



EDP – ENERGIAS DE PORTUGAL, S.A.
(incorporated with limited liability in the Portuguese Republic)

EDP FINANCE B.V.
(incorporated with limited liability in The Netherlands
and having its statutory seat in Amsterdam)

€13,500,000,000

Programme for the Issuance of Debt Instruments

Under this €13,500,000,000 Programme for the Issuance of Debt Instruments (the "Programme"), EDP – Energias de Portugal, S.A. ("EDP") and EDP Finance B.V. ("EDP B.V." and together with EDP, the "Issuers" and each an "Issuer") may from time to time issue instruments (the "Instruments") as agreed between the relevant Issuer and the relevant Dealer (as defined below).

The Instruments issued by EDP B.V. will not be guaranteed by EDP but EDP B.V. has the benefit of the Keep Well Agreement executed by EDP as more fully described herein under "Relationship of EDP B.V. with EDP".

The maximum aggregate nominal amount of all Instruments from time to time outstanding under the Programme will not exceed €13,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Instruments may be issued on a continuing basis to one or more of the Dealers party to the amended and restated Dealership Agreement dated 5 September 2017 and any additional Dealer appointed under the Programme from time to time by the Issuers (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "relevant Dealer" shall, in the case of an issue of Instruments being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Instruments.

An investment in Instruments issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

The Base Prospectus has been approved by the Central Bank of Ireland (the "Central Bank"), as competent authority under the Prospectus Directive. When used in this Base Prospectus, "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and, where the context so requires in this Base Prospectus, includes any relevant implementing measure in a relevant Member State of the European Economic Area. The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Application will be made to the Irish Stock Exchange Plc (the "Irish Stock Exchange") for Instruments issued under the Programme within 12 months of this Base Prospectus to be admitted to the official list of the Irish Stock Exchange (the "Official List") and trading on its regulated market (the "Main Securities Market"). Such approval relates only to the Instruments which are to be admitted to trading on the Main Securities Market or on another regulated market for the purposes of Directive 2004/39/EC as amended and/or which are to be offered to the public in any Member State of the European Economic Area in circumstances that require the publication of a prospectus.

References in this Base Prospectus to the Instruments being "listed" (and all related references) shall mean that the Instruments have been admitted to the Official List and trading on the Main Securities Market. The Programme also permits Instruments to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, including, without limitation, Euronext Lisbon. The Irish Stock Exchange's Main Securities Market and the Euronext Lisbon's regulated market are regulated markets for the purposes of Directive 2004/39/EC as amended (the "Markets in Financial Instruments Directive"). Notice of the aggregate nominal amount of Instruments, interest (if any) payable in respect of Instruments, the issue price of Instruments and certain other information which is applicable to each Tranche (as defined under "Terms and Conditions of the Instruments") of Instruments will be set out in the final terms (the "Final Terms") which, with respect to all Instruments to be admitted to the Official List, will be filed with the Central Bank. Copies of Final Terms in relation to Instruments to be admitted to the Official List and admitted to trading on the Irish Stock Exchange will also be published on the website of the Irish Stock Exchange (www.ise.ie) and Central Bank (www.centralbank.ie). Any websites referred to herein do not form part of this Base Prospectus.

The Instruments have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act

unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

Instruments issued under the Programme may be rated or unrated by any one or more of the ratings agencies referred to below. The rating of a particular Tranche of Instruments to be issued under the Programme may be specified in the applicable Final Terms. Each of EDP and EDP B.V. is rated Baa3 by Moody's Investors Service Limited ("Moody's"), BBB- by Fitch Ratings Ltd. ("Fitch") and BBB- by Standard & Poor's Global Ratings acting through Standard & Poor's Credit Market Services France SAS ("Standard & Poor's"). Instruments issued under the Programme with a maturity of more than one year are expected to be rated Baa3 by Moody's, BBB- by Fitch and BBB- by Standard & Poor's. A brief explanation of the meanings of these ratings is set out in "General Information". Where an issue of Instruments is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Each of Moody's, Fitch and Standard & Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). As such, each of Moody's, Fitch and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Arranger for the Programme

MORGAN STANLEY

Dealers

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

5 September 2017

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

EDP B.V. as Issuer and EDP in its capacity as Issuer and as Keep Well Provider accept responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Instruments issued under the Programme. To the best of the knowledge and belief of EDP and EDP B.V. (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference (see "*Documents Incorporated by Reference*") and, in relation to any Tranche of Instruments which is the subject of Final Terms, such Final Terms should be read and construed on the basis that those documents are incorporated in and form part of this Base Prospectus. The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Each Issuer has confirmed to the Dealers and Deutsche Trustee Company Limited (the "Trustee") that this Base Prospectus is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus the omission of which would, in the context of the Programme or the issue of Instruments, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. Each Issuer has further confirmed to the Dealers and the Trustee that this Base Prospectus (together with the relevant Final Terms) contains all such information as may be required by all applicable laws, rules and regulations.

No person has been authorised by EDP, EDP B.V., any of the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by EDP and/or EDP B.V. or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuers, any of the Dealers, or the Trustee.

Third party information has been included in this Base Prospectus. Where such third party information has been used the source of such information has been specified. Each Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuers in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuers in connection with the Programme.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Instruments (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuers, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Instruments should purchase any Instruments. Each investor contemplating purchasing any Instruments should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Instruments constitutes an offer or invitation by or on behalf of the Issuers, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Instruments.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Instruments shall in any circumstances imply that the information contained herein concerning the Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme or to advise any investor in the Instruments of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Instruments.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Instruments includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Instruments, from 1 January 2018, are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC ("IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF INSTRUMENTS

Restrictions on Public Offers of Instruments in Relevant Member States

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

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

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

Consent given in accordance with Article 3.2 of the Prospectus Directive

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

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

Issuers, nor EDP as Keep Well Provider, has any responsibility or liability for the actions of that Authorised Offeror.

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

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

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

Consent

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

Specific Consent

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

General Consent

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

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

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

- A. will, and it agrees, represents, warrants and undertakes for the benefit of the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:
- I. act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "Rules") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Instruments by any person and disclosure to any potential Investor;
 - II. comply with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply if the relevant financial intermediary were a Dealer;
 - III. ensure that any fee (and any other commissions or benefits of any kind) or rebate received or paid by the relevant financial intermediary in relation to the offer or sale of the Instruments does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
 - IV. hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Instruments under the Rules;
 - V. comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Instruments by the Investor), and will not permit any application for Instruments in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
 - VI. retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer, the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider or directly to the appropriate authorities with jurisdiction over the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider and/or the relevant Dealer in order to enable the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider and/or the relevant Dealer, as the case may be;
 - VII. immediately inform the relevant Issuer and, if the Issuer is EDP B.V., EDP as Keep Well Provider and the relevant Dealer if at any time it becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
 - VIII. ensure that no holder of Instruments or potential Investor in Instruments shall become an indirect or direct client of the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
 - IX. co-operate with the relevant Issuer and, if EDP B.V. is the Issuer, EDP as Keep Well Provider and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) upon written request from the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together

with such further assistance as is reasonably requested by the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer:

- (i) in connection with any request or investigation by any regulator in relation to the Instruments, the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer;
- (ii) in connection with any complaints received by the relevant Issuer and/or if EDP B.V. is the Issuer, EDP as Keep Well Provider and/or the relevant Dealer relating to the relevant Issuer and/or if EDP B.V. is the Issuer, EDP as Keep Well Provider and/or the relevant Dealer including, without limitation, complaints as defined in rules published by any regulator of competent jurisdiction from time to time; and/or
- (iii) which the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer may reasonably require from time to time in relation to the Instruments and/or as to allow the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer fully to comply with its own legal, tax and regulatory requirements,

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

- X. during the period of the initial offering of the Instruments: (i) only sell the Instruments at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the Instruments for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Instruments (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;
- XI. either (i) obtain from each potential Investor an executed application for the Instruments, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Instruments on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
- XII. ensure that it does not, directly or indirectly, cause the Issuers or, if the Issuer is EDP B.V., EDP as Keep Well Provider or the relevant Dealer to breach any Rule or subject the Issuers or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- XIII. comply with the conditions to the consent referred to under "*Common Conditions to Consent*" below and any further requirements or other Authorised Offeror Terms relevant to the Public Offer as specified in the applicable Final Terms;
- XIV. make available to each potential Investor in the Instruments this Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the relevant Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Base Prospectus and the applicable Final Terms; and
- XV. if it conveys or publishes any communication (other than this Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the relevant Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuers, that such financial intermediary is solely responsible for such communication and that neither the Issuers nor, if EDP B.V. is the Issuer, EDP as Keep Well Provider nor the

relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer (as applicable), use the legal or publicity names of the relevant Issuer or, if EDP B.V. is the Issuer, EDP as Keep Well Provider or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the relevant Issuer as issuer of the relevant Instruments and, if the Issuer is EDP B.V., EDP as Keep Well Provider of the relevant Instruments on the basis set out in this Base Prospectus;

- B. agrees and undertakes to each of the Issuers and the relevant Dealer that if it or any of its respective directors, officers, employees, agents, affiliates and controlling persons (each a "Relevant Party") incurs any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence as they are incurred) (a "Loss") arising out of or in relation to, or in connection with, any actual or alleged breach of any of the foregoing agreements, representations, warranties or undertakings by the relevant financial intermediary, including (without limitation) any unauthorised action by the relevant financial intermediary or failure by it to observe any of the above restrictions or requirements or the making by it of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuers or the relevant Dealer, the relevant financial intermediary shall pay on demand to the Issuers or the relevant Dealer, as the case may be, an amount equal to the Loss. None of the Issuers nor any Dealer shall have any duty or obligation, whether as fiduciary or trustee for any Relevant Party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this provision; and
- C. agrees and accepts that:
- I. the contract between the relevant Issuer and the relevant financial intermediary formed upon acceptance by the relevant financial intermediary of the relevant Issuer's offer to use this Base Prospectus with its consent in connection with the relevant Public Offer (the "Authorised Offeror Contract"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
 - II. subject to (IV) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "Dispute") and the Issuer and the relevant financial intermediary submit to the exclusive jurisdiction of the English courts;
 - III. for the purposes of (C)(II) and (IV), the relevant financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;
 - IV. to the extent allowed by law, the Issuers and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions; and
 - V. each relevant Dealer and, if the Issuer is EDP B.V., EDP as Keep Well Provider will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

Any Authorised Offeror falling within (b) above who meets the conditions set out in (b) above and the other conditions stated in "Common Conditions to Consent" below and who wishes to use this Base

Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.

Common Conditions to Consent

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

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

The only Relevant Member States which may, in respect of any Tranche of Instruments, be specified in the applicable Final Terms (if any Relevant Member States are so specified) as indicated in (ii) above, will be Ireland or Portugal, and accordingly each Tranche of Instruments may only be offered to Investors as part of a Public Offer in Ireland or Portugal, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

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

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

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF INSTRUMENTS GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Instruments in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Instruments may be restricted by law in certain jurisdictions. The Issuers, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Instruments may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuers, the Dealers or the Trustee which would permit a public offering of any Instruments outside Ireland or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Instruments may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except

under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Instruments may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Instruments. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Instruments in the United States, the European Economic Area (including the United Kingdom, Ireland, Portugal, the Netherlands and Spain) and Japan, see "*Subscription and Sale*".

The Instruments may not be a suitable investment for all investors. Each potential investor in Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Instruments, the merits and risks of investing in the Instruments and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Instruments and the impact the Instruments will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Instruments, including Instruments where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Instruments and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Instruments are legal investments for it, (2) Instruments can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any Instruments. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Instruments under any applicable risk-based capital or similar rules.

The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and Instruments in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

This Base Prospectus may contain certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of EDP and the EDP Group are forward looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause EDP's and the EDP Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward looking statements are based on numerous assumptions regarding the present and future business strategies of EDP and the EDP Group and the environment in which it is expected to operate in the future.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward-looking statements made by or on behalf of EDP or EDP B.V. speak only as at the date they are made. Neither EDP nor EDP B.V. undertakes to update forward-looking statements to reflect any changes in their expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

PRESENTATION OF INFORMATION

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Instruments*" or any other sections of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

In this Base Prospectus, all references to:

- "U.S. dollars", "U.S.\$" and "\$" refer to United States dollars, the lawful currency of the United States;
- "Sterling" and "£" refer to pounds sterling, the lawful currency of the United Kingdom;
- "EUR", "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; and
- "billion" refers to a thousand million.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures which precede them.

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SUMMARY OF THE PROGRAMME

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

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

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

Section A – Introduction and warnings

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

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

Section B – Issuers and Keep Well Provider

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

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

Element	Title					
B.12	Selected historical key financial information:					
	In relation to EDP:					
	The table below sets out summary information extracted from the EDP Group's audited consolidated income statement for each of the two years ended 31 December 2015 and 31 December 2016 and from the EDP Group's unaudited condensed consolidated income statement for each of the six-month periods ended 30 June 2016 and 30 June 2017, respectively:					
	Consolidated Income Statement					
	Thousands of Euros		Six Months ended 30 June		Year ended 31 December	
			2017	2016	2016	2015
	Revenues from energy sales and services and other		7,875,410	7,147,613	14,595,164	15,516,799
	Cost of energy sales and other		-4,982,355	-4,177,858	-8,857,132	-10,062,093
			<u>2,893,055</u>	<u>2,969,755</u>	<u>5,738,032</u>	<u>5,454,706</u>
	Other income		199,020	239,296	427,314	848,783
	Supplies and services		-472,361	-435,743	-947,874	-920,608
	Personnel costs and employee benefits		-340,788	-323,500	-660,616	-652,979
	Other expenses		-376,442	-383,054	-797,549	-805,944
			<u>-990,571</u>	<u>-903,001</u>	<u>-1,978,725</u>	<u>-1,530,748</u>
			<u>1,902,484</u>	<u>2,066,754</u>	<u>3,759,307</u>	<u>3,923,958</u>
Provisions		-1,647	5,025	15,076	-16,056	
Amortisation and impairment		-708,664	-744,345	-1,510,304	-1,464,523	
		<u>1,192,173</u>	<u>1,327,434</u>	<u>2,264,079</u>	<u>2,443,379</u>	
Financial income		240,254	597,249	899,323	936,221	
Financial expenses		-610,200	-1,004,980	-1,790,803	-1,768,736	
Share of net profit in joint ventures and associates		7,228	-4,586	-22,062	-23,899	
Profit before income tax and CESE		<u>829,455</u>	<u>915,117</u>	<u>1,350,537</u>	<u>1,586,965</u>	
Income tax expense		-119,153	-242,860	-88,796	-277,769	
Extraordinary contribution to the energy sector (CESE)		-67,415	-58,834	-61,630	-62,054	
		<u>-186,568</u>	<u>-301,694</u>	<u>-150,426</u>	<u>-339,823</u>	
Net profit for the period		<u>642,887</u>	<u>613,423</u>	<u>1,200,111</u>	<u>1,247,142</u>	
Attributable to:						
Equity holders of EDP		450,430	472,171	960,561	912,703	
Non-controlling Interests		192,457	141,252	239,550	334,439	
Net profit for the period		<u>642,887</u>	<u>613,423</u>	<u>1,200,111</u>	<u>1,247,142</u>	
Earnings per share (Basic and Diluted) – Euros		<u>0.12</u>	<u>0.13</u>	<u>0.26</u>	<u>0.25</u>	

Element	Title			
	<p>The table below sets out summary information extracted from the EDP Group's audited consolidated statement of financial position as at 31 December 2015 and 31 December 2016 and from the EDP Group's unaudited condensed consolidated statement of financial position as at 30 June 2017:</p>			
	Consolidated Statement of Financial Position			
		As at 30	As at 31 December	
	Thousands of Euros	June	2016	2015
		2017		
	Assets			
	Property, plant and equipment	23,155,362	24,193,736	22,773,716
	Intangible assets	4,883,769	5,128,544	5,524,634
	Goodwill	2,300,646	3,414,852	3,388,588
	Investments in joint ventures and associates	821,139	820,565	664,011
	Available for sale investments	117,324	165,044	200,206
	Investment property	30,744	31,219	36,465
	Deferred tax assets	667,865	904,412	272,498
	Debtors and other assets from commercial activities ¹	2,589,938	2,448,442	3,312,318
	Other debtors and other assets	423,277	469,269	444,257
	Collateral deposits associated to financial debt	37,294	31,936	66,855
	Total Non-Current Assets	35,027,358	37,608,019	36,683,548
	Inventories	267,317	316,577	204,206
	Debtors and other assets from commercial activities ¹	2,771,225	3,207,613	3,468,900
	Other debtors and other assets	237,092	354,316	443,118
	Current tax assets	294,250	494,504	314,867
	Financial assets at fair value through profit or loss	7,570	9,567	9,288
	Collateral deposits associated to financial debt	4,525	20,095	13,060
	Cash and cash equivalents	1,989,044	1,521,253	1,245,449
	Assets held for sale ²	2,926,359	551,802	154,529
	Total Current Assets	8,497,382	6,475,727	5,853,417
	Total Assets	43,524,740	44,083,746	42,536,965
	Equity			
	Share capital	3,656,538	3,656,538	3,656,538
	Treasury stock	-62,088	-63,528	-62,691
	Share premium	503,923	503,923	503,923
	Reserves and retained earnings	4,584,258	4,348,793	3,659,302
	Consolidated net profit attributable to equity holders of EDP	450,430	960,561	912,703
	Total Equity attributable to equity holders of EDP	9,133,061	9,406,287	8,669,775
	Non-controlling Interests	4,350,381	4,330,085	3,451,718
	Total Equity	13,483,442	13,736,372	12,121,493
	Liabilities			
	Financial debt	15,907,646	15,550,273	15,653,876
	Employee benefits	1,262,630	1,410,136	1,647,730
	Provisions	618,626	637,613	481,439
	Deferred tax liabilities	538,036	722,401	794,983
	Institutional partnerships in USA	1,956,741	2,339,425	1,956,217
	Trade and other liabilities from commercial activities	1,182,782	1,293,133	1,237,274
	Other liabilities and other payables	834,566	829,257	548,136
	Total Non-Current Liabilities	22,301,027	22,782,238	22,319,655
	Financial debt	3,466,743	2,476,403	3,616,664
	Employee benefits	392,208	316,709	175,763
	Provisions	24,903	33,879	24,633
	Hydrological correction account	1,574	1,574	11,417
	Trade and other liabilities from commercial activities	2,531,609	3,362,421	3,380,358

¹ As at 31 December 2016, EDP Group included in "Debtors and other assets from commercial activities", the previous line item "Trade receivables". For comparison purposes, this line item was changed for the comparative periods.

² As at 30 June 2017, assets and liabilities held for sale mainly included assets and liabilities relating to the sale of EDP's gas distribution subsidiary, Naturgas Energía Distribución, S.A., in Spain, following EDP's acceptance of a binding offer for the sale in March 2017, and EDP's gas distribution subsidiary, EDP Gás SGPS, in Portugal. As at 31 December 2016, assets and liabilities held for sale comprised assets and liabilities relating to the sale of EDP Gás SGPS.

