EDP FINANCE B.V.

Amsterdam

INTERIM REPORT

June 30, 2014

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RESPONSIBILITY STATEMENT

The Managing Directors of the Company wish to state:

1. That the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of EDP Finance B.V.;
2. That the interim report gives a true and fair view of the position as per the balance sheet date, the development during the financial period of EDP Finance B.V. in the semi-annual financial statements, together with a description of principal risks it faces.

Amsterdam, 31 July 2014

The Managing Directors:

EDP – Energias de Portugal S.A.

Burg, J.C.W. van.

Gortzen, M. M. L.

TMF Netherlands B.V.

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REPORT OF THE MANAGEMENT BOARD

The Managing Directors of EDP Finance B.V. (hereinafter "the Company") submit the interim report and the financial statements of the Company for the period ended 30 June 2014.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

General

The Company was incorporated under the laws of The Netherlands on 1st October 1999.

Activities

The principal activity of the Company is to act as a finance company to EDP Group. The policy of the group is to centralize financing in EDP – Energias de Portugal S.A. (hereinafter "EDP S.A.") and the Company.

Results

During the six-month period under review, ending on 30 June 2014, the Company recorded a profit of 3,843 thousand Euros (six-month period ending 30 June 2013 – loss 17,189 thousand Euros). This profit was essentially due to the increase of the margin between the average interest rates of assets and the average cost of the debt. The average interest rate of assets increased YoY mainly due to an increase on the long term assets with higher interest rates vs a decrease on the short term assets. The average cost of debt also increased YoY, although not as significantly as the average interest rate of assets, due to the refinancing, at higher interest rates, of old financing agreements that matured.

Major developments in the first half year of 2014

In the first half of 2014, the Company took advantage of some windows of opportunity in the international capital markets to issue three bonds, under the EDP SA and EDP Finance BV's "Programme for the Issuance of Debt Instruments" (EMTN). A seven-year USD 750 million Bond was issued on 7th January and on 15th April the Company issued a five-year Eurobond in the amount of EUR 650 million. On 26th June, the Company issued a five-year USD 100 million Bond (Private Placement).

Regarding the loan markets, the Company entered into a new four-year Term Loan in the amount of 150 million Euros, totally drawn down on 24th February and entered into a five-year Term Loan on 28th May in the amount of 175 million USD, drawn down in the amount of 70 million USD as at 30th June 2014.

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REPORT OF THE MANAGEMENT BOARD

FUTURE DEVELOPMENTS

Given the cash flow expected to be generated by the Group as well as the available liquidity, the company expects to continue its normal course of business during the second half of the year, as in the previous years, also benefiting from gradually improving financial market conditions.

KEEP WELL AGREEMENT

During the period under review, there were no changes to the keep-well agreement between EDP S.A. and the Company, signed on 14 March 2001.

AUDIT COMMITTEE

The Company makes use of the exemption to establish its own Audit Committee, based on Article 3a of the Royal Decree of 26 July 2008 implementing article 41 of the EU Directive 2006/43/EG. The Audit Committee of the parent company, EDP S.A., will act as Audit Committee for the Company. This Committee is composed as follows:

Eduardo de Almeida Catroga: President
Vítor Fernando da Conceição Gonçalves: Vice President
António Sarmento Gomes Mota: Member
Manuel Fernando de Macedo Alves Monteiro: Member
Maria Celeste Ferreira Lopes Cardona: Member

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REPORT OF THE MANAGEMENT BOARD

Amsterdam, 31 July 2014

The Managing Directors:

EDP – Energias de Portugal S.A.

Burg, J.C.W. van.

Gortzen, M. M. L.

TMF Netherlands B.V.

