the Chairman, the member of the Board to whom such casting vote has been granted upon their appointment. --------------------

It is hereby proposed that the Shareholders approve the following resolution: --------------------------------

1. *To appoint as members of EDP's Executive Board of Directors for the 2015-2017 period:* ---------------

- *António Luis Guerra Nunes Mexia (Chairman)*---
- *Nuno Maria Pestana de Almeida Alves* ---
- *João Manuel Manso Neto*---
- *António Fernando Meio Martins da Costa* --

- *João Marques da Cruz*--
- *Miguel Stilwell de Andrade* ---
- *Miguel Nuno Simões Nunes Ferreira Setas*--
- *Rui Manuel Rodrigues Lopes Teixeira* --

2. *To grant a casting vote, in the absence or impediments of the Chairman, to the Director Nuno Maria Pestana de Almeida Alves*." --

-- After the reading, the Chairman of the General Shareholders' Meeting asked if any of the above referred shareholders would like to present its proposal. --

--- As no one asked to speak, the Chairman of the General Shareholders' Meeting declared open the discussion of the matter regarding the mentioned proposal (…)--

--- The Chairman of the General Shareholders' Meeting then submitted to vote the proposal related to the "*election of the members of the Executive Board of Directors for the term of office 2015-2017*", having been issued 2,746,286,499 votes, corresponding to 2,746,286,499 shares, which represent 75.1062% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.6308% of votes in favour). ---

--- After the voting being closed, the Chairman of the General Shareholders' Meeting received from the shareholder Mr. Carlos Almeida Santos, owner of 4,210 shares representative of EDP share capital, the vote declaration regarding the election of the members of the Executive Board of Directors, which is reproduced herein according to the originals and is filed as an attachment to these minutes: ---------

"<u>Vote declaration</u>--
I voted against the election of the members of the Executive Board of Directors because I do not accept the enlargement of the number of members from 7 (seven) to 8 (eight). ---
As I voted against the alteration of no. 2 of article 16º of By-Laws in what concerns the maximum number of members of EBD I could not approve an EBD with eight members. ----------------------------------
This position does not have any negative consideration with relation to the current EBD, namely in what concerns its chairman, who performed in my opinion a brilliant office.------------------------------------
Lisbon, 21st April 2015 --
Carlos Manuel de Faria e Almeida Santos---
Shareholder no. 407462." --

The Chairman of the General Shareholders' Meeting proceeded with the reading of the proposal presented by the General Supervisory Board regarding the "*election of the the Statutory Auditor and the Alternate Statutory Auditor for the term of office 2015-2017*," according to the following terms: ---
"Whereas: --

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a) In accordance with the article 11º, n.º 2, al. b) and art. 22º, n.º 1, al. c) of EDP´s By-laws, the Shareholders' General Meeting shall elect the Statutory Auditor, following a proposal of the General and Supervisory Board (GSB) or, upon delegation by it, of the Financial Matters Committee/Audit Committee. ---

b) The mandate of the current Statutory Auditor, exercised by KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A (KPMG) reached its term in 31st of December 2014 and so it is required that this General Shareholders' Meeting vote on the election of the Statutory Auditor for the term of office 2015-2017. ---

c) Within the scope of the Statutory Auditor activity assessment, the Financial Matters Committee/Audit Committee considers that KPMG performed, in the term-of-office that ended on the 31st December 2014, its duties with quality, competence, rigor, impartiality and independence and recommended that the GSB proposes to the annual General Shareholders' Meeting, its election as EDP's Statutory Auditor for the 2015-2017 term-of-office. -------------------------------------

d) The GSB considers that, attending to the rigorous analysis made by the Financial Matters Committee/Audit Committee to the independence and quality of KPMG services as well the balancing of the independence conditions of the Statutory Auditor and External Auditor, the maintenance of KPMG is consistent with the interest of EDP and so, on the meeting held on the 3rd March 2015 has unanimously resolved to propose to the Annual General Shareholders' Meeting the selection of KPMG as EDP's Statutory Auditor for the 2015-2017 term of office --------

The GSB proposes to the General Shareholders' Meeting to resolve: ---

1. The election of KPMG & Associates, SROC. S.A. (SROC nº 189), represented by Vítor Manuel da Cunha Ribeirinho (ROC nº 1081), as Statutory Auditor for the tree years period 2015-2017. ------------

2. The election of Susana de Macedo Melim de Abreu Lopes, ROC n.º 1232, as Alternate Statutory Auditor for the tree years period 2015-2017." --