Element	Title				
	Other liabilities and other payables	334,669	345,032	311,574	
	Current tax liabilities	593,114	953,264	517,380	
	Liabilities held for sale ²	395,451	75,854	58,028	
	Total Current Liabilities	7,740,271	7,565,136	8,095,817	
	Total Liabilities	30,041,298	30,347,374	30,415,472	
	Total Equity and Liabilities	43,524,740	44,083,746	42,536,965	
<p>The table below sets out summary information extracted from the EDP Group's audited consolidated statement of cash flows as at 31 December 2015 and 31 December 2016 and the EDP Group's unaudited condensed consolidated statement of cash flows as at 30 June 2016 and 30 June 2017, respectively:</p>					
Consolidated Statement of Cash Flows					
		As at 30 June		As at 31 December	
Thousands of Euros		2017	2016	2016	2015
Operating activities					
	Cash receipts from customers	7,171,210	6,795,836	13,369,454	14,357,283
	Proceeds from tariff adjustments sales	592,916	1,253,785	2,286,944	903,070
	Payments to suppliers	-5,388,813	-4,716,295	-9,475,160	-10,512,735
	Payments to personnel	-461,767	-447,234	-902,430	-781,382
	Concession rents paid	-140,395	-142,475	-278,310	-277,627
	Other receipts/(payments) relating to operating activities	-483,996	-362,027	-330,525	-462,695
	Net cash flows from operations	1,289,155	2,381,590	4,669,973	3,225,914
	Income tax received/(paid)	-311,426	-173,725	-628,153	-141,780
	Net cash flows from operating activities	977,729	2,207,865	4,041,820	3,084,134
Investing activities					
Cash receipts relating to:					
	Sale of assets/subsidiaries with loss of control	-	95,434	95,434	242,985
	Other financial assets and investments	52,914	35,671	34,956	33,498
	Changes in cash resulting from consolidation perimeter variations	26,497	-	-	101,389
	Property, plant and equipment and intangible assets	7,306	3,185	18,058	11,596
	Other receipts relating to tangible fixed assets	8,866	4,115	10,782	16,308
	Interest and similar income	48,853	34,967	89,240	84,922
	Dividends	16,478	10,004	19,888	34,359
	Loans to related parties	28,119	32,998	49,586	4,482
		189,033	216,374	317,944	529,539
	Cash payments relating to:				
	Acquisition of assets/subsidiaries	-1,100	-85,416	-139,607	-207,971
	Other financial assets and investments	-59,715	-70,967	-140,531	-78,014
	Changes in cash resulting from consolidation perimeter variations	-34,206	-1,085	-7,051	-
	Property, plant and equipment and intangible assets	-1,110,058	-1,137,577	-2,090,617	-1,835,636
	Loans to related parties	-4,677	-21,510	-74,605	-40,583
		-1,209,756	-1,316,555	-2,452,411	-2,162,204
	Net cash flows from investing activities	-1,020,723	-1,100,181	-2,134,467	-1,632,665
Financing activities					
	Receipts/(payments) relating to loans	1,667,114	-502,595	-1,183,196	-1,458,838
	Interest and similar costs including hedge derivatives	-422,297	-448,359	-926,797	-920,577
	Government grants received	-6	-	-	-
	Share capital increases/(decreases) by non-controlling interests	-11,899	145,640	86,229	-46,168
	Receipts/(payments) relating to derivative financial instruments	9,116	-3,080	-23,520	-22,808
	Dividends paid to equity holders of EDP	-690,637	-672,537	-672,537	-672,308
	Dividends paid to non-controlling interests	-53,173	-119,585	-175,355	-128,971
	Treasury stock sold/(purchased)	-	-1,183	-2,878	6,223
	Sale of assets/subsidiaries without loss of control	210,847	556,080	697,881	394,904
	Receipts/(payments) from institutional partnerships — USA	-131,613	113,431	451,788	68,474
	Net cash flows from financing activities	577,452	-932,188	-1,748,385	-2,780,069

Element	Title																																																																											
	Changes in cash and cash equivalents	534,458	175,496	158,968	-1,328,600																																																																							
	Effect of exchange rate fluctuations on cash held	-66,667	107,808	116,836	-39,946																																																																							
	Cash and cash equivalents at the beginning of the period	1,521,253	1,245,449	1,245,449	2,613,995																																																																							
	Cash and cash equivalents at the end of the period	1,989,044	1,528,753	1,521,253	1,245,449																																																																							
	<p>In relation to EDP B.V.:</p> <p>The table below sets out summary information extracted from EDP B.V.'s audited income statement for each of the two years ended 31 December 2015 and 31 December 2016 and EDP B.V.'s unaudited income statement for each of the six-month periods ended 30 June 2016 and 30 June 2017, respectively:</p> <p>Income Statement</p> <table border="1"> <thead> <tr> <th rowspan="2">Thousands of Euros</th> <th colspan="2">Six Months ended 30 June</th> <th colspan="2">Year ended 31 December</th> </tr> <tr> <th>2017</th> <th>2016</th> <th>2016</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Interest income</td> <td>282,531</td> <td>318,687</td> <td>638,919</td> <td>705,667</td> </tr> <tr> <td>Interest expenses</td> <td>-279,482</td> <td>-315,575</td> <td>-609,781</td> <td>-747,647</td> </tr> <tr> <td>Net interest income/(expense)</td> <td>3,049</td> <td>3,112</td> <td>29,138</td> <td>-41,980</td> </tr> <tr> <td>Net other financial income and expenses</td> <td>574</td> <td>7,800</td> <td>3,929</td> <td>-18,564</td> </tr> <tr> <td>Net financial income/(expenses)</td> <td>3,623</td> <td>10,912</td> <td>33,067</td> <td>-60,544</td> </tr> <tr> <td>Other income/(expenses)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Services rendered</td> <td>796</td> <td>609</td> <td>1,214</td> <td>2,055</td> </tr> <tr> <td>Supplies and services</td> <td>-1,224</td> <td>-1,356</td> <td>-2,460</td> <td>-2,660</td> </tr> <tr> <td>Personnel costs</td> <td>-19</td> <td>-22</td> <td>-38</td> <td>-39</td> </tr> <tr> <td>Profit/(Loss) before income tax</td> <td>3,176</td> <td>10,143</td> <td>31,783</td> <td>-61,188</td> </tr> <tr> <td>Tax (expense)/benefit</td> <td>-789</td> <td>-2,531</td> <td>-7,936</td> <td>15,297</td> </tr> <tr> <td>Net profit for the period</td> <td>2,387</td> <td>7,612</td> <td>23,847</td> <td>-45,891</td> </tr> </tbody> </table>					Thousands of Euros	Six Months ended 30 June		Year ended 31 December		2017	2016	2016	2015	Interest income	282,531	318,687	638,919	705,667	Interest expenses	-279,482	-315,575	-609,781	-747,647	Net interest income/(expense)	3,049	3,112	29,138	-41,980	Net other financial income and expenses	574	7,800	3,929	-18,564	Net financial income/(expenses)	3,623	10,912	33,067	-60,544	Other income/(expenses)					Services rendered	796	609	1,214	2,055	Supplies and services	-1,224	-1,356	-2,460	-2,660	Personnel costs	-19	-22	-38	-39	Profit/(Loss) before income tax	3,176	10,143	31,783	-61,188	Tax (expense)/benefit	-789	-2,531	-7,936	15,297	Net profit for the period	2,387	7,612	23,847	-45,891		
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Element	Title				
	Profit/(loss) for the period	2,387	23,847	-45,891	
	Total Equity	123,682	121,557	98,218	
	Liabilities				
	Debt securities	10,307,327	10,021,509	9,369,836	
	Loans and credit facilities from third parties	2,062,434	2,359,359	2,336,111	
	Derivative financial instruments	55,409	77,377	190,781	
	Total Non-Current Liabilities	12,425,170	12,458,245	11,896,728	
	Debt securities	2,044,816	1,202,056	2,524,513	
	Loans and credit facilities from third parties	432,070	206,890	211,250	
	Loans from group entities	-	337,678	34,268	
	Amounts owed on commercial paper	180,000	85,000	110,000	
	Derivative financial instruments	98,474	83,630	-6,201	
	Trade and other payables	2,638	1,795	378	
	Total Current Liabilities	2,757,998	1,917,049	2,874,208	
	Total Liabilities	15,183,168	14,375,294	14,770,936	
	Total Equity and Liabilities	15,306,850	14,496,851	14,869,154	
	The table below sets out summary information extracted from EDP B.V.'s audited statement of cash flows as at 31 December 2015 and 31 December 2016 and from EDP B.V.'s unaudited statement of cash flows as at 30 June 2016 and 30 June 2017, respectively:				
	Statement of Cash Flows				
		As at 30 June		As at 31 December	
		2017	2016	2016	2015
	Cash flows from operating activities				
	Profit/(Loss) for the period	2,387	7,612	23,847	-45,891
	Adjustments for:				
	Net interest income/(expense)	-3,049	-3,073	-29,138	42,178
	Net other financial income and expenses	950	-85,888	-43,106	241
	Supplies and services	-	-	-	-64
	Tax income	789	2,531	7,936	-15,297
		1,077	-78,818	-40,461	-18,833
	Changes in:				
	Loans to and receivables from group entities	-514,052	1,349,795	1,198,901	1,181,282
	Debtors and other assets	-2,533	147	-457	-241
	Amounts owed on commercial paper	95,000	-110,000	-25,000	-100,000
	Loans from group entities	-589,197	-322,232	-148,172	898,187
	Trade and other payables	2,583	1,415	1,793	379
		-1,007,122	840,307	986,604	1,960,774
	Interest received	128,450	134,490	325,082	318,832
	Interest paid	-272,298	-314,516	-605,673	-669,126
	Tax received/(paid)	25	-	-	-1,889
	Net cash used in operating activities	-1,150,945	660,281	706,013	1,608,591
	Cash flows from financing activities				
	Proceeds from issued debt securities	1,479,121	595,476	1,595,476	744,893
	Redemption of debt securities	-	-1,250,000	-2,250,000	-1,582,366
	Proceeds of loans and credit facilities from third parties	-125,000	-	365,000	1,489,980
	Redemption of loans and credit facilities from third parties	75,000	-6,566	-206,566	-2,471,767
	Net cash flow from financing activities	1,429,121	-661,090	-496,090	-1,819,260
	Net increase/(decrease) in cash and cash equivalents	278,176	-809	209,923	-210,669
	Cash and cash equivalents at the beginning of the year	219,037	806	806	193,365
	Effect of exchange rate fluctuations on cash and cash equivalents held	185	1,559	8,308	18,110
	Cash and cash equivalents at the end of the period	497,398	1,556	219,037	806

Element	Title	
	<p>Statements of no significant or material adverse change</p> <p>There has been no significant change in the financial or trading position of EDP or the EDP Group since 30 June 2017, and there has been no material adverse change in the financial position or prospects of EDP or the EDP Group since 31 December 2016.</p> <p>There has been no significant change in the financial or trading position of EDP B.V. since 30 June 2017 and there has been no material adverse change in the financial position or prospects of EDP B.V. since 31 December 2016.</p>	
B.13	Events impacting the Issuers' solvency	Not Applicable; there are no recent events particular to the Issuers which are materially relevant to the evaluation of the Issuers' solvency.
B.14	Dependence upon other group entities	<p>EDP is the parent company of EDP Group. EDP is not dependent upon other entities within the EDP Group.</p> <p>EDP B.V. is a funding vehicle for the EDP Group and its sole purpose is to raise finance in the international loan and capital markets and to provide funds and investment services to the EDP Group companies, including by entering into intra-group loan agreements. EDP B.V. is exposed to interest rate risk and currency risk over its outstanding intra-group loans and external borrowings, which could adversely impact its ability to meet its financial obligations. Therefore, given its sole purpose as a funding vehicle for the EDP Group, EDP B.V. relies on the ability of other companies in the EDP Group to meet their financial obligations. It does not have any other sources of revenue.</p>
B.15	Principal activities	<p>EDP's principal activities include the generation, distribution and supply of electricity. EDP also supplies and distributes gas and acts as a wind-power operator.</p> <p>The principal activity of EDP B.V. is to raise funds in the international markets and to provide financial and investment services to the EDP Group.</p>
B.16	Controlling shareholders	<p>EDP B.V. is directly owned and controlled by EDP.</p> <p>EDP is neither directly nor indirectly owned or controlled by any one party. The most significant shareholdings in EDP's share capital (i.e. shareholdings equal to or higher than 2 per cent.) as at 30 June 2017 are: China Three Gorges Corporation, owning 21.35 per cent.; Capital Group Companies, Inc., owning 12.00 per cent.; Oppidum Capital S.L., owning 7.19 per cent.; BlackRock, Inc. owning 5.00 per cent.; Mubadala Investment Company owning 4.06 per cent.; China Ningbo International Cooperation Co., Ltd ("CNIC") owning 3.02 per cent.; Norges Bank, owning 2.85 per cent; Fundação Millennium BCP and BCP Group Pension Fund, owning 2.43 per cent.; Sonatrach owning 2.38 per cent. and Qatar Investment Authority, owning 2.27 per cent.</p>
B.17	Credit ratings	<p>Each of EDP and EDP B.V. has been rated Baa3 by Moody's Investors Service Limited ("Moody's"), BBB- by Fitch Ratings Ltd. ("Fitch") and BBB- by Standard & Poor's Global Ratings acting through Standard & Poor's Credit Market Services France SAS ("Standard & Poor's"). Instruments issued under the Programme with a maturity of more than one year are expected to be rated Baa3 by Moody's, BBB- by Fitch and BBB- by Standard & Poor's. Instruments issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating agency.</p>

Element	Title	
B.18	Description of the Keep Well Agreement	[EDP has entered into a Keep Well Agreement with EDP B.V., pursuant to which EDP has agreed that, for so long as EDP B.V. has any Instruments outstanding under the Programme, it will make available to EDP B.V. funds sufficient to meet its payment obligations or repay borrowings then maturing to the extent that EDP B.V.'s funds or other liquid assets are insufficient to meet its payment obligations or repay its borrowings. Under the terms of the Keep Well Agreement the Trustee may, on behalf of holders of any Instruments issued by EDP B.V. under the Programme, enforce EDP B.V.'s rights under the Keep Well Agreement against EDP. Holders of Instruments do not have any direct rights against EDP. The Keep Well Agreement is not a guarantee and EDP has no obligation to pay any amounts due under the Instruments issued by EDP B.V.]/[Not Applicable]
B.19/B.1	Legal and commercial name of the Keep Well Provider	EDP – Energias de Portugal, S.A.
B.19/B.2	Domicile/legal form/legislation/country of incorporation	The Keep Well Provider is a limited liability company incorporated and domiciled in the Portuguese Republic under Portuguese Law.
B.19/B.4b	Trend information	Not Applicable; there are no known trends affecting EDP and the industries in which it operates.
B.19/B.5	Description of the Group	EDP is a vertically integrated utility company and is the parent company of the EDP Group which operates in the business areas of generation, supply and distribution of electricity and supply and distribution of gas in Portugal, Spain, France, Belgium, Italy, Poland, Romania, Mexico, Canada, the United States and Brazil.
B.19/B.9	Profit forecast or estimate	Not Applicable; no profit estimate or forecast is made regarding EDP.
B.19/B.10	Audit report qualifications	Not Applicable; there are no qualifications in the audit report on the historical financial information.
B.19/B.12	Selected historical key financial information	Historical key financial Information about EDP as Keep Well Provider is the same as the historical key information for EDP as Issuer and is provided in Element B.12 above.
B.19/B.13	Events impacting the Keep Well Provider's solvency	Not Applicable; there are no recent events particular to EDP which are materially relevant to the evaluation of the Keep Well Provider's solvency.
B.19/B.14	Dependence upon other Group entities	EDP is not dependent upon other entities within the EDP Group.
B.19/B.15	The Keep Well Provider's Principal activities	EDP's principal activities include the generation, distribution and supply of electricity. EDP also supplies and distributes gas and acts as a wind-power operator.
B.19/B.16	Controlling shareholders	EDP is neither directly nor indirectly owned or controlled by any one party.
B.19/B.17	Credit ratings	EDP has been rated Baa3 by Moody's, BBB- by Fitch and BBB- by Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Section C – Securities

Element	Title	
C.1	Description of Instruments/ISIN	<p>The Instruments to be issued under the Programme may be Fixed Rate Instruments, Floating Rate Instruments, Zero Coupon Instruments, Instalment Instruments or a combination of the foregoing.</p> <p><i>Issuance in Series</i></p> <p>Instruments will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Instruments of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Instruments of each Tranche will all be subject to identical terms in all respects.</p> <p><i>Forms of Instruments</i></p> <p><u>Bearer Instruments:</u></p> <p>Except for Book Entry Instruments, Instruments may be issued in bearer form.</p> <p>Instruments in bearer form may initially be in the form of a Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for definitive bearer Instruments or a registered Instrument in definitive form in certain limited circumstances.</p> <p>Temporary Global Instruments may also be issued which are exchangeable for definitive bearer Instruments or registered Instruments on or after a specified date.</p> <p>Bearer Instruments in definitive form will, if interest bearing, have Coupons attached and, where the Instruments have more than 27 coupon payments, Talons for further Coupons.</p> <p>Each Bearer Global Instrument will be issued in either "Classic Global Note" or "CGN" form or in "New Global Note" or "NGN" form. CGN Instruments will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, and NGN Instruments will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p><u>Registered Instruments:</u></p> <p>Instruments may be issued in registered form.</p> <p>Instruments may initially be in the form of Global Registered Instruments, registered in the name of (i) a common depositary for Euroclear and Clearstream, Luxembourg; or (ii) a common safekeeper for Euroclear and Clearstream, Luxembourg, and such Instruments will be exchangeable for registered Instruments in definitive form in certain limited circumstances.</p> <p>Each Tranche of Instruments represented by a Global Registered Instrument may or may not be held under the new safekeeping structure ("New Safekeeping Structure" or "NSS"). Instruments that are not held under NSS will be registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Instrument will be deposited on or about the issue date with the common depositary. Instruments that are held under the NSS, will be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant</p>

Element	Title	
		<p>Global Registered Instrument will be deposited on or around the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p>Book Entry Instruments</p> <p>Instruments issued by EDP may be issued in dematerialised book-entry form ("<i>forma escritural</i>").</p> <p>Such Instruments will be held through Interbolsa and will be <i>nominativas</i> (in which case Interbolsa, at the request of the Issuer, can ask for information regarding the identity of the holders of the Instruments and transmit such information to the Issuer). Form and title to the Book Entry Instruments will be evidenced by book entries.</p> <p>Form of the Instruments: [].</p> <p>Type of Instruments: [] Instruments.</p> <p>ISIN: [].</p> <p>Common Code: [].</p> <p>[The Instruments will be consolidated to form a single series with [identify earlier Tranches] on [Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, which is expected to occur on or about [date].]</p>
C.2	Currency	<p>Subject to compliance with all applicable laws, regulations and directives, the Instruments may be denominated in any currency agreed between the relevant Issuer and the relevant Dealer(s) at the time of the issue of such Series of Instruments (the "Specified Currency"), and the Book Entry Instruments will be denominated in Euro or such other currency as can be settled through Interbolsa, in all cases subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Specified Currency: [].</p>
C.5	Restrictions on transferability	<p>There are no restrictions on the free transferability of the Instruments.</p>
C.8	Rights attached to the Instruments, including ranking and limitations on those rights	<p>Instruments issued under the Programme will be subject to, among others, the following terms and conditions:</p> <p>Status (Ranking)</p> <p>Instruments will constitute direct, unconditional, unsubordinated and (subject to the provisions of the Issuer's negative pledge below) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.</p> <p>Taxation</p> <p>All payments in respect of Instruments will be made without deduction for or on account of withholding taxes imposed by or on behalf of the relevant Tax Jurisdiction (as defined below). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.</p> <p>"Tax Jurisdiction" means in the case of EDP, the Portuguese Republic or any political subdivision or any authority thereof or therein having power to tax and, in the case of EDP B.V., the Netherlands or any political subdivision or any authority thereof or therein having power to tax or in either case any</p>