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INTERIM FINANCIAL STATMENTS

COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014 AND 2013

	2014	2013
	(Thousands of Euros)	(Thousands of Euros
Interest income	393,397	323,359
Interest expenses	-377,559	-340,691
Net interest income / (expense)	15,838	-17,332
Net other financial income and expenses	-9,842	-4,974
Net financial income / (expense)	5,996	-22,306
Other operating income / (expenses)		
Services rendered	926	205
Supplies and services	-1,805	-793
Profit / (Loss) before income tax	5,117	-22,894
Tax expense / (benefit)	-1,274	5,705
Profit / (Loss) for the period	3,843	-17,189
Total comprehensive income for the period	3,843	-17,189
Profit / (Loss) for the year attributable to owners of the company	3,843	-17,189
Total comprehensive income for the period attributable to the owner of the company	3,843	-17,189

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INTERIM FINANCIAL STATMENTS

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014 AND 31 DECEMBER 2013

(Before proposed appropriation of profit)

	2014	2013
	(Thousands of Euros)	(Thousands of Euros
Assets		
Loans to and receivables from group entities	11,658,940	11,704,152
Derivative financial instruments	80,135	48,663
Total Non-Current Assets	11,739,075	11,752,815
Loans to and receivables from group entities	3,248,993	3,975,605
Derivative financial instruments	56,761	84,039
Debtors and other assets	2,360	2,471
Tax receivable	3,175	4,971
Cash and cash equivalents	231,727	238,173
Total Current Assets	3,543,016	4,305,259
Total Assets	15,282,091	16,058,074
Equity		
Share capital	2,000	2,000
Share premium	11,980	11,980
Reserves and retained earnings	114,171	123,666
Profit / (loss) for the period	3,843	-9,495
Total Equity	131,994	128,151
Liabilities		
Debt securities	8,496,561	8,728,180
Loans and credit facilities from third parties	3,497,450	3,404,831
Derivative financial instruments	51,517	63,937
Total Non-Current Liabilities	12,045,528	12,196,948
Debt securities	2,004,828	1,642,504
Loans and credit facilities from third parties	260,679	1,675,430
Loans from group entities	757,805	113,492
Amounts owed on commercial paper	80,000	280,000
Derivative financial instruments	-2,766	19,935
Trade and other payables	2,655	1,614
Tax payable	1,368	-
Total Current Liabilities	3,104,569	3,732,975
Total Liabilities	15,150,097	15,929,923
Total Equity and Liabilities	15,282,091	16,058,074

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INTERIM FINANCIAL STATMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2014 AND 31 DECEMBER 2013

(Thousands of Euros)

	Attributable to shareholders of the Company				
	Total Equity	Share capital	Share premium	Reserves and retained earnings	Profit / (loss) for the period
Balance as at 31 December 2012	137,646	2,000	11,980	112,887	10,779
Prior year profit / (loss)	-	-	-	10,779	-10,779
Total comprehensive income:					
Profit / (loss) for the period	-17,189	-	-	-	-17,189
Balance as at 30 June 2013	120,457	2,000	11,980	123,666	-17,189
Total comprehensive income:					
Profit / (loss) for the period	7,694	-	-	-	7,694
Balance as at 31 December 2013	128,151	2,000	11,980	123,666	-9,495
Prior year profit / (loss)	-	-	-	-9,495	9,495
Total comprehensive income:					
Profit / (loss) for the period	3,843	-	-	-	3,843
Balance as at 30 June 2014	131,994	2,000	11,980	114,171	3,843

