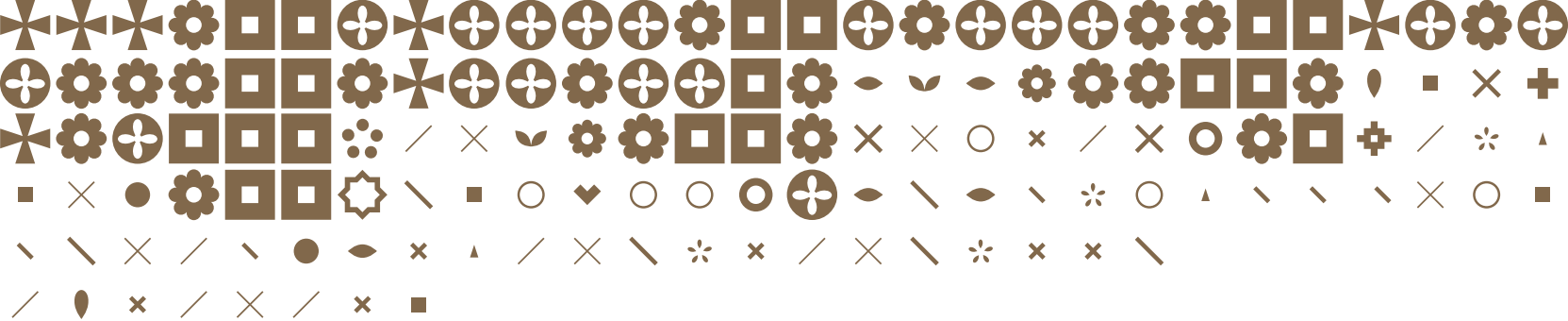




ENERGY THAT MAKES A DIFFERENCE

SPAIN SUSTAINABILITY REPORT 2014



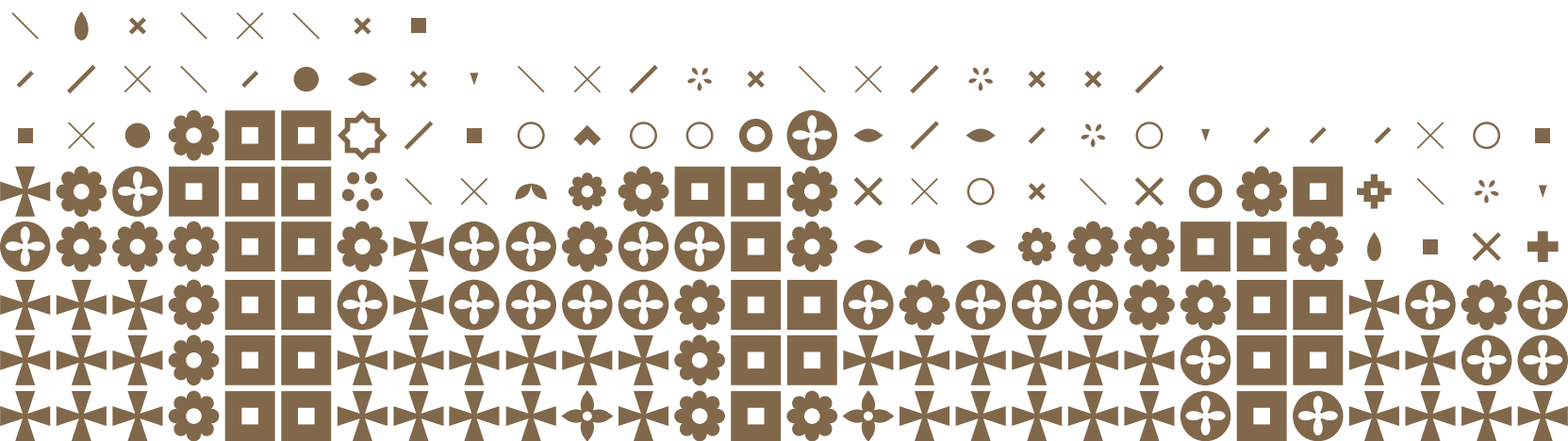
SPAIN SUSTAINABILITY REPORT 2014

ENERGY THAT MAKES A DIFFERENCE

TRANSFORMING, IMPROVING, DRIVING THE WORLD FORWARD...
WE PUT ALL OUR ENERGY INTO IT.
AN ENERGY GENERATED IN 14 COUNTRIES,
BASED ON PROXIMITY, ON COMMITMENT
ON INVOLVEMENT AND ON RESPONSIBILITY.

**YET, ABOVE ALL,
ENERGY CAPABLE OF MAKING A DIFFERENCE.**

Please contact the EDP Environmental, Sustainability, Innovation and Quality Division in Spain regarding any query relating to this Report and its contents by sending an email to medioambiente@edpenergia.es





ENERGY THAT TRANSFORMS THE ECONOMY

A global company and a leader in value creation,
and with a strategy based on innovation
and sustainable development.



ABOUT THIS REPORT

A strategic priority for EDP Spain is to involve the stakeholders in the company in order to ensure open and transparent dialogue with the parties with which it relates.

It has thus developed a Stakeholder Relations Policy based on four guiding commitments: understanding, **communicating**, trusting and collaborating.

And it is precisely in line with the commitment to communicate that EDP has been publishing the Annual Sustainability Report every year for the last twelve years. The report sets out the key milestones of its environmental, social and economic performance during the year in a clear, consistent, rigorous and transparent manner.

The 2014 Report has been prepared according to the recommendations of the GRI (Global Reporting Initiative) Guide to prepare Sustainability Reports and is structured according to the stakeholder segmentation model, a model that allows them to be pooled into four main categories according to the way EDP relates and associates with each one: **the Market, the Value Chain, Democracy and the Territorial and Social Environment.**

Each chapter describes the highlights of the year, the result of the business plan 2014-2017, a plan that is based on the strategic lines that are described in detail on the sustainability website www.sostenibilidadedp.es





MESSAGE FROM THE CHAIRMAN

The far-reaching structural reports of the energy sector are one of the main aspects of 2014. Within this environment, challenges and opportunities, undeniably, emerge, and different realms of public opinion, regarding the energy sector, have been highlighting the work of EDP for years, as a model company aimed at creating value and commitment in the communities where it has its industrial operations.

The Group has thus confirmed its commitment to progress, to investments to the tune of 100 million euros to improve the environmental performance of the power stations, which results in an operating guarantee and, therefore, secures employment and the business activity.

EDP Spain has published what its environmental, economic and social contribution is in its main spheres of influence, where it contributes over 1,300 million euros to the Gross Domestic Product and generates over 1,500 direct and 7,200 indirect and induced jobs; figures which do not include the investments and institutional partnership in R&D&I, the environment, social responsibility, patronages and other measures in the field of sustainable development.

These initiatives meet the need to enhance the real EDP contribution to the socio-economic progress and to the wellbeing of the families by means of a sustainable, efficient and quality service.

In Spain, the energy sector is, undoubtedly, one of the drivers of the economy with over 60,000 million euros invested in the last decade and providing over 150,000 jobs.

In this framework the EDP Spain Sustainability Report yet again highlights the commitment of the company with its stakeholders, contributing to the generation of value and job creation, and standing out in the field of social responsibility, in innovation and in environmental prevention. This is the "Energy that makes a difference", the slogan that the EDP Group features on all its reports.

Therefore, yet again this year, I want to invite everyone to discover our performance from this Sustainability Report and from all the information that is available on the Group's sustainability and corporate websites. They are all highly valuable information tools that spotlight our commitment to the transparency and governance of the EDP Group in Spain.

On behalf of the Board of Directors that I chair, I wish to single out and thank all the people who work, directly or indirectly, with EDP for their help, and also thank the trust of General Supervisory Board and the Executive Management Board of the EDP Group, for their support to the development of the company in Spain and for the value creation in the communities in which they are present.



MANUEL
MENÉNDEZ
MENÉNDEZ
Chairman



MESSAGE FROM THE CEO

Yet again this year, the EDP Spain Sustainability Report, now being published for the 12th time, shows the commitment acquired to communicate the environmental, social and economic performance of the Group in a clear and rigorous way. Furthermore, the report has been structured into four main categories this year that differentiate the way that EDP relates and works with each of its stakeholders: the Market, Democracy, the Value Chain and the Territorial and Social Environment.

As a result of this performance, EDP Spain has posted a net profit (ATP) of EUR 110 million in 2014 and a gross operating profit (EBITDA) of EUR 507 million, down 6% on the previous year once the extraordinary income from the sale of gas transport assets in 2013 had been discounted.

These results highlight the soundness of the EDP Spain group, which has managed to maintain the earnings from its regulated businesses (electricity and gas distribution), despite the unfavourable climate that characterised 2014, with far-reaching adjustments in the sector and a huge hike in the tax burden. That has been achieved without forsaking growth in those business areas where there is potential, such as in the commercial area, where a volume of electricity began to be marketed in 2014 that doubled the volume of energy generated, reaching a market share of over 9% and a gas volume of 8%, which was higher than that for the previous year.

Our generation plants stood out for their high availability in this context. This is even more important when combined with the operating flexibility required by the current conditions of the Spanish electricity market, which is greatly conditioned by the volatility that the high volume of intermittent

generation introduces in the system, together with a drop in the demand for electricity that stood at values prior to 2005.

The electricity distribution business, that consolidates our position as the fourth electricity distributor nationally, has maintained its leadership regarding the supply quality, near to the all-time record set in 2012, with small losses of the system in the network. As regards gas distribution, we remain the second natural gas distributor in Spain, with a share of over 12% and leader in terms of investment and operational efficiency.

All these business areas have been developed as part of a clear commitment to leadership in sustainable development which is reflected, among others, in the respect for the environment with strict compliance of the applicable environmental legal requirements, which are verified externally each year pursuant to international standards; in the management, in cooperation with universities and technology centres, of a portfolio of R&D&I projects that develop the strategic lines of the group and which has had the economic support both of the European Union and of the Spanish Government and of the governments of Asturias and the Basque Country; and in the continuous improvements of processes with extensive participation of the EDP Spain organisation and which notched up nearly 3,000 schemes implemented in 2104.

As regards 2015, our priority goal in the generation area is to invest in the de-nitrification plants that will boost more diversified and sustainable generation; as far as gas and electricity distribution is concerned, we will work to maintain the leadership in service efficiency

and quality, with the major challenge of installing smart meters (over 300,000 so far) and developing and implementing the necessary procedures to exploit the potential of this new situation to the maximum.

With respect to the marketing, our objective is to maintain the quality of the service and consolidate growth, while being a benchmark in the sector in terms of customer satisfaction with a comprehensive and segmented range, effective and integrated management of the different channels, greater efficiency in the operations and greater customer-oriented organisational performance.

In short, EDP Spain has an attractive portfolio of complementary assets, with a sound and profitable base in electricity and gas distribution, and flexible thermal generation, with growth potential in the commercial activity and which we manage with a clear focus on efficiency and cost control.

I would like to end by thanking the whole human and professional team for their hard work, rigor and dedication in the performance of their duties, without which these results would not have been possible and with whose backing we can achieve our goals, and my thanks also go to the HC Board of Directors for its support during the year.



MIGUEL
STILWELL
D'ANDRADE
Chief Executive
Officer

MILESTONES AND CHALLENGES



**JAVIER SÁENZ
DE JUBERA ÁLVAREZ**
COMMERCIAL AND CORPORATE
GENERAL MANAGER

"In 2014, we continued to offer the best service quality of the energy sector in Spain and headed the customer satisfaction rankings. Our Gijón Call Center was thus named as the best Spanish Call Centre in the category of those that receive over 1.2 million calls/year and as the best Call Center in the energy sector.

In 2015, we are going to take a step further to improve the in-person customer service in our Commercial Offices that will aim to adjust their running to what our customers want and will be easier to access both geographically and in terms of their opening hours.

It will be an important year for giving impetus to the digital channels in relation to our customers: we will improve our website and we will have apps for tables and smartphones".



MASSIMO LUCIO ROSSINI
NETWORK AND CORPORATE
GENERAL MANAGER

"In 2014, the results of the EDP Spain regulated business areas, the responsibility of HC Energía Distribución and Naturgas Energía Distribución, have been hit, though in different ways, by the far-reaching regulatory changes in 2013 and 2014. On the other hand, EDP and Redexis, a Spanish gas transport and distribution company belonging to Goldman Sachs Infrastructure Partners, reached an agreement at the end of the year, which will be executed in 2015, to transfer the gas distribution assets outside the northern territory, with a sale value that doubles the purchase price.

The far-reaching crisis that continues to affect the property sector prevents the development of new projects and the normal growth of the activities of the two Distributors. Even so, the negative impacts have managed to be reduced to the minimum, mainly thanks to cost control and the good management of the resources, showing their capacity to act efficiently.

The success in setting up the Inovgrid project, the expansion of the natural gas supply to new municipalities and maintaining excellent service quality highlight the commitment of the regulated business players to the corporation, the local communities and our customers".



FÉLIX ARRIBAS ARIAS
HUMAN RESOURCES, FINANCES AND
ADMINISTRATION DIRECTOR

"Since 2011, the different companies of the EDP Group in Spain have been obtaining the Family Responsible Company certificate. In 2014, that certificate was achieved for the first time as EDP Spain Group for all its companies which shows the maximum respect and commitment globally with the most demanding policies in this sphere. This milestone is not the final goal, but rather the undertaking for the future conduct of the Group. Undoubtedly, 2015 will be a further year in the consolidation of the most advanced policies as a family responsible company".



AZUCENA VIÑUELA HERNÁNDEZ
INTERNAL AUDIT DIRECTOR

"2014 was marked by the implementation of an ambitious work plan aimed at covering the main risks of the group and at generating value added by improving the main business processes. As regarding the Financial Reporting Internal Audit System, the adaptation to the new COSO 2013 was successfully carried out, new control methodologies based on the use of information technologies were implemented and, for the third year running, a favourable external opinion was given by the auditor.

In 2015, in keeping with the strategic decision of the Group and with the assumed commitment to ensure and foster a culture of internal and external regulatory compliance in the organisation, we have a new goal: to set up and develop a "Compliance" division, in keeping with the modern compliance assurance management models".

**JOSÉ LUIS MARTÍNEZ MOHEDANO**GENERAL SECRETARY AND TO THE BOARD
OF DIRECTORS

"2014 will stand out for continuing the process to improve the Prevention of Criminal Legal Risks Model (MPRJP) in order to anticipate the new requirements regarding the criminal liability of legal entities of the Bill to reform the Spanish Criminal Code which will shortly come into law. And, on the other hand, the starting up of the running of the EDP Foundation with its new structure and brand new project, including "EDP Solidarity 2015" as the flagship project for the coming year.

Special mention must also be made of the improvement in good corporate governance arising from the reform in December of the Capital Companies Act, which has been consolidated in this field with the passing of the new Code of Good Governance of Listed Companies in February 2015.

During 2015, a new training process on ethics will also be run for all EDP Spain employees, as had been the case previously in Portugal".

**SANTIAGO BORDIÚ
CIENFUEGOS-JOVELLANOS**

REGULATION DIRECTOR

"As regards Regulation, the global reform of the electricity sector started in 2013 continued in 2014, with the main new features being the enactment of the new cogeneration and renewable remuneration regulators, the new household regulated tariff – Voluntary Price for the Small Consumer – and the elimination of the tariff deficit, which meant that the economic sustainability of the electricity system in Spain was finally achieved after 10 years of a tariff deficit. The main goals for 2015 are to continue with the outstanding regulatory developments such as the new remuneration regulations regarding the distribution and, of course, to consolidate the economic sustainability that has already been achieved".

**MARCOS ANTUÑA EGOICHEAGA**

COMMUNICATION AND PROJECT DIRECTOR

"Particularly noteworthy in 2014 was the approval by the BAC of the de-nitrification for the Aboño 2 and Soto 3 coal-fired stations, a strategic initiative that is very important as it ensures that both stations will be operational until 2030, once adapted to the requirements of the European Industrial Emissions Directive 2010/75. Both projects have already been launched and will be operational in 2016 and 2017, respectively. On the other hand, extending the "Save To Compete" programme to the Basque Country has been important. Its first project in Spain has been allocated by CEL Technologies, precisely located in the Basque Country. We are also expanding a growing portfolio of potential customers, comprising companies interested in more efficient and rational energy consumption. We will therefore offer them an integrated service offering assessment, advisory, full implementation and guaranteed savings by means of energy efficiency".

**MIGUEL MATEOS VALLES**

GENERATION DIRECTOR

"The most outstanding aspect of the generation business has been the capacity of our plants to withstand in an even more hostile environment than in previous years, with a new drop in demand and with low prices. This has been possible thanks to: a new increase of flexibility of the combined cycles, by managing, among other measures, to reduce the Soto 5 and Castejón 3 technical minimum to 67 MW; high availability of the coal-fired thermal power stations, and good hydraulic production, over the historical average, even though the record of the previous year was not reached.

Another aspect to be highlighted was the Soto 3 general overhaul, which included replacing the control system and the reseating of the alternator stator, without its cost or the lead time being notably increased. As regards 2015, special mention should be made of the decision to invest to install de-nitrification plants in the Unit 2 of the Aboño Thermal Power Station and in the Unit 3 of the Soto de Ribera Thermal Power Station".



RICARDO GONZÁLEZ SANTANDER

B2C SALES AND MARKETING DIRECTOR

"EDP was the company with the best electricity supply in 2014, according to the Spanish National Commission for Markets and Competition (CNMC). It also appeared as the best supply with "FUNCIONA" additional services, to which 450,000 customers have already signed up.

During 2014, special mention should also be made of the success of the systematic campaigns to claw back subscribers (success rates over 90%), the success of the customer canvassing in expansion zones, which has allowed the portfolio to be increased outside our distribution zones, and the increase of digitalised customers by means of signing-up in the customer area and e-billing".



JAVIER FLÓREZ FERNÁNDEZ

B2B SALES DIRECTOR

"At EDP, we help our B2B customers to contract energy in the most optimum way to guarantee that they pay the minimum possible for it. Our commercial managers can advise each of the customers on the way to contract their electricity, gas and value added services. This positioning is going to mean customer loyalty and satisfaction rates over those of our competitors".



LUIS ÁLVAREZ ARIAS DE VELASCO

EDP HC ENERGÍA NETWORKS DIRECTOR

"In 2014 and as part of the Inovgrid project, we continued with the campaign to install smart meters and they were over 300,000 in place by the end of the year. We also signed a partnership agreement with Siero Local Council, which makes its city the first in the EDP in Spain Group. EUR 42 million were invested in improving the network and particularly noteworthy was the investment to change the voltage from 16 kV to 24 kV in the Llanes zone, which affected 22,000 customers, 300 km of network and 350 transformers. These investments, along with the smart management of the low voltage network using applications developed by Inovgrid mean that we continue to be leaders of the supply quality sector with a TIEPI (equivalent time interruption of installed power) in 2014 of 29 minutes, which is the second best record ever of HC Distribución".



JUAN RAMÓN ARRAIBI DAÑOBEITIA

NATURGAS ENERGÍA EDP REGULATION BUSINESS DIRECTOR

"I would highlight the following milestones in 2014:

- The modification of the remuneration of the regulated activities of the Spanish gas system with an impact of 9 M€/year for Naturgas Energía Distribución.
- The agreement with Redexis Gas to sell the gas regulated assets outside our incumbency zones and the capital gains generated with respect to the price for purchasing the assets from the Gas Natural Group in December 2009.
- The growth of the business in line with the sector despite being in areas with higher saturation level, the maintenance of the levels of excellence as regards the security of supply, and important investment to consolidate the existing infrastructures (connection with the Musel and the Carreño splitting for the Gijón electrical reinforcement in Asturias, the Dima electrical reinforcement in Vizcaya and the San Sebastián replacement in Guipúzcoa).

The most representative target for 2015 is to respond to the different threats of the bill to amend the Hydrocarbon Act and anticipate the changes that may dampen the growth of the Business. The processing of the municipalities with LPG in areas with access to the natural gas network has therefore already been sped up".



RAFAEL CAREAGA ARLUNDUAGA

DIRECTOR OF INSTITUTIONAL RESOURCES AND RELATIONS

"In 2014, from the organisational perspective, special mention should be made of the unification of the EDP Spain purchasing teams, resulting in a cohesive and integrated team that is working closely with the parent company and taking part in the review of the EDP Group operations. 2015 will be year when, effectively, we will operate with an EDP Group Management Model and Procurement and Common Procedures Manual".

**JOSÉ NEGUERUELA RAMÓN**

DIRECTOR OF INFORMATION TECHNOLOGIES

"The integration in the Corporate Systems Division has continued and in 2014, we were involved in developing the NMGA (New Application Management Model). The majority of the Corporate and Business application have been unified in Iberian Blocks, each maintained by a sole provider. During 2014, different projects got underway to adapt the distribution and commercial systems to the regulatory changes arising from the PVPC (Voluntary Price for the Small Consumer), the functionality of the Remote Management Platform (SITEL) has evolved significantly and the new website for B2B customers (SITEL) was launched.

The Logical Security Department was set up, with the aim of developing different projects and initiatives; furthermore, part of our infrastructures have been catalogued as critical, which has required us to develop the PSO (Operator Security Plan) and work has started on the PPE (Specific Protection Plan), a project that will end in 2015".

**YOLANDA FERNÁNDEZ MONTES**DIRECTOR OF THE ENVIRONMENT,
SUSTAINABILITY, INNOVATION AND QUALITY

"In 2014, EDP Spain continued with its commitment to leadership in sustainable development in its three dimensions: economic, social and environmental. We have thus created value by developing new products and services by means of R&D&I in cooperation with universities and technology centres, while we have progressed in the continuous improvement of the processes with nearly 3,000 initiatives implemented through the Lean programme; in the social sphere, we have maintained a transparent and open dialogue with stakeholders to understand their expectations and interests and develop relations based on mutual trust; and all of this guaranteeing respecting the environment in all activities, with strict compliance of the applicable environmental legal requirements, verified externally each year according to international standards".

**PELAYO ECHEVARRÍA YBARRA**

HEAD OF THE LEGAL DEPARTMENT

"By the end of 2014, we had consolidated the integration of the HC and Naturgas Legal Departments and ended with the approval of a new framework of the division aimed at achieving greater efficiency and immediacy when advising on the business. We also launched a Quality Survey of the Legal Department service aimed at all the employees of the companies that operate in the EDP in Spain sphere, whose results have lead to actions for improvement to be implemented in 2015".