Element	Title	
		<p>other jurisdiction or any political subdivision or any authority thereof or therein having power to tax in which EDP or, as the case may be, EDP B.V. becomes tax resident;</p> <p>Negative pledge</p> <p>The terms of the Instruments will contain a negative pledge provision which restricts the right of the Issuers to create or have outstanding any mortgage, lien, pledge or other charge or to otherwise secure any obligations (subject to certain conditions and exceptions) over the whole or any part of their assets while the Instruments remain outstanding.</p> <p>Events of default</p> <p>(a) default in payment of any principal or interest due in respect of the Instruments, continuing for a specified period of time;</p> <p>(b) non-performance or non-observance by the Issuer (or, if the Issuer is EDP B.V., by EDP) of any of its other obligations under the conditions of the Instruments, the Trust Deed, or, in the case of Book Entry Instruments, the Interbolsa Instrument, in certain cases continuing for a specified period of time;</p> <p>(c) any indebtedness (other than the Instruments) of EDP B.V. (if EDP B.V. is the Issuer), or EDP, or certain subsidiaries of EDP becomes due and payable prior to its stated maturity as a result of a default, such indebtedness is not paid at its maturity, a guarantee or indemnity in respect of such indebtedness given by such company is not honoured when due and called upon, or any security interest over the assets of such company becomes enforceable, in certain cases where the indebtedness amounts to at least U.S.\$50,000,000; and</p> <p>(d) events relating to the insolvency or winding up of EDP B.V. (if EDP B.V. is the Issuer), EDP or certain subsidiaries of EDP;</p> <p>(e) save for the purposes of reorganisation on terms previously approved by an extraordinary resolution of the Holders, EDP B.V. (if EDP B.V. is the Issuer), EDP or certain of its subsidiaries, or EDP and those certain subsidiaries (including EDP B.V.) taken as a whole cease or threaten to cease to carry on the whole or a major part of their business;</p> <p>(f) any requirements of any governmental or public body or authority necessary to enable or permit EDP B.V. or EDP to comply with its obligations under the Instruments, the Trust Deed or the Keep Well Agreement or, for the validity or enforceability of any such obligations, fails to remain in full force and effect or any law, decree or directive of any competent authority of or in the Netherlands or Portugal is enacted or issued which materially impairs the ability or right of EDP B.V. or EDP to perform such obligations;</p> <p>(g) in relation to certain of its subsidiaries, EDP ceases to own directly or indirectly more than 50 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership or, in relation to EDP B.V. (if EDP B.V. is the Issuer), EDP ceases to own directly or indirectly 100 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership or EDP shall cease to have direct or indirect control of certain subsidiaries or EDP B.V.; and</p> <p>(h) the Keep Well Agreement ceases to be in full force and effect.</p> <p>Meetings</p> <p>The terms of the Instruments will contain provisions for calling</p>

Element	Title	
		<p>meetings of holders of such Instruments to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p>Governing law</p> <p>English law, except that with respect to Book-Entry Instruments only, the form and transfer of the Instruments, creation of security over the Instruments and the Interbolsa procedures for the exercise of rights under the Book Entry Instruments are governed by, and shall be construed in accordance with Portuguese law.</p>
C.9	Interest/Redemption	<p>Interest</p> <p>The terms of the relevant Series of Instruments will be agreed between the relevant Issuer and the relevant Dealer(s) at the time of the issue of such Series of Instruments.</p> <p>Nominal interest rate: [].</p> <p>Interest commencement date: [].</p> <p>Interest Payment date(s): [].</p> <p>Reference rate: [].</p> <p>Yield: [].</p> <p>Redemption, Maturity and Redemption Price</p> <p>The terms under which Instruments may be redeemed will be agreed between the relevant Issuer and the relevant Dealer at the time of issue of the relevant Instruments.</p> <p>Maturity: [].</p> <p>Redemption price: [].</p> <p>Provisions relating to early redemption: [].</p> <p>Representation of holders</p> <p>The Trustee, who represents the holders of Instruments other than Book Entry Instruments, is Deutsche Trustee Company Limited.</p>
C.10	Derivative component in the interest payments	<p>Not Applicable; there is no derivative component in the interest payments.</p>
C.11 C.21	Listing and admission to trading/distribution	<p>Application will or has been made for Instruments to be admitted to trading on the Irish Stock Exchange. The Programme also permits Instruments to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, including without limitation, Euronext Lisbon.</p> <p>[Application has been made for the Instruments to be admitted to trading on [the Irish Stock Exchange/Euronext Lisbon] with effect from [].]</p>

Element	Title	
		[The Instruments are neither listed nor admitted to trading on or by any competent authority or stock exchange.]

Section D – Risks

Element	Title	
D.2	Key risks regarding the Issuers	<p>The key risks that are specific to the Issuers are as follows.</p> <p>Regulation: The EDP Group's operating results are highly affected by laws and regulations implemented by public entities in the various jurisdictions in which it operates. Changes to such laws and regulations may have an effect on concessions, licences and permits held by the EDP Group, taxes, levies and other charges to which it may be subject and also the development and profitability of energy projects.</p> <p>In addition, changes to environmental, health and safety laws and regulations to which EDP is subject that would result in them becoming more restrictive or less favourable, or if a stricter interpretation of current regulations were to be applied, this could lead to changes in EDP's operating conditions that might require additional capital expenditures, increase its operating costs or otherwise hinder the development of its business.</p> <p>EDP's cash flow is also subject to possible changes in the amounts and timings of the recovery of regulatory receivables from the energy systems.</p> <p>Competition and demand: EDP's profitability, in particular from its supply activities may be affected by significant changes in energy demand in each of the countries where it operates. In the Iberian Peninsula, electricity generation is subject to licensing by the competent authorities, which is carried out in a competitive environment. Consequently, new electricity generation power plants may be licensed to EDP's competitors in the markets where it operates, affecting the profitability of certain of its power plants. Furthermore, EDP may be unsuccessful in obtaining licences for the construction or operation of new power plants, and it could therefore be unable to increase or maintain its generation capacity or market share.</p> <p>EDP may also face competition from new entrants in the market and as a result of the transmission of electricity from regions with excess capacity or lower energy prices. The final adjustments of the costs for the maintenance of the contractual balance ("CMEC") mechanism in relation to certain power plants in 2017, combined with improved electricity interconnections, could also increase competition in the market in which EDP operates.</p> <p>With respect to the development of wind power generation, EDP primarily faces competition in relation to bidding for or acquiring available sites and grid interconnection rights, and in setting prices for energy produced.</p> <p>In addition, the increase of competition in electricity and natural gas supply in liberalised markets in the Iberian Peninsula (where customers are free to choose their supplier) may reduce EDP's margins and reduce its ability to sell electricity and natural gas to value added final customers.</p> <p>Profit Margin: The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration of market conditions. This may result from an adverse imbalance between supply and demand in the electricity and natural gas markets in which EDP operates, the performance of international and/or regional energy prices such as oil, natural</p>

Element	Title	
		<p>gas, coal, CO2 allowances and green certificates, below-average rainfall or wind speed levels, higher cost of power plant construction, a change in the technological mix of installed generation capacity and administrative decisions imposed by legislative and regulatory authorities. In addition, certain of EDP's power plants in Portugal will cease to benefit from the stranded cost compensation mechanism provided for under the Portuguese CMEC legislation over time, which will result in such power plants becoming exposed to market prices and volatility. Although EDP currently uses and may use various financial and commodity hedging instruments as well as bilateral Power Purchase Agreements and long-term fuel supply agreements in order to mitigate market risks, there is no certainty that such strategies will successfully hedge all of these risks.</p> <p>Counterparty Risk: EDP is exposed to counterparty risk in some of its businesses such as its electricity and natural gas supply to final customers, its energy wholesale activities in the Iberian Peninsula and in international fuel markets, as well as its Power Purchasing Agreements in the United States, Italy, Belgium and Brazil. Counterparties may not comply with their contractual obligations, they may become subject to insolvency or liquidation proceedings during the term of the relevant contracts or the credit support received from such counterparties will be inadequate to cover EDP's losses in the event of its counterparty's failure to perform. Additionally, EDP's liquidity and financial position may be negatively affected if the creditworthiness of the financial institutions with which EDP cooperates in the course of its financial management changes significantly.</p> <p>Macroeconomic, Political and Social Climate: The global economy and the financial system have experienced a period of significant turbulence and uncertainty, including a very severe dislocation of the financial markets and stress to the sovereign debt and economies of certain European Union countries including Portugal and Spain where EDP has a relevant presence, also accompanied by recessionary conditions and trends in many economies throughout the European Union, including Portugal and Spain. EDP is not able to predict how the economic cycle is likely to develop in the short term or the coming years or whether there will be a deterioration of the economic situation globally or in Portugal, Spain or any other country where EDP operates. Additionally, the EDP Group is subject to risks associated with the instability of the political and social environment in each of the jurisdictions where it operates, which may adversely impact the continuity of business activities.</p> <p>Impact of climate changes: Climate changes may have a material adverse effect on the activities of EDP over the medium to long term. In particular, structural decreases in hydro inflows and/or wind load factors may have a significant impact on EDP's hydro and wind generation revenues.</p> <p>Finance: EDP's financial position may be adversely affected by a number of factors including restrictions on its ability to borrow from the capital markets and other lending sources and the cost of such borrowings which may be affected by changes to EDP's credit ratings and adverse market conditions and volatility in the global credit markets. EDP operates in a capital-intensive business and in particular has significant construction and capital expenditure requirements. The recovery of its capital investment occurs over a substantial period of time and in certain circumstances may not be recovered at all. EDP expects to finance a significant part of its capital expenditure from its operating activities. If it is unable to do so it may need to finance these expenditures from outside sources. It may not be possible to raise funds from outside sources on acceptable terms or at all leading to a reduction of its</p>

Element	Title	
		<p>planned capital expenditures.</p> <p>Instruments issued by EDP B.V.: The Instruments issued by EDP B.V. are obligations of EDP B.V. and not of EDP. The Keep Well Agreement entered into between EDP and EDP B.V. is not a guarantee and EDP has no obligation to pay any amounts due under the Instruments issued by EDP B.V. Although under the terms of the Keep Well Agreement the Trustee may, on behalf of holders of any Instruments issued by EDP B.V., enforce EDP B.V.'s rights under that agreement against EDP to require it in certain circumstances to make available funds sufficient to enable EDP B.V. to meet its payment obligations, holders of Instruments issued by EDP B.V. do not have any direct rights against EDP.</p> <p>On-going investigation by the Portuguese authorities: EDP is subject to an on-going investigation by the Portuguese authorities relating to amounts due in connection with the early termination of certain Power Purchase Agreements ("PPAs") and the costs for the CMEC and payments made in connection with its rights in respect of the Public Hydro Domain ("DPH") concession. As at the date of this Base Prospectus, it is too early to determine whether the investigation will lead to any allegations of wrongdoing or any criminal or civil prosecutions. EDP does not accept any accusations of wrongdoing on its part or on the part of any member of the EDP Group and believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length transactions. However, if the investigation would determine otherwise, there is a risk that members of EDP Group or of its corporate bodies could become subject to penalties or other sanctions. Any such developments could harm EDP's reputation, business, financial condition, and/or results of operations could be affected by the outcome of this investigation.</p>
D.3	Key risks regarding the Instruments	<p>Changes in interest rates will affect the value of Instruments which bear interest at a fixed rate – if market rates increase above the rate paid on the Instrument, the value of the Instrument will be adversely affected.</p> <p>If the Issuers have the right to redeem any Instruments at their option, this may limit the market value of the Instruments concerned. During any period when the Issuers may elect to redeem the Instruments, and potentially prior to this period, the market value of the Instruments will generally not rise above the price at which they can be redeemed. Investors may also be unable to reinvest redemption proceeds at an effective yield as high as the yield on the Instruments being redeemed.</p> <p>Fixed/Floating Rate Instruments which bear interest at a rate that converts, at the option of the Issuer, from a fixed rate to a floating rate, or vice versa, may be issued under the Programme. If the Issuer elects to exercise such option, this will affect the secondary market and the market value of the Instruments, since the Issuers may be expected to convert the rate to produce a lower overall cost of borrowing. This means that where the Issuers convert from a fixed rate to a floating rate, the spread on these Instruments may be less favourable than then prevailing spreads on comparable Floating Rate Instruments tied to the same reference rate. The new floating rate may also be lower than the rates on other Instruments and where the Issuers convert from a floating rate to a fixed rate, the fixed rate may also be lower than then prevailing market rates.</p> <p>Instruments may be issued under the Programme at a substantial discount or premium to their principal amount and the market values of these Instruments tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest bearing securities.</p>

Element	Title	
		<p>Generally, there will be greater price volatility the longer the term remaining on the Instrument.</p> <p>An investor may not receive payment of the full amounts due in respect of Instruments as a result of amounts being withheld by the Issuer in order to comply with applicable laws.</p> <p>Investors who hold less than the minimum specified denomination may be unable to sell their Instruments and may be adversely affected if definitive Instruments are subsequently required to be issued.</p> <p>There may be no or only a limited secondary market in the Instruments and this would adversely affect the value at which an investor could sell his Instruments.</p> <p>The value of an investor's investment may be adversely affected by exchange rate movements where the Instruments are not denominated in the investor's own currency.</p> <p>Any credit rating assigned to the Instruments may not adequately reflect all the risks associated with an investment in the Instruments.</p>

Section E – Offer

Element	Title	
E.2b	Reasons for the offer and use of proceeds	<p>The net proceeds from each issue of Instruments issued by EDP, will be applied by EDP for its general corporate purposes.</p> <p>The proceeds of Instruments issued by EDP B.V. will be on-lent to, or invested in, EDP Group companies.</p>
E.3	Terms and conditions of the offer	<p>Under the Programme, the Instruments may be offered to the public in a Public Offer in [Ireland or Portugal].</p> <p>The terms and conditions of each offer of Instruments will be determined by agreement between the Issuer and the relevant Dealer at the time of issue and specified in the applicable Final Terms. An Investor intending to acquire or acquiring any Instruments in a Public Offer from an Authorised Offeror will do so, and offers and sales of such Instruments to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements.</p> <p>[Not Applicable – the Instruments are not being offered to the public as part of a Public Offer.]</p> <p>[The issue of the Instruments is being offered in a Public Offer in [Ireland] [and] [Portugal].]</p> <p>Offer Price: []</p> <p>Conditions to which [] the offer is subject:</p> <p>Offer Period: []</p>

Element	Title	
		<p>Description of the application process: []</p> <p>Details of the minimum and/or maximum amount of application: []</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: []</p> <p>Details of the method and time limits for paying up and delivering the Instruments: []</p> <p>Manner in and date on which results of the offer are to be made public: []</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: []</p> <p>Whether tranche(s) have been reserved for certain countries: []</p> <p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: []</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: []</p> <p>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. []</p>
E.4	Interests material to the issue/offer	There are no interest(s) material to issues of the Instruments under the Programme, save for any fees payable to the Dealer(s) acting as

Element	Title	
		<p>underwriters of issues of Instruments and that any Dealer and its affiliates may also have engaged, and may in the future engage in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuers and their affiliates in the ordinary course of business.</p> <p>[The [Dealers/Managers] will be paid aggregate commissions equal to [] per cent. of the nominal amount of the Instruments.]</p> <p>The following additional interest(s) are material to issues of the Instruments: [].</p>
E.7	Expenses charged to the investor by the Issuer or an offeror	<p>Not applicable. No expenses will be chargeable by the Issuer to an Investor in connection with any offer of Instruments. Any expenses chargeable by a Relevant Dealer or an Authorised Offeror to an Investor shall be charged in accordance with any contractual arrangements agreed between the Investor and such Relevant Dealer or an Authorised Offeror at the time of the relevant Public Offer.</p>

RISK FACTORS

An investment in the Instruments involves risks. Prospective investors should carefully consider all of the information in this Base Prospectus and the documents incorporated by reference herein, including the following risk factors, before deciding to invest in the Instruments. The actual occurrence of any of the following events could have a material adverse effect on each Issuer's business, financial condition, prospects or results of operations which may adversely affect each Issuer's ability to make payments and fulfil its other obligations under the Instruments and EDP's ability to fulfil its obligations to EDP B.V. under the Keep-Well Agreement.

Most of these factors are contingencies that may or may not occur, and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring. The risk factors described below are not exhaustive, and are those that the Issuers believe are material, but these may not be the only risks and uncertainties that the Issuers face. Additional risks not currently known may also have a material adverse effect on each Issuer's business, financial condition, prospects or results of operations or result in other events that could lead to a diminution of each Issuer's ability to fulfil its obligations under the Instruments and EDP's ability to fulfil its obligations to EDP B.V. under the Keep-Well Agreement.

Prospective investors should also read the detailed information set out elsewhere in the Base Prospectus (including the documents incorporated by reference herein) and reach their own views prior to making an investment decision.

References in this section to "EDP" or the "EDP Group" are to EDP and its subsidiaries.

The occurrence of any of these risks could have a material adverse effect on each Issuer's business, financial condition, prospects and/or results of operations.

RISKS RELATED TO EDP'S BUSINESS

Strategic risks

EDP is exposed to the uncertainty of the macroeconomic, political and social environment.

EDP's operations are directly related, among other factors, to the general level of economic activity in the countries in which EDP operates. The global economy and the global financial system have in recent years experienced a period of significant turbulence and uncertainty, including a very severe dislocation of the financial markets and stress to the sovereign debt and economies of certain European Union countries including Portugal and Spain where EDP has a significant presence. This market dislocation has been accompanied by recessionary conditions and trends in many economies throughout the European Union. EDP is not able to predict how the economic cycle is likely to develop in the short term or the coming years or whether there will be a deterioration of the economic situation globally or in Portugal, Spain or any other country where EDP operates.

Additionally, the EDP Group is subject to risks associated with the instability of the political and social environment in each of the jurisdictions where it operates, which may adversely impact the continuity of business activities.

EDP may not be able to keep pace with technological changes in the rapidly evolving energy sector which could adversely impact its ability to increase, or maintain, its competitiveness.

The technologies used in the energy sector have in the past undergone rapid changes and may in the future continue to change rapidly as EDP's techniques for generating electricity are constantly improving and becoming more complex. In order for EDP to maintain its competitiveness and to expand its business, it must effectively adjust to such technological changes. In particular, technologies related to power generation and electricity transmission are constantly updated and modified. If EDP is unable to modernise its technologies quickly and regularly and to take advantage of industry trends, it could face increased pressure from competitors and lose customers in the markets in which it operates. EDP could also lose valuable opportunities to expand its operations in existing and new markets if it is unable to integrate new technologies into operations.

EDP is subject to increasing competition in the markets or regions where it operates.

Structural changes in competition in the markets where EDP operates, either at the electricity production level or energy supply level, have an impact on EDP's business activity, such as new entrants in the market, declines in demand, excess capacity or the launch of marketing campaigns, products or services. EDP may also be unsuccessful in obtaining licences for the construction or operation of new power plants and for necessary interconnection rights and it could therefore be unable to maintain or increase its generation capacity or market share.

Additionally, improvements in electricity connections with other markets or regions that have excess capacity or lower energy prices than those in which EDP operates power plants may also affect the profitability of EDP's plants in the future as EDP is made to compete with new suppliers. Although the profitability of EDP's electricity generation capacity is subject to the CMEC (as defined below) in Portugal or under a special regime (including some wind, mini-hydro, cogeneration and biomass power) in the Iberian Peninsula, both of which are not currently exposed or only partially exposed to electricity pool market price risk, the final adjustment of the CMEC mechanism in relation to powerplants in 2017, combined with improved electricity interconnections, could increase competition for EDP's power plants in the future.

With respect to the development of wind power generation, EDP primarily faces competition in acquiring available sites and grid interconnection rights, and in setting prices for energy produced. Although EDP has generally been able to obtain a number of interconnection rights through tender processes in the past, there is no certainty that it will be able to obtain such rights in the future, particularly in light of an increasingly competitive environment. Failure to obtain these rights may cause delays to or prevent the development of EDP's wind power projects and affect the recoverability of any cost incurred in these. In addition, EDP's existing or future interconnection rights may not be sufficient to allow EDP to deliver electricity to a particular market or buyer. Wind farms can be negatively affected by transmission congestion when there is insufficient available transmission capacity, which could result in lower prices for wind farms selling power into locally priced markets, such as certain U.S. markets.