COMPANY STATEMENT OF CASH FLOWS AS AT 30 JUNE 2014 AND 2013

	2014	2013
	(Thousands of Euros)	(Thousands of Euros
Cash flows from operating activities		
Profit /(Loss) for the period	3,843	-17,189
Adjustments for:		
Net interest income / (expense)	-15,838	18,786
Net other financial income and expenses	-4,786	6,318
Tax income	1,274	-5,706
	-15,507	2,209
Changes in:		
Loans to and receivables from group entities	1,009,776	69,766
Debtors and other assets	112	-205
Amounts owed on commercial paper	-200,000	213,000
Loans from group entities	644,314	165,251
Trade and other payables	-387	1,031
	1,438,308	451,052
Interest received	126,492	179,974
Interest paid	-324,107	-318,223
Tax paid	1,771	-33,344
Net cash used in operating activities	1,242,464	279,459
Cash flows from financing activities		
Proceeds from issued debt securities	1,256,334	-
Redemption of debt securities	-1,177,911	-
Proceeds of loans and credit facilities from third parties	200,075	1,036,244
Redemption of loans and credit facilities from third parties	-1,526,322	-1,205,000
Net cash flow from financing activities	-1,247,824	-168,756
Net increase / (decrease) in cash and cash equivalents	-5,360	110,703
Cash and cash equivalents at the beginning of the year	238,173	343,585
Effect of exchange rate fluctuations on cash and cash equivalents	-1,086	-1,955
Cash and cash equivalents at the end of the period	231,727	452,333

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. GENERAL

The principle activity of the Company is to act as a finance company.

2. ACCOUNTING POLICIES

The financial information presented in this Interim Report was prepared under the same accounting principles as in the 2013 Annual Report.

3. ISSUED SHARE CAPITAL

The authorised share capital of the Company consists of 80,000 shares of 100 Euros each, of which 20,000 shares have been issued and fully paid-up.

4. UNDISTRIBUTED RESULTS

On 20th March of 2014, the Annual General Meeting of the shareholder of the Company allocated the loss for the year 2013, being 9.495 million Euros to accumulated results.

5. ISSUED MEDIUM TERM NOTES

In the first half of 2014, the Company took advantage of some windows of opportunity in the international capital markets to issue three bonds, under the EDP SA and EDP Finance BV's "Programme for the Issuance of Debt Instruments" (EMTN). A seven-year USD 750 million Bond was issued on 7th January and on 15th April the Company issued a five-year Eurobond in the amount of EUR 650 million. On 26th June, the Company issued a five-year USD 100 million Bond (Private Placement).

6. NET FINACIAL INCOME

During the first semester of 2014, the Company's net financial income was positive. This profit was essentially due to the increase of the margin between the average interest rates of assets and the average cost of the debt. The average interest rate of assets increased YoY mainly due to an increase on the long term assets with higher interest rates vs a decrease on the short term assets. The average cost of debt also increased YoY, although not as significantly as the average interest rate of assets, due to the refinancing, at higher interest rates, of old financing agreements that matured.

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OTHER INFORMATION

SUBSEQUENT EVENTS

- On 2nd July, Fitch Ratings (Fitch) has affirmed EDP and EDP Finance B.V.'s "BBB-" Long-term Issuer Default Ratings (IDR) and senior unsecured ratings and "F3" Short-term IDR, revising its outlook from Rating Watch Negative (RWN) to Stable.
  The rating actions follow further disclosure on regulatory changes and their impact on EDP's Spanish operations held directly and through its subsidiaries HC and EDP Renováveis, as well as the delivery of the business plan for 2014-2017 including the management strategy to meet the de-leveraging target by 2017 when the generation contracted revenues in Portugal will be exposed to price and volume volatility.

  The Stable Outlook reflects a projected reduction of leverage thanks to a significant downsize of the capital expenditure plan for the next four years, a steady execution of yearly monetization of outstanding tariff deficit receivables, the completion of selective minorities disposals to EDP's equity partner China Three Gorges and an increase of EBITDA supported by new capacity additions.

- On the 8th July, the Company entered into a new Term Loan in the amount of USD 200 million with a tenor of five years.

- On the 16th July, a five-year Term Loan was entered into in the amount of USD 150 million.

- On the 17th July, the Company entered into an internal cross currency swap with EDP SA in the amount of $250M at a floating rate of Libor + 180bps.

- On the 21st July, the Company utilised the remaining USD 105 million of the USD 175 million five-year Term Loan dated 28th May 2014.

- On the 22nd July the Company early repaid USD 750 million of a USD 1,049.6 million Multi-currency Term Loan Facility, dated 19th October 2012. As a result, the loan has outstanding USD 298,6 million which matures in October 2015.

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OTHER INFORMATION

AUDIT

The interim report is not audited.