**HALIA OLIVEIRA**

DIRECTOR OF OPERATIONS

"2014 has been framed by the reform of the energy sector with a direct impact on the results of the market operators. At EDP, we have raised the efficiency requirement levels in the operational costs at the same time as keeping the exemplary service level that we are noted for. 2015 will lead to important changes at the level of creating an organised gas market. We will continue with our discipline in the investment policy, cost control and debt. We want to remain as a benchmark operator in the energy market".

edp IN THE WORLD



PORTUGAL

6,733	EMPLOYEES
5,575,743	ELECTRICITY CUSTOMERS
479,329	GAS CUSTOMERS
9,310	INSTALLED CAPACITY (MW)
25,498	LIQUID GENERATION (GWh)
65 %	GENERATION FROM RENEWABLE SOURCES
43,808	ELECTRICITY DISTRIBUTION (GWh)
6,876	GAS DISTRIBUTION (GWh)
2,654	CAPACITY IN CONSTRUCTION (MW)



SPAIN

1,898	EMPLOYEES
966,102	ELECTRICITY CUSTOMERS
831,604	GAS CUSTOMERS
6,030	INSTALLED CAPACITY (MW)
14,551	LIQUID GENERATION (GWh)
42 %	GENERATION FROM RENEWABLE SOURCES
9,177	ELECTRICITY DISTRIBUTION (GWh)
46,426	GAS DISTRIBUTION (GWh)



FRANCE

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



BELGIUM

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



ITALY

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



BRASIL

2,674	EMPLOYEES
3,151,827	ELECTRICITY CUSTOMERS
1,881	INSTALLED CAPACITY (MW)
547	INSTALLED CAPACITY EMA ⁽²⁾ (MW)
7,472	LIQUID GENERATION (GWh)
100 %	GENERATION FROM RENEWABLE SOURCES ⁽¹⁾
26,443	ELECTRICITY DISTRIBUTION (GWh)
120	CAPACITY IN CONSTRUCTION (MW)
547	CAPACITY IN CONSTRUCTION EMA ⁽²⁾ (MW)



POLAND

39	EMPLOYEES
392	INSTALLED CAPACITY (MW)
129,793	LIQUID GENERATION (GWh)
100 %	GENERATION FROM RENEWABLE SOURCES ⁽¹⁾



RUMANIA

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



UNITED KINGDOM

37 | EMPLOYEES



CHINA AND ANGOLA

OFFICES



MEXICO

1 | EMPLOYEE



UAE

311	EMPLOYEES
3,805	INSTALLED CAPACITY (MW)
10,145	LIQUID GENERATION (GWh)
100 %	GENERATION FROM RENEWABLE SOURCES ⁽¹⁾
299	CAPACIDAD EN CONSTRUCCIÓN (MW)



CANADA

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



IN THE WORLD

EDP - ENERGÍA PORTUGAL, S.A. is a utility company, whose headquarters are in Portugal, and is vertically integrated. It is the largest electricity producer, distributor and marketer in Portugal, the third largest electricity production company in mainland Spain and Portugal, and one of the two largest gas distributors, also in mainland Spain and Portugal.

EDP is also one of the two largest world wind power operators, with wind farms in mainland Spain and Portugal, the USA, Canada, Brazil, France, Belgium, Italy, Poland and Rumania, and it is working on wind power projects in the United Kingdom and Mexico. In addition, EDP produces solar power in Portugal, Rumania and the United States. In Brazil, EDP is the fourth major private electricity produce, has two concessions to distribute electricity and is the third marketer on the liberalised market.

EDP now has a key presence on the world energy scene, and is present in 14 countries, with over 9.6 million electricity customers and 1.3 million gas customers, and has over 12,000 employees worldwide. At the end of 2014, EDP had an installed capacity of 22.5 GW and had produced nearly 60.2 TWh, 70% of which came from renewable sources.

COMMERCIAL DELEGATIONS

No employees
1,566

Gas marketing
831,604 supply points
30,849 GWh

Electricity marketing
966,102 supply points
17,318 GWh

GENERATION FACILITIES

GROSS INSTALLED CAPACITY
Thermal and hydraulic
3,855 MW
Renewables
1,401 MW (15.5 % EDPR)
Cogeneration and waste
26 MW

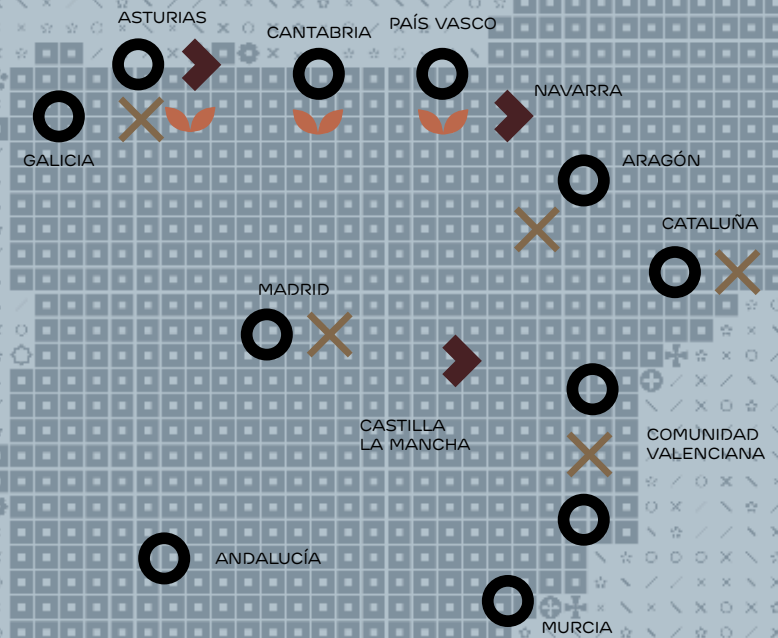
NET ELECTRICITY GENERATION
Conventional (thermal and hydraulic)
9.3 TWh
Renewables
3 TWh (15.5 % EDPR)
Cogeneration and waste
0.2 TWh

DISTRIBUTION FACILITIES

ELECTRIC GRIDS
23,391 km
Distributed electricity
9,177 GWh

GAS NETWORKS
10,143 km
Transported Gas
46,426 GWh

At the end of the year, EDP and Redexis reached an agreement, which will be executed in 2015, to transfer the gas distribution assets outside the northern territory where EDP is incumbent (the Basque Country, Asturias and Cantabria).



edp

SPAIN

IS PRESENT IN
12 AUTONOMOUS
REGIONS

VISION

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

VALUES

EXCELLENCE

With over two million calls and twelve million minutes of customer hotline service, our Customer Call Center (CAC) has been named the best in Spain.

INITIATIVE

We create value in our environment by investing in gas and electricity distribution, along with making key environmental improvements to our power stations.

TRUST

To consolidate the trust of the stakeholders in our Group, we have embraced the priority of fostering the effectiveness of strategic relations based on mutual transparency and cooperation.

SUSTAINABILITY

For the second year running, we are the world leaders in the Utilities category on the Dow Jones Sustainability Index (DJSI), which endorses the commitments of the Group even in the current climate.

INNOVATION

We have our sights set on the future thanks to the innovation projects focused on our customers and businesses. The commitment to smart networks and energy efficiency is particularly important.

COMMITMENTS

SUSTAINABILITY

EDP will be the first company to adapt its power stations to the new environmental requirements in Spain, extending their life until 2035 with the ensuing maintenance of jobs.

Pola de Siero is home to the first smart energy distribution network within the Inovgrid Project. It is far ahead of the legal timeframe for introducing smart meters.

EDP has opened new automotive natural gas stations (gasineras) in Gijón and Vitoria, which will soon be open to the public as a commitment to more sustainable mobility.

PEOPLE

Thanks to eCloud, it has improved the connectivity and productivity of the Group's employees who thus have access to the best technological solutions available.

The Occupational Health and Safety Management Systems (OSHAS) have managed to cut the occupational accident rate thanks to an integrated prevention culture.

EDP successfully renewed the Family Responsible Company Certificate (EFR) for the first time at integrated level.

RESULTS

The EDP Group in Spain's turnover increased by 1%, but the net profit dropped by 12%, hit by the adjustments of the sector and the huge hike in tax burdens.

The operating flexibility of the thermal power stations ensures the competitiveness of the generators on the balancing markets.

EDP HC EDP remained at the top of the electricity energy supply quality index in 2014 with a TIEPI of 29 minutes.

CUSTOMERS

EDP has the largest percentage of dual gas and electricity customers, with over 2.2 million contracts.

The EDP power supply for business and household customers was recognised as the best by the National Commission for Markets and Competition (CNMC).

The market surveys reflect an increase in general customer satisfaction and there was a 17% drop in the ratio of incoming claims.

STAKEHOLDERS

Managing the stakeholders is a demanding task requiring information and transparency from companies in their relationship with society and, in particular, with the entities that influence or are influenced by their activity.

That management allows EDP Spain to detect the key stakeholders, gather their relationship expectations and identify the challenges, risks and opportunities for improvement to integrate them in the strategy of the company.

In order to develop the relationship between EDP Spain and its stakeholders to develop coherently, two instruments have been defined: the Stakeholder Relationship Policy for the whole EDP group and a Segmentation Model to classify them according to their characteristics and interests.



RELATIONSHIP POLICY

It seeks to overcome the mere compliance of the formal requirements of the legislation, by contributing to a genuine and effective involvement of the different stakeholders in order to create value for the different parties concerned, wherever they are. Based on that policy, four principles or commitments have been established: understating, communicating, trusting and collaborating.



SEGMENTATION MODEL

It is underpinned by three core areas that allow the stakeholders to be grouped into four Categories according to their different characteristics and interests:

1

The **first core area** is based on developing the business areas of the company, that is, the set of activities or processes that allow the electricity, gas and energy services to be brought to the customers. The first category is thus defined that comprises the stakeholders and that we refer to as the **Value Chain**. This category includes the Customers, who are playing an increasingly more active role in the demand for new products and services, leading to the development of new capacities to mobilise the know-how of the employees, the technological development of suppliers and innovation through the Scientific Community.

2

The **second core area** refers to the direct structure that frames and defines the conditions in which EDP operates and achieves its investments: regulations, competence, financing conditions, rules and regulatory decisions, public policies, etc. Two categories can be seen in an energy sector with high levels of financial uncertainty and regulatory risk:

The category that we call **Market** and which includes the Investors, Financial Institutions and Competitors that facilitate or hinder the application of the internationalisation and investment strategies and the diversification activities.

The stakeholder category known as **Democracy**, which groups together those that define and play by the rules of the game facilitating to a greater or lesser extent the carrying out of the activities of the different agents. The Government, public and regulatory bodies, together with Parliament and the Political Parties and International Institutions oversee the activity of the companies and markets.

3

The **third core area** is in the territorial and social environment where EDP operates. These operations generate induced, indirect and direct effects that may be environmental, social and economic in nature, either specifically (investments, production, employment wealth generation, tax receipts) or in a more blurred way (opportunities generator, induced effects, etc.), by creating a set of negative and positive externalities that are of clear importance due to their impacts on those groups.

The stakeholders in this category, known as the **Territorial and Social Setting**, express growing concerns regarding climate changes, conserving nature or the sustainable development of the planet.

The local communities and local councils of the territories where the key EDP investments are located assume that the company is a driving force of their own community and regional development processes, with lasting social and economic progress expectations. The organisations of civic society, mainly NGOs, and the media and opinion leaders, establish a critical framework in which the public policies and regulatory decisions that condition the operational and strategic development of the company and its investments are discussed and contended.

The EDP Spain sustainability performance in those aspects that affect these four stakeholder categories will be addressed in the following chapters of this Report, in the following order:

MARKET, VALUE CHAIN, DEMOCRACY AND TERRITORIAL AND SOCIAL SETTING.





01

MARKET

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ENERGY THAT TRANSFORMS CULTURE

It drives cultural schemes and helps
to preserve the artistic and historical heritage
to recognise and disseminate the
most fundamental human values.



01

MARKET

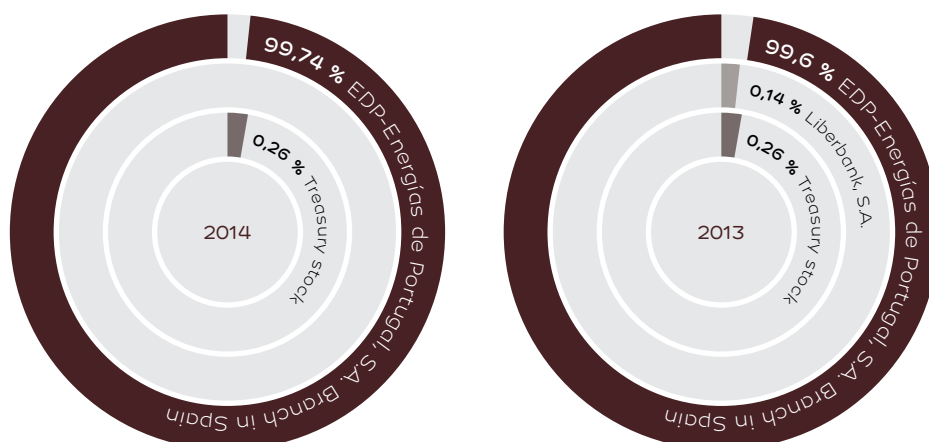
THIS STAKEHOLDER CATEGORY INCLUDES THE SHAREHOLDERS AND INVESTORS, FINANCIAL INSTITUTIONS AND COMPETITORS, WHAT MAKE UP A DIRECT STRUCTURE THAT CONDITIONS THE DIVERSIFICATION AND INVESTMENT STRATEGIES OF THE GROUP'S OPERATIONS.

1.1. SHAREHOLDERS AND INVESTORS

1.1.1. SHAREHOLDER STRUCTURE

As of 31 December 2014 and 2013, the share capital of the parent company stood at EUR 421 million, represented by 42,173,979 registered shares, with each having a par value of 10 euros, and which are fully paid up.

The breakdown of the EDP Spain shareholders and their stake as of 31 December 2014 and 2013 was as follows:



In 2013, EDP- Energías de Portugal, S.A. Branch in Spain purchased **3 %** of its share capital from the Liberbank S.A. Group.

It acquired the remaining **0.14 %** in 2014.



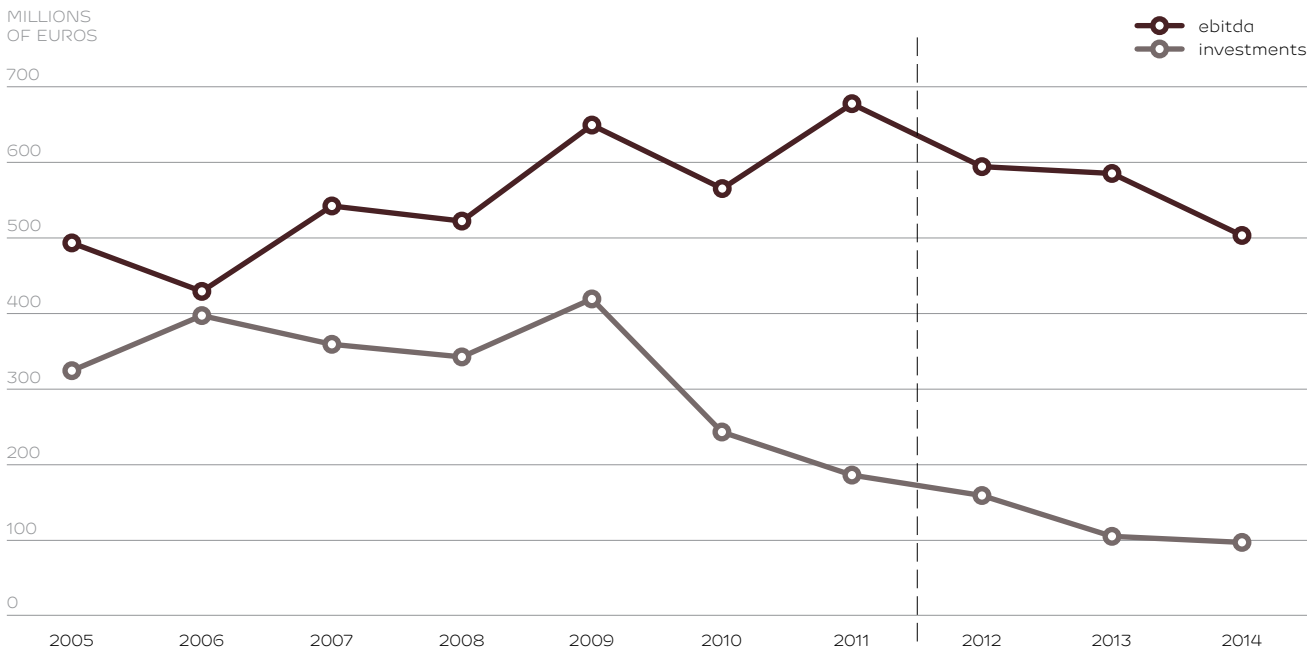
1.1.2. EDP SPAIN STRATEGY

BUSINESS PLAN 2014-2017

"I WOULD SAY THAT THE BUSINESS OUTLOOK IS POSITIVE WITH A LOWER RISK AND A HIGH CASH FLOW".

Miguel
Stilwell de
Andrade,
CEO

EDP defined its Strategy in 2005, and since then its Business Plans have been underpinned by three pillars: controlled risk, greater efficiency and oriented growth, keys to success that enable it to face the future by focusing on two priority targets: to reduce the financial debt and focus on return for shareholders.



2005-2011

HIGH GROWTH
AND EXCELLENCE
IN EXECUTION

New electricity plants were built based on the Best Available Technologies: the Castejón 3, Soto 4 and Soto 5 combined cycles and an electricity cogeneration facility (Tudela de Veguín cogeneration plant). The existing coal-fired power stations were environmentally adapted thanks to investments aimed at reducing polluting gas emissions, to thus further come in line with an increasingly more demanding legislation; the expansion of our gas and electricity networks outside Asturias and the Basque Country was consolidated, both by means of constructing new facilities and with the purchase of other small distributors, which enables us to be present in multiple autonomous regions.

2012-2014

FOCUSED ON
EFFICIENCY IN AN
ADVERSE CONTEXT

This period was noted for a drop in demand (which led to lower operating rates of the thermal generators), far-reaching regulatory reforms with a negative impact for the sector, and a hike in the tax burdens. Moderate growth was thus posted. Special mention should be made of the investments in electricity grids (Puerto de Gijón and Gijón Norte substations) and in gas transport and distribution networks (Moratalla-Mula gas pipeline). The focus was on efficiency: new municipalities being supplied with natural gas, promoting Vehicular Natural Gas and evolution of the electricity grid towards SmartGrids.

1.1.3. CHALLENGES AND OPPORTUNITIES

BY MEANS OF A STRATEGIC POSITION IN LINE WITH THE CURRENT CLIMATE...



Low demand and surplus of installed capacity.

Closure of non-profitable cogeneration plants.



The more efficient coal-fired plants will be competitive.

New products and services in a fully liberalised market.



Improving efficiency to absorb negative regulatory impacts.

Generating cash flow to improve the debt ratios.

EDP SPAIN WILL ACHIEVE ITS GOALS...

GENERATION

To use the unique characteristics of the generator facilities:



Optimising the operating of the gas and coal-fired plants.



Investing in de-nitrification.



Containment of recurrent investments.

GAS AND ELECTRICITY DISTRIBUTION

To ensure excellence in the quality of the supply:



Operational efficiency and containing investments.



Expanding smart networks (Inovgrid).



Increasing the demand for gas.

MARKETING

Profitable commercial operations and 365 customer advantages:



Maintaining the leadership in customer satisfaction.



Reviewing the support channel strategy.



Strengthening infrastructures (systems and processes), training and culture.



Continuing with the B2B and B2C offers strategy.

REGULATION

Proactive regulatory management, focused on the priority topics:



Restrictions in generation, remuneration of distribution, increasing liberalisation of the commercial business, Transitional National Plan for the coal-fired plants and energy efficiency.

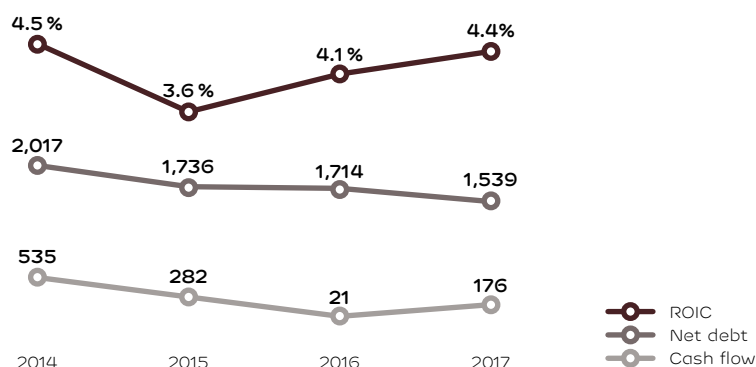
CORPORATE

Use of the synergies with the EDP Group to maximise the operational efficiency:



Cut costing, fostering flexibility and internal mobility, negotiating the Collective Bargaining Agreement in the Naturgas group and continuity of the Lean/Opex/Orange programmes.

THIS WILL RESULT IN A LOW-RISK BUSINESS MODEL AND WITH STRONG GENERATION OF A FREE CASH FLOW, WHICH WILL IMPROVE THE FINANCIAL RATIOS



1.2. FINANCIAL INSTITUTIONS

In 2014, the EDP Spain Group posted a gross operating result (EBITDA) of EUR 507 million and a net profit (ATP) of EUR 110 million. These figures mean a 15 % drop in the EBITDA and 12 % in the Net Profit on 2013. The EBITDA would have dropped by 6 % if the extraordinary profit obtained from selling the gas transport assets in 2013 were not taken into account.

1.2.1. CONSOLIDATED PROFIT AND LOSS ACCOUNT

THOUSANDS OF EUROS	2013	2014
Net turnover	4,049,873	4,086,382
Electricity acquisition costs	-1,544,076	-1,764,311
Gas acquisition costs	-1,186,938	-1,041,718
Changes in stock, raw materials and consumables	-420,663	-387,140
GROSS MARGIN	898,196	893,213
Other operating revenue	123,315	53,114
Supplies and services	-152,156	-146,433
Cost of employee remunerations	-102,295	-98,543
Costs of employees benefits	-5,583	-12,164
Other operating costs	-167,689	-182,445
EBITDA	593,788	506,743
Provisions	-35,121	-25,129
Depreciation costs	-242,794	-213,808
Costs of impairment provisions	-28,293	-1,402
Depreciation of deferred revenue / Official subsidies	3,207	3,741
EBIT	290,788	270,145
Financial Revenue	40,865	45,376
Financial costs	-333,535	-166,892
Share in profits /(losses) for the year of companies accounted for using the equity method	1,480	2,362
Pre-tax results	-402	150,992
Tax on capital gains	123,054	-40,891
After-tax results	122,652	110,101
Net results for the financial year	122,652	110,101
HC Energía net equity holders	125,149	110,363
Minority interests	-2,497	-262
RESULTS FOR THE FINANCIAL YEAR	122,652	110,101

In 2013, it sold its gas transport business (carried out by Naturgas Energía Transporte S.A.) to the Enagas group, which resulted in a capital gains on the operation to the tune of 56 million euros.

The profit after depreciation (**EBIT**) stood at 270 million euros, 7 % down on 2013, reflecting the drop in the depreciation costs after the review of the serviceable lives of the coal-fired and combined cycle thermal power stations and the registering in 2013 as the result of the new regulation of the special system for the asset impairment provisions.

The **pre-tax earnings** stood at 151 million euros. In 2013, there was an impairment of EUR 101 million in the available-for-sale financial assets account.

In 2013, the Group availed itself of the account revaluation (Act 16/2012) which resulted in an accounting entry of a tax income of 120 million euros.

The **Gross Operating Margin** fell by 1 % during 2014 down to 893 million euros; EDP in Spain net production in 2015 was 9.375 GWh, 6 % down on the previous year. While the production of the coal-fired power stations (+0.1 %) maintained its market share of previous years, the hydraulic share contribution fell (even though 2014 was also a good hydraulic year) and combined cycle production remained at very low levels. Furthermore, the production of cogeneration plants fell dramatically as eight of the twelve plants that were operating in previous years were shut down, as the result of the regulatory provisions that have shrank their revenue to the point of a loss in profitability.