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

EDP may seek opportunities to expand its operations in the future through strategic acquisitions. EDP plans to assess each investment based on extensive financial and market analysis, which may include certain assumptions. Additional investments could have a material adverse effect on the EDP Group as a result of any of the following circumstances or other factors:

- (i) EDP may incur substantial costs, delays or other operational or financial problems in integrating acquired businesses;
- (ii) EDP may not be able to identify, acquire or profitably manage additional businesses;
- (iii) acquisitions may adversely affect EDP's operating results;
- (iv) acquisitions may divert management's attention from the operation of EDP's existing businesses;
- (v) EDP may not be able to retain key personnel of acquired businesses;
- (vi) EDP may encounter unanticipated events, circumstances or legal liabilities; and
- (vii) EDP may have difficulties in obtaining the required financing or the required financing may only be available on unfavourable terms.

EDP may also seek opportunities to divest non-core assets or to sell minority stakes in existing assets. There can be no assurance that such divestments will be done in a timely and efficient manner or that EDP will not incur losses when disposing of such assets.

Business risks

The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration in market conditions and/or exposure to the local market of certain power plants.

A decline in gross profit per unit of electricity or natural gas sold may result from a number of different factors, including an adverse imbalance between supply and demand in the electricity and natural gas markets in which EDP operates or in other related energy markets, the performance of international

and/or regional energy prices such as oil, natural gas, coal, CO2 allowances and green certificates, below average rainfall or wind speed levels in the markets in which EDP operates, higher cost of power plant construction or a change in the technological mix of installed generation capacity. The gross profit per unit of energy sold in liberalised energy markets can also be affected by administrative decisions imposed by legislative and regulatory authorities in the countries in which EDP operates. For example, EDP may not be able to renew its electricity/gas agreements on the same or similar terms due to the selling price or the gross margin of electricity/gas being worse than their actual market value. The volatility of EDP's gross profit per unit of electricity and natural gas sold can be particularly significant in its activities in the liberalised electricity and natural gas markets of the Iberian Peninsula, which are fully exposed to market risk. If the difference between the market price for electricity and the marginal generation cost (which depends primarily on fuel and CO2 costs) available at its thermal plants is too low, EDP's thermal plants may not generate electricity or electricity generation may be limited. In addition, certain power plants operating in Portugal will stop benefitting from the CMEC mechanisms throughout time and these power plants shall become subject to market price volatility.

Payments for electricity sold by certain of EDP's wind farms depend, at least in part, on market prices for electricity. In certain countries, EDP sells its wind power output mainly through long-term Power Purchase Agreements ("PPAs"), which set the sale price of electricity for the duration of the contract. Where a PPA is not executed due to market conditions or as part of a commercial strategy, EDP sells its electricity output in wholesale markets in which it is fully exposed to market risk volatility. In jurisdictions where combinations of regulated incentives, such as green certificates and market pricing are used, the regulated incentive component may not compensate for fluctuations in the market price component, and thus total remuneration may be volatile.

In Brazil, the electricity generated by EDP's power plants is primarily sold through PPAs, while EDP's electricity distribution business, in accordance with certain regulatory rules, has the ability to pass its electricity procurement costs through to customers when the contracted energy level is between pre-defined boundaries. Nevertheless, payments for electricity sold by EDP's electricity generation, distribution and supply activities in Brazil can be affected by significant changes in electricity market prices, particularly those due to extremely dry periods, large fluctuations in electricity demand and modifications of EDP's electricity distribution concession areas. Prices for new PPAs both for electricity generation plants under development or in operation are set through public tenders and can change significantly due to changes in competitive pressures and/or the regulatory environment.

EDP currently uses and may in the future continue to use various financial and commodity hedging instruments relating to electricity, carbon emissions, fuel (coal and natural gas) and foreign exchange, as well as bilateral PPAs and long-term fuel supply agreements, in order to mitigate market and price volatility risks. However, EDP may not be successful in using hedging instruments or long-term agreements, or it may not effectively anticipate and hedge against such risks.

The profitability of EDP's thermal power plants and gas supply activities is dependent on the reliability of EDP's access to fossil fuels, namely coal and natural gas, in the appropriate quantities, at the appropriate times and under competitive pricing conditions.

EDP's thermal power plants need to have ready access to fossil fuels, particularly coal and natural gas, in order to generate electricity. Although EDP has in place long-term purchase agreements for fossil fuels and corresponding transportation agreements, EDP cannot be certain that there will be no disruptions in its supply of fossil fuels. The adequacy of this supply also depends on shipping and transportation services involving various third parties. In the event of a failure in the supply chain of fossil fuels, EDP may not be able to generate electricity in some or all of its thermal power plants or may not be able to comply with the terms of existing PPAs for contracted power plants.

For example, the Pecém coal plant in Brazil, which operates under a long-term PPA, is able to pass through its fossil fuel cost in accordance with the terms of the PPA. However, the profitability of this plant could be reduced if available levels of fossil fuels or water to operate the plant are below contracted levels, for example, due to a shortage of fossil fuels. In the Iberian Peninsula's liberalised market, EDP's ordinary regime thermal power plants, which are not subject to CMEC legislation or to PPAs, are fully exposed to changes in fossil fuel costs.

The gas that EDP buys for use in its combined cycle gas turbine power plants ("CCGTs") or to supply its gas customers in Portugal and Spain is currently furnished primarily through long-term contracts and

delivered both through liquefied natural gas ("LNG") terminals and international pipelines. The supply chain of gas to the Iberian Peninsula passes through several countries and involves gas production and treatment, transport through international pipelines and by ship, and processing in liquefaction terminals. This supply chain is subject to political and technical risks. Although these risks are often addressed in force majeure clauses in supply, transit and shipping contracts that may, to a certain extent, mitigate contractual risk by shifting it to the end-user market, contractual provisions do not mitigate other risks that might lead to diminished margins and loss of profits. In addition, any capacity, access or operational restrictions imposed by the transmission system operator on the use of LNG terminals, international grid connections or domestic grid connections may impair normal supply and sales activities, and such circumstances involve additional contractual risks that could lead to a reduction in profits. EDP's long-term gas procurement contracts have prices indexed largely to benchmark oil price related indices in Europe and the Middle East. Under the terms of these gas contracts, EDP commits to purchasing a minimum amount of gas for a certain period of time through "take-or-pay clauses". As a result, under certain circumstances, EDP may have to purchase more gas than it needs to operate its CCGTs or supply its gas customers, which may cause disruptions in the supply chain of natural gas and/or the enforcement of "take-or-pay" clauses. The strategy adopted by EDP for coal and gas procurement is essentially based on establishing long-term contracts, with short-term consultation processes being launched to cover any additional needs that may arise.

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

Significant changes in the demand for electricity and natural gas in the markets in which EDP operates may have an impact on the profitability of EDP's business activities, such as generation and supply activities. EDP's investment decisions take into consideration the company's expectations regarding the evolution of demand for electricity and natural gas, which may be significantly affected by the economic conditions of the countries in which EDP sells and distributes electricity and natural gas, but also by a number of other factors including regulation, tariff levels, environmental and climate conditions and competition. Significant changes in any of these variables may affect levels of per capita energy consumption, which could vary substantially from EDP's expectations.

The profitability of EDP's hydro, wind and solar power plants are dependent on weather conditions.

Electricity generation output from EDP's hydro, wind and solar power plants in operation, as well as expected levels of output from plants under construction and under development, are highly dependent on weather conditions, particularly rainfall, wind and sunshine hours, respectively, which vary substantially across different locations, seasons and years. For example, in respect of hydro power plants, the upstream use of river flows for other purposes, restrictions imposed by legislation or the impact of climate change may result in a reduction in water flow available for electricity generation. In respect of wind power plants, turbines will only operate when wind speeds fall within certain ranges that vary by turbine type and manufacturer. If wind speeds fall outside or towards the lower end of these ranges, energy output at EDP's wind farms declines. EDP cannot guarantee that actual weather conditions at a project site will conform to the assumptions that were made during the project development phase and, therefore, it cannot guarantee that its hydro, wind and solar power plants will be able to meet their anticipated generation levels.

EDP's business activity is impacted by potential climate change risks.

Climate changes may have a significant and wide-spread impact on EDP's, and its stakeholders', activities over the medium to long term. For example, changes in average temperatures, average sea levels, hydro and/or wind volumes, or the incidence of extreme weather phenomena. The most relevant potential climate change impacts would be structural decreases in hydro inflows and/or wind load factors, which would have a significant impact on EDP's hydro and wind generation revenues.

Increased competition in electricity and natural gas supply in liberalised markets in the Iberian Peninsula may reduce EDP's margins and its ability to sell electricity and natural gas to value-added final customers.

The current customer migration to the free market following the implementation by Portugal and Spain of European Union directives, which are intended to create competitive electricity and natural gas supply markets, has enhanced the aggressiveness of offers from suppliers and added additional volatility in terms of market shares and unit price margins. Moreover, there is risk that the free market may result in deviations in actual consumption that differ from the EDP Group's forecasting model. EDP may not be able to anticipate the various risks and opportunities that may arise from the liberalisation in the Iberian Peninsula's

electricity and natural gas markets, and the eventual end of the role of last resort suppliers in the regulated market.

EDP's operating results are highly affected by laws and regulations implemented by multiple public entities in the various jurisdictions in which it operates.

EDP's operations include the generation, transmission, distribution and supply of electricity (including the development, construction, licensing and operation of power plants, transmission and distribution grids), distribution and supply of natural gas in several jurisdictions pursuant to concessions, licences and other legal or regulatory permits, as applicable, granted by the governments, municipalities and regulatory entities in such jurisdictions. EDP's most extensive operations are in Portugal, Spain, Brazil, the United States, Canada, Mexico, France, Belgium, Italy, Poland and Romania. The laws and regulations affecting EDP's activities in these countries may vary by jurisdiction and may be subject to modifications, including those resulting from ordinary expiry of regulatory periods, unilateral imposition by regulators and legislative authorities or as a result of judicial or administrative proceedings or actions. Furthermore, additional laws and regulations may be implemented, including those enacted as a result of actions filed by third parties or lobbying by special interest groups. Any such change may make such laws and regulations more restrictive or in other ways less favourable to EDP.

In particular, the development and profitability of renewable energy projects is significantly dependent on policies and regulatory frameworks that support such development. Many states in the United States, the U.S. federal government, and many Member States of the European Union, including European countries in which EDP operates or has pipeline projects, have adopted policies and measures that actively support renewable energy projects. Support for renewable energy sources has been strong in past years and EDP has benefited from such support. In the United States, the federal government has supported renewable energy primarily through income tax incentives. Historically, the main tax incentives for wind and solar projects have been the federal production tax credit ("PTC"), the five-year depreciation for eligible assets under the Modified Accelerated Cost Recovery System ("MACRS") and the investment tax credit ("ITC"). In addition, many state governments have implemented Renewable Portfolio Standards ("RPS"), which typically require that a certain percentage of the electricity supplied by a utility to consumers within such state is to be covered by renewable resources. The European Union has implemented energy targets for 2030, which are, for the most part, particularly in relation to energy efficiency and renewable energy, not binding on a national level. EDP cannot guarantee that such support, policies or regulatory frameworks in the jurisdiction in which it operates will be maintained.

Certain of the EDP Group's operators are subject to concessions, licences and permits which are granted for fixed periods of time or are subject to early termination or revocation ("*revogação*" or "*resgate*") under certain circumstances, including as a result of legal proceedings, challenges, disputes, legal or regulatory changes or failure to comply with the terms of the relevant concession, licence or permit. Upon termination of a concession or the expiration of a licence or permit, the fixed assets associated with such concessions, licences or permits, in general, revert to the government or municipality which granted the relevant concession, licence or permit. Under these circumstances, although specified compensatory amounts might be payable to EDP with respect to these assets, such amounts, if any, may not be sufficient to compensate EDP for its actual or anticipated loss. Moreover, the expiration or termination of concessions, licences or permits might limit EDP's ability to conduct its business in an entire jurisdiction.

EDP's business is also affected by other general laws and regulations in the various jurisdictions in which it operates, including those regarding taxes, levies and other charges, which may be amended, or subject to varying interpretations, from time to time. Rapid or significant modification in such laws and regulations could impose additional costs on EDP, such as compliance costs or the restriction of business opportunities, among others. EDP cannot guarantee that current laws and regulations will not be rapidly or significantly modified or that their interpretation by relevant authorities will differ in the future, whether in response to public pressure or initiated by regulatory, judicial or legislative authorities.

In addition, there are certain laws and regulations which, as of the date of this Base Prospectus, do not apply to EDP's activities since the conditions that are essential for such application are not currently satisfied. However, said conditions may, in the future, become satisfied and thus trigger the application of such laws and regulations.

EDP's business is subject to and constrained by environmental, health and safety laws and regulations.

EDP's businesses are subject to numerous environmental regulations. These include national, regional and local laws and regulations of the different countries in which EDP operates, as well as supra-national laws, particularly European Union regulations and directives and international environmental agreements. More restrictive or less favourable regulations, or the stricter interpretation of current regulations, such as an obligation to modify existing power plants and associated facilities or the implementation of additional inspection, monitoring, clean up or remediation procedures, could lead to changes in EDP's operating conditions that might require additional capital expenditures, increase its operating costs or otherwise hinder the development of its business. Environmental regulations affecting EDP's business primarily relate to air emissions, water and soil pollution, waste disposal and electromagnetic fields.

EDP continues to operate according to its current CO2 risk management practices and according to existing legislation and regulations regarding these emissions. There can be no assurance, however, that EDP will manage its CO2 emissions to be less than or equal to the number of emission allowances it holds (or otherwise acquires) nor that the current relevant European or local laws, regulations and targets will not be subject to change.

Apart from CO2, the major waste products of electricity generation using fossil fuels are sulphur dioxide, nitrogen oxide, and particulate matter, such as dust and ash. A primary focus of the environmental regulations applicable to EDP's business is to reduce these emissions, and EDP may have to incur significant costs in the future to comply with environmental regulations that require the implementation of preventive, mitigation or remediation measures. Environmental regulation may include emission limits, cap-and-trade mechanisms, taxes or remediation measures, among others, and may determine EDP's policies in ways that affect its business decisions and strategy, notably discouraging the use of certain fuels.

Changes in health and safety regulations may affect the design of industrial equipment in the future or the manner in which EDP's power plants are constructed, including in ways that adversely affect their operational performance or EDP's profitability.

EDP has incurred, and will continue to incur, regular capital and operating expenditures and other costs in the ordinary course of business in complying with safety and environmental laws and regulations in the jurisdictions in which it operates. Although EDP does not currently anticipate any significant capital expenditures in connection with environmental regulations outside of the ordinary course of business, EDP can provide no assurances that such capital expenditures will not be incurred or required in the future. Additionally, EDP may incur costs outside of the ordinary course of business to compensate for any environmental or other harm caused by its facilities or to repair damages resulting from any accident or act of sabotage. EDP's operational performance and profitability may also be adversely affected by changes in health and safety regulations in the future.

In certain jurisdictions, EDP may be under a legal or contractual obligation to dismantle its facilities and restore the related site to a specified standard at the end of its operating term. In some cases, EDP is required to provide collateral for these obligations. EDP generally includes a provision in its accounts for dismantling costs based on its estimates of the costs, but there is no guarantee that this will reflect the real costs incurred, meaning EDP may experience higher than expected costs.

Violations of environmental laws protecting migratory birds and endangered species in certain jurisdictions may also result in criminal penalties.

EDP's cash flow is subject to possible changes in the amounts and timings of the recovery of the regulatory receivables from the energy systems.

EDP has annually recognised an amount of regulatory receivables in its statement of financial position that is related to its regulated business activities in Portugal, Spain and Brazil. These regulatory receivables are to be recovered/returned, as applicable, to the energy system within a pre-determined time period, set by the relevant regulator, and any changes in the amount and timings of the recovery of such receivables may have an impact on EDP's cash flow. With respect to regulated energy distribution and supply activities in Portugal and Brazil, as well as the generation activities in Spain, a tariff deficit/surplus is generated whenever market conditions are different from the regulator's assumptions when setting electricity and gas tariffs for a certain year or, in case of deficit, when the regulator or the government decides not to recover all system costs in a given year and defer the payment of such regulatory receivables

for a number of years. In the past, significant amounts of regulatory receivables were generated, mostly in Portugal and Spain, meaning that revenues collected through electricity final tariffs were not sufficient to cover electricity system costs. In Portugal, EDP has been able to sell a significant part of its right to receive payment for these amounts without recourse, while those remaining amounts are still to be received. There can be no assurance that, in the future, new amounts of regulatory receivables will not continue to be generated or that final amounts received will not be different from the amounts initially expected or that EDP will be able to monetise them.

Financial Risks

EDP's involvement in international activities subjects it to particular risks, namely foreign currency risks.

Investments in Brazil, the United States and other countries outside the Eurozone present a different or greater risk profile to EDP than those made in the energy business in the Eurozone. Risks associated with its investments outside of the Eurozone may include, but are not limited to: (1) economic volatility; (2) exchange rate fluctuations and exchange controls; (3) differing levels of inflationary pressures; (4) differing levels of government involvement in the domestic economy; (5) political uncertainty; and (6) unanticipated changes in regulatory or legal regimes. EDP can give no assurance that it will successfully manage its investments in Brazil, the United States and other international locations.

EDP is subject to the risk associated with fluctuations in the cost of the purchase and sale of electricity and fuel and with the cost of investments denominated in foreign currencies. EDP is also subject to the risk of transactional foreign currency, as well as currency fluctuations which can occur when EDP incurs revenue in one currency and costs in another, or its assets or liabilities are denominated in foreign currency, and there is an adverse currency fluctuation in the value of net assets, debt and income denominated in foreign currencies, (and in the extreme case, exchange rate and capital controls).

EDP is also exposed to currency translation risk when the accounts of its businesses outside the Eurozone, denominated in the respective local currencies, are translated into its consolidated accounts, denominated in Euros. EDP cannot predict movements in such non-Euro currencies.

Certain of EDP's operating subsidiaries have in the past and may in the future enter into agreements or incur substantial capital expenditures denominated in a currency that is different from the currency in which they generate revenues. EDP attempts to hedge currency fluctuation risks by matching the currency of its costs and revenues as well as by using various financial instruments. There can be no assurance that EDP's efforts to mitigate the effects of currency exchange rate fluctuations will be successful, that EDP will continue to undertake hedging activities or that any current or future hedging activities EDP undertakes will adequately protect its financial condition and operating results from the effects of exchange rate fluctuations, that these activities will not result in additional losses or that EDP's other risk management procedures will operate successfully.

EDP's business is partly financed through debt, and the maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from EDP's assets.

EDP relies on access to short-term commercial paper and money markets and long-term bank and capital markets as sources of finance. In recent years, global financial markets experienced extreme volatility and disruption. Ongoing adverse financial market conditions could increase EDP's cost of financing in the future, particularly as a result of its debt refinancing requirements. An increase in short- or long-term base interest rates could also negatively impact EDP's cost of debt, particularly given its floating rate exposure. If EDP is unable to access capital at competitive rates or at all, its ability to finance its operations, implement its strategy, or service its existing debt will be negatively affected.

EDP's financial position may be adversely affected by changes to EDP's credit ratings.

Some of EDP's debt is rated by credit rating agencies, and changes to these ratings, namely as a result of changes or downgrading to sovereign ratings, may affect both its borrowing capacity and the cost of those borrowings, as well as EDP's liquidity position.

EDP is exposed to counterparty risk in some of its businesses.