--- After the reading, the Chairman of the General Shareholders' Meeting asked the chairman of the General and Supervisory Board (and also of the Audit Committee/Committee for Financial Matters for GSB) if he would like to speak in order to present the proposal, but he waived to speak. -------------------

--- Afterwards, the Chairman of the General Shareholders' Meeting declared open the discussion of the matter regarding the mentioned proposal.--

---(…)--

--- As no one wanted to speak regarding the third proposal presented in the scope of item Nine of the agenda, the Chairman of the General Shareholders' Meeting submitted to vote the proposal "*for election of the Statutory Auditor and the Alternate Statutory Auditor for the term of office 2015-2017*", having been issued 2,783,980,750 votes, corresponding to 2,783,980,750 shares, which represent

76.1371% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99,9254% of votes in favour). --

--- Afterwards the Chairman of the General Shareholders' Meeting proceeded with item nine, and read the proposal presented by the shareholders, CWEI (Europe), S.A., Oppidum Capital, S.L. and Fundação Millenium BCP, regarding the" *election of the members of Board of the General Shareholders Meeting for the term of office 2015-2017"* on the following terms: ---

"*Whereas:* ---

a) Article 12 of the articles of association of EDP – Energias de Portugal, S.A. (EDP) sets forth that the Board of the General Shareholders Meeting shall be composed of a Chairman and of a Vice-Chairman, appointed by the General Shareholders Meeting, and by the Company's Secretary. ---------

b) The term of office of the current members of the Board of the General Shareholders Meeting, appointed by the EDP's General Shareholders Meeting for the 2012-2014 period, has ended on December 31 2014. ---

It is hereby proposed that the Shareholders approve the following resolution: ---------------------------------

To appoint as members of the Board of the General Shareholders Meeting for the 2015-2017 period: --

- *António Manuel de Carvalho Ferreira Vitorino (Chairman)* ---
- *Rui Pedro Costa Melo Medeiros (Vice-Chairman)*---
- *Company's Secretary (to be appointed by the Executive Board of Directors)."*---------------------------

--- The Chairman of the General Shareholders' Meeting asked if any of the mentioned shareholders would like to present the proposal.---

--- As no one wanted to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal related to the "*election of the members of the Board of the General Shareholders Meeting for the term of office 2015-2017*," having been issued 2,785,444,816 votes, corresponding to 2,785,444,816 shares, which represent 76.1771% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99. 8175% of votes in favour).--

--- Subsequently, and concerning the "*election of the members of the Remunerations Committee to be nominated by the General Shareholders' Meeting"*, the Chairman of the General Shareholders' Meeting informed that he had received from the shareholders, who subscribed the proposal presented on the notice to convene meeting, CWEI (Europe), S.A., Oppidum Capital, S.L. and Fundação Millenium BCP, a proposal modifying the initial proposal. The reason of the modification of the proposal initially presented was due to the fact that, meanwhile, it has occurred an impediment for the performance of the function by the persons to be elected. With effects, due to a further impediment, Ms. Maria Estela Guedes Barbosa Rodrigues de Magalhães Barbot, indicated as member

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in the same proposal, cannot perform the functions as a member of the Committee. Therefore, for her replacement, the shareholders have indicated Mr. Jaime Amaral Anahory. ------------------------------------

Thereafter, the Chairman of the General Shareholders' Meeting read the modified proposal presented by the shareholders, CWEI (Europe), S.A., Oppidum Capital, S.L. and Fundação Millenium BCP, relating to the election of the members of the Remunerations Committee to be nominated by the General Shareholders' Meeting to be elected by the General Shareholders' Meeting for the term of office 2015-2017 and the fixing of their respective remuneration, as follows: ---

"*Whereas:* ---

a) *Article 11, number 2, paragraph d) articles of association of EDP – Energias de Portugal, S.A. (EDP) sets forth that the General Shareholders Meeting shall appoint a Remunerations Committee composed, on its majority, by independent members and which will be in charge of setting the remuneration of the corporate bodies' members, save for the members of the Executive Board of Directors.* --

b) *The term of office of the current members of the Remuneration Committee, appointed by the EDP's General Shareholders Meeting for the 2012-2014 period, has ended on December 31 2014.-*

It is hereby proposed that the Shareholders approve the following resolutions: -------------------------------

1. *To appoint the following public figures as members of the Remunerations Committee to be appointed by the General Shareholders Meeting for the 2015-2017 period:* -------------------------------
   - *Luis Miguel Nogueira Freire Cortes Martins (Chairman)* ---
   - *José Gonçalo Maury*---
   - *Maria Estela Guedes Barbosa Rodrigues de Magalhães Barbot* --
2. *To set the remuneration of the members indicated above as follows:*--
   - *Chairman- € 15.000 per year;*--
   - *Members - € 10.000 per year."* --