In an adverse climate and marked by a significant increase in competition, the Group embarked on a robust commercial activity. It also distributed electricity in Asturias, the traditional market, and in the Autonomous Communities of Madrid, Valencia, Catalonia and Aragón. The Naturgas Energía gas transport and distribution constructed networks totalled over 10,000 kilometres in the eight autonomous regions in which it is present at 2014 year end.

The Group posted an operating profit, **EBITDA**, of EUR 507 million, which is a 15 % drop on the one for the previous year. Despite the aforementioned negative market conditioning factors, those have been mitigated by the emphasis on cut cutting and continuing with the policy to obtain synergies with the EDP group, and by appropriate strategic decisions regarding coverage of the marketing and generation businesses and the efficiency and availability of the group's current generation capacity.

1.2.2. CONSOLIDATED BALANCE SHEET

THOUSANDS OF EUROS	2013	2014
Tangible fixed assets	2,987,321	2,760,273
Intangible fixed assets	195,487	113,004
Goodwill	1,622,415	1,615,103
Financial investments in affiliates		337,175
Investments in associate companies	3,294	4,974
Financial assets available for sale	524,686	733,450
Deferred tax assets	105,301	112,498
Trade and other receivables	201,440	13,643
Other debtors and other assets	7,435	90,985
Total non-current assets	5,647,379	5,781,105
Stock	158,141	141,873
Short-term customers	522,228	449,212
Trade debtors	138,056	102,620
Debtors and other assets	779,579	584,614
Taxes to be collected	14,188	4,989
Cash and other liquidity	2,836	1,807
Assets held for sale	0	164,402
Total current assets	1,615,028	1,449,518
TOTAL ASSETS	7,262,407	7,230,623
NET EQUITY		
CAPITAL	421,740	421,740
OWN SHARES	-4,809	-4,809
ISSUE PREMIUM	657,680	657,680
Fair value reserves - Cash flow hedges	-3,425	-9,311
Fair value reserves - Financial assets available for sale	11,366	224,738
Reserves and accumulated gains	1,524,470	1,635,229
Consolidated net profit attributable to net equity holders of the parent company	125,149	110,363
Total net equity attributable to net equity holders of the parent company	2,732,171	3,035,630
Minority interests	69,311	65,211
TOTAL NET EQUITY	2,801,483	3,100,841
LIABILITIES		
Long-term financial debt	1,643,698	2,016,903
Employees benefits	89,582	86,992
Risk and cost provisions	114,212	152,016
Deferred tax liabilities	226,833	238,746
Trade creditors and other outstanding accounts	192,363	185,802
Other creditors and other liabilities	19,741	45,339
Total non-current liabilities	2,286,429	2,725,797
Short-term financial debt	1,342,909	619,919
Short-term employees benefits	0	16,087
Short-term risk and cost provisions	3,880	1,709
Trade creditors and other outstanding accounts	529,252	546,795
Other creditors and other liabilities	159,949	87,706
Taxes to be paid	138,505	120,442
Liabilities linked to assets held for sale	0	11,328
Total current liabilities	2,174,495	1,403,985
TOTAL LIABILITIES	4,460,924	4,129,782
TOTAL NET EQUITY AND LIABILITIES	7,262,407	7,230,623

The volume of assets has barely shifted (-0.4 %).

As regards the key events as of 31 December 2014, the company of the Naturgas Energía Distribución, S.A.U. Group reached an agreement, subject to certain conditions being met, with another gas distribution group, Redexis, to sell it the former's stake in Gas Energía Distribución Murcia, S.A., a gas distributor. Another agreement was also reached with the aforementioned entity to sell it the gas distribution tangible assets located outside the autonomous regions of Asturias, Cantabria and the Basque Country, which has resulted in their being entered in the accounts as Assets Held for Sale.

During 2013, there were 15 power tariff deficit bond issues through the Fondo de Titulización de Deuda Eléctrica - FADE (Power Tariff Deficit Securitization Fund), with the relevant transfer of the collection rights by the electricity companies to FADE. The Group was entitled to tariff deficit collections, through those issues, for a total of EUR 487.3 million (EUR 301.3 million in 2013) and thus collected all the tariff deficits of 2012 and of previous years. In 2014, the Group completed the transfer of this deficit as of 15 December 2014.

In December 2014, the Group had purchased from EDP Energías de Portugal, S.A., the parent company of the group to which Hidroeléctrica del Cantábrico, S.A. (EDP Group) belongs, the shares representing 100 % of the share capital of EDP Gas S.G.P.S., S.A. registered in Lisbon, Portugal. This company is the sub-holding for the gas area and responsible for all activities implemented by the EDP group throughout the gas value chain, supply, transport, distribution and marketing in Portugal. Given the acquisition date of the businesses, this has had no impact on the consolidated profit and loss account of the Group as of 31 December 2014.

The **Net Equity** increased by nearly 300 million, which together with the slowdown of the value of the assets, explains that the equity share increased from 39 % to 43 % arising from the results of the consolidated group for the year and from the fluctuation of the value of Financial Assets Available for Sale.

Variations in the long- and short-term financial debt arising from the long-term refinancing of the financial debt can be seen.

1.2.3. CONSOLIDATED CASH FLOW STATEMENT

MILLIONS OF EUROS	2013	2014
Gross Operating Result	594	507
Tax on capital gains	-50	-27
Net interest cost	-168	-142
Net gain or loss from stakes in associated companies using the equity method	7	8
CASH FLOW FROM THE OPERATING ACTIVITIES	383	345
Net interest cost	168	142
N/A		
Other non-cash adjustments	1	2
Working capital (decreases) / increases	266	358
CASH FLOWS FROM THE OPERATIONS	818	848
Investment in fixed assets	-104	-96
Financial investments / (divestitures)	-7	-337
Working capital (decreases) / increases related to the purchase of fixed assets	-18	-4
Subsidies	14	11
Dividends received	6	6
NET CASH FLOWS FROM THE OPERATING ACTIVITIES	710	427
Net Interest Cost	-188	-137
Capital dividends and distribution	-106	-93
Exchange rate differences and others	0	0
NET DEBT NET INCREASE / (DECREASE)	416	197

EDP Spain generated an operating cash flow of EUR 848 million, 5% up on 2013, a priority aspect of the strategy defined by the company for the period 2014-2017. The main milestones that justify this evolution are as follows:

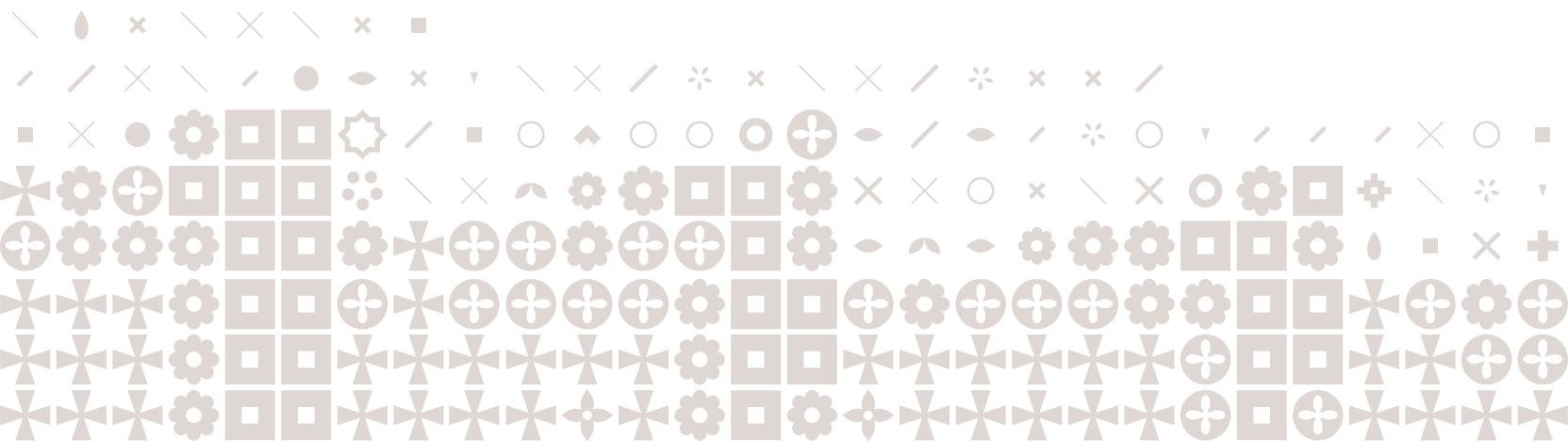
The cash flows from the operating activities, which come from the EBITDA after discounting the net interest costs and taxes, stood at EUR 345 million, nearly EUR 40 million under the figures for 2013 as the result of the drop in the gross operating result. In 2013, the value of the gross operating result includes the capital gains for the Gas Transport sale (See Point 2 of the Profit and Loss Account).

The operational cash flows, that is, the flows from operations prior to the net interest costs and adjusted by the fluctuation in the working capital (WC), reached the figure of EUR 848 million, 30 million up on 2013.

In 2014, the acquisition took place of share of the parent company gas distribution subholding in Portugal (see Point 1 of the Balance Sheet).

The net interest cost was down in 2014 on 2013 due to the new financing conditions agreed and the lower leverage.

The net debt was reduced by EUR 197 million compared to 2013.



1.3. COMPETITORS

Competition means having to improve, having to add value to products to gain a market foothold and obtain competitive advantage.

Knowing the competitors, the market and suppliers is fundamental to define the strategy of the organisations. Thus, the EDP strategy includes being a leader in sustainable development by applying the best practices in its three dimensions - economic, social and environmental - a factor that makes us stand out from the competitor and which provides value added: we create shared value with all our stakeholders.

EDP CLASSIFIED AS A WORLD LEADER OF THE UTILITIES SECTOR (ELECTRICITY, WATER AND GAS) OF THE DOW JONES SUSTAINABILITY INDEX

The Dow Jones Sustainability Index is made up of the companies that stand out for their sustainability practices:



For the fourth year running, EDP was the leader of the electricity companies.



For the second year running, EDP was the leader of the Utilities Group (electricity, gas and water).



For the fifth year running, EDP obtained the "Gold" rating in The Sustainability Yearbook prepared by RobecoSAM.

EDP MARKET SHARES

5.8 %

ELECTRICITY
GENERATION

12.3 %

GAS
DISTRIBUTION

3.8 %

ELECTRICITY
DISTRIBUTION

9.3 %

ELECTRICITY
MARKETING

WHAT MAKES US STAND OUT FROM OUR COMPETITORS?

MARKET SHARE	MILESTONES
Production EDP Spain has a net total capacity, excluding wind power, of 3,836 MW with a diversified mix of technologies. Net production in 2014 was 9,375 GWh.	The operating flexibility of the thermal groups, with over 420 start-ups, has allowed it to operate in the balancing markets, which meant it could maintain the share of previous years in a scenario of low demand and high contribution of renewable energy, compared to competitors that are opting to close down plants (hibernation). The availability of the gas generators was 97.6 % and 93.6 % for the coal-fired generators.
Electricity distribution EDP HC Energía is the 4 th national electricity distributor, with nearly 23,400 km of network and 9,177 GWh distributed in 2014.	EDP HC Energía continue to lead the service quality in the Spanish electricity sector with an Equivalent Time Interruption of Installed Power (TIEPI) of 29 minutes, just one minute over the all-time record set in 2012. As regards the legal requirement of putting in place 35 % of smart meters, over 302,000 have been installed, which is 48 % of the total.
Gas distribution EDP Naturgas Energía has consolidated its position as the second natural gas distributor in Spain, 10,143 km of networks and 46,426 gas distributed.	91 % of the population of the zones where EDP Naturgas Energía is present has access to natural gas and the leading quality indicators on the market are: Breakage Index: 1.22 (per 100 km of network). Supply Continuity Index: 1.81 (minutes per year and connected user).
Electricity and gas marketing EDP is the leader in the marketing of gas and electricity dual customers, with over 2.2 million customers. Over 150,000 customers in expansion zones with a link of 1.96 products per customer.	According to the Spanish National Commission for Markets and Competition (CNMC), EDP was the company with the best electricity supply in 2014, and it also appeared as the best supply with "FUNCIONA" additional services. The Spanish Association of Experts in Customer Relations awarded the EDP Customer Service Centre the Gold CRC (Customer Relations Centre) award in the Energy and Absolute categories, for CRCs with over 1.2 million calls per year. Emilia Fernández Quiles, the call centre operator from Gijón, won the US award for the Best Call Centre Operator in the World.





02

VALUE CHAIN

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ENERGY THAT TRANSFORMS OPPORTUNITIES

Making a difference in the life
of our stakeholders,
by offering them innovative solutions,
combining rigorous ethical conduct
with enthusiasm and initiative.



02

VALUE CHAIN

THIS STAKEHOLDER CATEGORY INCLUDES THE CUSTOMERS, EMPLOYEES, SUPPLIERS AND SCIENTIFIC COMMUNITY. THE CUSTOMERS DRIVE THE ACTIVE DEMAND FOR NEW ENERGY PRODUCTS AND SERVICES, AS MOBILIZERS OF THE EXPERTISE OF THE EMPLOYEES, DRIVERS OF THE TECHNOLOGY DEVELOPMENT OF THE PROVIDERS, AND FOSTERING INNOVATION THROUGH THE SCIENTIFIC COMMUNITY.

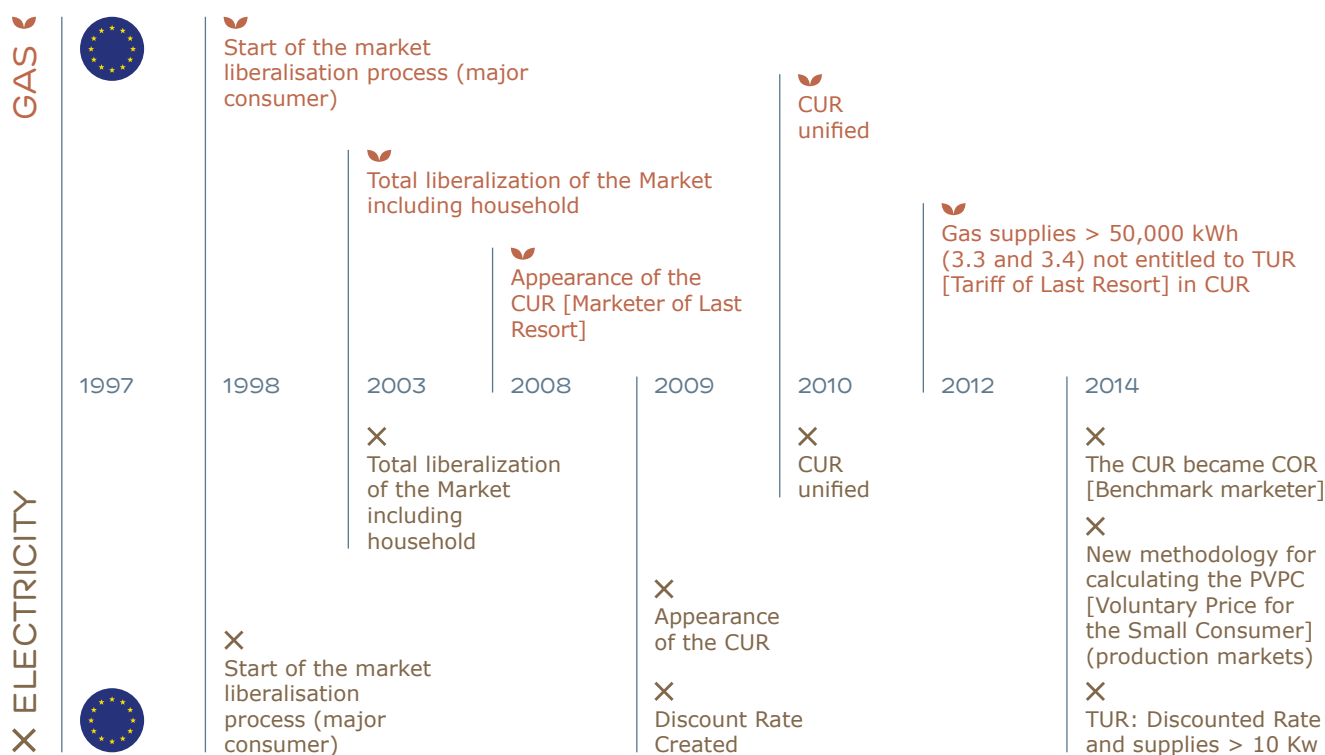
2.1. CUSTOMERS

2.1.1. LIBERALISATION OF THE ENERGY SECTOR

Since 1997, when the liberalisation of the energy sector started, there have been many regulatory reforms and changes that have impacted our businesses and consumers.

EDP is aware of the concerns of our customers regarding this new market scenario and has therefore sought to involve all the employees and associates in a "Customer Vision": the market is changing and the customer is the one who decides.

Therefore, the EDP Group has just launched the Customer 365 [Cliente 365] training programme so that all the employees are more aware of the context of the liberalisation, the market characteristics and, above all, the importance that the customers have for the Company.



WHAT CAN I DO AS A CUSTOMER?

⚙️ SUPPLY CONTRACTED WITH A BENCHMARK MARKETER OR COR

From 1 April 2014, all the electricity supplies where the power is not over 10 kW and, therefore, the consumer is entitled to the Voluntary Price for the Small Consumer (PVPC), which are contracted with a benchmark marketer (COR), have a new methodology to calculate the price of the kWh. They also have through that same marketer a Fixed Price alternative that guarantees them a price over a 12-month period (except for changes to regulated components). With the COR, vulnerable customers retain the right to the discounted rate thanks to a 25 % discount on the PVPC.

In the case of gas, the low pressure supplies with consumption under 50,000 kWh can remain on the regulated market.

However, to encourage the customers to move to the free market, a 20 % surcharge over the PVPC is applied those contracted electrical powers over 10 kW through a COR. Likewise, the prices will be much higher than the free market in the case of low pressure gas customers and with consumption over 50,000 kWh.

⚙️ SUPPLY CONTRACTED WITH A FREE MARKET MARKETER

The energy prices on the free market are established between each marketer and its customers, following the competition rules and regulations, which is all supervised by the CNMC – the Spanish National Commission for Markets and Competition.

The advantages of the free market are the possibility of choosing the supplier and, therefore, the commercial service (better customer service, different communication channels, proximity), along with combined energy, gas and electricity packages, along with other products and services.

Voluntary Price for the Small Consumer (PVPC): it replaces the Tariff of Last Resort (TUR) and is defined as a Maximum Price, and the only one throughout the Spanish territory, which the benchmark marketers (COR) can charge small consumers. The TUR is reserved as the supply price for vulnerable consumers (Discounted Rate) and for those who without being entitled to the PVPC temporarily do not have a supply contract with a marketer (Supplies > 10 kW).

HOW IS THE FINAL PRICE SET FOR THE CUSTOMER?

Both on the deregulated and regulated market, the final price is made up of 3 parts:

⚙️ COST OF THE ENERGY

Cost according to the production markets.

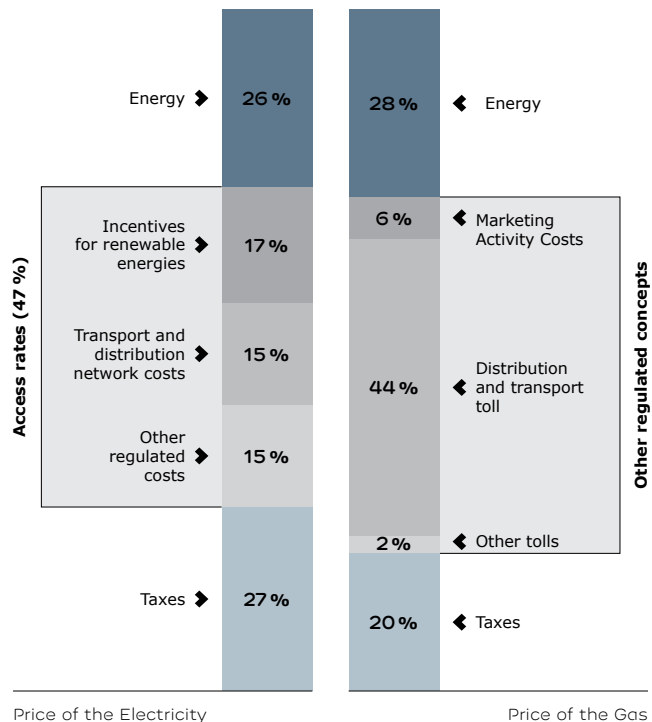
⚙️ TOLL COSTS OR ACCESS TARIFFS

Regulated cost is equal for all customers according to the supply power and voltage. It includes:

- The cost of the transport and distribution networks from the producers, in the case of electricity, or from the supply points, in the case of gas, to the consumption points.
- The regulated costs that result from the government's energy policy decisions such as losses in the networks, compensation for the market operator and the system operator, payments per capacity, etc.
- In the case of the electricity supply, subsidies for certain energies (renewable, national coal, nuclear moratorium, etc.).

⚙️ TAXES

In the case of electricity and gas bills, the cost of the energy that tallies with the consumption by the customer only accounts for 26-28 % of the total bill.



2.1.2. ENERGY MARKETING AT EDP SPAIN

The gradual liberalisation of the energy market has led to new companies emerging in Spain that offer and market energy packages for all segments of the economy, and which compete on a free market with the traditional companies.

EDP is the 4th electricity marketer and the 3rd gas marketer, in terms of number of customers in Spain, and leader in dual customer marketing (gas and electricity) with over 2 million customers.

The CNMC, Spanish National Commission for Markets and Competition, places EDP as the company with the best electricity packages on the free market and in terms of the annual fixed price of the COR, and which can be seen on the CNMC website.

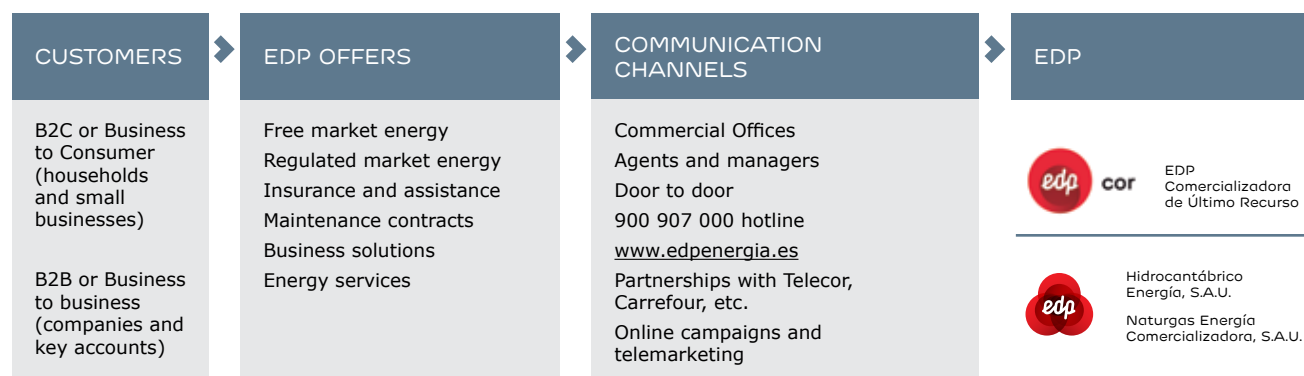
Energy marketing in EDP Spain (figures as of 31 December 2014)

Electricity marketed (GWh)	17,927
No. of electricity customers*	1,180,578
Natural gas marketed (GWh)	30,849
No. natural gas customers*	831,604

* Supply points

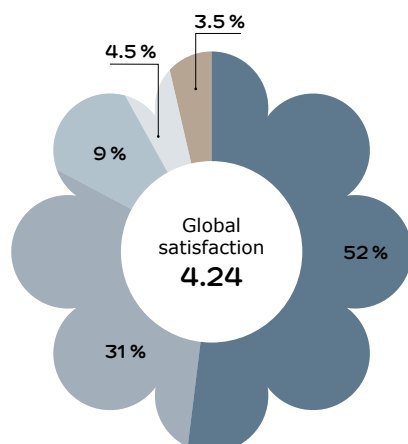
CUSTOMER SERVICE

The liberalisation of the market has allowed new tariffs, products and services to be created and which better adapt to each type of consumer. EDP has likewise created a structure of segmentation, packages and communication channels to be able to offer its customers a first-rate and efficient response.