EDP's electricity and natural gas supply to final customers, its energy wholesale activities in the Iberian Peninsula and in international fuel markets, as well as its PPAs in the United States, Italy, Belgium and Brazil, are all subject to counterparty risk. Additionally, in the normal course of its financial management, EDP enters into agreements (deposits, underwritten credit facilities and derivative instruments) with diversified

financial institutions. Should the creditworthiness of these counterparties significantly change, EDP's liquidity and financial position could be negatively affected. While EDP seeks to mitigate counterparty risk by entering into transactions with creditworthy entities, by diversifying counterparties and/or by requiring credit support, EDP may not be able to successfully do so. For example, EDP primarily faces the risks that counterparties may not comply with their contractual obligations, they may become subject to insolvency or liquidation proceedings during the term of the relevant contracts or the credit support received from such counterparties will be inadequate to cover EDP's losses in the event of its counterparty's failure to perform.

EDP may not be able to finance its planned capital expenditures.

EDP's business activities require significant capital expenditures. EDP expects to finance a substantial part of these capital expenditures from cash from its operating activities. If these sources are not sufficient, however, EDP may need to finance certain of its planned capital expenditures from outside sources, including bank borrowing, offerings in the capital markets, institutional equity partnerships, state grants or divestments. No assurance can be given that EDP will be able to raise the financing required for its planned capital expenditures on acceptable terms or at all. If EDP is unable to raise such financing, it may have to reduce its planned capital expenditures which may affect its business.

EDP operates in a capital-intensive business.

EDP has significant construction and capital expenditure requirements, and the recovery of its capital investment occurs over a substantial period of time. The capital investment required to develop and construct a power plant generally varies based on the cost of the necessary fixed assets, such as material equipment costs and labour construction services. The price of such equipment or construction services may increase, or continue to increase, if the market demand for such equipment or services is greater than available supply, or if the price of key component commodities and raw materials used to build such equipment increases. In addition, the volatility in commodity prices could increase the overall cost of constructing, developing and maintaining power plants in the future. Other factors affecting the amount of capital investment required include, among others, construction costs and interconnection costs. In addition, EDP makes significant long-term capital expenditures and commitments on the basis of forecasts on certain investment parameters, including prices, volumes and interest rates which may turn out to be inaccurate. In the event of any material deviations from such estimates, EDP may not earn the expected return on related projects. Additionally, in order to explore growth opportunities, EDP regularly incurs expenditure in exploring, developing and planning new projects. Such projects may or may not reach a stage where they become fully operational, thus incurring higher than expected costs. The ability to translate EDP's projects from an in-development to a fully-operational stage depends on several factors, including, inter alia, the prices, the availability of PPAs and the market conditions of where a project is located.

EDP faces liquidity risk.

EDP's sources of liquidity include short term deposits, revolving credit facilities and underwritten commercial paper programmes with a diversified group of creditworthy financial institutions. EDP adopts a conservative risk policy with reduced levels of exposure to financial assets, based on a reduced weight of strategic financial assets and short term cash investments mainly based on bank deposits (without market risk). This risk mainly results from the possibility of devaluation of the financial assets that EDP holds (traded on securities markets). It is managed according to the procedures and tools provided by the EDP Group's risk policies. However, should the creditworthiness of the financial institutions on which EDP relies for its funding significantly change, EDP's liquidity position could be negatively affected.

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

EDP grants some of its employees a supplementary retirement and survival plan as well as a medical plan and death subsidy (the "Pension Plan"). The liabilities and corresponding annual costs of this defined benefit Pension Plan are determined through annual actuarial calculations by independent actuaries. The most critical risks relating to employee benefit plans accounting often relate to the returns on Pension Plan assets and the discount rate used to assess the present value of future payments. Pension liabilities can place significant pressure on cash flows, in particular, if any of EDP's pension funds become underfunded according to local regulations, EDP or its relevant subsidiary may be required to make additional contributions to the fund. The Pension Plan is currently governed by the new collective labour agreement entered into in July 2014.

Operational Risks

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

EDP faces risks relating to the construction of its electricity generation facilities, including risks relating to the availability of equipment from reliable suppliers, availability of building materials and key components, availability of key personnel, including qualified engineering personnel, delays in construction timetables and completion of the projects within budget and to required specifications. EDP may also encounter various setbacks such as adverse weather conditions, difficulties in connecting to electricity transmission grids, construction defects, delivery failures by suppliers, unexpected delays in obtaining zoning and other permits and authorisations or legal actions brought by third parties. Such problems or delays could expose EDP to a variety of costs, including, among others, increasing EDP's construction costs, exposing it to contractual damages, or delaying when EDP expects to begin accruing benefits under such facilities or contracts.

EDP's revenues are heavily dependent on the effective performance of the equipment it uses in the operation of its power plants and electricity and natural gas distribution networks.

EDP's business and ability to generate revenue depend on the availability and operating performance of the equipment necessary to operate its power plants and electricity and natural gas distribution networks. Mechanical failures or other defects in equipment, or accidents that result in non-performance or under-performance of a power plant or electricity and natural gas distribution network may have a direct adverse impact on the revenues and profitability of EDP's activities. The cost to EDP of these failures or defects is reduced to the extent that EDP has the benefit of warranties or guarantees provided by equipment suppliers that cover the costs of repair or replacement of defective components or mechanical failures, or the losses resulting from such accidents can be partially recoverable by insurance policies in force. However, while EDP typically receives liquidated damages from suppliers for shortfalls in performance or availability (up to an agreed cap and for a limited period of time), there can be no assurance that such liquidated damages would fully compensate EDP for the shortfall and resulting decrease in revenues, or that such suppliers will be able or willing to fulfil such warranties and guarantees, which in some cases may result in costly and time-consuming litigation or other proceedings.

EDP's assets could be damaged by natural and man-made disasters and EDP could face civil liabilities or other losses as a result.

EDP's assets could be damaged by fire, earthquakes, acts of terrorism, and other natural or man-made disasters. While EDP seeks to take precautions against such disasters, maintain disaster recovery strategies and purchase levels of insurance coverage that it regards as commercially appropriate should any damage occur and be substantial, EDP could incur losses and damages not recoverable under insurance policies in force.

Such events could cause severe damage to EDP's power plants and facilities, requiring extensive repair or the replacement of costly equipment and may limit EDP's ability to operate and generate income from such facilities for a period of time. Such incidents could also cause significant damage to natural resources or property belonging to third parties, or personal injuries, which could lead to significant claims against EDP and its subsidiaries. The insurance coverage that EDP maintains for such natural disasters, catastrophic accidents and acts of terrorism may become unavailable or be insufficient to cover losses or liabilities related to certain of these risks.

Furthermore, the consequences of these events may create significant and long-lasting environmental or health hazards and pollution and may be harmful or a nuisance to neighbouring residents. EDP may be required to pay damages or fines, clean up environmental damage or dismantle power plants in order to comply with environmental or health and safety regulations. Environmental laws in certain jurisdictions in which EDP operates, including the United States, impose liability, and sometimes liability without regard to fault, for releases of hazardous substances into the environment. EDP could be liable under these laws and regulations at current and former facilities and third party sites.

EDP may also face civil liabilities or fines in the ordinary course of its business as a result of damages to third parties caused by the natural and man-made disasters mentioned above. These liabilities may result in EDP being required to make indemnification payments in accordance with applicable laws that may not be fully covered by its insurance policies.

EDP has an interest in a nuclear power plant through Hidroelectrica del Cantábrico S.A.U. ("Hidrocantábrico"), which holds a 15.5 per cent. interest in the Trillo nuclear power plant in Spain. As required by the international treaties ratified by Spain, Spanish law and regulations limit the liability of nuclear plant operators for nuclear accidents. Spanish law provides that the operator of each nuclear facility is liable for up to €700 million as a result of claims relating to a single nuclear accident. EDP would be liable for its proportional share of this €700 million amount. Trillo has insurance to cover potential liabilities related to third parties arising from a nuclear accident in Trillo up to €700 million, including environment liability up to the same limit. In the proportion of Hidrocantábrico's stake in Trillo, EDP could be subject to the risks arising from the operation of nuclear facilities and the storage and handling of radioactive materials.

EDP's power plants are susceptible to industrial accidents, and employees or third parties may suffer bodily injury or death as a result of such accidents.

The design and manufacturing process is ultimately controlled by EDP's equipment suppliers or manufacturers rather than EDP, and there can be no assurance that accidents will not result during the installation or operation of this equipment. Additionally, EDP's power plants and employees may be susceptible to harm from events outside the ordinary course of business, including natural disasters, catastrophic accidents and acts of terrorism. Such accidents or events could cause severe damage to EDP's power plants and facilities, requiring extensive repair or the replacement of costly equipment and may limit EDP's ability to operate and generate income from such facilities for a period of time. Such incidents could also cause significant damage to natural resources or property belonging to third parties, or personal injuries, which could lead to significant claims against EDP and its subsidiaries. The insurance coverage that EDP maintains for such natural disasters, catastrophic accidents and acts of terrorism may become unavailable or be insufficient to cover losses or liabilities related to certain of these risks.

EDP is unable to insure itself fully or against all potential risks and may become subject to higher insurance premiums.

EDP's business is exposed to the inherent risks in the construction and operation of power plants, electricity and natural gas distribution grids and other energy related facilities, such as mechanical breakdowns, manufacturing defects, natural disasters, terrorist attacks, sabotage, personal injury and other interruptions in service resulting from events outside of EDP's control. EDP is also exposed to environmental risks, including environmental conditions that may affect, destroy, damage or impair any of its facilities. EDP has taken out insurance policies to cover certain risks associated with its business and it has put in place insurance coverage that it considers to be commensurate with its business structure and risk profile, in line with general market practice. EDP cannot be certain, however, that its current insurance policies will fully insure it against all risks and losses that may arise in the future. Malfunctions or interruptions of service at EDP's facilities could also expose it to legal challenges and sanctions which may not be covered by insurance.

In addition, while EDP has not made any material claims to date under its insurance policies that would make any policy void or result in an increase to the premiums payable in respect of any policy, EDP's insurance policies are subject to annual review by its insurers and EDP cannot be certain that these policies will be renewed at all or on similar or favourable terms.

EDP may have difficulty in hiring and retaining qualified personnel.

In order to maintain and expand its business, EDP needs to recruit, promote and maintain executive management and qualified technical personnel. The inability in the future to attract or retain sufficient technical and managerial personnel could limit or delay EDP's development efforts or negatively affect its operations.

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

EDP is subject to the risk of labour disputes and adverse employee relations. Such disputes could result in work stoppages, thereby damaging EDP's operations, or cause EDP to incur additional costs, such as increased labour costs or other liabilities. Although EDP has not experienced any significant labour disputes or work stoppages to date, its existing labour agreements may not prevent a strike or work stoppage at any of EDP's facilities in the future.

Information technology ("IT") system failures could adversely affect EDP's operations.

EDP's IT systems are critically important in supporting all of its business activities. Failures in EDP's IT systems could result from technical malfunctions, human error, lack of system capacity, security or software

breaches. The introduction of new technologies and the development of new uses, such as social networking, expose EDP to new threats. In addition, cyber-attacks and hacking attempts to which companies may fall victim are increasingly targeted and carried out by specialists. Any failure or malfunctioning of EDP'S IT systems could result in breaches of confidentiality, delays or loss of data.

EDP is a party in certain litigation proceedings.

EDP is, has been, and may be from time to time in the future, subject to a number of claims and disputes in connection with its business activities. EDP cannot ensure that it will prevail in any of these disputes or that it has adequately reserved or insured against any potential losses. See "*General Information—Legal Proceedings*".

EDP is subject to an on-going investigation relating to amounts due in connection with the early termination of certain PPAs and the costs for the maintenance of the contractual balance and payments made in connection with its rights in respect of the Public Hydro Domain concession ("DPH").

In 2012, the European Commission ("EC") and the Portuguese authorities (Public Prosecution Services) received complaints concerning the early termination of certain PPAs and the costs for the maintenance of the contractual balance ("CMEC"), as well as in respect of EDP's rights to use the Public Hydro Domain ("DPH").

The investigation conducted by the Portuguese authorities, with reference to the above-mentioned complaint, is still pending.

As part of the liberalisation of the power sector in Portugal following changes in European Union legislation, Decree-Law no. 240/2004 was introduced which provided for the early termination of PPAs that were signed in 1996. As a result of this required early termination, EDP and REN - Rede Eléctrica Nacional, S.A. ("REN") agreed in 2005 and in 2007 to the early termination of their long-term PPAs, with effect from 1 July 2007. The methodology which was used to determine the amount of the compensation that EDP was entitled to receive in connection with such early termination, the CMEC, was approved by the EC in 2004 (Decision N161/2004) which considered the compensation as effective and strictly necessary. For further information, please see "*Regulatory Overview—European Energy Policy—Portugal—The Electricity Value Chain—Ordinary Regime*".

On 8 March 2008, the Government, REN and EDP Gestão da Produção de Energia, S.A. ("EDP Produção") signed several service concession arrangements for which EDP Produção paid approximately €759 million as consideration of the economic and financial balance for the use of the public hydro domain.

Following the complaint received, the EC requested clarifications from the Portuguese State in relation to the early termination of the PPAs and its replacement for the CMEC, having concluded in September 2013 that the compensation payments for early termination did not exceed what was necessary to repay the shortfall in investment costs repayable over the asset's lifetime, and determined that the implementation of the CMEC remains in keeping with the terms notified to and approved by the EC in 2004. Thus, the EC decided that no in depth investigation into the CMEC process was necessary.

In May 2017, the EC formally concluded its investigation into the DPH concession rights and stated that the compensation paid in connection with such concessions was compatible with market conditions. As a result, the EC concluded that the financial methodology used to assess the price of the concessions was appropriate and resulted in a fair market price, and therefore, no state aid had been granted to EDP.

On 2 June 2017, EDP became aware of Portugal's Public Prosecution Services' investigation (the "Investigation") in relation to the amounts due to EDP for the termination of the PPAs and compensation paid by EDP for the DPH concessions. Portugal's Public Prosecution Services stated that the investigations continue and the facts may relate to active and passive corruption and economic participation in business and searches were conducted at the offices of EDP, grid operator REN and the local division of a consulting group. In the context of the Investigation, the Portuguese Public Prosecution Services stated that certain members of EDP's Executive Board of Directors, as well as former EDP directors, that had signed the relevant contracts were named as targets of the Investigation.

As of the date of this Base Prospectus, EDP has been provided with only limited information relating to the Investigation. Accordingly, it is too early to determine whether the investigation will lead to any allegations of wrongdoing or any criminal or civil prosecutions.

EDP does not accept any accusations of wrongdoing on its part or on the part of any member of the EDP Group and believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length transactions. However, if the Investigation would determine otherwise there is a risk that members of EDP Group or of its corporate bodies could become subject to penalties or other sanctions. It is difficult to predict any outcome at this stage in the process. Any such developments could harm EDP's reputation, and EDP's business, financial condition, and/or results of operations could be affected by the outcome of this Investigation.

EDP B.V. is a funding vehicle for the EDP Group

EDP B.V. is a funding vehicle for the EDP Group and its sole purpose is to raise finance in the international loan and capital markets and provide funds and investment services to the EDP Group, including by entering into intra-group loan agreements. EDP B.V. is exposed to interest rate risk and currency risk over its outstanding intra- group loans and external borrowings, which could adversely impact its ability to meet its financial obligations. EDP B.V. does not engage in any other activity and does not have any other sources of revenue. Therefore, given its sole purpose as a funding vehicle for the EDP Group, any risk factors affecting the ability of other companies in the EDP Group to meet their financial obligations also affect EDP B.V. and should be read accordingly.

The Instruments issued by EDP B.V. are not guaranteed by EDP, and investors do not have any direct rights to enforce payment on the Instruments against EDP in case of default by EDP B.V. under the Instruments.

The Instruments issued by EDP B.V. are obligations of EDP B.V. and not of EDP. EDP has no obligation to pay any amounts due under the Instruments issued by EDP B.V. EDP has entered into a Keep Well Agreement with EDP B.V., which is not a guarantee. Under the Keep Well Agreement, EDP has agreed that, for so long as EDP B.V. has any Instruments outstanding under the Programme, it will make available to EDP B.V. funds sufficient to meet its payment obligations or repay borrowings then maturing to the extent that EDP B.V.'s funds or other liquid assets are insufficient to meet its payment obligations or repay its borrowings. Although under the terms of the Keep Well Agreement the Trustee may, on behalf of holders of any Instruments issued by EDP B.V. under the Programme, enforce EDP B.V.'s rights under the Keep Well Agreement against EDP, holders do not have any direct rights against EDP. (See "*Relationship of EDP B.V. with EDP*" for more information on the Keep Well Agreement).

RISK FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH INSTRUMENTS ISSUED UNDER THE PROGRAMME

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF INSTRUMENTS

A wide range of Instruments may be issued under the Programme. A number of these Instruments may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Risks applicable to all Instruments.

If the Issuers have the right to redeem any Instruments at their option, this may limit the market value of the Instruments concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

The optional redemption feature could limit the market value of the Instruments. During any period when the Issuers may elect to redeem the Instruments, the market value of the Instruments generally will not rise above the price at which they can be redeemed. This also may be true prior to any redemption period.

If the Issuers redeem the Instruments early, the optional redemption amount payable and/or prevailing market rates may not enable an investor to reinvest the redemption proceeds at an effective yield as high as the yield on the Instruments being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Issuers have the right to convert the interest rate on any Instruments from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Instruments concerned.

Fixed/Floating Rate Instruments may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuers have the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Instruments, since the Issuers may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuers. If the Issuers convert from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Instruments may be less favourable than then prevailing spreads on comparable Floating Rate Instruments tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Instruments. If the Issuers convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Instruments which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Instruments) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks related to Notes which are linked to "benchmarks"

The London Interbank Offered Rate ("LIBOR"), the Euro Interbank Offered Rate ("EURIBOR") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Instruments linked to such benchmark (including but not limited to Floating Rate Instruments whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Instruments.

RISKS RELATING TO INSTRUMENTS CLEARED THROUGH CLEARING SYSTEMS

Risks related to withholding tax

Under Portuguese law, income derived from the Book Entry Instruments integrated in (i) and held through Interbolsa, as management entity of the Portuguese Centralised System (*sistema centralizado*, the Central de Valores Mobiliários) or (ii) an international clearing system operated by a managing entity established in a member state of the European Union other than Portugal (e.g. Euroclear or Clearstream, Luxembourg) or (iii) a European Economic Area Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States or (iv) other centralised systems not covered above provided that, in this last case, the Portuguese government authorises the application of the Decree-Law no. 193/2005, of 7 November, as amended ("Decree-Law no. 193/2005") held by non-resident investors (both individual and corporate) are eligible for the debt securities special tax exemption regime, approved by Decree-Law no. 193/2005, which establishes a withholding tax exemption, provided that certain procedures and certification requirements are complied with. Failure to comply with these procedures and certifications will result in the application of Portuguese domestic withholding tax.

See details of the Portuguese taxation regime in "*Taxation – Portugal*".

The Issuers will not gross up payments in respect of any such withholding tax in any of the cases indicated in Condition 8, including failure to deliver or incorrect completion regarding the evidence of non-

residence status required under the Decree-Law no. 193/2005. Accordingly, holders of Book Entry Instruments must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Book Entry Instruments.

RISKS RELATED TO INSTRUMENTS GENERALLY

Set out below is a brief description of certain risks relating to the Instruments generally:

Investors who hold less than the minimum Specified Denomination may be unable to sell their Instruments and may be adversely affected if definitive Instruments are subsequently required to be issued.