--- Subsequently the Chairman of the General Shareholders' Meeting asked if any shareholder had any objection to present regarding the appreciation and voting of the modified proposal. Being no objections made to the appreciation of this proposal, the Chairman of the General Shareholders' Meeting noted that, pursuant to the information of the notice to convene meeting, and without prejudice of the discussion be made aggregately, the voting casting of this item of the agenda would be separately made, on the following terms: --

1 Resolve on the election of the members of the Remunerations Committee to be nominated by the General Shareholders' Meeting; --

2. Resolve on fixing of the respective remuneration. --

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--- After providing the clarification, the Chairman of the General Shareholders' Meeting asked if any of the mentioned shareholder would like to present the proposal. ---

--- As no one wanted to speak, the Chairman of the General Shareholders' Meeting declared open the discussion of the matter referred in the mentioned proposal. --

--- Following, the Chairman of the General Shareholders' Meeting submitted to vote the election of the Remunerations Committee to be nominated by the General Shareholders' Meeting, having been issued 1,392,536,011 votes, corresponding to 1,392,536,011 shares, which represent 38.0835% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99. 5794% of votes in favour).--

Next, the Chairman of the General Shareholders' Meeting submitted to vote the fixing of the remuneration of the Remunerations Committee to be nominated by the General Shareholders' Meeting having been issued 2,785,439,657 votes, corresponding to 2,785,439,657 shares, which represent 76.1770% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99. 9992% of votes in favour).--------------------------------------

--- The Chairman of the General Shareholders' Meeting then read the proposal presented by the Executive Board of Directors regarding "*the election of the members of the Environment and Sustainability Board, for the three year period 2015-2017*", with the following terms: -----------------------

"*Whereas:* --

The Articles of Association of EDP foresee, in its article 28, the election by the General Shareholders Meeting of an Environment and Sustainability Board composed by five persons of acknowledged qualification in the area of environment protection and sustainability, pursuant to a proposal from the Executive Board of Directors;--

The Executive Board of Directors hereby proposes that the General Shareholders Meeting: ----------------

Resolve on the election of the members of the Environment and Sustainability Board, for the mandate of the three years period 2012-2014, of the following persons with of acknowledged qualification in the area of environment protection and sustainability:--

Chairman – José Pedro Sucena Paiva --

Members – Alberto da Ponte --

António José Tomás Gomes de Pinho --

José Manuel Viegas ---

Maria da Graça Madeira Martinho." --

--- Subsequently, the Chairman of the General Shareholders' Meeting asked if any member of the Executive Board of Directors wanted to speak in order to present the proposal. After indication that

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none of the members would want to speak, he declared opened the discussion of the matter concerning the mentioned proposal.---

---(…)--

--- The Chairman of the General Shareholders' Meeting submitted to vote the *"the election of the members of the members of the Environment and Sustainability Board, for the three year period 2015-2017"*, having been issued 2,785,441,657 votes, corresponding to 2,785,441,657 shares, which represent 76.1770% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99. 8006% of votes in favour).-------------------------------------

--- Once the voting was closed, the Chairman of the General Shareholders' Meeting received from the shareholder Mr. Carlos Almeida Santos, owner of 4,210 shares representative of EDP share capital, the vote declaration regarding the election of the members of the Environment and Sustainability Board, which is reproduced herein according to the original and is filed as an attachment to these minutes: --

"Vote declaration---

I voted against the election of the members of the Environment and Sustainability Board since the curriculum vitae of one of the members (Alberto da Ponte) became incomplete. -----------------------------

As the voting is not nominative it was not possible to treat on a different way the several members.----

Lisbon, 21st April 2015--

Carlos Manuel de Faria e Almeida Santos---

Shareholder no. 407462." ---

---After being concluded the discussion and resolution of all items of the agenda, Mr. Rui Eduardo Ferreira Rodrigues Pena, addressed the assembly a message of gratefulness and assignment (…)--------

For the closing of the works, Mr. Rui Eduardo Ferreira Rodrigues Pena invited the new Chairman of the General Shareholders' Meeting elected, Mr. António Manuel Carvalho Ferreira Vitorino to speak, who declared that there being no further business, the meeting was closed at twenty hours and thirty five minutes, in relation to which the present minutes were drawn up and will be signed by the Chairman of the General Shareholders' Meeting and by the Company Secretary.---

Lisbon, 24th April 2015

The Company Secretary
Maria Teresa Isabel Pereira

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