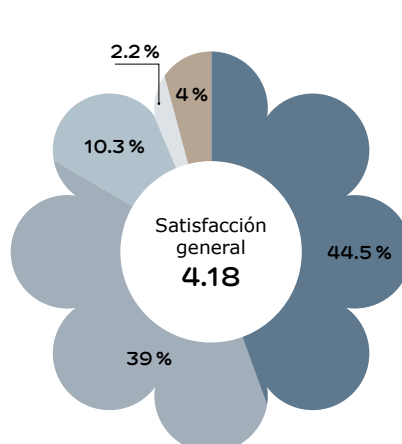


EDP conducts periodic surveys of its customers to check the level of service provided by the company through the available communication channels.

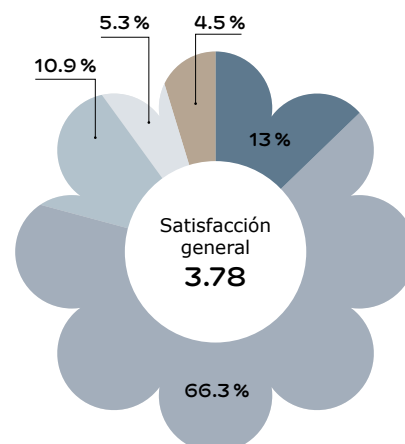
CUSTOMER SERVICE IN OUR OFFICES



CALL CENTER



CUSTOMER AREA ON THE WEBSITE



Very satisfied Satisfied Neutral Unsatisfied Very unsatisfied

2.1.3. ENERGY DISTRIBUTION AT EDP SPAIN

Transporting and distributing energy are regulated businesses to guarantee the energy supply to customers. In fact, the transport activities have legally been transferred to state operators, Red Eléctrica de España in the case of transporting electricity, and ENAGAS, in the case of transporting gas.

Energy distribution at EDP Spain

(figures as of 31 December 2014)

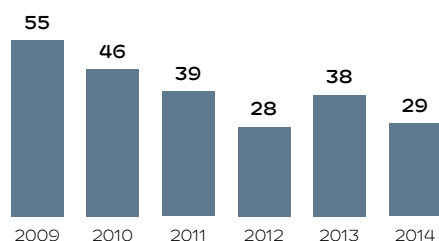
Distributed electricity (GWh)	9,177
Electricity supply points	659,319
Distributed Natural Gas (GWh)	46,426
Natural gas supply points	1,026,343

SUPPLY QUALITY

The failures of the distribution networks must be solved by the operators of that distribution network, regardless of the marketer with which a client has the supply contracted.

The distributors of the Group, EDP HC Energía in the electricity sector, and EDP Naturgas Energía in the gas sector, have the best supply quality indexes in their sector in Spain.

ELECTRICITY SECTOR EVOLUTION OF THE TIEPI (in minutes)



TIEPI: Equivalent interruption time to the installed capacity.

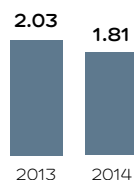
EDP HC ENERGÍA HAS INVESTED OVER 240 MILLION EUROS IN RECENT YEARS TO MODERNISE ITS DISTRIBUTION NETWORKS, WHICH MEANS OVER 23,000 KM OF ELECTRICITY GRIDS IN ASTURIAS, MADRID, CATALONIA, COMUNIDAD VALENCIANA AND ARAGON.

PROJECTS

Thus, initiatives stand out in 2014 such as the LOCALIZA project, to locate failures in medium-voltage lines, implemented in south-western Asturias, that with an effective rate of over 80 % allows the service to be re-established in less time; Inovgrid to install and manage smart electricity grids; replacing distribution transformers to increase the installed capacity (Somiedo) or the voltage change in eastern Asturias, an initiative aimed at improving the supply quality and reducing losses in the grids. The obtained index (TIEPI) reflects the maintenance and ongoing improvement of the distribution grid, particularly in Asturias due to the special relief of the region.

On the other hand, EDP HC Energía also conducted a pilot test with drones in 2014, as part of the line Preventive Maintenance Plans, which enable images to be taken of the lines, particularly in areas that are difficult to access, quickly and safely, and avoid interruptions to the supply.

GAS SECTOR SUPPLY CONTINUITY INDEX (minutes per year and connected user)



Breakage Index: 1.22 (for each 100 km of network).

IN 2014, EDP NATURGAS ENERGÍA MADE GROSS INVESTMENT OF 24 MILLION EUROS TO GUARANTEE THE SUPPLY SECURITY IN THE DIFFERENT AREAS WHERE IT OPERATES, WHERE IT HAS OVER 10,100 KM OF GAS NETWORKS.

PROJECTS

The projects implemented include the connection with the Musel and splitting of the line for the Gijón electrical reinforcement in Asturias, the Dima electrical reinforcement in Vizcaya and the San Sebastián replacement in Guipúzcoa.

In addition, special mention must also be made of promoting vehicular gas with the coming into service of two new automotive natural gas stations [gasineras] (Gijón and Vitoria) and the replacement of 50 used diesel vehicles that will be powered by natural gas. Once the changeover process is completed, EDP will be the first gas distributor operating on the Spanish market with a fleet exclusively run on natural gas.

2.1.4. PRODUCTS AND SERVICES

Along with the basic electricity and gas energy packages, EDP offers different products and services on the free market according to the needs of our customers.

HOUSEHOLDS AND SMALL BUSINESSES MARKET

- ✦ Funciona service, which covers the maintenance of the electricity and gas installation, increasing safety in the home, along with repairing and technical assistance of the main household appliances.
- ✦ Energy audit, to know where the energy is consumed and how to cut costs.
- ✦ Energy certification, with the EDP quality guarantee, mandatory when purchasing-selling property.
- ✦ EDP points for consumption and which can be swapped for gifts and free energy.

EDP appears as the company with the best range with additional services (Funciona) covering the maintenance of the installations and household appliances, a product that 450,000 customers have already taken up.

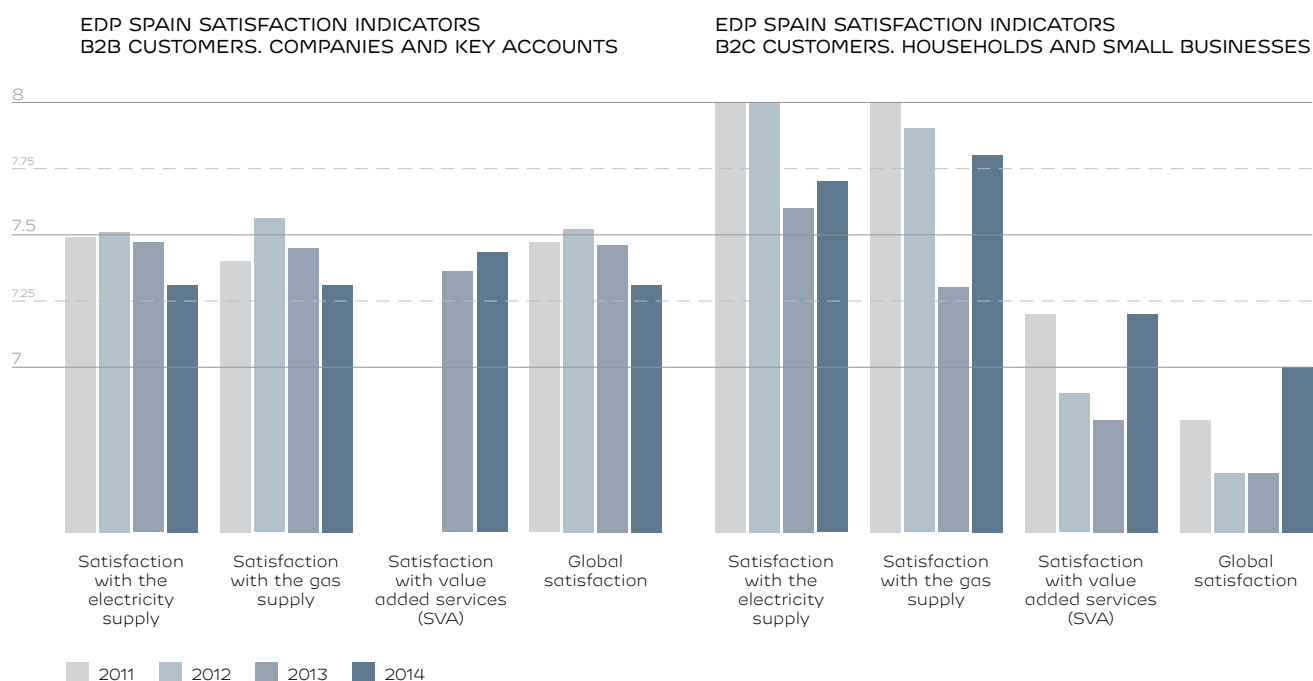
COMPANIES AND KEY ACCOUNTS MARKET

- ✦ Energy services to customers such as efficient lighting campaigns, corrective maintenance of transformation centres and metering and regulation stations.
- ✦ Save-to-Compete Programme with the signing of partnership agreements with ADEGI and CEBEK - the Basque employers' associations - and SEA Empresarios Alaveses, which have signed up to the agreement entered into the previous year with FADE, the employers' association of Asturias. Save-to-Compete aims to implement energy efficiency measures where the investment is paid with the savings generated, cutting consumption and improving the energy competitiveness of these companies.
- ✦ Specific projects and Services to manage electricity and for the maintenance of the installations.
- ✦ Energy services in buildings such as changing over from coal and/or diesel centralised installations to natural gas, where special mention should be made of the Agreement reached with Gijón City Council to co-subsidise the conversions of the boiler rooms within that city.

The estimated annual savings arising from the projects and services provided to companies in 2014 stood at around 3.75 GWh/year.

CUSTOMER SATISFACTION WITH OUR PRODUCTS AND SERVICES

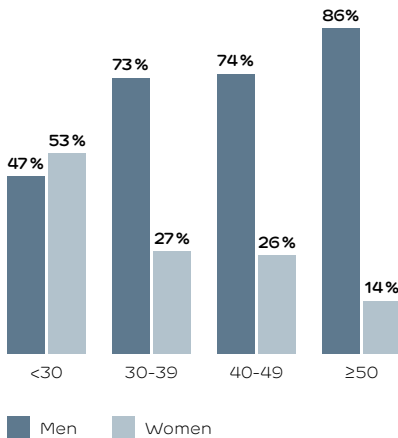
EDP conducts periodic surveys of its customers to discover their degree of satisfaction with the EDP products and services.



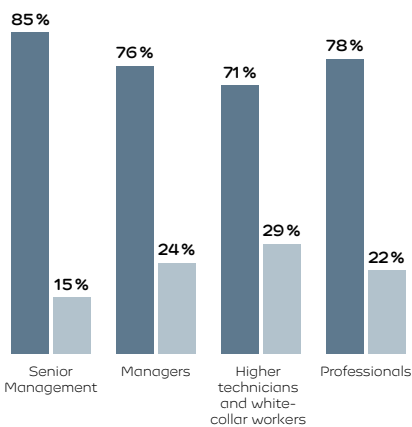
2.2. EMPLOYEES

Employees are the essential link to create shared value in all the activities of the company. Their input allows the company strategy to be developed and compliance of the commitments regarding the environmental, social and economic sustainable development. They are the driving force of the company.

EMPLOYEE PROFILE BY AGE



EMPLOYEE PROFILE BY PROFESSIONAL CATEGORY



The people making up to EDP Spain stands at 1.566

The management of the organisations, of its human capital from the point of view of sustainable development is based on the concept of creating shared value, which, in the company-employee binomial, is based on developing the rights of people: employment framework, personal and professional development, and health and safety at work.

The EDP Spain performance in all aspects has become apparent down through the years and is reflected in the stable labour framework, the HR management model, the human capital enhancement model, and the occupational health and safety programmes and indicators.



2.2.1. STABLE LABOUR FRAMEWORK

At the end of 2013, the II Electricity Business Collective Agreement was signed and negotiations got underway to renew the Gas Business Agreement, which expired that same year. The main new feature of the Electricity Business Agreement introduced in 2014 is the voluntary application of a flexible working day. This means the working day can be organised as a continuous 7-hour day, but a block of hours has to be kept to be distributed in a maximum of 60 afternoons to cover the needs of each Division/Department. This measure was put to the employees for their approval and was warmly welcomed as a means to improve the work-life balance.

As regards the negotiations to renew the Gas Business Agreement, they were dragged out throughout 2014 and no stable commitment was reached by the parties and the process is expected to be concluded in 2015.

2.2.2. OCCUPATIONAL HEALTH AND SAFETY

In 2014, the Naturgas Energía prevention structure was integrated within the EDP Spain Joint Prevention Service and the objective was reached to define a single Occupational Health and Safety Management Service for all the companies of the Group, with all the documentation being brought in line with the different activities, and based on the Prevention Policy of the EDP Group, which is common to all the geographical areas.

The setting up and running of different Gas Business Committees and Sub-Committees, which answer to the Prevention Management Committee, have actively contributed, along with the bodies already existing in the commercial and electricity business units, to prevention being integrated in all the activities of the group.

REDUCING ACCIDENT RATES

Implementing and certifying the Occupational Health and Safety Management System allows us to reduce the occupational accident rate and increase productivity, comply with prevention legislation and foster a prevention culture by integrating prevention in the company's general system. And this management is reflected in the steady improvement of the accident rates.

50% DROP IN THE ACCIDENT RATE IN THE ELECTRICITY DIVISION AND 100% IN THE GAS DIVISION.

Compared to the 2013 accident rate figures, and in terms of the number of accidents resulting in time off work, a significant drop can be seen in the figures for own workers. Thus, in the electricity activity, there was a drop of 50% (4 in 2013 and 2 in 2014) and the figure for the gas activity fell by 100% (5 in 2013 and 0 in 2014), which in global terms for EDP Spain is a drop of 78% (9 in 2013 and 2 in 2014).

In the same way, the Asturias Occupational Health and Safety Institute and the Asturias Quality Club recognised EDP for its occupational health and safety management practices, and made special mention of the endeavours to implement and certify an Occupational Health and Safety Management System as per the OHSAS 18001 international standard, which already covers all the Business Divisions of the Group.

OTHER AREAS ENVISAGED IN THE RISK MANAGEMENT MODEL

DRILLS: TRAINING TO IMPROVE OUR EMERGENCY RESPONSE

Theoretical and practical training are fundamental for occupational health and safety, the reason why there is an emphasis on both activities throughout the Group.

Thus, 39 training activities and 32 drills were run and special mention should be made of the 9 basic life support sessions in the commercial offices.

Given its specific nature, we should mention the drill to rescue a worker from a high voltage line in Huesca, which involved the help of the Civil Guard Mountain Rescue team, or the Group's first drill in case of dam breakage with the evacuation of the population at the La Barca Hydraulic Power Station.

PSYCHOSOCIAL RISK ANALYSIS

In 2014, the psychosocial risk assessments were completed at all the EDP Spain work centres. It is a necessary step to detect, prevent and correct the possible situations related to psychosocial risks.

The assessment involved questionnaires, interviews and analysing the data provided by the company. The outcome will be to define the control measures that will be included in the occupational health and safety management framework of the Group.

EDP ROAD SAFETY AND MOBILITY PLAN

The Road Safety and Mobility Plan seeks to ensure that its employees' journeys are safe, sustainable and healthy.

EDP Energy is firmly committed to including Road Safety and Sustainable Mobility within its Corporate Social Responsibility and Occupational Health and Safety policies. The EDP commitment to cutting the road accident rate at work was further consolidated when it signed up to the European Road Safety Charter, enacted in 2006, which involves undertaking to carry out the specific actions for the road safety of the employees.

In order to minimise traffic accidents at work, the company has driven a Mobility Plan, based on the expertise and habits of its professionals. The Plan has led to theoretical-practical training measures, by means of e-learning platforms, efficient and safe driving courses and, even, driving simulators. It is fundamental that the professionals are aware of the risks they run every day when travelling by road.

Apart from training, special mention should be made of the campaigns aimed at raising awareness that road safety is not exclusively about work, but it also affects other aspects of our life, our leisure time, family, friends, etc. These dissemination campaigns are run by means of email, leaflets, information posters and notice boards linked at strategic points of each of the work centres of the Group.

2.2.3. HUMAN CAPITAL IMPROVEMENT MODEL

Volunteering and solidarity action

For several years now, EDP workers have been taking part in a solidarity action programme, aware of their social responsibility and commitment.

Different solidarity initiatives were thus carried out in 2014. One of them was the **"Alimenta Sonrisas" [Feed Smiles]** campaign, where employees delivered 300 infant foods to the Asturias Food Bank.

In conjunction with the **Soñar Despierto Foundation**, the EDP workers were the Three Wise Men and handed out gifts to children at different children's homes.

EDP Naturgas Energía also delivered 14 tons of food to different Spanish food banks for the second year running.

NYUMBANI, A SUCCESS CASE

Thank to the EDP volunteer programme, the Nymbani eco-village is energetically self-sufficient, after a solar field was set up.

The Nyumbani eco-village, in Kenya, is home to 1,000 orphans who live with 100 grandparents in 100 homes, each with a small vegetable garden.

It also has a primary and secondary school, 3 small carpentry, metal and textile vocational training centres, 1 small health centre and a social centre. They are practically self-sufficient, as those services provide much of what the village needs.

They used to depend on diesel generators for energy at a high annual cost and that is where the EDP Spain volunteer team have contributed their grain of sand. The solar field contributes the energy

needed for the eco-village, which allows them to use the money saved on fuel for other purposes, including a Nutrition Integral Improvement Plan, drugs, vaccines and create more homes for new orphans.

A success case to be proud of.



eCloud Project

The eCloud project emerged with the aim of fostering productivity, mobility, collaboration and communication. New corporate tools based on the "cloud" have been adopted, which allows time lost to be reduced, get more out of the tasks, improve communication and also create, save, access and share all the documents, in a more straightforward and rapid way, anywhere and using any appliance with any company of the Group or external partner. The tools are also available to be installed in mobile devices and personal equipment.



Continuous Improvement and LEAN: listening to people and driving continuous improvement in day-to-day management

The LEAN continuous improvement programme continues to be the tool that combines identifying and implementing improvement schemes at the Group: 2,934 initiatives and 700 employees.

During the year, particularly noteworthy was the setting up of 2 new LEAN teams, in the Gas Business Division, **Infrastructure Development and Expansion** and **Network Operating**. Those teams already number 15 employees and are working on over 60 initiatives.

And the LEAN programme itself is also subject to improvement and innovation. **LEAN+** was thus set up and is the programme to develop improvement projects that emerge from the Business Units and which result in innovation projects requiring external support from technology centres: roasted biomass, performance of the combined cycle boiler or a process optimisation software at Sidergas.

And as improvement targets for 2015, Kaizen 15 programme:

- Meta-LEAN: continuous improvement of the LEAN programme working globally with experts from the business unit.
- LEAN O₂: using the potential and "fresh perspective" of the interns leading to ideas for improvement.
- Empathy with the Stakeholders: introducing schemes to improve relations with the stakeholders.

The LEAN continuous improvement programme continues to be the tool that combines identifying and implementing improvement schemes at the Group: 2,934 schemes and 700 employees.

116
NEW SCHEMES

2,934
TOTAL SCHEMES

Family-friendly company (efr) certification

In line with its conviction that companies that respect and are concerned about the family and personal needs of their employees have more motivated people at work, EDP Spain was granted the Renewal of the Family-friendly Company (efr) Certificate for the first time at integrated level last November.

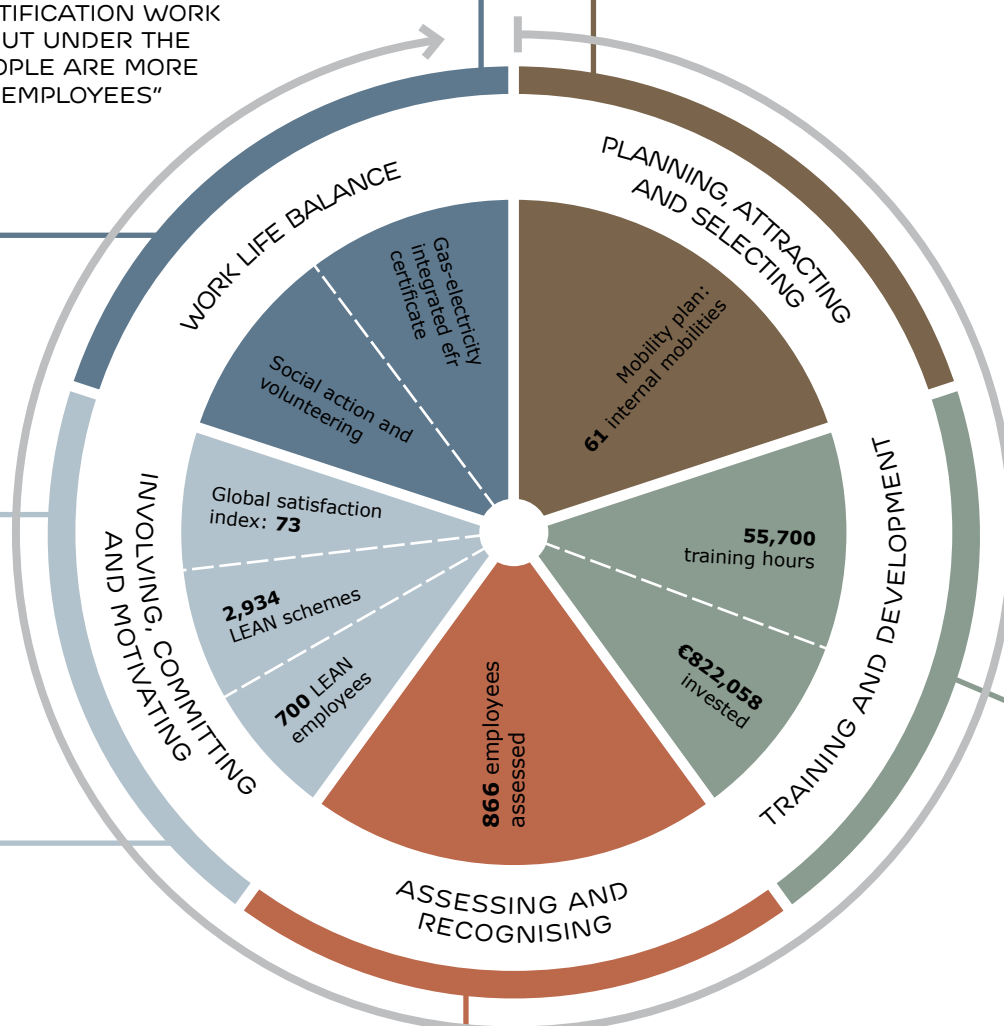
By awarding this certificate, the "Mas Familia" Foundation recognises that our company continues to have the appropriate policies and schemes in place to ensure work-life balance and equality among its employees, along with its firm commitment to continuous improvement.