In relation to any issue of Instruments which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Instruments may be traded in amounts that are not integral multiples of such minimum Specified Denomination (as set out in the applicable Final Terms). In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Instruments at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Instrument in respect of such holding (should definitive Instruments be printed) and would need to purchase a principal amount of Instruments at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Instruments in definitive form are issued, holders should be aware that definitive Instruments which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The conditions of the Instruments contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Instrumentholders and without regard to the individual interests of particular Instrumentholders.

The conditions of the Instruments contain provisions for calling meetings of Instrumentholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Instrumentholders including Instrumentholders who did not attend and vote at the relevant meeting and Instrumentholders who voted in a manner contrary to the majority.

The conditions of the Instruments also provide that the Trustee may, without the consent of Instrumentholders and without regard to the interests of particular Instrumentholders: (1) agree to any modification of the Instruments or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders; (2) agree to any modification of the Instruments or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law; or (3) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in any such case, is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders, in the circumstances described in Condition 16 of the conditions of the Instruments.

Furthermore, the Trustee may, without the consent of the Instrumentholders, agree with the relevant Issuer to the substitution in place of such Issuer as the principal debtor under the Instruments and the Trust Deed of another company, being a Subsidiary (as defined in "*Terms and Conditions of the Instruments*") of the relevant Issuer, subject to (a) the Instruments being unconditionally and irrevocably guaranteed by the relevant Issuer or having the benefit of a Keep Well Agreement by EDP on the same basis as that on which they had such benefit immediately prior to the substitution or the substitute Issuer is EDP; (b) the Trustee being satisfied that the interests of the Instrumentholders will not be materially prejudiced by the substitution; and (c) certain other conditions set out in the Trust Deed being complied with. See Condition 16 of "*Terms and Conditions of the Instruments*".

The value of the Instruments could be adversely affected by a change in law or administrative practice.

Save, with respect to Book Entry Instruments only, for the form (*representação formal*) and transfer of the Instruments, creation of security over the Instruments and the Interbolsa procedures for the exercise

of rights under the Book Entry Instruments, which are governed by, and shall be construed in accordance with Portuguese law, the conditions of the Instruments are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, Portuguese law or administrative practice after the date of this Base Prospectus and any such change could materially impact the value of any Instruments affected by it.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Instruments may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Instruments.

Instruments may have no established trading market when issued, and one may never develop. If a market for the Instruments does develop, it may not be very liquid. Therefore, investors may not be able to sell their Instruments easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, liquidity may be limited if the relevant Issuer makes large allocations to a limited number of investors.

If an investor holds Instruments which are not denominated in the investor's home currency, such investor will be exposed to movements in exchange rates adversely affecting the value of the holding. In addition, the imposition of exchange controls in relation to any Instruments could result in an investor not receiving payments on those Instruments.

The Issuers will pay principal and interest on the Instruments in the Specified Currency (as set out in the applicable Final Terms). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Instruments, (2) the Investor's Currency-equivalent value of the principal payable on the Instruments, and (3) the Investor's Currency-equivalent market value of the Instruments.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuers to make payments in respect of the Instruments. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Instruments may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Instruments involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Instruments, this will adversely affect the value of the Fixed Rate Instruments.

Credit ratings assigned to the Issuers or any Instruments may not reflect all the risks associated with an investment in those Instruments.

One or more independent credit rating agencies may assign credit ratings to the Issuers or the Instruments. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Instruments. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009, as amended, (the "CRA Regulation") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such

endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, ONE OR MORE RELEVANT DEALERS ("THE STABILISATION MANAGER(S)") (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT INSTRUMENTS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF INSTRUMENTS IS MADE AND, IF BEGUN, WILL BE IN COMPLIANCE WITH ALL RELEVANT LAWS AND REGULATIONS AND MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF INSTRUMENTS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF INSTRUMENTS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Central Bank shall be incorporated in, and form part of, this Base Prospectus:

- (a) in respect of EDP:
- (i) the audited consolidated annual financial statements for the financial year ended 31 December 2016 and auditor's report thereon which appear on pages 265-423 and 439-460, respectively, of EDP's annual report for the year ended 31 December 2016;
 - (ii) the audited consolidated annual financial statements for the financial year ended 31 December 2015 and auditor's report thereon which appear on pages 249-400 and 417-421, respectively, of EDP's annual report for the year ended 31 December 2015;
 - (iii) the unaudited consolidated condensed financial statements for the six-month period ended 30 June 2017 and the auditor's limited review report thereon which appear on pages 55-134 and in the Annexes to EDP's first half 2017 report; and
 - (iv) the unaudited consolidated condensed financial statements for the six-month period ended 30 June 2016 and the auditor's limited review report thereon which appear on pages 67-162 and in the Annexes to EDP's first half 2016 report,

each of which is available at

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

- (b) in respect of EDP B.V.:
- (i) the audited annual financial statements for the financial year ended 31 December 2016 and auditor's report thereon which appear on pages 7-33 of EDP B.V.'s annual report for the year ended 31 December 2016;
 - (ii) the audited annual financial statements for the financial year ended 31 December 2015 and auditor's report thereon which appear on pages 7-34 of EDP B.V.'s annual report for the year ended 31 December 2015;
 - (iii) the unaudited interim financial statements for the six months period ended 30 June 2017 which appear on pages 6-11 of EDP B.V.'s 2017 interim report; and
 - (iv) the unaudited interim financial statements for the six months period ended 30 June 2016 which appear on pages 6-12 of EDP B.V.'s 2016 interim report,

each of which is available at

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

- (c) the Terms and Conditions of the Instruments contained in the previous Prospectus dated 14 March 2001, pages 10 to 29 (inclusive), 22 July 2002, pages 10 to 29 (inclusive), 23 December 2004, pages 10 to 29 (inclusive), 10 January 2006, pages 31 to 50 (inclusive), 23 October 2007, pages 39 to 62 (inclusive), 17 October 2008, pages 41 to 64 (inclusive), 7 October 2009, pages 45 to 69 (inclusive), 24 September 2010, pages 42 to 67 (inclusive), 9 September 2011, pages 67 to 88 (inclusive), 14 September 2012, pages 59 to 82 (inclusive), 3 September 2013, pages 72 to 98 (inclusive), 2 September 2014, pages 79 to 104 (inclusive), 2 September 2015, pages 78 to 102 (inclusive) and 2 September 2016, pages 72 to 95 (inclusive); and
- (d) the amendments to the Terms and Conditions of the Instruments on pages 67 to 88 (inclusive) of the Prospectus dated 9 September 2011, as set out in the supplement to the Prospectus dated 15 June 2012 on pages 3 to 5 (inclusive),

available at

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

Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuers and from the specified office of the Paying Agent for the time being in London.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

The Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Instruments, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Instruments. The Issuers have undertaken to the Dealers in the Programme Agreement (as defined in "Subscription and Sale") that they will comply with the relevant Irish listing requirements.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuers and approved by the Central Bank in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

KPMG Accountants N.V., the auditors of EDP Finance B.V.'s financial statements as of and for the year ended 31 December 2016 and for the year ended 31 December 2015, have consented to the incorporation by reference of their auditor's reports for 2016 and 2015 in this Base Prospectus.

FORM OF FINAL TERMS

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

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Instruments[, from 1 January 2018,] are not intended to be offered, sold or otherwise made available to and[, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[Date]

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

Issue of

[]
[]

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

**under the €13,500,000,000
Programme for Issuance of Debt Instruments**

Any person making or intending to make an offer of the Instruments may only do so[:

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

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

The expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and, where the context so requires, includes any relevant implementing measure in a Relevant Member State of the European Economic Area.

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 5 September 2017 [and the supplement[s] to the Base Prospectus dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "Base Prospectus"). This document constitutes the Final Terms of the Instruments described herein and has been prepared for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. In order to get full information on the Issuers and the offer of the Instruments both the Base Prospectus and these Final Terms must be read in conjunction. A summary of this issue of Instruments is annexed to these Final Terms. The Base Prospectus and these Final Terms have been published on the website of the Irish Stock Exchange (www.ise.ie) and Central Bank (www.centralbank.ie).]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date. N.B. when using a post-1 July 2012 approved Base Prospectus to tap a previous issue under a pre-1 July 2012 approved Base Prospectus, the final terms in the post – 1 July 2012 Base Prospectus will take a different form due to the more restrictive approach to final terms. The Conditions of the original issue being tapped should be reviewed to ensure that they would not require the final terms documenting the further issue to include information which is no longer permitted in final terms. Where the final terms documenting the further issue would need to include such information, it will not be possible to tap using final terms and a drawdown prospectus (incorporating the original Conditions and final terms) will instead need to be prepared.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the base prospectus dated [insert date of prospectus from those listed in "Documents Incorporated by Reference"] [and the supplement to it dated [date]] which are incorporated by reference in the Base Prospectus dated 5 September 2017. This document constitutes the Final Terms of the Instruments described herein and has been prepared for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 5 September 2017 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "Base Prospectus"), including the Conditions incorporated by reference in the Base Prospectus. In order to get full information on the Issuer and the offer of the Instruments both the Base Prospectus and these Final Terms must be read in conjunction. A summary of this issue of Instruments is annexed to these Final Terms. The Base Prospectus and these Final Terms have been published on the website of the Irish Stock Exchange (www.ise.ie) and Central Bank (www.centralbank.ie).]

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted. Italics denote directions for completing the Final Terms.]

1. Issuer: [EDP – Energias de Portugal, S.A./EDP Finance B.V.]
2. [(i)] Series Number: []
[(ii)] Tranche Number: []
(iii) Date on which the Instruments will be consolidated and form a single Series: The Instruments will be consolidated and form a single Series with Tranche [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, as referred to in paragraph 22 below, which is expected to occur on or about [date]]
3. Specified Currency or Currencies: []
(N.B. Book Entry Instruments may only be denominated in Euro, U.S. dollars, Canadian dollars, sterling, Japanese yen, Swiss francs, Australian dollars or in such other currency as can be settled through Interbolsa)

4. Aggregate Nominal Amount:
- Tranche: []
 - Series: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*]
6. (i) Specified Denominations: []
[]
- (ii) Calculation Amount: []
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note, there must be a common factor in the case of two or more Specified Denominations)*
7. [(i) Issue Date: []
- (ii) Interest Commencement Date (if different from the Issue Date): *[specify/Issue Date/Not Applicable]*
- (N.B. An Interest Commencement Date will not be relevant for certain Instruments, for example Zero Coupon Instruments.)*
8. Maturity Date: *[Specify date or for Floating Rate Instruments - Interest Payment Date falling in or nearest to [specify month and year]]*
- [(NB: The Maturity Date [should be/may need to be not] less than one year after the Issue Date)]*
9. Interest Basis: *[[] per cent. Fixed Rate]*
[[] month [LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
- (see paragraph [14/15/16] below)*
10. Redemption Basis: *[Instalment]*
- Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11. Change of Interest Basis: *[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there] [Not Applicable]*
12. Put/Call Options: *[Investor Put]*
[Investor Put on Change of Control]
[Issuer Call]
[[(see paragraph [17/18/19] below)]]
- [Not Applicable]*
13. (a) Status of Instruments: *[Senior/[Dated/Perpetual]]*
- (b) Date of Board approval for issuance of Instruments obtained: []
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Instruments)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Instrument Provisions *[Applicable/Not Applicable]*
(If not applicable, delete the remaining sub-paragraphs of this

- paragraph*)
- (i) Rate[(s)] of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date
(Amend appropriately in the case of irregular coupons)
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount
- (iv) Broken Amount(s): [[] per Calculation Amount payable on the Interest Payment Date falling [in/on] []] [Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Date(s): [[] in each year] [Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
15. **Floating Rate Instrument Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Specified Period(s)/Specified Interest Payment Dates: [], subject to adjustment in accordance with the Business Day Convention set out in (ii) below/, not subject to any adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
- (iii) Additional Business Centre(s): []
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issue and Paying Agent): []
- (vi) Screen Rate Determination:
Reference Rate and Relevant Financial Centre: Reference Rate: [] month [LIBOR/EURIBOR]
Relevant Financial Centre: [London/Brussels/specify other Relevant Financial Centre]
Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

- Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination:
Floating Rate Option: []
Designated Maturity: []
Reset Date: []
(in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (viii) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation *(specify for each short or long interest period)*
- (ix) Margin(s): [+/-] [] per cent. per annum
- (x) Minimum Rate of Interest: [] per cent. per annum
- (xi) Maximum Rate of Interest: [] per cent. per annum
- (xii) Day Count Fraction: [[Actual/Actual – (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond basis] [30E/360 (ISDA)]
16. **Zero Coupon Instrument Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date: []
- (ii) Optional Redemption Amount of each Instrument: [] per Calculation Amount
[Set out appropriate variable details in this pro forma, for example reference obligation]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: []
- (b) Maximum Redemption Amount: []

18. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date: []
- (ii) Optional Redemption Amount of each Instrument: [] per Calculation Amount
19. Investor Put on Change of Control: [Applicable/Not Applicable]
20. Final Redemption Amount of each Instrument: [] per Calculation Amount
21. Early Redemption Amount of each Instrument payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

22. (i) Form of Instruments: [Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for definitive Bearer Instruments and/or Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Instrument exchangeable for definitive Bearer Instruments and/or Registered Instruments on and after the Exchange Date]
- [Permanent Global Instrument exchangeable for definitive Bearer Instruments and/or Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Global Registered Instrument ([] nominal amount (*specify nominal amount*)) [registered in the name of a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Book Entry Instruments]
- (*Ensure that this is consistent with the wording in the "Provisions relating to the Instruments (other than Book Entry Instruments) while in Global Form" section in the Base Prospectus and the Instruments themselves.*)
- (ii) New Global Note: [Yes/No] [*N.B. Not applicable to Book Entry Instruments*]
23. Additional Financial Centre(s): [Not Applicable] [*give details*](*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 16(iii) relates*)
24. Talons for future Coupons or Receipts to be attached to definitive Bearer Instruments: [Yes, as the Instruments have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.]
25. Details relating to Instalment Instruments:
- (i) Instalment Amount(s): [Not Applicable] [*give details*]
- (ii) Instalment Date(s): [Not Applicable] [*give details*]

THIRD PARTY INFORMATION

[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:.....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Application for listing and admission to trading: [Application has been made to the Irish Stock Exchange for the Instruments to be admitted to the Official List and to trading on its regulated market.]/[Application has been made for the Instruments to be admitted to trading on Euronext Lisbon.]
- (ii) Date from which admission is expected to be effective: []
- (iii) Fungible instruments of the same Series admitted to trading on: []

2. RATINGS

- (i) Ratings: [The Instruments to be issued have not been specifically rated.]/[The Instruments to be issued have been assigned the following ratings by:
[Moody's: []]
[Standard & Poor's:[]]
[Fitch: []]
- [(ii) Brief explanation of the meaning of the rating as published by the rating provider: []]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer], so far as the Issuer is aware, no person involved in the issue of the Instruments has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] [*Amend as appropriate if there are other interests*]

(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

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

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

[Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".]

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

Indication of yield:

[]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. **HISTORIC INTEREST RATES**

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

7. **OPERATIONAL INFORMATION**

(i) ISIN: []

(ii) Common Code: []

(iii) Any clearing system(s) other than Euroclear, Clearstream Luxembourg and Interbolsa-Sociedade Gestora Sistemas de Liquidação & de Sistemas Centralizados de Valores Mobiliários, S.A., as operator of the Central de Valores Mobiliários: [Not Applicable] *[give name(s)]*

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

(v) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [include this text for registered instruments] and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[Include this text if the Instruments are intended to be held in a manner which would allow Eurosystem eligibility and are not Book-Entry Instruments]*

[Yes. Note that the designation "yes" simply means that the Instruments are intended upon time to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity of securities settlement system and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[Include this text if the Instruments are intended to be held in a manner which would allow Eurosystem Eligibility and are Book-Entry Instruments.]*

[No. While the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [include this text for registered instruments]. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[Include this text if the Instruments are not intended to be held in a manner which would allow Eurosystem eligibility at the date of the Final Terms and are not Book-Entry Instruments.]*

[No] *[If the Instruments are not intended to be held in a manner which would allow Eurosystem eligibility and are book-entry Instruments.]*

8. DISTRIBUTION

- | | | |
|--------|---|--|
| (i) | Names and addresses of entities agreeing to underwrite the issue on a firm commitment basis: | [Not Applicable] <i>[give names and addresses]</i> |
| | | <i>(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)</i> |
| (ii) | Names and addresses of entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements: | [Not Applicable] <i>[give names and addresses]</i> |
| (iii) | Material features of the underwriting agreement: | [] |
| (iv) | Portion of the issue which is not underwritten: | [Not Applicable] [[] per cent.] |
| (v) | Indication of the overall amount underwriting commission and placing commission: | [] |
| (vi) | Date of the [Subscription] Agreement: | [] |
| [(vii) | U.S. Selling Restrictions: | [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]] |
| (viii) | Public Offer: | [Applicable] [Not Applicable] <i>Specify relevant Member State(s) where the issuer intends to make Public Offers (where the Base Prospectus lists the Public Offer Jurisdictions, select from that list), which must therefore be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the</i> |

jurisdiction where approved and published)) (the "Public Offer Jurisdictions") during the period from [specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"] (the "Offer Period")

Offer Period: *[Specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"]*

Financial intermediaries granted specific consent to use the Base Prospectus in accordance with the conditions in it: *[Insert names and addresses of financial intermediaries receiving consent (specific consent)]*

General Consent: *[Not Applicable][Applicable]*

Other Authorised Offeror Terms: *[Not Applicable][Add here any other Authorised Offeror Terms*

(Authorised Offeror Terms should only be included here where General Consent is applicable)]

(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a public offer [where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus] in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Public offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)

(ix) Prohibition of Sales to EEA Retail Investors: *[Applicable/Not applicable]*

(If the offer of the Instruments is concluded prior to 1 January 2018, or on and after that date the Instruments clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Instruments will be concluded on or after 1 January 2018 and the Instruments may constitute "packaged" products, "Applicable" should be specified.)

9. TERMS AND CONDITIONS OF THE OFFER

Offer Price: *[Issue Price/Not applicable] [specify]*

Conditions to which the offer is subject: *[Not applicable] [give details]*

Description of the application process: *[Not applicable] [give details]*

Details of the minimum and/or maximum amount of application: *[Not applicable] [give details]*

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: *[Not applicable] [give details]*

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

ANNEX

Summary of the Instruments

[]

FORM OF FINAL TERMS

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

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Instruments[, from 1 January 2018,] are not intended to be offered, sold or otherwise made available to and[, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[Date]

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

Issue of

[Aggregate Nominal Amount of Tranche]

[Title of Instruments]

under the €13,500,000,000

Programme for Issuance of Debt Instruments

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 5 September 2017 [and the supplement[s] to the Base Prospectus dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Base Prospectus”). [This document constitutes the Final Terms of the Instruments described herein and has been prepared for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.]³ In order to get full information on the Issuers and the offer of the Instruments both the Base Prospectus and these Final Terms must be read in conjunction. The Base Prospectus and these Final Terms have been published on the website of the Irish Stock Exchange (www.ise.ie) and Central Bank (www.centralbank.ie)]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date. N.B. when using a post-1 July 2012 approved Base Prospectus to tap a previous issue under a pre-1 July 2012 approved Base Prospectus, the final terms in the post-1 July 2012 Base Prospectus will take a different form due to the more restrictive approach to final terms. The Conditions of the original issue being tapped should be reviewed to ensure that they would not require the final terms documenting the further issue to include information which is no longer permitted in final terms. Where the final terms documenting the further issue would need to include such information, it will not be possible to tap using final terms and a drawdown prospectus (incorporating the original Conditions and final terms) will instead need to be prepared.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the base prospectus dated [insert date of prospectus from those listed in “Documents Incorporated by Reference”] [and the supplement to it dated [date]] which are incorporated by reference in the Base Prospectus dated 5 September 2017. This document constitutes the Final Terms of the

³ Delete where the Instruments are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

Instruments described herein and has been prepared for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 5 September 2017 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "Base Prospectus"), including the Conditions incorporated by reference in the Base Prospectus. In order to get full information on the Issuer and the offer of the Instruments both the Base Prospectus and these Final Terms must be read in conjunction. A summary of this issue of Instruments is annexed to these Final Terms. The Base Prospectus and these Final Terms have been published on the website of the Irish Stock Exchange (www.ise.ie) and Central Bank (www.centralbank.ie).]

Include whichever of the following apply, or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted. Italics denote directions for completing the Final Terms.

[If the Instruments have a maturity of less than one year from the date of their issue, the minimum denomination may need to be not less than £100,000 or its equivalent in any other currency.]

1. Issuer: [EDP – Energias de Portugal, S.A./EDP Finance B.V.]
2. [(i)] Series Number: []
- [(ii)] Tranche Number: []
- [(iii)] Date on which the Instruments will be consolidated and form a single series: The Instruments will be consolidated and form a single Series with Tranche [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, as referred to in paragraph 22 below, which is expected to occur on or about [*date*]]
3. Specified Currency or Currencies: []
- (N.B. Book Entry Instruments may only be denominated in Euro, U.S. dollars, Canadian dollars, sterling, Japanese yen, Swiss francs, Australian dollars or in such other currency as can be settled through Interbolsa.)*
4. Aggregate Nominal Amount:
- Tranche: []
- Series: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
6. (i) Specified Denominations: []
- (N.B. Instruments must have a minimum denomination of €100,000 (or equivalent))*
- (N.B. Book-Entry Instruments cannot be issued in integral multiples of a lesser amount than the nominal amount.)*
- (Note – where multiple denominations above [€100,000] or equivalent are being used, the following sample wording should be followed:*
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Instruments in definitive form will be issued with a denomination above [€199,000].")*
- (ii) Calculation Amount: []
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note, there must be a common factor in the case of two or more Specified Denominations.)*
7. [(i)] Issue Date: []
- [(ii)] Interest Commencement Date (if different from the Issue Date): [specify /Issue Date/Not Applicable]

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

8. Maturity Date: [Specify date or for Floating Rate Instruments – Interest Payment Date falling in or nearest to [specify month and year]]
[(NB: The Maturity Date [should be/may need to be not] less than one year after the Issue Date)]
9. Interest Basis: [[] per cent. Fixed Rate]
[[specify Reference Rate] +/- [] per cent. Floating Rate]
[Zero coupon]
(see paragraph [14/15/16] below)
10. Redemption[/Payment] Basis: [Instalment]
Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11. Change of Interest Basis: [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there] [Not Applicable]
12. Put/Call Options: [Investor Put]
[Investor Put on Change of Control]
[Issuer Call]
[Not Applicable]

[(see paragraph [17/18/19] below)]
13. (a) Status of Instruments: [Senior/Dated/Perpetual]
(b) Date of Board approval for issuance of Instruments obtained: []

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Instruments)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date
(Amend appropriately in the case of irregular coupons)
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount
- (iv) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] [] [Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]

(vi) Determination Date(s): [] in each year] [Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

15. **Floating Rate Instrument Provisions**

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Specified Period(s)/Specified Interest Payment Dates: [], subject to adjustment in accordance with the Business Day Convention set out in (ii) below/, not subject to any adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]

(ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]

(iii) Additional Business Centre(s): []

(iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]

(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issue and Paying Agent): []

(vi) Screen Rate Determination:

Reference Rate and Relevant Financial Centre: Reference Rate: [] month [LIBOR/EURIBOR]

Relevant Financial Centre: [London/Brussels/specify the Relevant Financial Centre]

Interest Determination Date(s): []

(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

Relevant Screen Page: []

(In the case of EURIBOR, if not Reuters, EURIBOR 01; ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)

(vii) ISDA Determination:

Floating Rate Option: []

Designated Maturity: []

Reset Date: []

(in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)

(viii) Linear Interpolation:

[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated

using Linear Interpolation (*specify for each short or long interest period*)

- (ix) Margin(s): [+/-] [] per cent. per annum
- (x) Minimum Rate of Interest: [] per cent. per annum
- (xi) Maximum Rate of Interest: [] per cent. per annum
- (xii) Day Count Fraction: [[Actual/Actual – (ISDA)] [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360] [360/360] [Bond Basis]
[30E/360] [Eurobond basis]
[30E/360 (ISDA)]

16. Zero Coupon Instrument Provisions

[Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Day Count Fraction in relation to Early Redemption Amounts and late payment: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call:

[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date: []
- (ii) Optional Redemption Amount of each Instrument: [] per Calculation Amount
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: []
 - (b) Maximum Redemption Amount: []

18. Investor Put:

[Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date: []
- (ii) Optional Redemption Amount of each Instrument: [] per Calculation Amount

19. Investor Put on Change of Control:

[Applicable/Not Applicable]

20. Final Redemption Amount of each Instrument:

[] per Calculation Amount

21. Early Redemption Amount of each Instrument payable on redemption for taxation reasons or on event of default:

[] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

22. (i) Form of Instruments:

[Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for

definitive Bearer Instruments and/or Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Instrument exchangeable for definitive Bearer Instruments and/or Registered Instruments on and after the Exchange Date]

[Permanent Global Instrument exchangeable for definitive Bearer Instruments and/or Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]

[Global Registered Instrument ([] nominal amount (*specify nominal amount*)) [registered in the name of a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]

[Book Entry Instruments]

(Ensure that this is consistent with the wording in the Provisions relating to the Instruments (other than Book Entry Instruments) while in Global Form section in the Base Prospectus and the Instruments themselves. The 'exchange upon 60 days' notice' option should not be expressed to be applicable if the Specified Denomination in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Instruments which is to be represented on issue by a Temporary Global Instrument exchangeable for Definitive Instruments or by a Permanent Global Instrument exchangeable for Definitive Instruments upon 60 days' notice.)

(ii) New Global Note: [Yes/No] [N.B. Not applicable to Book Entry Instruments]

23. Additional Financial Centre(s): [Not Applicable] [give details]
(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which subparagraphs 16(iii) relates)

24. Talons for future Coupons or Receipts to be attached to definitive Bearer Instruments: [Yes, as the Instruments have more than 27 coupon payments Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made /No.]

25. Details relating to Instalment Instruments:

(i) Instalment Amount(s): [Not Applicable] [give details]

(ii) Instalment Date(s): [Not Applicable] [give details]

THIRD PARTY INFORMATION

[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:.....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Application for listing and admission to trading: [Application has been made to the Irish Stock Exchange for the Instruments to be admitted to the Official List and to trading on its regulated market.]/[Application has been made for the Instruments to be admitted to trading on Euronext Lisbon.]
- (ii) Date from which admission is expected to be effective: []
- (iii) Estimate of total expenses related to admission to trading: []

2. RATINGS

- Ratings: [The Instruments to be issued have not been specifically rated.]/[The Instruments to be issued have been assigned the following ratings by:
- [Moody's: []]
- [Standard & Poor's: []]
- [Fitch: []].

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer], so far as the Issuer is aware, no person involved in the issue of the Instruments has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business] [*Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4. YIELD

- Indication of yield: []
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. OPERATIONAL INFORMATION

- (i) ISIN: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Euroclear, Clearstream Luxembourg and Interbolsa-Sociedade Gestora Sistemas de Liquidação & de Sistemas Centralizados de Valores Mobiliários, S.A., as operator of the Central de Valores Mobiliários [Not Applicable] [give name(s)]
- (iv) Names and addresses of additional Paying Agent(s) (if any): []
- (v) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and

registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [include this text for registered instruments] and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [Include this text if the Instruments are intended to be held in a manner which would allow Eurosystem eligibility and are not Book-Entry Instruments]

[Yes. Note that the designation "yes" simply means that the Instruments are intended upon time to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity of securities settlement system and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [Include this text if the Instruments are intended to be held in a manner which would allow Eurosystem Eligibility and are Book-Entry Instruments.]

[No. While the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [include this text for registered instruments]. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [Include this text if the Instruments are not intended to be held in a manner which would allow Eurosystem eligibility at the date of the Final Terms and are not Book-Entry Instruments.]

[No] [If the Instruments are not intended to be held in a manner which would allow Eurosystem eligibility and are book-entry Instruments.]

6 DISTRIBUTION

- (i) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]
- (ii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not applicable]
(If the offer of the Instruments is concluded prior to 1 January 2018, or on and after that date the Instruments clearly do not constitute “packaged” products, “Not

Applicable” should be specified. If the offer of the Instruments will be concluded on or after 1 January 2018 and the Instruments may constitute “packaged” products, “Applicable” should be specified.)

TERMS AND CONDITIONS OF THE INSTRUMENTS

The following are the Terms and Conditions of the Instruments which as supplemented, modified or replaced in relation to any Instruments, will be applicable to each Series of Instruments. Certain provisions relating to the Instruments while in global form, and certain modifications of these Terms and Conditions applicable to Instruments while in global form, are described in the section entitled "Provisions relating to the Instruments while in Global Form".

This Instrument is one of a Series (as defined below) of Instruments issued by an Issuer (the "Issuer") which will be, as specified in the Final Terms (as defined below), either EDP – Energias de Portugal, S.A. ("EDP") or EDP Finance B.V. ("EDP B.V.") and (except in the case of Instruments issued by EDP in book-entry form ("Book Entry Instruments")) constituted by an amended and restated Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated on or around 5 September 2017 made between EDP, EDP B.V. and Deutsche Trustee Company Limited (the "Trustee", which expression shall include any successor as Trustee). Book Entry Instruments are integrated in the Interbolsa book-entry system and governed by these conditions, certain provisions of the Trust Deed as provided therein and a deed poll given by EDP in favour of the holders of Book Entry Instruments dated on or around 5 September 2017 (the "Interbolsa Instrument").

References herein to the "Instruments" shall be references to the Instruments of this Series. As used herein, "Tranche" means Instruments which are identical in all respects (including as to listing) and "Series" means a Tranche of Instruments together with any further Tranche or Tranches of Instruments which are (1) expressed to be consolidated and form a single series and (2) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Instruments, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Issue and Paying Agency Agreement (such Amended and Restated Issue and Paying Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 5 September 2017 and made between EDP, EDP B.V., Deutsche Bank AG, London Branch as issue and principal paying agent and agent bank (the "Issue and Paying Agent", which expression shall include any successor agent), Deutsche Bank Luxembourg S.A. as registrar in respect of Instruments in registered form and as paying agent (the "Registrar" which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee. In the case of Book Entry Instruments, Deutsche Bank Aktiengesellschaft – Sucursal em Portugal will be the paying agent in Portugal (the "Portuguese Paying Agent").

References to the "Final Terms" are, unless otherwise stated, to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Instrument.

In respect of Instruments issued by EDP B.V., EDP B.V. has the benefit of a Keep Well Agreement (the "Keep Well Agreement") also dated 14 March 2001 between EDP and EDP B.V.

Subject as provided in the Interbolsa Instrument the Trustee acts for the benefit of the Holders (as defined below) for the time being of the Instrument, of the Receipts (as defined below) of the Coupons (as defined below) (which expression shall, unless the context otherwise requires, include the holders of the Talons (as defined below)), and in the case of Book Entry Instruments, the persons shown in the individual securities accounts held with an Affiliate Member of Interbolsa (defined below) (the "Book Entry Instrumentholders", and, together with the holders of Instruments other than Book Entry Instruments, the "Holders", which expression shall, in relation to any Instruments represented by a Global Instrument, be construed as provided below) all in accordance with the provisions of the Trust Deed. "Affiliate Member of Interbolsa" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depositary banks appointed by Euroclear Bank SA/NV ("Euroclear Bank") and/or Clearstream Banking S.A. ("Clearstream, Luxembourg") for the purpose of holding such accounts with Interbolsa on behalf of Euroclear Bank and Clearstream, Luxembourg.

Copies of the Trust Deed, the Agency Agreement, the Interbolsa Instrument and the Keep Well Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at 5 September 2017 at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified office of each of the Paying Agents. If the Instruments are to be admitted to trading on the Main Securities Market the Final Terms will be published on the websites of the Irish Stock

Exchange (www.ise.ie) and Central Bank (www.centralbank.ie). The Holders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Keep Well Agreement and the Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed or, in the case of Book Entry Instruments, the Interbolsa Instrument and those provisions of the Trust Deed applicable to them.

Words and expressions defined in the Trust Deed, the Interbolsa Instrument or the Agency Agreement or used in the Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the Final Terms, the Final Terms will prevail.

1. Form and Denomination

A: Instruments other than Book Entry Instruments

- 1.1** Form: Instruments are issued in bearer form ("Bearer Instruments") or in registered form ("Registered Instruments"), as specified in the Final Terms and are serially numbered. Registered Instruments are not exchangeable for Bearer Instruments.
- 1.2** Coupons and Talons: Interest-bearing Bearer Instruments have attached thereto, at the time of their initial delivery, coupons ("Coupons"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, if so specified in the Final Terms, such Instruments have attached thereto, at the time of their initial delivery, a talon ("Talon") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.
- 1.3** Interest Basis: This Instrument may be a Fixed Rate Instrument, a Floating Rate Instrument or a Zero Coupon Instrument, or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.
- 1.4** Redemption/Payment Basis: This Instrument may be an Instalment Instrument, depending on the Redemption/Payment Basis shown in the Final Terms.
- 1.5** Instalment Instruments: Bearer Instruments, the principal amount of which is repayable by instalments ("Instalment Instruments") have attached thereto, at the time of their initial delivery, payment receipts ("Receipts") in respect of the instalments of principal.
- 1.6** Denomination of Bearer Instruments: Bearer Instruments are in the Specified Denomination or Denominations (each of which denominations is integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Instruments of one denomination may not be exchanged for Bearer Instruments of any other denomination.
- 1.7** Specified Denomination of Registered Instruments: Registered Instruments are in the minimum Specified Denomination specified in the Final Terms or integral multiples thereof.
- 1.8** Currency of Instruments: The Instruments are denominated in such Specified Currency as may be specified in the Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

B: Book Entry Instruments

- 1.9** Form: The Book Entry Instruments are issued in dematerialised book-entry form (*forma escritural*) and are *nominativas* (in which case Interbolsa, at the request of the Issuer, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Holders and transmit such information to the Issuer).

- 1.10** *Registration:* The Book Entry Instruments will be registered by Interbolsa – Sociedade Gestora de Sistemas de Liquidação de Sistemas Centralizados de Valores Mobiliários, S.A. ("Interbolsa") as management entity of the Portuguese Centralised System of Registration of Securities (*Central de Valores Mobiliários*) ("CVM"). Each person shown in the individual securities accounts held with an Affiliate Member of Interbolsa as having an interest in the Instruments shall be considered the holder of the principal amount of Instruments recorded except as otherwise required by law. One or more certificates in relation to the Book Entry Instruments (each a "Certificate") will be delivered by the relevant Affiliate Member of Interbolsa in respect of its holding of Instruments upon the request by the relevant Instrument holder and in accordance with that Affiliate Member of Interbolsa's procedures and pursuant to article 78 of the Portuguese Securities Code (*Código dos Valores Mobiliários*).
- 1.11** *Interest Basis:* Each Book Entry Instrument may be a Fixed Rate Instrument, a Floating Rate Instrument, a Zero Coupon Instrument or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.
- 1.12** *Redemption/Payment Basis:* Each Book Entry Instrument may be an Instalment Instrument, depending on the Redemption/Payment Basis shown in the Final Terms.
- 1.13** *Denomination of Book Entry Instruments:* Book Entry Instruments are in the Specified Denomination or Denominations specified in the Final Terms. Book Entry Instruments of one denomination may not be exchanged for Book Entry Instruments of any other denomination.
- 1.14** *Currency of Instruments:* The Book Entry Instruments will be denominated in Euro or in such other currency as can be settled through Interbolsa, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

In these Conditions, "Book Entry Instrumentholder" and "holder" for the purposes of Book Entry Instruments means the person in whose name a Book Entry Instrument is registered in the relevant individual securities accounts held with an Affiliate Member of Interbolsa.

2. Title and Transfer

- 2.1** *Title to Bearer Instruments:* Title to Bearer Instruments, Receipts and Coupons passes by delivery. References herein to the "Holders" of Bearer Instruments or of Receipts or Coupons are to the bearers of such Bearer Instruments or such Receipts or Coupons.
- 2.2** *Title to Registered Instruments:* Title to Registered Instruments passes by registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the "Holders" of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.
- 2.3** *Holder as Owner:* The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.
- 2.4** *Transfer of Registered Instruments:* A Registered Instrument may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum Specified Denomination) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any other Paying Agent. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor.
- 2.5** *Exchange of Bearer Instruments:* If so specified in the Final Terms, the Holder of Bearer Instruments may exchange the same for the same aggregate nominal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Registrar or of any other Paying Agent together with a written request for the exchange. Each Bearer Instrument so surrendered

must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.6) where the exchange date would, but for the provisions of Condition 2.6, occur between the Record Date (as defined in Condition 6.4) for such payment of interest and the date on which such payment of interest falls due.

2.6 *New Registered Instruments:* Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will, within five Relevant Banking Days of the transfer date or, as the case may be, the exchange date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or another Paying Agent after the Record Date in respect of any payment due in respect of Registered Instruments shall be deemed not to be effectively received by the Registrar or such other Paying Agent until the day following the due date for such payment. For the purposes of these Terms and Conditions:

- (a) "Relevant Banking Day" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument where such request for exchange is made to another Paying Agent, in the place where the specified office of such Paying Agent is located;
- (b) the "exchange date" shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.5; and
- (c) the "transfer date" shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.4.

2.7 *No Charges upon Transfer or Exchange:* The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the Issuer, the Registrar or any other Paying Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Registrar or such other Paying Agent may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

2.8 *Transfer of Book Entry Instruments:* Title to the Book Entry Instruments passes upon registration in the relevant individual securities accounts held with an Affiliate Member of Interbolsa. Any Book Entry Instrumentholder will (except as otherwise required by law) be treated as its absolute owner for all purposes and no person will be liable for so treating the Book Entry Instrumentholder.

3. Status of the Instruments

3.1 *Status of the Instruments:* The Instruments and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.

4. Negative Pledge

So long as any of the Instruments remains outstanding (as defined in the Trust Deed), neither the Issuer nor, if EDP B.V. is the Issuer, EDP will create or, save only by operation of law, have outstanding any mortgage, lien, pledge or other charge (each a "Security Interest") other than any Permitted Security (as defined below) upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital) to secure any Loan Stock of any Person or to secure any obligation of any Person under any guarantee of or indemnity or purchase of indebtedness undertaking in respect of any Loan Stock of any other Person without at the same time or prior thereto at the option of the Issuer or, if the Issuer is EDP B.V., EDP either (1) securing the Instruments or securing EDP's obligations under the Keep Well Agreement in each case equally and rateably with such Loan Stock, guarantee, indemnity or purchase of indebtedness undertaking to

the satisfaction of the Trustee or (2) providing such other security for or other arrangement in respect of the Instruments or EDP's obligations under the Keep Well Agreement as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Holders or which shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

For the purposes of these Terms and Conditions:

"Loan Stock" means indebtedness (other than the Instruments) having an original maturity of more than one year which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other debt securities (not comprising, for the avoidance of doubt, preference shares or other equity securities) which for the time being are, or are intended to be with the consent of the issuer thereof, quoted, listed, ordinarily dealt in or traded on any stock exchange and/or quotation system or by any listing authority or other established securities market other than any such indebtedness where the majority thereof is initially placed with investors domiciled in Portugal and who purchase such indebtedness in Portugal.