THE EFR CERTIFICATION WORK IS CARRIED OUT UNDER THE "HAPPIER PEOPLE ARE MORE PRODUCTIVE EMPLOYEES" SLOGAN.

Mobility Plan

EDP seeks to foster a work culture and environment that values internal mobility, by offering in-company work opportunities to their employees rather than opting for external contracting and encouraging employees that express their interest in mobility as a means to develop their career.

In 2014, the Mobility Policy for EDP Spain was implemented. The model was circulated among all the employees and 61 internal mobility actions were coordinated, which involved 3.85 % of the workforce.

**Performance Management**

The Performance Management process at EDP Spain is a continuous cycle that begins with Planning responsibilities according to the targets set, continues with an ongoing monitoring of the employee and ends with their annual Assessment/Appraisal.

The promotions, productivity payment and variable remuneration is established according to the assessment.

In 2014, the performance management model was implemented for the workers under the Electricity Business Collective Agreement, which involved 23 training sessions for managers, with 100 % attendance and the assessment of 866 employees.

Training and Development

Training is an essential instrument to ensure that all EDP Spain employees develop and update their knowledge and individual skills-sets. This will foster their professional fulfilment and allow the Group to be a socially responsible business organisation that ensures a desired level of excellence in its performance, executing practices that allow the employees to be highly involved in preparing their development plan and in detecting their training needs.

In terms of numbers, the consolidated training activity in 2014 for EDP Spain has meant nearly 56,000 hours of training and slightly over 7,500 participations, with an investment over €800,000.

2.3. SUPPLIERS

The amount that EDP Spain spends on purchasing from suppliers, together with the payments made to the Public Administrations in the form of indirect and direct taxes, and the spending by employees using the salaries received from the company, drives the creation of this induced and indirect employment in different sectors.

Suppliers are thus **priority stakeholders for EDP** belonging to the Value Chain category.

As part of the multinational EDP (Energías de Portugal) group, EDP Spain follows a joint supplier selection policy where local contracting is not explicitly envisaged. However, the nature of many of the services needing to be outsourced means that local companies are better able to cover them more efficiently.

Thus, **partner companies based in Spain account for 76 % of the total outlay of over 1.1 billion euros on outsourced services and supplies.**

EDP Spain
generates over
7,000 induced or
indirect jobs.

SELECTION PROCESS

EDP only works with previously approved suppliers, which, therefore, have already shown in the bidding process that they have the safety, economic and technical capacity to carry out the work being contracted.

We therefore have a Quality Management System that defines the contracting practices and an application (REPRO, supplier register) which contains up-to-date information on each supplier. These tools allow us to assess and select suppliers. Out of the total suppliers that worked for EDP Spain in 2014, 600 are registered in REPRO (19%); this percentage increases significantly if we only consider supplier with a contracting volume over 75,000 euros (47%).

Critical suppliers are taken to be those who supply EDP Spain with products/services that are outstanding due to the economic amount involved or their impact on the activity of the company. The Purchasing Division prepares a List of Critical Suppliers, which is reviewed and updated periodically. According to this list, those critical suppliers who are important in terms of their influence of the quality of the end product to undergo external audits where the validity of the documentation contributed is checked, recommendations are proposed and the identified areas for improvement are monitored. In 2014, 10 critical suppliers were audited.

Along with the safety, economic and technical capacity, the partner companies that work for EDP must be jointly on board with complying with the basic environmental standards, without prejudice to what is established by the legislation in force in each region, for the better conservation, upkeep and respect of the environment.

In this context, the work carried out by the partner companies for EDP Spain is subject to environmental surveillance in order to guarantee legal compliance and raise awareness of the implementation of sustainability best practices.

In 2014, as a new feature, EDP Spain controlled 100 % of the waste generated in the gas distribution and successfully ensured the traceability of all the demolition and construction waste generated there.

COMMUNICATION

EDP Spain has different communication channels with suppliers, such as a Contact Center service (to process their queries regarding billing, outstanding payments or account status) a specific area on the corporate website and holding regular forums and workshops to share feedback. Special mention should be made of the ones held in Oviedo in March 2014, which over 20 electricity service ancillary companies attended, and in Cantabria in June of the same year, aimed at gas installers.

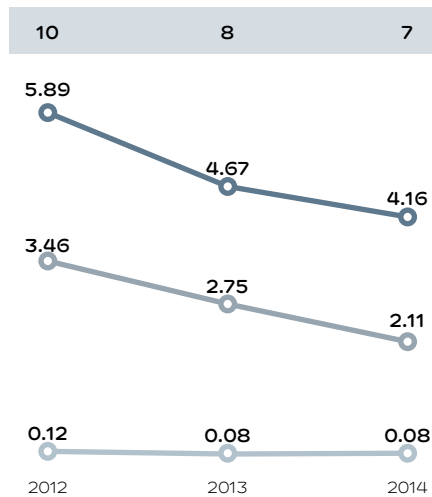
The main new feature of the meeting of suppliers of the electricity sector was the presentation of the Atlas computer tool, which will be used to foster and give momentum to documentary management with the contractors, and whose aim is to guarantee the control of the requirements regarding occupational health and safety. As regards the environment, they reviewed the most important aspects of the operations, such as waste management or storage at the facilities, and the procedures to minimise the possible impacts of the works on the environment were stressed.

In the same way, the Cantabria meeting with gas installers was the opportunity for feedback on the use of the GISCAT tool, which allows each supplier to access the gas network database for the specific zone allocated to the installer.

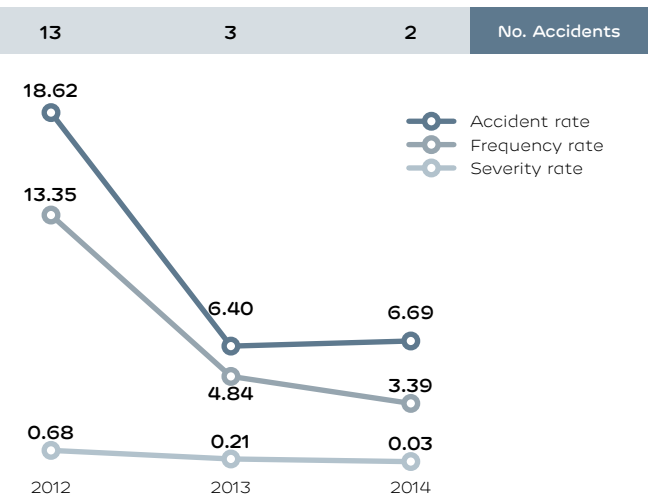
HEALTH AND SAFETY

The EDP Spain health and safety policies extend to all the suppliers with the same aim to eliminate all the risks arising from the work, which has enabled the accident rate of the partner companies to be reduced in recent years.

ELECTRICITY SECTOR



GAS SECTOR



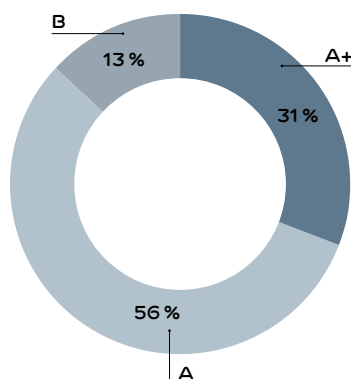
ASSESSMENT

The sustainability performance of the Suppliers is assessed using a tool available in REPRO, the "CSR Scoring" which analyses the following aspects:

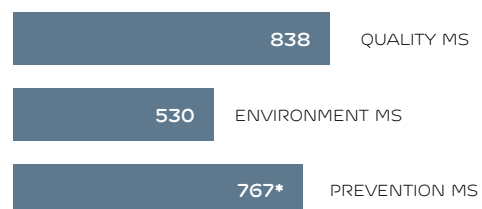
LEADERSHIP The commitment made by the company with regards to Corporate Social Responsibility and corporate governance.	MANAGEMENT SYSTEM Systematisation of CSR management.	DIALOGUE Willingness to negotiate with stakeholders.	COMMUNICATION AND TRANSPARENCY Feedback from stakeholders.
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In 2014, the number of suppliers registered in REPRO that have been EDP Spain associates at any time stood at 1,024, 1,000 of which are rated using the CSR scoring.

SUPPLIERS WITH CSR SCORING



REPRO SUPPLIERS: 1,024



* Suppliers with a documented risk prevention management system.

2.4. SCIENTIFIC COMMUNITY

EDP Spain seeks to be an innovative company. It has therefore implemented the necessary infrastructure to embark on projects according to the established strategic lines (project generation), acquire information on the advances achieved in Technology Platforms and working parties (technology surveillance), along with disseminating our activities and strengthening the relations with other stakeholders including Universities, Public Authorities and Sectoral Associations (technological visibility).

This approach aims to prioritise the activities and projects to be developed and based on the technologies that will mean the future of our operations. Thus, the current challenges are as follows:



CLEANER ENERGY

It seeks to reduce the environment impacts of our facilities when generating energy.

MORE EFFICIENT AND CLEANER ENERGY

- By means of the joint combustion of fossil fuels and roasted biomass as a supplementary fuel (renewable energy source) and without changing the existing grinding infrastructure and to supply the burners, to obtain lower CO₂ emissions, the main contributor to the greenhouse gas effect (**CARBOTOR Project**).
- By adapting the existing facilities (combined cycles) to the current continuous start-up and shutdown operating systems, by studying the performance in terms of the fatigue of the boiler and other relevant equipment (**TECA Project**).
- Biomethane is obtained when obtaining biogas from organic waste, once purified using biological and cryogenic technologies. Biomethane is a renewable gas similar to natural gas that can be used as a biofuel and also injected in the natural gas network (**SMART GREEN GAS project**).
- By developing a system that allows biogas to be adapted for energy use, by injecting it in the natural gas network (**BIOHYSIS Project**).
- By converting the CO₂ from biogas into methane (CH₄) without the need for a prior separation stage, obtaining a biogas of sufficient quality to be injected in the network (**METACO2 Project**).

NEW AIR QUALITY ASSESSMENT INDICATORS

This project uses lichens as bio-indicators, which act as permanent samplers to record the concentrations of Nitrogen (N) and Sulphur (S) as main pollutants and those of some heavy metals, such as mercury (Hg) or those from hydrocarbons, which are difficult parameters to continuously sample (**LÍQUENES PROJECT**).

WASTE MINIMISATION

This project seeks to recover fly ash from coal-fired powers stations and use it to manufacture aluminium matrix composites, which are materials with high mechanical properties or highly resistant to wear and tear that are currently used in the aerospace industry and in the car industry, along with being an aluminium foam stabiliser (**ASHFOAM project**).

PREVENTING EMERGENCY SITUATIONS

This project uses air bubble barriers to contain accidental spills and studies how they can be applied in the Aboño River Estuary (**AIRWALL2015 project**).





SMARTER GRIDS

For the efficient management of the energy grids by integrating all the connected users (generators and consumers) in a smart way.

- This project seeks to develop a reliable redox flow battery technology as a high-capacity electricity storage system given the significant rise of renewable energies, as it is not possible to store electricity competitively (**INNPACTO REDOX 2015 project**).
- The objective of this project is to locate faults in medium voltage distribution networks and thus facilitate the work of field operatives, as it means that they do not have to cover large areas of land to find the fault, reduces the time needed to locate the fault and getting the service back up and running, along with minimising the risk to the people (**LOCALIZA2013 project**).
- This project involves designing and manufacturing micro-sensors to measure the methane and superior calorific power to assess the quality of natural gas in industrial and household-business settings (**EVALGAS2 project**).



CLIENT FOCUSED SOLUTIONS

Customer focused solutions, a line that complements the EDP sustainable products and services.

- The project aims to develop an integrated management system of buildings classified as energy efficient. This will optimise their running given the proliferation of solar panel systems, micro-cogeneration equipment, etc., by minimizing costs, managing risk and complying with emission reduction, efficiency and energy requirements (**ENRIMA project**).
- Energy advisory service for household customers, using messages in uncomplicated language. These messages will be generated using an analysis of customer consumption curves, obtained from the new smart meters (**ELENN2015 project**).
- Simultaneous detection of natural gas leaks (methane) and carbon monoxide emissions, so as to minimise the large number of false alarms given by the detectors currently available on the market (**NANOCOMET project**).

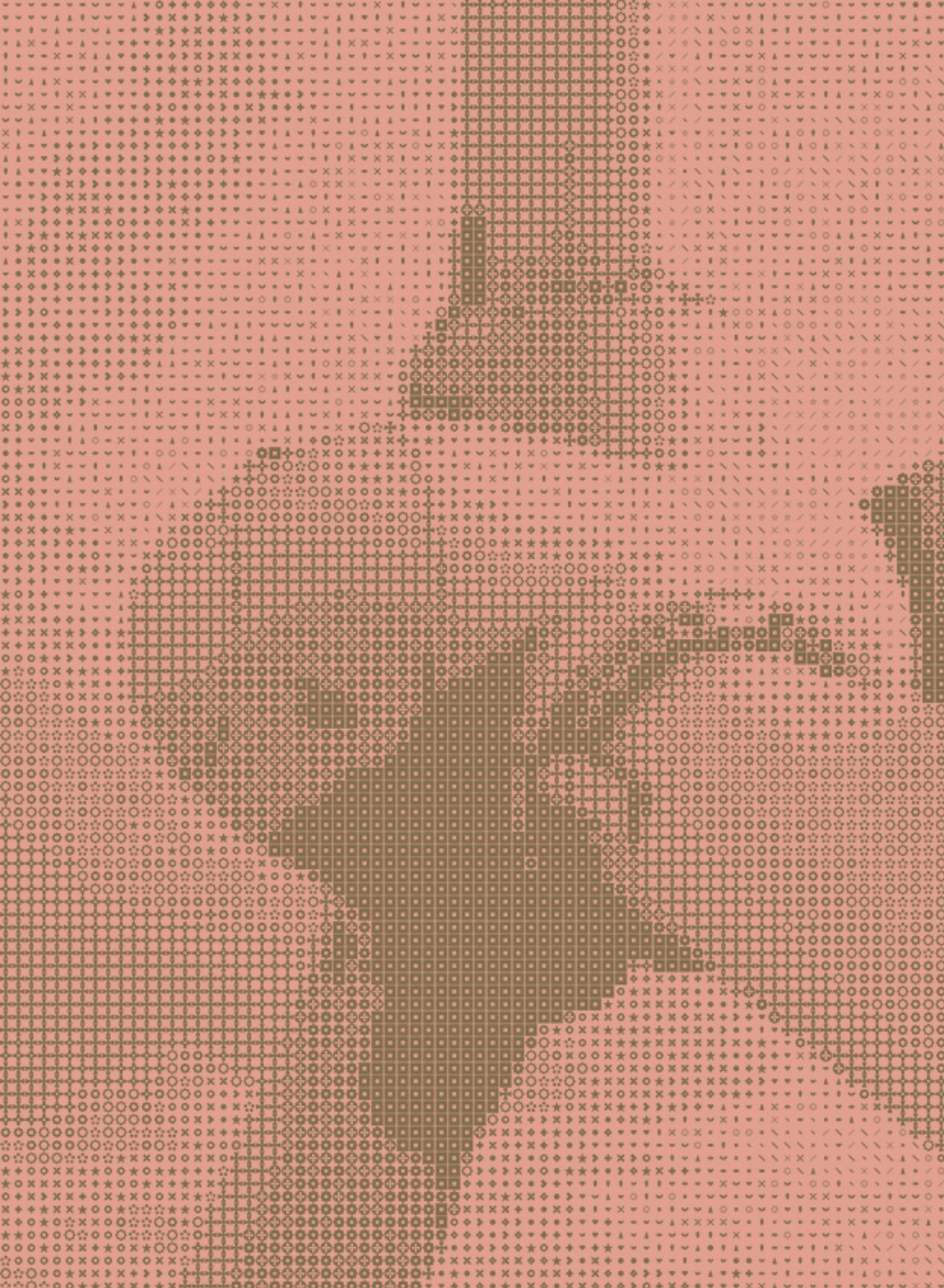


DATA LEAP

For straightforward and more efficient of the business data and information.

This project aims to predict and optimise steel-shop gas from Arcelor at the Sidergas cogeneration plant, using a cogeneration performance prediction and optimisation tool based on the information available and analysis of past data (**PREGAS2013 project**).





03

DEMOCRACY

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3.1.1. REFORMS OF THE ELECTRICITY SECTOR IN 2014

3.1.2. REFORMS OF THE GAS SECTOR IN 2014

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ENERGY THAT TRANSFORMS ENVIRONMENTAL AWARENESS

Committed to more sustainable energy,
involving large investments
in its production plants.



03

DEMOCRACY

THE "DEMOCRACY" CATEGORY OF STAKEHOLDERS INCLUDES PUBLIC AGENCIES AND REGULATORS, PARLIAMENT AND POLITICAL PARTIES AND INTERNATIONAL INSTITUTIONS, WITH A FUNDAMENTAL ROLE IN DEFINING THE GAME PLAN FOR THE ENERGY MARKETS.

3.1. GOVERNMENT, PUBLIC ENTITIES AND REGULATORS

3.1.1. REFORMS OF THE ELECTRICITY SECTOR IN 2014

IN 2014, PROGRESS WAS MADE IN THE REGULATORY IMPLEMENTATION TO ELIMINATE THE TARIFF DEFICIT ONCE AND FOR ALL...

In 2014, the Administration progressed in implementing the legally binding rules in 2013, which were focused on eliminating the tariff deficit once and for all, in other words, to balance the cost of the electricity supply and the price paid by consumers, by means of distributing the effort needed between companies, consumers and the administration. In this new context, the 2014 tariff deficit is expected to be close to zero and that the accumulated tariff deficit at the end of 2014 will be around 27 billion euros, which means it has been cut for the first time.



LEGISLATION PUBLISHED IN 2013

Legislative Royal Decree 9/2013 of July, with urgent measures to guarantee the financial stability of the electricity sector and which mainly affected the current tariff system for the so-called regulated activities. These measures were ratified with the Electricity Sector Act 24/2013, published in December, which replaced Act 54/1997 in order to adapt it to all the changes that the electricity sector has undergone in recent years.



IMPLEMENTED IN 2014

Royal Decree 413/2014 and IET Order 1045/2014: they implement the new legal and economic framework regarding the generation of electricity using renewable sources, cogeneration and waste. The new framework replaces the previous tariff and premium system by the specific remuneration one, which consists of remuneration to investment and, where applicable, by an operating remuneration for the facilities with greater operating costs. The remuneration parameters for each facility depend on the category ("standard facility") under which each facility comes, as defined in the IET Order 1045/2014.

The main new aspects regarding remuneration with a more negative impact on the facilities are:

Remuneration for investment on each "standard facility" depends on the initial investment and on the remuneration history of the facility, and certain other facilities therefore no longer receive an incentive for investment for achieving a return.

On the other hand, income other than from selling the electricity that the facility should obtain (e.g.: selling heat) are discounted from the remuneration, and certain technologies such as "waste treatment" have been highly penalised.

According to this latest legislation, the remuneration of EDP Spain facilities belonging to the “waste treatment” category, and some cogeneration ones, has been reduced in such a way that their operating have ceased to be profitable and they have therefore been sold off. In addition, the oldest wind power facilities of EDP Renewables in Spain have ceased to receive the investment incentive.

Royal Decree 1054/2014, preulating the securitization or transfer procedure of the 2013 tariff deficit collection rights. Pursuant to this Decree, the 2013 deficit collection rights may be fully or partially transferred to third parties and are established in such a way that the transferee will retrieve this debt over the coming 15 years. EDP Spain (through Hidroeléctrica del Cantábrico) was the initial holder of that collection right with a 6.08 % stake. In December, EDP, and the other funding electricity companies transferred their collection rights to a group of banks. EDP has thus reduced its net financial debt to the tune of 202 million euros, so that there was no tariff deficit from previous years pending collection by the end of 2014.

...AND IN THE REFORMS OF THE PRODUCTION MARKET TO GUARANTEE GREATER TRANSPARENCY, COMPETENCY AND LIQUIDITY.



LEGISLATION PUBLISHED IN 2013

Act 24/2013, of December, changed the last resort tariff for the “voluntary price for the small consumer” or PVPC. The PVPC is the maximum regulated price for selling electricity that certain marketers, known as benchmark or COR, can charge their customers, if their contracted power is lower or equal to 10 kW, and if they do not expressly request the application of another means of contracting.

Legislative Royal Decree 17/2013, of December, eliminated the “CESUR” quarterly auctions as the means to set the energy price included in the PVPC. The Legislative Royal Decree established, temporarily, for the first quarter of 2014, the price of electricity of the contracts subject to the PVPC. At the same time it was announced that, for subsequent periods, work would be carried out on a new mechanism to establish the price applicable to those customers.

The new methodology to calculate the PVPC meant that the electricity consumption between January and July 2014 had to be re-billed.



IMPLEMENTED IN 2014

Royal Decree 216/2014 establishes the structure of the PVPC, sets the procedure for calculating the cost of the energy that includes that PVPC, regulates the procedure and requirements to be a benchmark marketer (COR), the minimum content of the contracts and the billing, and also include a transition adaption period.

The PVPC will be calculated on an additive basis including the following concepts:

The electricity production cost, which will be according to the “OMIE” hourly market price during the billing period, instead of using the “CESUR” quarterly auctions. The hourly energy consumed by the customers will be calculated using real readings if the meters have remote meter reading and remote management capacity, are effectively integrated and once the necessary legislative procedures have been approved, which are envisaged for 2015. While those conditions are not met, the hourly energy is estimated based on the two-monthly reading divided by hours according to the standard profiles.

The access and load tolls.

The commercialisation costs.

The EDP Spain distributor has replaced over 35% of its meters for new ones with remote meter reading and remote management capacity.

The RD envisaged a transition period until 1 July 2014 for the COR to adapt their systems in order to bill according to what is envisaged in it and adjust the bills in the two first quarters of 2014.

3.1.2. REFORMS OF THE GAS SECTOR IN 2014

At the start of 2014, the Government announced the start of the Gas Sector Reform, whose main goal was focused on designing an economically sustainable system that minimises costs for the consumer. Two targets were therefore set. First of all, achieving the financial and economic sustainability of the system, which slows down the cyclical deficit of the Gas Sector, whose accumulated balance at year end 2013 was EUR 326 million, that is 10 % of the regulated costs of the system. Secondly, the Reform seeks to create a natural gas regulated market that enables a supply benchmark price to be available both for marketers and consumers.

IN 2014, THE GOVERNMENT EMBARKED ON THE SECTORAL REFORM WITH MEASURES AIMED AT ACHIEVING THE ECONOMIC SUSTAINABILITY OF THE GAS SYSTEM.

The first objective mainly materialised in 2014 with the publication of Legislative Royal Decree 8/2014, of 4 July, approving urgent measures for growth, competitiveness and efficiency, which was subsequently endorsed in Act 18/2014, of 15 October. However, the second of the objectives was postponed until 2015.

Legislative Royal Decree 8/2014, of 4 July, approving urgent measures for growth, competitiveness and efficiency. Its content was then included in Act 18/2014, of 15 October. It is the Government's main instrument to achieve the economic sustainability of the gas system. This legislation defines a new remuneration framework for the Storage, Underground, Regasification, Transport and Distribution regulated activities. Specifically, a variable component depending on the evolution of the global demand of the gas sector was introduced in the remuneration of the transporters. The specific remuneration for new secondary transport assets in turn disappears and they will have the same consideration for remuneration purposes as the distribution networks. As regards the distributor, the updating of the remuneration based on price indexes disappeared and all the remuneration units were reviewed, with higher values being established for the uptake of supply points in new zones.

As a result of those changes, the remuneration of the agents with regulated activities was cut by EUR 238 million in annual terms from the second half of 2014.

The Royal Decree incorporates measures to process the deficit that will be generated at year end 2014 and in future years.

IET/2355/2014 Order, of 12 December, which establishes the remuneration of the regulated activities of the gas sector for the second period of 2014. It reviews the 2014 remuneration to adapt it to the changes of Act 18/2014. This legislation also includes the definition of new penalties for distributors regarding their work to prepare deliveries, whose maximum value can be 10 % of the remuneration from March 2015. In addition from that date onwards, there will be stricter penalties for imbalances in the AOC (storage point for the commercial operation of the gas pipeline) and the LNG (Liquid Natural Gas) of the marketers, whose value will be 10 % of the average value of the Henry Hub and NBP prices.

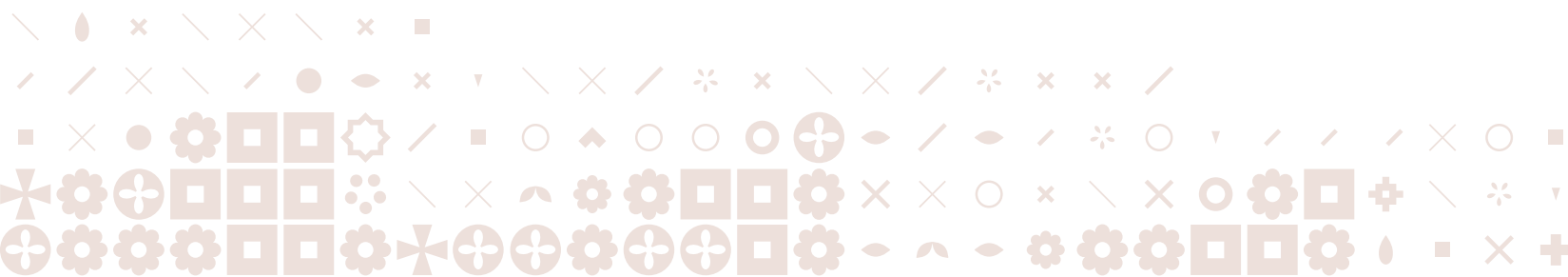
3.1.3. OTHER REGULATORY DEVELOPMENTS FOR GROWTH, COMPETITIVENESS AND EFFICIENCY

The text of Legislative Royal Decree 8/2014 of July and Act 18/2014 of October, as regards energy efficiency, creates the National system of Energy Efficiency Bonds to comply with the energy saving obligation for Spain that the European Directive 2012/27/EU between 2014-2020.

This energy saving target is divided between the gas and electricity marketers and the wholesale petroleum product operators, proportionally to their turnover. These companies had to make a financial contribute to the National Energy Efficiency Fund 2014, which came to over EUR 100 million overall, to comply with their annual energy saving obligations.

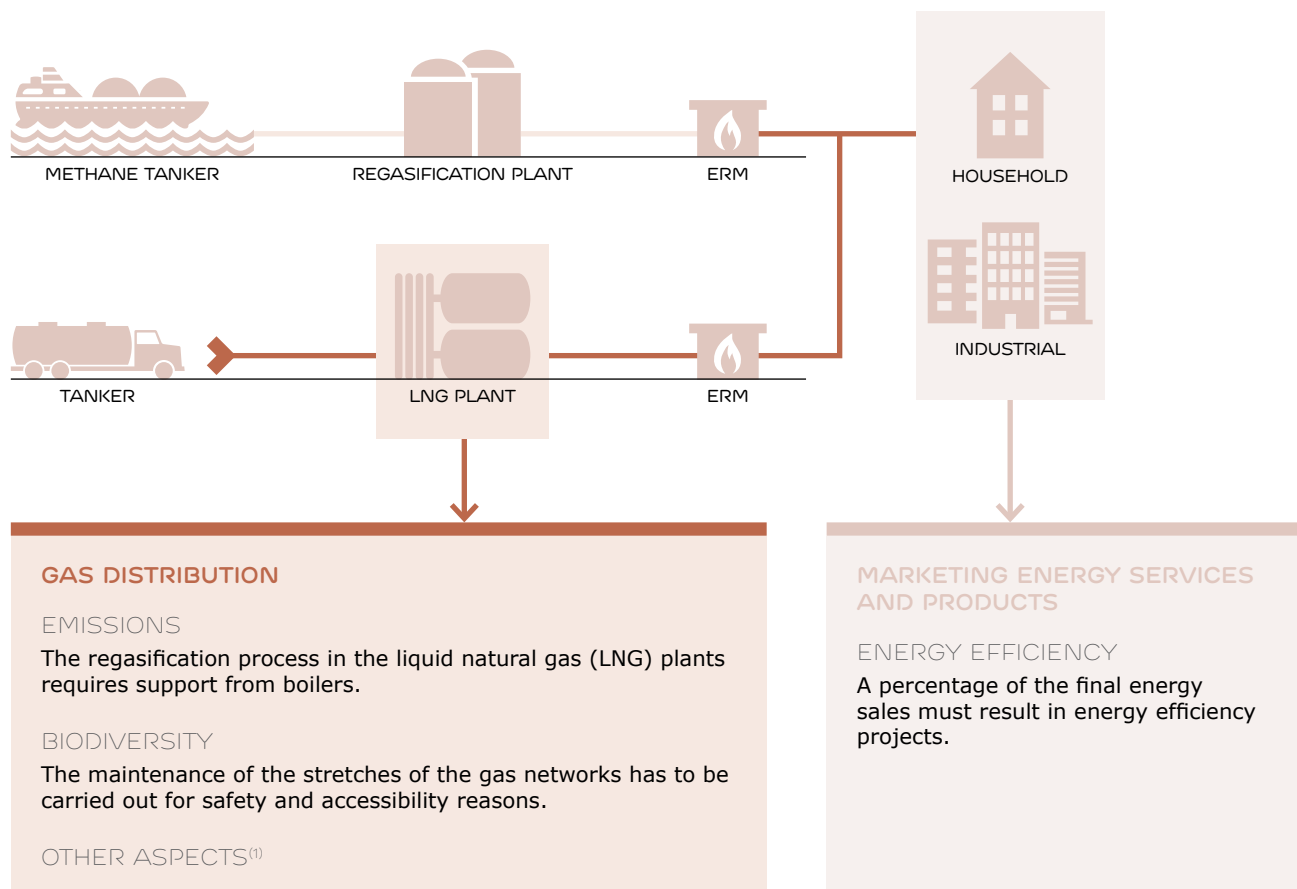
The purpose of the Fund is to fund energy efficiency initiatives in different sectors such as the industrial or construction ones. The Fund will receive around EUR 370 million a year and will also be cofounded by Community funds.

EDP contributed an amount close to EUR 4 million to the Efficiency Fund in 2014, through its Hidrocarbúrico Energía, Naturgas Energía Comercializadora and EDP Comercializadora de Último Recurso marketers.



3.1.4. ENVIRONMENTAL REGULATION IN THE ENERGY SECTOR

THE ELECTRICITY PRODUCTION, AND GAS AND ELECTRICITY MARKETING AND DISTRIBUTION ACTIVITIES HAVE DIFFERENT ENVIRONMENTAL ASPECTS ASSOCIATED TO THEM AND WHERE THERE ARE SPECIFIC REGULATIONS. EDP MANAGES THOSE ASPECTS TO COMBINE ITS ACTIVITY WITH THE ENVIRONMENT, IMPLEMENTING THE NECESSARY TOOLS AND INFRASTRUCTURES, ALONG WITH FOSTERING AGREEMENTS AND PARTNERSHIP AGREEMENTS WITH OTHER STAKEHOLDERS.



ENVIRONMENTAL FOOTPRINT TO DISTRIBUTE 1 MWh OF NATURAL GAS TO THE CONSUMPTION POINTS

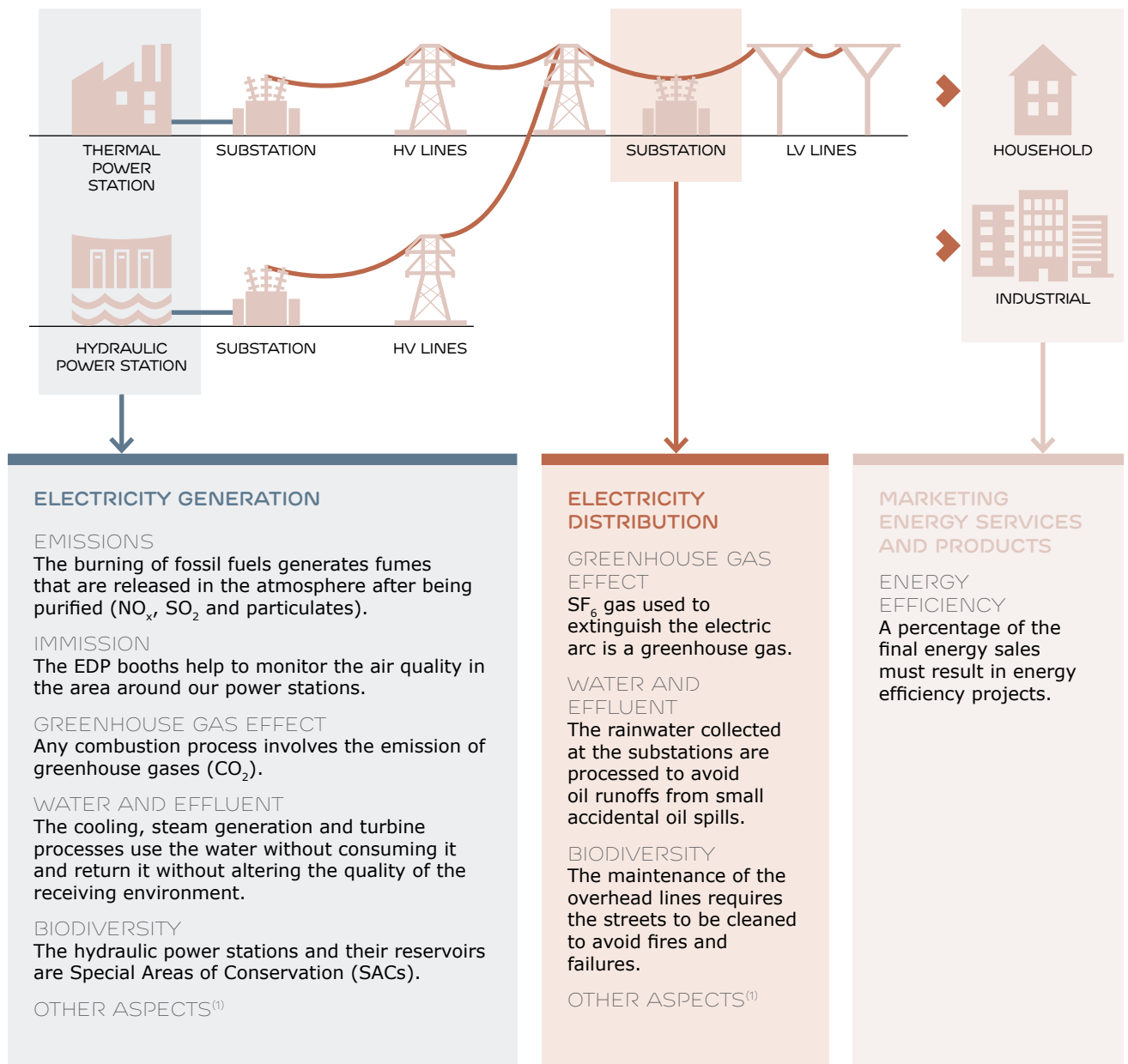
43.15	41.46	0.02	0.39	0.01
kg CO ₂ eq/MWh distributed	l/MWh distributed	g/MWh distributed	g/MWh distributed	euros/MWh distributed
CO ₂ equivalent total emissions ⁽²⁾	Total water consumed	Total hazardous waste managed	Total non- hazardous waste managed	Environmental expenditure and investments











(1) Any industrial activity implicitly includes those environmental aspects: Noise, Waste, Land and underground water.

(2) Direct emissions: 31.63 kg CO₂ eq/MWh distributed. Indirect emissions: 11.52 kg CO₂ eq/MWh distributed.

(3) Direct emissions: 811.28 kg CO₂ eq/MWh generated. Indirect emissions: 30.75 kg CO₂ eq/MWh generated.

(4) The net generation includes 1.5% of Trillo Nuclear Power Station and 15.5% of the wind power MW operative in Spain.

ENVIRONMENTAL FOOTPRINT TO GENERATE 1 MWh⁽⁴⁾ AND ITS DISTRIBUTION TO THE CONSUMPTION POINTS

				
7.38	842.03	0.99	1.08	0.05
GJ with PCS/MWh generated	kg CO_2 eq/MWh generated	kg SO_2 /MWh generated	kg NO_x /MWh generated	kg particulas/MWh generated
Total fuel consumption	CO_2 eq total emissions ⁽³⁾	SO_2 total emissions	NO_x total emissions	PM total emissions
				
41.81	41.08	0.12	21.84	2.61
m ³ /MWh generated	m ³ /MWh generated	kg/MWh generated	kg/MWh generated	euros/MWh generated
Total water consumed	Discharge volume	Total hazardous waste managed	Total waste and by-products recovered	Environmental expenditure and investments

EMISSIONS



REGULATORY NEW ASPECTS

- New emission limit values following the Industrial Emission Directive (IED) coming into force.
- Draft new Directive for emissions control for medium combustion plants (under 50 MW).
- Updating hotspots that potentially pollute the atmosphere pursuant to RD 100/2011.

MILESTONES OF THE YEAR

The EDP Board of Directors approved the necessary investments to undertake the construction of the gas denitrification plants in the Aboño 2 Generator and in the Soto de Ribera 3 Generator, which along with the existing desulphurization plants mean that those generators have the best technologies available to reduce and control the emissions, and compliance of the new emission limit values (ELV).

Given the proposal for new environmental requirements of Medium Combustion plants, what they would mean in the case of Sidergas was analysed in order to highlight of the use of waste steelmaking gases by that plant, thus contributing to cutting the overall environmental impact in the surrounding area.

Finally, even though the main EDP Spain emission hotspots are in the thermal power stations and are regulated in the relevant Integrated Environmental Permits (IEPs), in 2014, the notification of the hotspots of the other facilities was completed and special mention should be made of those identified in the LNG satellite plants of the gas distribution business.

AIR QUALITY



REGULATORY NEW ASPECTS

- Draft new Directive to define new stricter new National Emission Ceilings to ensure better air quality.
- Development of the Air Quality Improvement Plan in the Gijón given the surpassing of the particulate level detected in the environmental surveillance monitoring.

MILESTONES OF THE YEAR

All the combustion facilities have emission limit values (ELV) set in their permits to guarantee compliances of the quality air targets of the environment, while in turn respecting the country's issue thresholds. The new Ceilings Directive is expected to include more stringent commitments.

The air quality is controlled by the authorities through monitoring networks. In the central area of Asturias, and given the exceedances recorded in this network, the main companies of the area have undertaken to implement measures that contribute to improving air quality, along with those that the competent authority may define. At the Aboño Thermal Power Station, all the measures proposed and approved in the framework of this Plan have been implemented.

GREENHOUSE GAS EMISSIONS (GHG)



REGULATORY NEW ASPECTS

- New requirement to check CO₂ emissions in electricity production centres.
- Preparing a new voluntary agreement for the integral management in the electricity industry of the use of SF₆ gas and equipments that contain it.

MILESTONES OF THE YEAR

In the fight against climate change, the electricity production facilities must offset their greenhouse gas emissions (CO₂) by purchasing emission allowances through public auctions, as this sector does not receive a free allocation as is the case of others. The EDP Spain facilities have checked their CO₂ emissions pursuant to the new legislation, without any deviations having been detected and the relevant allowances have been offset.

In order to improve the integral management of the equipment that contain fluorinated gases, as is the case of the SF₆ used in electricity distribution equipment, a new Voluntary Agreement has been prepared for the period 2015-2020 between the MAGRAMA and electricity companies, and with the equipment manufacturers and the managers of this type of waste being included for the first time. The aim is to improve the information and integral management of the gas throughout the lifecycle of the equipment.

MINIMIZACIÓN DE RUIDO



REGULATORY NEW ASPECTS

A new technical instruction published to assess environmental noise in Asturias.

MILESTONES OF THE YEAR

The publication of this new legislation shifts the assessment of legal compliances to the Administration, compared to the current situation when accredited external laboratories conduct the conformity assessment. This means that the facilities do not have a document that accredits compliance of the relevant acoustic immission limit values.

In addition, the sound maps of the thermal power stations have been updated, including all the noise minimisation measures implemented so far, to analyse the contribution of each facility at the most sensitive points in the surrounding areas and assess the need for new measures.

In the case of the gas and electricity facilities, the voluntary monitoring and control campaigns of the acoustic emissions have continued.

WATER AND EFFLUENT



REGULATORY NEW ASPECTS

- Start of the new water planning cycle 2015-2021 that includes the flood risk management plan.
- Review by the Cantábrico Water Confederation (CHC) of the requirements contained in the Integrated Environmental Permits.

MILESTONES OF THE YEAR

Thermal power stations given the huge amounts of water required for their processes are guaranteed the allocation of the resource in the framework of this Water Plan. The power stations are required to control their waste and monitor the relevant quality standards.

The Water Plan still needs to define the environmental flows of the hydraulic power stations, even though they reflect the voluntary studies performed by EDP in the recipient rivers and reservoirs of these premises, ecological status is good and, therefore, it would not be necessary to amend those flows.

With regard to flooding, its potential impact on our facilities has been reviewed in order to prevent risks and emergency situations.

As the result of the ex officio review by the CHC, new continuous control equipment has been installed in the discharge of the Soto de Ribera thermal power stations (gas and coal generators) by expanding the analysed parameters and improving their monitoring and control.

In 2014, the EDP electricity substations have obtained from CHC the discharge permit for the rain water collected within those complexes. In the other substations located outside Asturias, the different competent Confederations have ruled that that permit is not necessary, which enhances the preventive measures implemented by EDP.

BIODIVERSIDAD Y
PATRIMONIO NATURAL

REGULATORY NEW ASPECTS

Approval of the classification of the Special Areas of Conservation (SAC) and its integrated management instruments (IGI).

MILESTONES OF THE YEAR

Six years after the Sites of Community Interest (SCI) were identified, they have been approved as SAC and the necessary conservation measures were also set, along with those aimed at protecting the natural habitats and species and led to the designation of protected areas.

The IGI of those areas regulated the permitted activities and establish the applicable requirements for the maintenance of the existing rows of electricity lines and gas pipelines, and to construct new distribution networks. EDP was involved in the public information process for over 50 SCIs identified in Asturias and the Basque Country.

WASTE, LAND AND
UNDERGROUND
WATER

REGULATORY NEW ASPECTS

Updating of the Integrated Environmental Permits of the thermal power stations pursuant to the new Industrial Emissions Directive (IED).

MILESTONES OF THE YEAR

The Integrated Environmental Permits (IEP) includes all the environmental requirements applicable to a facility in a single permit. The new IED has set new requirements regarding waste, land and underground water, along with updating all the IEPs.

Thus and continuing on from the work required to characterise the land and underground waters, the quantitative risk analysis was conducted at the Aboño Thermal Power Stations, concluding that the land at the power station was not polluted and there was also no risk to human health or to the environment, neither at the site or in the surrounding area. The final updates of the IEPs for the other EDP power stations are expected to be received in 2015.

Pursuant to the waste hierarchy that prioritises waste generation, along with their reuse and recycling, EDP has agreements in place with different Integrated Management Systems that guarantee the integral management of waste throughout its lifecycle, involving both the producers of equipment and materials, the distributors and our facilities as end customer.

Pursuant to that same principal, EDP recovers practically all the ashes, slag and plaster produced at its thermal power stations, which are their main waste in terms of volume, as raw material in industries such as cement producers, construction and environmental restoration, as it is non-hazardous waste. EDP is currently working with the authorities to classify ash and slag as by-product, as was the case with plaster, thus facilitating their reuse instead of them ending up in landfill.

EFICIENCIA ENERGÉTICA



REGULATORY NEW ASPECTS

Obligation for energy marketers to fund energy efficiency projects according to their sales.

MILESTONES OF THE YEAR

The transposing of the new Energy Efficiency Directive has impose an annual savings target on energy marketers, for the period 2014-2020, equivalent to 1.5 % of sales to end customers. The EDP marketers have contributed around 4 million euros overall to a National Fund, which will be responsible for conducting efficiency improvement projects, as a single alternative to be able to meet that requirement.

3.2. INTERNATIONAL INSTITUTIONS

For around forty years, the European Union has headed the global environmental action, with a policy whose objective can be summarised as “living well, respecting the limits of the planet”. Thanks to this leadership, more serious impacts on the ecosystems and on human health have been avoided, thanks to the exponential economic growth that has marked this period.

CLIMATE CHANGE

CLIMATE CHANGE IS A GLOBAL PHENOMENON WITH LOCAL, NATIONAL, REGIONAL AND WORLD IMPACTS.

A MULTILATERAL INTERNATIONAL AGREEMENT IS THEREFORE NEEDED TO OFFSET AND ITS EFFECTS AND ADAPTED TO IT.

MAIN MILESTONES OF INTERNATIONAL NEGOTIATING ON CLIMATE CHANGE

Intergovernmental Panel on Climate Change	Scientific basis	1990
United Nations Framework Convention on Climate Change (UNFCCC)	Political commitment	1994
Kyoto Protocol 2008-2012	Binding undertaking by developed countries to reduce GHC	1997
Post-Kyoto period 2013-2022	Commitment of some developed countries	2012
Paris Agreement		2015

2014: POST-KYOTO PERIOD

2013 was the first year of the post-Kyoto period (2013-2020), as defined in Doha in December 2012 in an amendment to the Kyoto Protocol, pending a global international agreement including all parties.

















In this post-Kyoto period, commitments are set for the few countries that have signed up (Australia, Iceland, the European Union, New Zealand, Switzerland, Monaco, Norway as industrialised countries and Ukraine, Kazakhstan, Belarus and Croatia as countries in transition to a market economy). Between them they account for just 14 % of worldwide emissions. They have committed to reducing emissions jointly by 18 % on 1990 levels from 2013 to 2020.

In 2014, they have sought to advance in the form and content of the next international agreement, which must be signed at the Paris COP 2015 and come into force in 2020.

EDP SPAIN CARBON FOOTPRINT

Every year, EDP Spain calculates its carbon footprint, defined as the greenhouse gas emissions overall issued directly and indirectly by the organisation when implementing its activities. Establishing the carbon footprint allows the mitigation endeavours to be focused in those areas with greater potential for reduction.

EDP SPAIN
CARBON
FOOTPRINT

					
SCOPE 1 t CO ₂ e direct emissions 8,761,656	 8,758,539 CO ₂ e tons Electricity generation at thermal power stations	 1,168 CO ₂ e tons SF ₆ emissions	 916 CO ₂ e tons Own vehicle fleet	 228 CO ₂ e tons Gas consumption at work centres	 806 CO ₂ e tons Losses in the gas networks
SCOPE 2 t CO ₂ e indirect emissions due to electricity consumption 330,994	 194,922 CO ₂ e tons Self-consumption of the power stations	 23,536 CO ₂ e tons Consumption from pumping	 111,178 CO ₂ e tons Losses in the electricity grids	 1,358 CO ₂ e tons Electricity consumption in work centres	ALCANCE 3 Other t CO ₂ e indirect emissions 1,608
				 608 CO ₂ e tons Business trips	 1,000 CO ₂ e tons Transporting of raw materials and fuels

EUROPEAN CLIMATE AND ENERGY FRAMEWORK UP TO 2030

In tandem with the international negotiations, Europe continues on its path to fight against climate change. On 22 January 2015, the Commission thus published a climate and energy framework, including proposals regarding climate policies and targets for 2030, and regarding the reform of the European market for emission allowances (EU ETS). This set of policies is aimed at achieving a more competitive, more reliable and more sustainable European energy system. It will also ensure regulatory stability for the investors and will allow coordinated action among Member States.

REDUCING GREENHOUSE GAS EMISSIONS (GHG) BY 40 %

A target has been set to reduce GHG emissions by 40 % below the 1990 level; this target requires the sectors subject to emissions trading system (electricity sector and energy intensive industries to cut their emission by 43 % compared to 2005, and emissions from different sectors (transport, building, agriculture, etc.) to be cut by 30 % below the 2005 level.

This target will ensure that Europe is on the right path to achieve a minimum reduction of 80 % by 2050 and which will allow it to play an active role in negotiating the international agreement that would come into force by 2020.

INCREASING THE SHARE OF RENEWABLE ENERGY TO AT LEAST 27 %

The Commission has propose a target to increase the share of renewable energy to at least 27 % of the EU's energy consumption by 2020 (which means a 45 % of renewable generation in the electricity mix, compared to the current one of 21 %). This target is expected to have a direct consequence of reducing GHG by 40 %.

IMPROVING ENERGY EFFICIENCY

The current energy efficiency target is to achieve a 20 % improvement by 2020 and there are both European and national measures in place to do so. A global improvement of 27 % is set as a target for 2030, without that leading to binding national targets.

COMPETITIVE AND ACCESSIBLE ENERGY FOR ALL CONSUMERS

The Commission acknowledges the pressure of the high energy prices on the intensive industries and it therefore proposes to keep the subsidies in place to avoid carbon leakages, and to continue with the current criteria when reviewing the list of sectors affected. In addition, while there are no similar efforts in other economies, these subsidy policies will remain in place after 2020 to achieve the competitiveness of European industry.

EUROPEAN GOVERNANCE SYSTEM FOR 2030

The 2030 framework proposed a new European governance framework based on national plans which reflect how the country is going to achieve its climate change, renewable energy, efficiency, etc. targets. A European body will be needed to review and supervise the plans, which will be prepared according to the common directives to ensure coherence at European Union level.





04

TERRITORIAL AND SOCIAL ENVIRONMENT

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ENERGY THAT TRANSFORMS THE FUTURE

Involved with the community,
through voluntary programmes and schemes that
foster social wellbeing.



04

TERRITORIAL AND SOCIAL SETTING

THE TERRITORIAL AND SOCIAL ENVIRONMENT INCLUDES THE STAKEHOLDERS LINKED TO THE TERRITORIES IN WHICH WE ARE PRESENT, LOCAL COMMUNITIES AND LOCAL COUNCILS WHERE EDP IS A DRIVING FORCE FOR DEVELOPMENT, ALONG WITH CIVIL SOCIETY ORGANISATIONS (MAINLY NGO) AND THE MEDIA AND OPINION LEADERS THAT, BY MEANS OF THEIR INVOLVEMENT IN THE DISCUSSION REGARDING REGULATORY DECISIONS AND POLICIES, CONDITION THE OPERATIONAL AND STRATEGIC DEVELOPMENT OF THE COMPANY.

4.1. LOCAL COMMUNITIES

EDP Spain's operations foster a social and territorial development model based on sustainable growth, generating a leverage effect of the economies of the regions and municipalities in which it is present, provided that it is pursuant to the best practices in sustainable development defined through the Sustainable Development Principles of the Group.

SUSTAINABLE DEVELOPMENT PRINCIPLES	OUR CREATING SHARED VALUE
Social and economic value	The EDP Spain activity in its main business areas generates over 8,500 direct , indirect and induced jobs , and a contribution of over EUR 1,100 million to the GDP .
Eco-efficiency and environmental protection	The EDP environmental investments and spending have increased significantly in recent years, reaching nearly EUR 29 million in 2014.
Innovation	With a budget of over EUR 1 million, the R&D&I Division fosters new products and services that provide new solutions to the needs of the stakeholders.
Integrity and good governance	The ethical conduct of the company, its senior management and all its employees is considered to be a benchmark by society, generating brand value and customer loyalty. Since 2013, we have thus been recognised by the Ethisphere Institute as one of the most ethical companies of the world.
Transparency and dialogue	The EDP Stakeholders policy constructs strategic relations between the organisation and its stakeholders, with the aim of creating shared value. The current segmentation will enable the specific partnership structures to be defined for each Group.
Human capital and diversity	With a Global Satisfaction Index of 73 points, EDP Spain employees show a high level of identification with the company, which is reflected in a high level of productivity, motivation and customer loyalty.
Access to energy	Access to energy is fundamental for the socio-economic development of the regions. EDP therefore assumes a responsible management model that guarantees not only the quality of the supply, but also access to energy by the most disadvantaged groups in society. EDP had 63,003 customers signed up to the social discount in the 4 th quarter.
Social development and citizenry	The value of the schemes under the aegis of the EDP Foundation in 2014 came to EUR 3.3 million in the areas of culture, education and research, the environment and society.

Some initiatives with a key impact on local communities are:



2014
GRANT PLAN

IN 2014-2015, THE EDP FOUNDATION GRANT PROGRAMME CELEBRATED ITS 30TH ANNIVERSARY AND IT STANDS OUT AS ONE OF ITS MOST IMPORTANT SCHEMES.



"VIVA NUESTRA ENERGÍA"
[LONG LIVE ENERGY]
SCHOOL PROGRAMME

IN 2014, 65,968 CHILDREN TOOK PART IN THE "VIVA NUESTRA ENERGÍA" SCHOOL PROGRAMME IN ASTURIAS, MURCIA, CANTABRIA, THE BASQUE COUNTRY AND CASTILLA LA MANCHA.



EL VALLEDOR
ENVIRONMENTAL
RECOVERY

OVER 30,000 SAPLINGS PLANTED TO RECOVER EL VALLEDOR.



The EDP FOUNDATION grant programme is the leading work placement plan at Oviedo University, aimed at 175 students from different faculties and schools. The students join the Business Units and facilities of Asturias, and embark on a learning and collaborative work programme that makes it easier for them to access the job market.

On the other hand, the universities of the Basque Country, Cantabria, Madrid, Barcelona, La Coruña, Valencia and Zaragoza allocate up to 303 students to the EDP Spain facilities and offices nationwide and these grant holders are provided with job-practical guidance. A real success of the "citizenry and social development" which meets one of the most important social demands in the current socio-economic context: helping young people to find jobs.

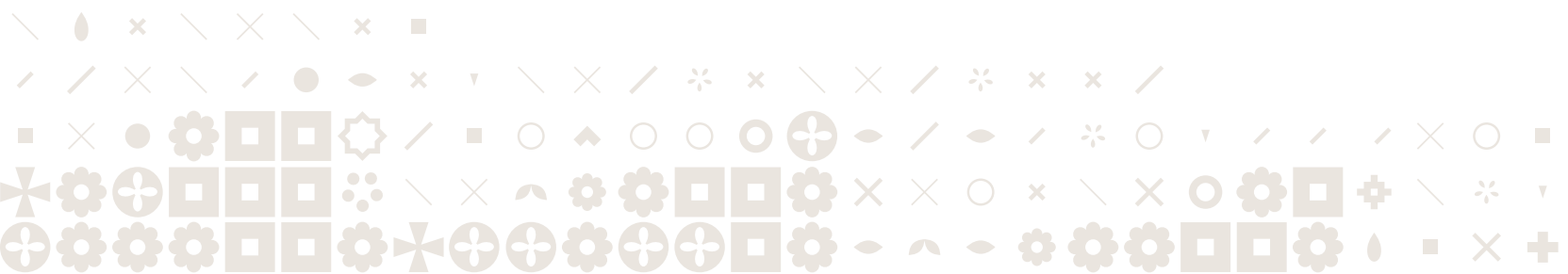
The "Viva nuestra energia" school programme seeks to teach primary students between 6 and 10 years old about the importance of energy sustainability, with dynamic contents about energy and its origin, its efficient use and safety tips.

Specific agreements have been signed with the different regional education ministries and the programme has been widely acclaimed since it was introduced in 2010.



During the last three years, the EDP Foundation, the FAPAS (Fund for the Protection of Wild Animals) ecologist organisation and Allande Local Council have been working on the reforestation of the Sierra del Valledor mountains, which were ravaged by a large fire in 2011 that destroyed 4,000 hectares.

The reforestation tasks have two goals. On the one hand, to recover the zone by planting native species, mainly chestnut and birch, that act as natural firewalls, and on the other hand, to provide food to local fauna.



4.2. LOCAL COUNCILS

Local Councils of the territories where the key EDP investments are expressing growing concerns regarding climate changes, conserving nature or the sustainability of the planet; they likewise assume that the company is a driving force for their development, generating expectations of lasting social and economic progress. EDP thus runs projects in conjunction with the local councils to improve the environmental aspects of their territories, and contribute to the social and economic development of the municipalities by means of constructing infrastructures to transport natural gas.



GIJÓN CITY COUNCIL AND EDP SIGN AN AGREEMENT TO IMPROVE AIR QUALITY

The agreement focusing on cutting emissions, acting in two areas: The replacement of diesel- and carbon-fuelled centralised boiler rooms in the household segment by other more efficient ones, such as natural gas, and promoting natural gas for vehicles to foster sustainable mobility, with the ensuing reduction of emissions of the current fleet of heavy vehicles of municipal companies.

As regards the boiler replacement, EDP will provide the same subsidy as the city council and around 200 neighbours' associations will be able to benefit from this agreement. In addition to the environmental effect, using natural gas will cut consumption costs by over 20 %. By transforming all boilers to natural gas, the emission of 11,500 tons of carbon dioxide (CO₂), 31 tons of nitrogen oxide (NO_x) and, approximately, 32 tons of sulphur oxide (SO_x) into the atmosphere will be avoided .

The second part of the agreement established the commitment to implement a project to spread the use of vehicular natural gas, in order to contribute to sustainable mobility and foster their use as a clean and alternative fuel in the municipality. The City Council, through the Municipal Company of Urban Environmental Services (EMULSA), will prioritise the purchase of two lorries run on natural gas. EDP will convert the vehicular natural gas filling station located on the company's premises in Roces so that it can be used by the lorries, which will have free natural gas fuel during the first year. EDP also plans to open up its filling facilities to the general public so that anyone who wants to can benefit from using natural gas as a vehicle fuel.



EDP BUILDS ITS FIRST GAS FILLING STATION IN ASTURIAS

In 2014, the EDP Group built a gas filling station in Roces, within the Alto de Pumarín electricity substation complex (Gijón). There are currently 8 vehicles that are using this service, even though the station is designed to deal with up to 24, as other divisions and companies of the Group are progressively incorporated.

With this new facility, the company now has four loading points for filling their vehicles up with natural gas. The construction of new stations in Bizkaia and Cantabria is also in the pipeline. Both are planned to be open to the general public.

The construction of this gas filling station is further proof of EDP's commitment to vehicle natural gas fuel as an alternative to oil-based fuels.

Its use brings important economic (up to 50 % more economical than diesel), environmental (its impact is lower, above all, as regards the emission of local pollutants) and technical (less wear on the engines) benefits.



GIJÓN CITY COUNCIL AND EDP EXPAND THEIR AGREEMENT TO FOSTER SUSTAINABLE MOBILITY

Gijón City Council and EDP have signed an agreement to facilitate the use of electric vehicles by installing new charging points in the city. EDP has thus undertaken to install two new charging points in addition to the ones that were already installed (a total of three) in 2011. EDP will pay for the installation, maintenance and electricity supply of all those charging points and at no cost for the City Council.

The electric vehicle is a viable mobility alternative to transport people and goods in an environmentally friendly way. They are vehicles that are driven by electric motors instead of by combustion engines. They use the energy stored in the batteries in the vehicle to move around. The batteries are recharged by connected them to the mains at a charging point or electricity "pump" using a cable. This is further proof of both parties' commitment to drive sustainable mobility: the emission to the atmosphere of two tons of carbon dioxide a year is avoided by the use of each electric vehicle instead of a combustion vehicle.



EDP REACHES 175,000 NATURAL GAS SUPPLY POINTS IN CANTABRIA, THE REGION WITH HIGHEST PERCENTAGE OF GAS SUPPLIES

EDP reaches 175,000 natural gas supply points in Cantabria, which consolidates it as the region with highest percentage of gas supplies. This milestone has been achieved at the centre of the Ampuero local, where EDP complete the structure to take the gas to the urban area in March 2014. There are therefore already 45 Cantabrian municipalities with natural gas.

EDP currently has over 1,753 km of distribution networks in Cantabria, which means that the company is in a position to supply natural gas to 90 % of the Autonomous Region's population.

The investments made into the regional gas network between January 2010 and May 2014 exceeded EUR 14 million and the forecast up until 2017 is for an additional investment over eleven million euros.



POLA DE SIERO UNVEILS THE FIRST ELECTRICITY SMART GRID

EDP has installed over 7,000 smart meters, 30 hubs and over 50,000 metres of electricity lines which has transformed the Pola de Siero grid (Asturias) into the region's most advanced and modern distribution grid, ready for the future and for new agents such as energy microgenerators or the electric vehicle to be incorporated. With the new smart meters, apart from improving the electricity supply, consumers manage energy in a more sustainable and efficient way. Those meters enable remote management (two-way communication between the device and the company's distribution centre), meaning that users play an active role. They also directly benefit from multiple applications developed for those meters, such as the possibility of remotely managing parameters of their contract or sorting out failures remotely, with a faster re-establishing of the service and without call-outs being needed.

Pola de Siero local council and EDP have signed an agreement that includes different innovations. Two free charging points for electric vehicles will be installed. The council will also be given an electric vehicle by the company. A photovoltaic panel will also be installed on the council building, which will turn it into a small-scale energy producer, with a significant saving in its energy consumption. A smart meter will be monitored inside the building, which will allow the real consumption to be known and will allow the resources to be optimised. Another of the innovations is the use of LED luminaires in public spaces. These will be able to be regulated and with presence sensors.

This pilot scheme with Pola de Siero Local Council is part of the EDP Inovgrid project, which is the company's commitment to meet the future challenges facing energy distribution: incorporating new renewable energies and forms of generation, more sustainable and efficient consumption, a responsible consumer that becomes an energy generator and cleaner mobility based on electricity energy.

EDP HC EDP has already installed over 300,000 smart meters in its grid, which account for over 46 % of the total to be replaced, and ahead of the government requirements of 35 % by the end of 2104.



GASIFICATION OF AGUILAS MUNICIPALITY (MURCIA)

In 2011, EDP Naturgas Energía embarked on the infrastructure works for the gasification of Águilas (Murcia), which will consist of a 21 km distribution network and a liquid natural gas (LNG) plant, which will be completed in December. The implementation of these infrastructures will enable all the local residents to have access to natural gas.

This gasification work is the result of the partnership framework agreement signed between the Regional Ministry of Industry, Tourism, Company and Innovation of the Autonomous Community of the Murcia Region and EDP Naturgas Energía Group. That agreement envisages EUR 62.4 million being invested in the Murcia Region between 2004 and 2016 to construct 345 kilometres of gas pipeline.

As part of this plan, the infrastructures have already been completed in the municipalities of Lorca, Alhama de Murcia, Totana, Fuente Álamo, Calasparra; the Secondary Transport to the towns of Mula – Bullas – Cehégín – Caravaca – Calasparra; and the San Javier – Balsicas – Baños & Mendigo stretch.



CHANGE OF VOLTAGE IN EASTERN ASTURIAS

The quality of the electricity supply to the municipalities of Llanes, Ribadesella, Peñamellera Alta, Peñamellera Baja and Cabrales has been improved by changing the voltage from 16,000 to 24,000 volts of the medium-voltage electricity lines.

This change will also allow future increases in demand to be met and reduced the grid losses of over 390 MWh a year, which is equivalent to the annual consumption of 100 households.

This project involved 50 workers from 8 different companies and an investment of over EUR 2.5 million. This replacement means that there is no longer 16,000 volt voltage in the EDP HC Energía electricity networks in Asturias.

4.3. NGO

The Private Sector and Public Sector are identified in economics as complementary systems that manage the resources according to the demands of society. However, there is an increasingly greater presence of non-governmental organisations (NGOs), as non-profits whose corporate purpose is to cover the needs of society that are not met fairly or efficiently by the system: the so-called Third Sector.

These organisations establish a critical framework that conditions the development of the Group's activities. EDP Spain fosters cooperation with the NGOs with which they share values, a partnership that is coordinated through the EDP Foundation.

THE "SOLIDARITY EDP" SCHEME, WITH A BUDGET OF NEARLY €350,000, WAS IMPLEMENTED IN 2014 AND IT WILL CO-FUND SUSTAINABLE DEVELOPMENT PROJECTS IN 2015 IN THE ZONES WHERE EDP OPERATES.

Along with this project to co-fund priority social actions in disadvantaged groups and/or at risk of social exclusion, and to foster social entrepreneurship, special mention should be made of other initiatives of the EDP Foundation that benefit different Non-Governmental Organisations (NGOs):

RESPONSIBLE POINTS

Customers donate the "EDP points" obtained from their energy consumption to different NGOs and the EDP Foundation contributes an equivalent amount.

In 2014, €40,000 were thus raised and went to Cocina Económica [Affordable Food], Cruz Roja [Spanish Red Cross], Nuevo Futuro, Energía sin Fronteras [Energy without Borders], Teléfono de la Esperanza [Hope Hotline], Cáritas, Euskal DYA Federation and the Down's Syndrome Foundation.

VOLUNTEERING

The group's employees, members of the EDP Foundation, get involved in projects that benefit different NGOs:

PAINTING SMILES II

Helping to paint the Cáritas building.

SOLIDARITY COMPUTERS

Over EUR 11,000 collected and over 250 computer donated.

SOLIDARITY KILOS

Over 580 kilos of food collected for different NGOs.

For further information on this and many other schemes, the EDP Foundation has its own website, www.fundacionedp.es, and publishes its own activities report.

4.4. MEDIA

The media and opinion leaders are a critical framework where the actions of the EDP group are discussed and answered, and condition the operational and strategic framework of the company and its investments. Special mention should be made of the following news related to the EDP Spain activity:

"WE ARE WHAT WE DO" IS THE NEW SLOGAN OF THE CODE OF ETHICS OF THE EDP GROUP

The 2014 edition defines the principles and commitments of everyone who acts on behalf of the Group in relation with all stakeholders, anywhere in the world. Awareness-raising and training actions have been envisaged for employees and stakeholders.



EDP SPAIN, FIRST COMPANY IN THE COUNTRY TO HOLD A DEGREE 3 EMERGENCY DRILL AT AN OPERATING POWER STATION

The drill was held at the La Barco hydraulic power station, in Tineo, in March. The drill aimed at assessing the operability of the Dam Emergency Plan and the implementation of the warning siren system to warn the population and show them how to react in such an emergency. The coordination between the different operating generators and the response times were positively valued by the Plan managers.



FM FM (INDUSTRIAL RISKS INSURANCE COMPANY) HONOURS EDP

The insurance company awarded the Soto de Ribera combined-cycle thermal power station, at a ceremony held in April, the Highly Protected Risk (HPR) prize, in recognition of the improvements that the power station made to the risk prevention system.



EDP INVESTS OVER EUR 10 MILLION AT THE SOTO DE RIBERA POWER STATION

This shutdown, for the general service of the facility in April, took place after over 20,000 hours of operations. This action generated work for over 500 people from 35 different companies. This work was an organisational challenge, given the environmental, preventive and technical complexities given the high number of tasks and people taking place at the same time.



EDP, RECOGNISED BY THE SPANISH NETWORK OF THE UN GLOBAL PACT

For its active collaboration as a partner since 2004. This award was handed to the company in november, during the lecture on "the un global pact and sustainable development".



EDP BUILT ITS FIRST GAS FILLING STATION IN ASTURIAS

There are currently 8 vehicles that are using this service, even though the station is designed to deal with up to 24, which will be progressively incorporated. The company now has four loading points for filling their vehicles up with natural gas. The construction of new stations in Bizkaia and Cantabria is also planned. Both are planned to be open to the general public.



EDP NATURGAS ENERGÍA DELIVERED 14 TONS OF FOOD TO DIFFERENT SPANISH FOOD BANKS

The total collected by the company was doubled by the workforce. Workers from the Oviedo, Bilbao, Vitoria, San Sebastián, Figueras, Mérida, Murcia Region and Cantabria took part in this initiative, organised by the EDP Spain Volunteer Programme.



A DAY IN JUNE SPENT CLEANING THE CASTEJÓN BASIN AND THE ADJACENT LEISURE PARK

This initiative was part of the EDP Corporate Volunteering programme, which seeks to foster environmental cooperation and education aimed at looking after nature, by means of measures that awaken the interest and awareness raising of the employees about active participation to help the environment.



EDP TAKES THE SAFE-TO-COMPETE PROGRAMME TO BASQUE COMPANIES

In June, EDP signed agreements with the Vizcaya (Cebek), Guipúzcoa (Adegi) and Alava (SEA) confederations to develop and fund energy efficiency projects in Basque companies, thus helping to enhance the competitiveness of the companies that sign up to the agreement by means of cutting their energy consumption.



ACTIR, NEW ONLINE COMMUNICATION TOOLS FOR MAJOR CUSTOMERS

Thanks to a single platform, major customer can check all the details of their supplies using an exclusive password provided by EDP. They can check their past record, notify incidents and even conduct consumption mockups. ACTIR has thus become direct access to EDP.



REGULATORY CHANGES IN THE SPANISH ELECTRICITY SECTOR: TRAINING FOR INFORMING

In Oviedo, EDP organised a seminar to train and inform journalists to provide them with first-hand knowledge about all the regulatory new aspects of the electricity sector. All the new concepts of the sector were described in detail, such as the voluntary price for the small consumer and the annual fixed price, with special emphasis on the freedom that the customers must have when choosing the option that best meets their interests.



DIPLOMA CEREMONY FOR OVIEDO UNIVERSITY STUDENT WHO TOOK PART IN THE EDP FOUNDATION GRANT PROGRAMME

During the ceremony held in July, the Chancellor of the University acclaimed the grant programme as the best instrument to train the best professionals, along with ensuring their integration in entrance in the job market.



A NEW EDP SUCCESS AT THE INTERNATIONAL TRADE EXHIBITION OF ASTURIAS (FIDMA) WITH A RECORD NUMBER OF VISITORS

In August, over 100,000 people visited FIDMA to discover the latest products of the pavilion and play games to interact with the www.edpenergia.es website. Over 12,000 people accessed the website during their visit to the pavilion, and 21 % of them were not customers.



INITIAL RESULT OF THE PLAN TO SUPPORT PHD STUDENTS AS PART OF THE R&D&I TRAINING SCHEMES

Carlos Menéndez presented his thesis entitled "Energy Advice in the Household" and was the first employee to obtain a PhD with the help of the company's plan.



EDP LEADER OF THE DOW JONES

Despite the new methodology and the new analysis criteria, even more demanding than in previous years, EDP has been the world of the Industry Group of the services or utilities companies in the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index, an international recognition of the excellence of the sustainability strategy of the Group.



EDP SPONSORS GAS INNOVATION AND RESEARCH PROJECTS ON THE ROAD TO THE ENERGY OF THE FUTURE

Those projects were unveiled in September as part of the International Gas Conference sponsored by the International Gas Union (IGU), in Copenhagen, by students of the Gas Learning Centre at the Bilbao School of Engineering, sponsored by EDP Naturgas Energía.



EDP, BEST CUSTOMER CARE CENTRE OF SPAIN

The Spanish Association of Experts in Customer Relations awarded the EDP the Gold CRC (Customer Relations Centre) award in the Energy and Absolute categories, for CRCs with over 1.2 million calls per year. Along with these awards, the company also has the Customer Service Individual of the Year, Emilia Fernández Quiles from Gijón.



LEAN+ IS BORN, INITIATIVES FOR CONTINUOUS IMPROVEMENT WITH THE BONUS OF INNOVATION

In October, these initiatives were unveiled and they require the involvement of a technology centre for their implementation. The first initiative within Lean+ is the PREGAS project, based on optimising the use of GLD steelworks gas at the Sidergas plant.

lean+ iniciativas Lean con un plus de innovación.



SEVEN NEW ENERGY RESEARCH ACADEMIC PROJECTS AT THE COMPANY'S LEARNING CENTRE

The learning centre, which EDP Naturgas Energía has run in partnership with the University of the Basque Country since 2010, has 7 new projects for the 2014-2015 academic year. One new feature this year is that three projects with essentially electric themes have been included.



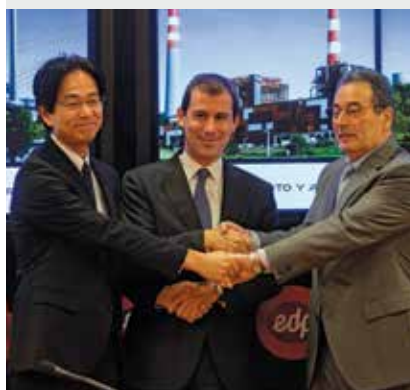
THE EDP FOUNDATION LENDS THREE VEHICLES TO THE PRÍNCIPE DE ASTURIAS FOUNDATION

As in previous years, the EDP Foundation lent the Prince of Asturias Foundation electric vehicles for the week of the Prince of Asturias Awards in October. Two vehicles were provided this year, with the added feature of a petrol-natural gas hybrid one. The Prince of Asturias Foundation is thus following its commitment to offset and reduce the carbon footprint of that week.



THE FUTURE OF THE SOTO AND ABOÑO POWER STATIONS IS GUARANTEED

EDP confirms its commitment to the Spanish market with the construction of the denitrification plant at the Aboño 2 Generator and the Soto de Ribera 3 Generator. This means a significant environmental improvement and will extend the life of both power stations to 2035. EDP will be the first company to bring into service a denitrification process in Spain.



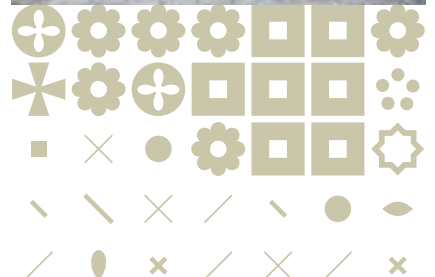
OUTSTANDING PERFORMANCE OF THE LOCALIZA PROJECT

The LOCALIZA project, consisting of an innovative system that allows faults to be located in the medium-voltage grid, has achieved 80 % efficiency, which ensures excellent quality of the electricity supply.



EDP, PUBLICLY RECOGNISED AS AN OHSAS 18001 CERTIFIED COMPANY

During a ceremony held in April by the Asturias Occupational Health and Safety Institute, in conjunction with the Asturias Quality Club, have recognised the effort by EDP to implement and certify a Health and Safety at Work Management System. This certification is a further endorsement of the EDP Group's commitment to continuous improvement.







05

YEAR-ON-YEAR DATA

5.1. FINANCIAL INDICATORS	73
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5.3. ENVIRONMENTAL INDICATORS	77
5.4. SOCIAL INDICATORS	78

ENERGY THAT TRANSFORMS CONSERVING BIODIVERSITY

Cooperation with the Asturias Bear Foundation (FOA)
in order to foster the conservation
of the Asturias brown bear.



05

YEAR-ON-YEAR DATA

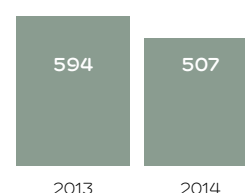
5.1. FINANCIAL INDICATORS

FINANCIAL INDICATORS⁽¹⁾

	units	2014	2013
Turnover	Millions of euros	4,086	4,050
EBITDA	Millions of euros	507	594
Net profit (EAT)	Millions of euros	110	125
Operating cash flow	Millions of euros	326	396
Operational investments	Millions of euros	96	104
Current assets	Millions of euros	1,450	1,615
Total Assets	Millions of euros	7,231	7,262
Net Equity	Millions of euros	3,101	2,801
Net debt	Millions of euros	2,017	2,215

(1) The 2013 data were recalculated using the new consolidation criteria.

EBITDA (€ million)



NET PROFIT (EAT) (€ million)



OPERATIONAL INVESTMENTS (€ million)



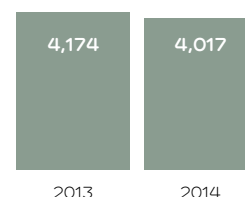
ECONOMIC INDICATORS

	units	2014	2013
VALUE CREATION			
Generated economic value	Millions of euros	4,185	4,214
Distributed economic value ⁽¹⁾	Millions of euros	4,017	4,174
Retained economic value ⁽²⁾	Millions of euros	168	40
ENVIRONMENTAL EXPENDITURE AND INVESTMENTS			
	Millions of euros	28.9	36.6
Managing waste, wastewater and land protection	Millions of euros	17.8	18.1
Projects related to energy efficiency	Millions of euros	3.2	9.8
Environmental management and prevention	Millions of euros	4.6	4.0
Research projects related to the environment	Millions of euros	0.9	0.4
Others	Millions of euros	2.4	4.3

(1) Payments to employees, suppliers, shareholders, foundations, financial and taxes.

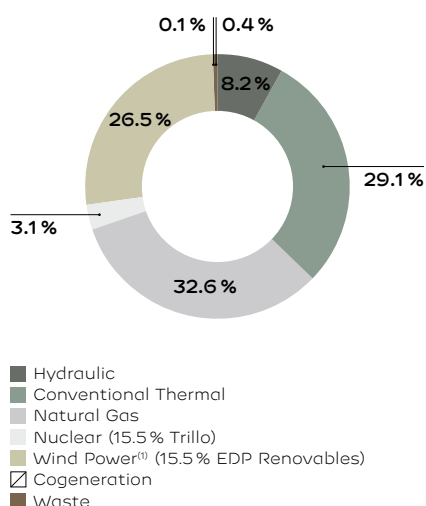
(2) Difference between the economic value generated and distributed.

DISTRIBUTED ECONOMIC VALUE (€ million)



5.2. TECHNICAL INDICATORS

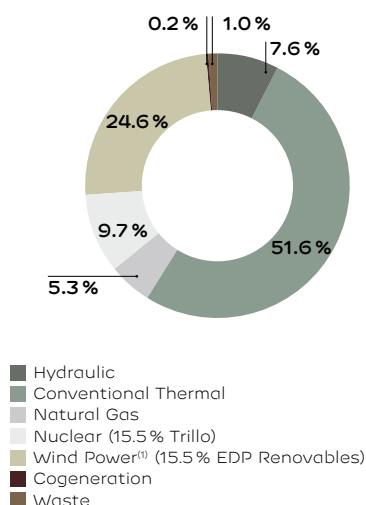
ELECTRICITY GENERATION

INSTALLED GENERATING CAPACITY
BY TECHNOLOGY

INSTALLED PRODUCTION CAPACITY

Situation as of 31 December 2014		units	2014	2013	2012
Hydraulic total	Gross MW		433	433	433
Conventional thermal	Gross MW		1,535	1,535	1,535
Natural gas	Gross MW		1,721	1,721	1,721
Nuclear (15.5% Trillo)	Gross MW		166	166	166
Thermal total	Gross MW		3,422	3,422	3,422
Overall total	Gross MW		3,855	3,855	3,855
Wind power ⁽¹⁾ (15.5% of EDP Renovables' operational capacity)	Gross MW		1,401	1,316	1,238
.Operational MW in Spain (15.5%) ⁽²⁾	Gross MW		340	358	358
Cogeneration ⁽³⁾	Gross MW		5	35	57
Waste ⁽⁴⁾	Gross MW		20	83	83
Special Total	Gross MW		1,426	1,433	1,380
Total	Gross MW		5,281	5,288	5,235

- (1) Investments in wind power generation are through Edp Renovables.
 (2) The MW are reduced due to the change in the consolidation criteria.
 (3) EITO and Bergara and AIE Hospital Oviedo sale and change in consolidation criteria (Tudela).
 (4) Intever, Sinova, Tercia and Bioener sale. Bioastur change consolidation criteria.

NET ELECTRICITY GENERATION
BY TECHNOLOGY

NET ELECTRICITY GENERATION

	units	2014	2013	2012
Hydraulic Total	MWh	947,479	1,098,482	620,781
Conventional thermal	MWh	6,413,856	6,406,606	6,714,429
Natural gas	MWh	656,276	654,244	1,598,269
Nuclear (15.5% Trillo)	MWh	1,204,363	1,157,058	1,230,170
Thermal total	MWh	8,274,495	8,217,908	9,542,868
Overall total	MWh	9,221,974	9,316,390	10,163,649
Wind power ⁽¹⁾ (15.5% of the EDP Renovables energy generated)	MWh	3,063,265	3,084,965	2,858,975
.MWh in Spain (15.5%) ⁽²⁾	MWh	802,280	899,310	791,430
Cogeneration ⁽³⁾	MWh	26,268	213,492	292,851
Waste ⁽⁴⁾	MWh	128,818	431,643	523,691
Special Total	MWh	3,218,351	3,730,099	3,675,517
Total	MWh	12,440,325	13,046,489	13,839,166

- (1) Investments in wind power generation are through Edp Renovables.
 (2) The MW are reduced due to the change in the consolidation criteria.
 (3) Production recorded until their sale at EIRO and Bergara;
 AIE Hospital Oviedo or Tudela not considered due to the change in the consolidation criteria.
 (4) Production recorded until sale of Intever, Sinova, Tercia and Bioener.
 Bioastur not considered due to the change in the consolidation criteria.
 Net electricity generation=gross electricity generation - plant self-supply

GAS AND ELECTRICITY DISTRIBUTION

ELECTRICITY DISTRIBUTION FACILITIES

	units	2014	2013	2012
HV overhead lines (50/132 kV)	Km	1,270	1,270	1,270
MV overhead lines (5/10/16/20/22/24 kV)	Km	4,748	4,748	4,736
HV underground lines (50/132 kV)	Km	38.00	38.48	38.46
MT underground lines (5/10/16/20/22/24 kV)	Km	1,616	1,590	1,550
LV overhead grids	Km	12,486	12,452	12,391
LV underground grids	Km	3,233	3,196	3,001
Transformation centres	No.	6,719	6,730	6,714
Transformation centre installed capacity	MVA	2,278	2,272	2,254
Substations	No.	59	57	58
Transformers in substations	No.	124	120	120
Installed capacity in sub,stations	MVA	5,288	5,258	5,165

GAS DISTRIBUTION NETWORKS

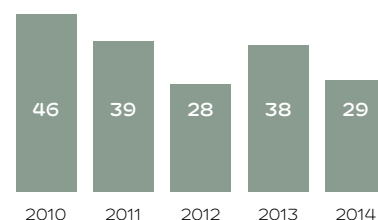
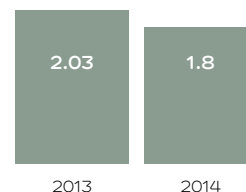
	units	2014	2013	2012
Gas distribution networks	Km	10,143	9,996	9875
Gas transport networks	Km			470

ELECTRICITY ENERGY AND SUPPLY POINTS

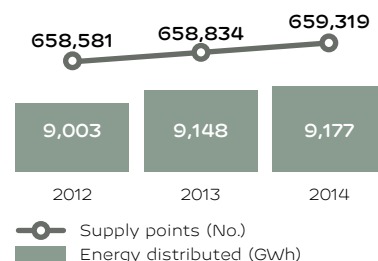
	units	2014	2013	2012
SUPPLY POINTS	No.	659,319	658,834	658,581
Low Voltage (<1 kV)	No.	658,182	657,707	657,459
Medium Voltage (>1 kV and <36 kV)	No.	1,114	1,104	1,098
High Voltage (>36 kV)	No.	23	23	24
DISTRIBUTED ENERGY	GWh	9,177	9,148	9,003
Low Voltage (<1 kV)	GWh	2,386	2,483	2,491
Medium Voltage (>1 kV and <36 kV)	GWh	1,288	1,260	1,260
High Voltage (>36 kV)	GWh	5,503	5,405	5,252

GAS DISTRIBUTION NETWORKS

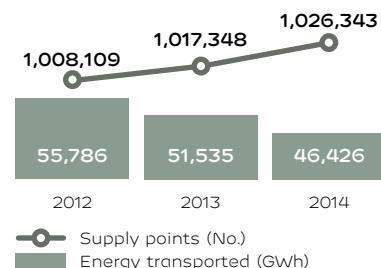
	units	2014	2013	2012
Supply points	No.	1,026,343	1,017,348	1,008,109
Energy transported	GWh	46,426	51,535	55,786

SAIDI EVOLUTION IN EDP ESPAÑA
(minutes)GAS NETWORK BREAKAGE INDEX
(per 100 km)SUPPLY CONTINUITY INDEX
(minutes of interruption per supply point and year)

ELECTRICITY DISTRIBUTION

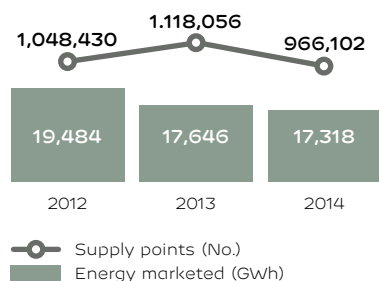


GAS DISTRIBUTION



GAS AND ELECTRICITY DISTRIBUTION

ELECTRICITY MARKETING



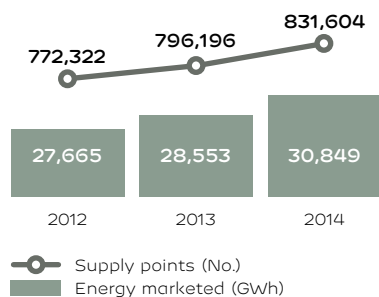
ELECTRICITY MARKETING

	units	2014	2013	2012
SUPPLY POINTS				
No.		966,102	1,118,056	1,048,430
Last resort	No.	246,898	255,761	277,527
Free market ⁽¹⁾	No.	719,204	862,295	770,903
ENERGY MARKETING				
GWh		17,318	17,646	19,484
Last resort	GWh	513	608	709
Free market ⁽²⁾	GWh	16,805	17,039	18,775
EDP Spain share	%	9.3	9.6	9.9

(1) The consolidation criteria were changed in 2014 and 50 % of the Energy CHC (214,476 supply points) have not been considered.

(2) The energy marketed by UN Generación to CHC is not included.
The consolidation criteria were changed in 2014 and 50 % of the Energy CHC (609 Gwh) have not been considered.

GAS MARKETING

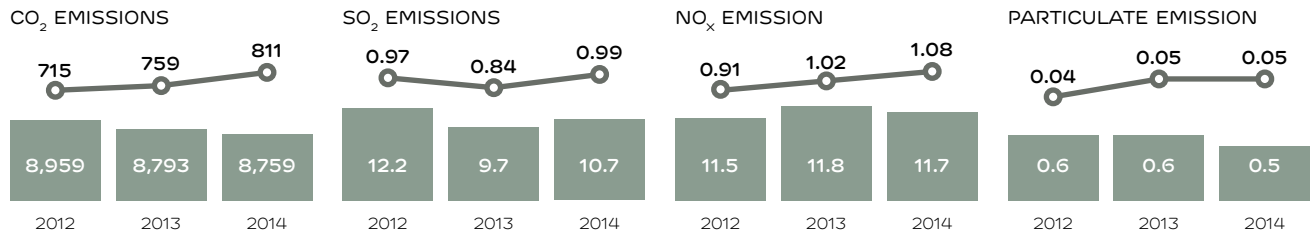


GAS MARKETING

	units	2014	2013	2012
SUPPLY POINTS				
No.		831.604	796.196	772.322
Last resort	No.	67.845	73.060	87.595
Free market ⁽¹⁾	No.	763.759	723.136	684.727
ENERGY MARKETING				
GWh		30.849	28.553	27.665
Last resort	GWh	269	354	410
Free market ⁽²⁾	GWh	30.580	28.199	27.254
EDP Spain share	%	4	5	9



5.3. ENVIRONMENTAL INDICATORS



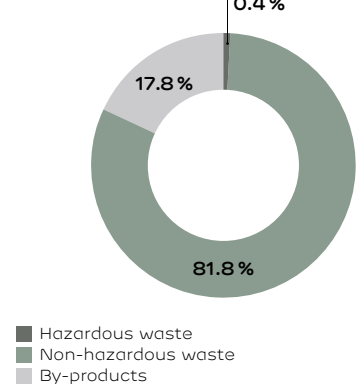
—○— Specific emissions (g/kWh)
■ Total emissions (ktons)

WASTE

	units	2014	2013	2012
Total hazardous waste	Tons	1,244	1,545	1,211
Total non-hazardous waste	Tons	271,597	278,756	355,902
Total by-products	Tons	58,998	52,587	60,984
Total generated	Tons	331,839	332,888	418,097
Total recovered	Tons	235,808	255,306	325,818

WASTE AND BY-PRODUCTS

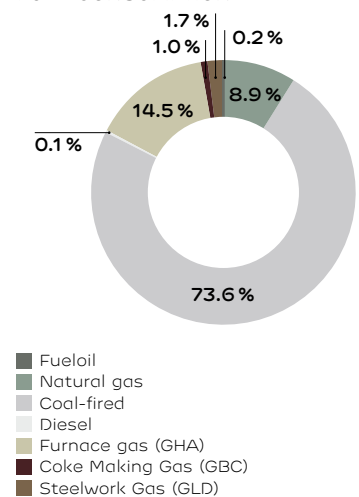
71 % recovered



FUEL CONSUMPTION

	units	2014	2013	2012
Fueloil	TJ	193	132	152
Natural gas	TJ	7,071	11,316	19,587
Coal-fired	TJ	58,635	55,430	64,507
Diesel	TJ	114	92	142
Furnace gas (GHA)	TJ	11,555	10,719	7,375
Coke Making Gas (GBC)	TJ	768	842	682
Steelwork Gas (GLD)	TJ	1,318	1,173	1,329

FUEL CONSUMPTION

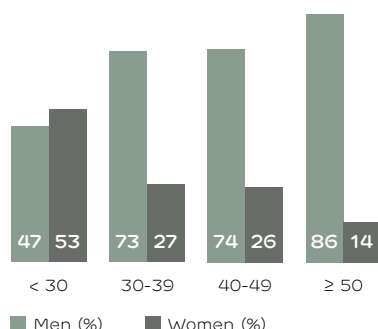


WATER

	units	2014	2013	2012
Cooling water	m ³ ×10 ³	448.895	477.351	446.930
Electricity generation water	m ³ ×10 ³	2.455	1.887	2.366
Recovered water of abstracted water	%	98	99	99

5.4. SOCIAL INDICATORS

EMPLOYEE PROFILE BY AGE



EMPLOYEE PROFILE BY PROFESSIONAL CATEGORY

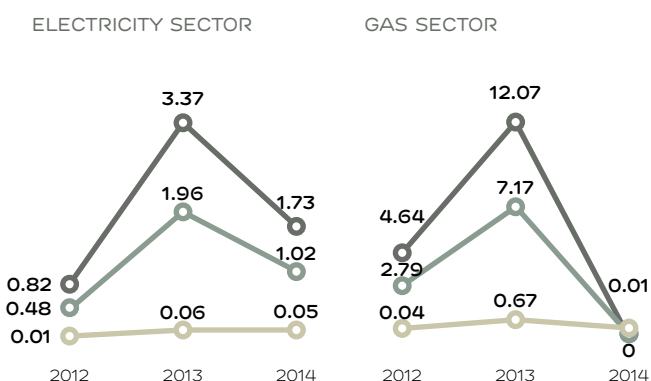


EDP SPAIN EMPLOYEES

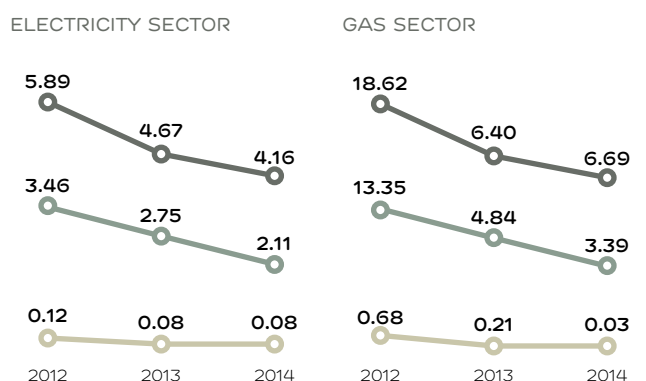
Data as of 31 December 2014		units	2014	2013	2012
WORKFORCE					
Employees	No.		1,566	1,612	1,645
Female employees	%		24	24	23
Global satisfaction index ⁽¹⁾	Score		n.a.	73	n.a.
Average age of the workers	Years old		47	47	45
Electricity business absentee rate	%		3.52	3.52	3.66
Gas business absentee rate	%		3.49	3.49	4.02
Employee remuneration costs	EUR thousands		110,706	107,878	109,227
Contributions to Pension Plans	EUR thousands		3,145	3,436	3,675
TRAINING					
Total training hours	Hours		55,700	59,092	59,795
Participation rate	People		7,585	9,345	9,272
Training actions	No.		1,110	12,98	1,256

(1) The survey is conducted every two years.

HEALTH AND SAFETY RATES OWN WORKERS



HEALTH AND SAFETY RATES CONTRACTED WORKERS



○ Hazard index

No. of accidents resulting in time off work/people exposed*10³

○ Frequency index

No. of accidents resulting in time off/hours worked*10⁶

○ Severity index

No. days lost/hours worked*10³

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