"Permitted Security" means:

- (i) in the case of a consolidation or merger of EDP with or into another company (the "Combining Company") any Security Interest over assets of EDP if it is the surviving company or the company (if other than EDP) surviving or formed by such consolidation or merger provided that: (1) such Security Interest was created by the Combining Company over assets owned by it; (2) such Security Interest is existing at the time of such consolidation or merger; (3) such Security Interest was not created in contemplation of such consolidation or merger; and (4) the amount secured by such Security Interest is not increased thereafter; or
- (ii) any Security Interest on or with respect to assets (including but not limited to receivables) of the Issuer or, if EDP B.V. is the Issuer, EDP which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the indebtedness secured by such Security Interest or the indebtedness in respect of any guarantee or indemnity which is secured by such Security Interest is limited to the value of such assets; or
- (iii) any Security Interest securing any indebtedness incurred in relation to any asset for the purpose of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to whom such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or such asset (or any derivative asset thereof) and/or the shares held in such project borrower.

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state, agency of a state or other entity, whether or not having separate legal personality.

5. Interest

The Final Terms will indicate whether the Instruments are Fixed Rate Instruments, Floating Rate Instruments or Zero Coupon Instruments.

5A. Interest on Fixed Rate Instruments

This Condition 5A applies to Fixed Rate Instruments only. The Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5A for full information on the manner in which interest is calculated on Fixed Rate Instruments. In particular, the Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Instrument bears interest from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date. For so long as any of the Fixed Rate Instruments is represented by a Global Instrument interest will be calculated on the aggregate outstanding nominal amount of the Fixed Rate Instruments represented by such Global Instrument. In respect of each definitive Fixed Rate Instrument, interest will be calculated on its outstanding nominal

amount. Interest on Fixed Rate Instruments which are Book Entry Instruments will be calculated on the full outstanding nominal amount of the Fixed Rate Instruments and will be paid to the Affiliate Members of Interbolsa for distribution by them to the accounts of entitled Book Entry Instrumentholders in accordance with Interbolsa's usual rules and operating procedures.

If Instruments are in definitive form, except as provided in the Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the Final Terms, amount to the Broken Amount so specified.

Except in the case of Instruments in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Instruments which are represented by a Global Instrument, the aggregate outstanding nominal amount of the Fixed Rate Instruments represented by such Global Instrument; or
- (B) in the case of Fixed Rate Instruments in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Instrument in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Instrument shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Fixed Interest Period:

- (i) if "Actual/Actual (ICMA)" is specified in the Final Terms:
 - (a) in the case of Instruments where the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
 - (b) in the case of Instruments where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and
- (iii) if "Actual/365" or "Actual/Actual (ISDA)" is specified in the Final Terms, the actual number of days in the Fixed Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Fixed

Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Fixed Interest Period falling in a non-leap year divided by 365).

In these Conditions:

"Determination Period" means the period from and including a Determination Date to but excluding the next Determination Date;

"Fixed Interest Period" means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date; and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

5B. Interest on Floating Rate Instruments

This Condition 5B applies to Floating Rate Instruments only. The Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 5B for full information on the manner in which interest is calculated on Floating Rate Instruments. In particular, the Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Issue and Paying Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

5B.1 *Interest Payment Dates:* Each Floating Rate Instrument bears interest from and including the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) (each an "Interest Payment Date") in each year specified in the Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the Final Terms, each date (each an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Terms and Conditions, "Interest Period" means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date). For so long as any of the Floating Rate Instruments is represented by a Global Instrument held on behalf of Clearstream, Luxembourg and/or Euroclear Bank, interest will be calculated on the aggregate outstanding nominal amount of the Instruments represented by such Global Instrument. In respect of each definitive Floating Rate Instrument, interest will be calculated on its outstanding nominal amount. Interest on Floating Rate Instruments which are Book Entry Instruments will be calculated on the full outstanding nominal amount of the Floating Rate Instruments will be paid to the Affiliate Members of Interbolsa for distribution by them to the accounts of entitled Instrumentholders in accordance with Interbolsa's usual rules and operating procedures.

If a Business Day Convention is specified in the Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5B.1(i) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall

be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "Business Day" means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open.

5B.2 *Rate of Interest:* The Rate of Interest payable from time to time in respect of Floating Rate Instruments will be determined in the manner specified in the Final Terms (which shall specify whether ISDA Determination or Screen Rate Determination is applicable).

5B.3 *ISDA Determination for Floating Rate Instruments:* Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this Condition 5B.3, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the Instruments, published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions")) and under which:

- (1) the Floating Rate Option is as specified in the Final Terms;
- (2) the Designated Maturity is a period specified in the Final Terms; and
- (3) the relevant Reset Date is the day specified in the Final Terms.

For the purposes of this sub-paragraph 5B.3, "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

5B.4 *Screen Rate Determination for Floating Rate Instruments:* Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question plus or minus (as indicated in the Final Terms) the Margin (if any), all as determined by the Issue and Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if

there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Issue and Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR), the Issue and Paying Agent shall request each of the Reference Banks to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issue and Paying Agent provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

5B.5 *Minimum Rate of Interest and/or Maximum Rate of Interest:* If the Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Conditions 5B.2, 5B.3 or 5B.4 above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Conditions 5B.2, 5B.3 or 5B.4 is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

5B.6 *Determination of Rate of Interest and calculation of Interest Amounts:* The Issue and Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Issue and Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Instruments in respect of each Specified Denomination for the relevant Interest Period.

The Issue and Paying Agent will calculate the amount of interest ("Interest Amount") payable on the Floating Rate Instruments for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Instruments which are represented by a Global Instrument, the aggregate outstanding nominal amount of the Instruments represented by such Global Instrument; or
- (B) in the case of Floating Rate Instruments in definitive form, the Calculation Amount,

and, in each case multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Instrument in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Instrument shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if "Actual/Actual" or "Actual/Actual (ISDA)" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the

Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (ii) if "Actual/365 (Fixed)" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (vii) if "30E/360 (ISDA)" is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless (1) that day is the last day of February or (2) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (1) that day is the last day of February but not the Maturity Date or (2) such number would be 31 and D₂ will be 30.

5B.7 *Notification of Rate of Interest and Interest Amounts:* The Issue and Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Instruments are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Instruments are for the time being listed or by which they have been admitted to listing and to the Holders in accordance with Condition 15. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

5B.8 *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Issue and Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Issue and Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"Designated Maturity" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

5B.9 *Determination or calculation by Trustee:* If for any reason at any time the Issue and Paying Agent defaults in its obligations to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with the provisions of Conditions 5B.3 or 5B.4 above, as the case may be, and in each case, in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum or Maximum Rate of

Interest specified in the Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent.

5B.10 *Certificates to be final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5B, whether by the Issue and Paying Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, EDP (if the Issuer is EDP B.V.), the Issue and Paying Agent, the other Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Issuer, EDP (if the Issuer is EDP B.V.) or the Holders shall attach to the Issue and Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5C. Accrual of interest

Each Instrument (or, in the case of the redemption of part only of an Instrument, that part only of such Instrument) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, if applicable, or, in the case of a Book Entry Instrument presentation of the relevant Certificate in respect thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. Payments

6.1 *Method of payment:* Subject and except as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency; and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Subject always to Condition 8 (Taxation), payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

6.2 *Presentation of Bearer Instruments, Receipts and Coupons:* Payments of principal in respect of Bearer Instruments will (subject as provided below) be made in the manner provided in Condition 6.1 above only, where applicable, against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Bearer Instruments, and payments of interest in respect of Bearer Instruments will (subject as provided below) be made as aforesaid only, where applicable, against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of Bearer Instruments, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Instrument in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Instrument to which it appertains. Receipts presented without the definitive Instrument to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Instrument becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Instruments in bearer form (other than Long Maturity Instruments (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Instrument in bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Instrument or Long Maturity Instrument in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Instrument" is a Fixed Rate Instrument (other than a Fixed Rate Instrument which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Instrument shall cease to be a Long Maturity Instrument on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Instrument.

Other than in respect of Book Entry Instruments, if the due date for redemption of any Instrument is not an Interest Payment Date, interest (if any) accrued in respect of such Instrument from and including the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Bearer Instrument.

Payments in respect of the Book Entry Instruments will be made by transfer to the registered account of the holders maintained by or on behalf of them with a bank that processes payments in the relevant currency, details of which appear in the records of the relevant Affiliate Members of Interbolsa at the close of business on the Payment Day (as defined in Condition 6.5 below) before the due date for payment of principal and/or interest.

6.3 *U.S. Paying Agent:* Notwithstanding the foregoing provisions of Condition 6.2, if any amount of principal and/or interest in respect of Instruments is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Instruments will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Instruments in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer or, if the Issuer is EDP B.V., EDP – Energias de Portugal, S.A.

6.4 *Registered Instruments:* Payments of amounts (including accrued interest) due on the final redemption of Registered Instruments will be made against presentation and, save in the case of a partial redemption, surrender of the relevant Registered Instruments at the specified office of the Registrar.

Payments of amounts (whether principal, interest or otherwise) due in respect of Registered Instruments will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar (1) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant

due date, and (2) where in definitive form, as at close of business (Luxembourg time) on the fifteenth Luxembourg business day (the "Record Date") before the due date for such payment provided that the amounts due in respect of Registered Instruments under Condition 10 will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in such register as at opening of business (Luxembourg time) on the date on which such payment is made.

6.5 *Payment Day:* If the date for payment of any amount in respect of any Instrument, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Financial Centre specified in the Final Terms and, in the case of Instruments in definitive form only, in the relevant place of presentation, or, in the case of Book Entry Instruments, in Portugal; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, and any Additional Financial Centre) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

6.6 *Interpretation of principal and interest:* Any reference in these Terms and Conditions to principal in respect of the Instruments shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Instruments;
- (iii) the Early Redemption Amount of the Instruments;
- (iv) the Optional Redemption Amount(s) (if any) of the Instruments;
- (v) in relation to Instruments redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Instruments, the Amortised Face Amount (as defined in Condition 7.6); and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Instruments.

Any reference in these Terms and Conditions to interest in respect of the Instruments shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertakings or covenants given in addition thereto or in substitution thereof pursuant to the Trust Deed.

7. Redemption and Purchase

7.1 *Redemption at maturity:* Unless previously redeemed or purchased and cancelled as specified below, each Instrument will be redeemed by the Issuer at its outstanding nominal amount in the relevant Specified Currency on the Maturity Date.

7.2 *Redemption for tax reasons:* Subject to Condition 7.6, the Instruments may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Instrument is not a Floating Rate Instrument) or on any Interest Payment Date (if this Instrument is a Floating Rate Instrument), on giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) on the occasion of the next payment due under the Instruments, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a

result of any change in, or amendment to, the laws or regulations of the relevant Tax Jurisdiction (as defined in Condition 8) or any political subdivision of, or any authority in, or of, the relevant Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Instruments; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Instruments then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (1) a certificate signed by two Directors of EDP stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above in which event they shall be conclusive and binding on the Holders.

Instruments redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.6 below together (if appropriate) with interest accrued to but excluding the date of redemption.

7.3 *Redemption at the option of the Issuer (Issuer Call):* This Condition 7.3 applies to Instruments which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an "Issuer Call". The Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7.3 for full information on any Issuer Call. In particular, the Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Instruments which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the Final Terms, the Issuer may, having given:

- (i) not less than 15 days nor more than 30 days' notice to the Holders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Issue and Paying Agent and the Trustee;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Instruments then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the Final Terms together, if appropriate, with interest accrued to but excluding the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Maximum Redemption Amount, in each case as may be specified in the Final Terms. In the case of a partial redemption of Instruments (other than Book Entry Instruments), the Instruments to be redeemed ("Redeemed Instruments") will be selected individually by lot not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date") in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). A list of the serial numbers of such Redeemed Instruments will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. Partial redemption of Book Entry Instruments shall be made in accordance with the applicable Interbolsa rules.

7.4 *Redemption at the option of the Holders (Investor Put):* This Condition 7.4 applies to Instruments which are subject to redemption prior to the Maturity Date at the option of the Instrumentholder, such option being referred to as an "Investor Put". The Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7.4 for full information on any Investor Put. In particular, the Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the Final Terms, upon the holder of any Instrument giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, in whole (but not in part), such Instrument on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to but excluding the Optional Redemption Date.

To exercise the right to require redemption of this Instrument the holder of this Instrument must deliver (1) (in the case of Instruments in definitive form) to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or (2) (in all other cases) a notice to the Paying Agent or Transfer Agent or Registrar (as the case may be) in accordance with the standard procedures of Clearstream, Luxembourg, Euroclear Bank and/or Interbolsa or any common depositary or custodian for them stating the principal amount of the Instruments in respect of which such option is exercised (a "Put Notice") in which the holder must specify a bank account to which payment is to be made under this Condition together in the case of Bearer Instruments with the Instruments. No deposit of Instruments will be required in respect of Book Entry Instruments.

7.5 *Redemption at option of Holders on Change of Control (Investor Put on Change of Control):* If at any time while any Instruments remain outstanding there occurs a Change of Control and within the Change of Control Period a Rating Downgrade as a result of that Change of Control occurs (together, a "Put Event"), each Holder will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Instruments in accordance with Condition 7.2 (*Redemption for tax reasons*)) to require the Issuer to redeem each of the Instruments held by such Holder on the Mandatory Redemption Date at its principal amount together with interest accrued to but excluding the Mandatory Redemption Date, such option being referred to as an "Investor Put on Change of Control".

Upon EDP becoming aware that a Put Event has occurred EDP shall promptly notify the Issuer of such fact and the Issuer shall give notice (a "Put Event Notice") to the Holders in accordance with Condition 15 (*Notices*) specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option set out in this Condition 7.5.

To exercise the option to require redemption of an Instrument under this Condition 7.5 the holder of this Instrument must, if this Instrument is in definitive form and held outside Euroclear Bank and Clearstream, Luxembourg, deliver such Instrument, on any business day in the city of the specified office of the relevant Paying Agent falling within the Put Period, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "Put Option Notice") and in which the holder must specify a bank account to which payment is to be made under this Condition 7.5. The Instrument should be delivered together with all Coupons appertaining thereto maturing after the Mandatory Redemption Date failing which an amount will be deducted from the payment to be made by the Issuer on redemption of the Instruments corresponding to the aggregate amount payable in respect of such missing Coupons.

If this Instrument is represented by a Global Instrument or is in definitive form and held through Euroclear Bank or Clearstream, Luxembourg, to exercise the right to require redemption, purchase of an Instrument under this Condition 7.5 the holder of the Instrument must, within the Put Period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of Euroclear Bank and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear Bank or Clearstream, Luxembourg or any common depositary for them to the Paying Agent by electronic means) in a form acceptable to Euroclear Bank and Clearstream, Luxembourg from time to time and, if this Instrument is represented by a Global Instrument, at the same time present or procure the presentation of the relevant Global Instrument to the Paying Agent for notation accordingly.

The Paying Agent to which such Instrument and Put Option Notice are delivered will issue to the holder concerned a non-transferable receipt (a "Put Option Receipt") in respect of the Instrument so delivered. The Issuer shall redeem the Instruments in respect of which Put Option Receipts have been issued on the Mandatory Redemption Date, unless previously redeemed and purchased. Payment in respect of any Put Option Receipt will be made on the Mandatory Redemption Date by transfer to the bank account (if any) specified in the Put Option Notice and in every other case on or after the Mandatory Redemption Date, in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 7.5.

For the purposes of this Condition:

A "Change of Control" shall be deemed to have occurred at each time (whether or not approved by the Management Board or Supervisory Board of EDP) that any person (or persons) ("Relevant Person(s)") acting in concert or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly:

- (i) acquires or becomes entitled to exercise control over EDP; or
- (ii) acquires or owns, directly or indirectly more than 50 per cent. of the issued voting share capital of EDP,

provided that the foregoing shall not include the control, or ownership of issued voting share capital, exercisable by and/or owned by the Portuguese Republic, or by the Portuguese Republic and/or by any entity or entities (together or individually) controlled by the Portuguese Republic from time to time, or in respect of which the Portuguese Republic owns directly or indirectly more than 50 per cent. of the issued voting share capital.

A Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person(s) are also, or immediately prior to the event which would otherwise constitute a Change of Control were, all of the shareholders of EDP.

"Change of Control Period" means the period ending 120 days after the Date of Announcement.

"Date of Announcement" means the date of the public announcement that a Change of Control has occurred.

"Investment Grade Rating" means a rating of at least BBB- (or equivalent thereof) in the case of S&P or a rating of at least BBB- (or equivalent thereof) in the case of Fitch or a rating of at least Baa3 (or equivalent thereof) in the case of Moody's or the equivalent in the case of any other Rating Agency.

"Investment Grade Securities" means Rated Securities which have an Investment Grade Rating from each Rating Agency that assigns a rating to such Rated Securities.

"Mandatory Redemption Date" is the seventh day after the last day of the Put Period.

"Put Period" means the period of 45 days from and including the date on which a Put Event Notice is given.

"Rated Securities" means:

- (i) the Instruments; or
- (ii) such other comparable long-term debt of the Issuer or EDP selected by the Issuer from time to time for the purpose of this definition which possesses a rating by any Rating Agency.

"Rating Agency" means Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), Fitch Ratings Limited ("Fitch") and Moody's Investors Services Limited ("Moody's") or any of their respective successors or any other rating agency of equivalent international standing specified from time to time by EDP.

"Rating Downgrade" means either:

- (i) within the Change of Control Period:
 - (a) any rating assigned to the Rated Securities is withdrawn; or
 - (b) the Rated Securities cease to be Investment Grade Securities; or
 - (c) (if the rating assigned to the Rated Securities by any Rating Agency which is current at the Date of Announcement is below an Investment Grade Rating) that rating is lowered one full rating notch by any Rating Agency (for example from BB+ to BB by S&P or Fitch and Ba1 to Ba2 by Moody's or such similar lower of equivalent rating),

provided that no Rating Downgrade shall occur by virtue of a particular withdrawal of or reduction in rating unless the Rating Agency withdrawing or making the reduction in the rating announces or confirms that the withdrawal or reduction was the result, in whole or in part, of the relevant Change of Control; or

- (ii) if at the time of the Date of Announcement, there are no Rated Securities and either:
 - (a) EDP does not use all reasonable endeavours to obtain, within 45 days of the Date of Announcement, from a Rating Agency a rating for the Rated Securities; or
 - (b) if EDP does use such endeavours, but, as a result of such Change of Control, at the expiry of the Change of Control Period there are still no Investment Grade Securities and the Rating Agency announces or confirms in writing that its declining to assign an Investment Grade Rating was the result, in whole or in part, of the relevant Change of Control.

7.6 *Early Redemption Amounts:* For the purpose of Condition 7.2 above and Condition 10, each Instrument will be redeemed at the Early Redemption Amount calculated as follows:

- (i) at the amount specified in the Final Terms or, if no such amount is so specified in the Final Terms, at its nominal amount; or
- (ii) in the case of a Zero Coupon Instrument, at an amount (the "Amortised Face Amount") equal to the sum of the Reference Price and the product of the Accrual Yield (compounded annually) being applied to the Reference Price from and including the Issue Date of the first Tranche of the Instruments to but excluding the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of the Day Count Fraction specified in the Final Terms which will be either (1) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Instruments to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable and the denominator will be 360) or (2) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Instruments to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable and the denominator will be 360) or (3) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Instruments to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable and the denominator will be 365).

7.7 *Instalments:* Instalment Instruments will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.6.

7.8 *Purchases:* EDP or any subsidiary of EDP may at any time purchase Instruments (provided that, in the case of Bearer Instruments, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Instruments may be held, reissued, resold or, at the option of EDP, surrendered to any Paying Agent for cancellation.

7.9 *Cancellation:* All Instruments which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption (or in accordance with Interbolsa regulations in the case of Book Entry Instruments)). All Instruments so cancelled and Instruments purchased and cancelled pursuant to Condition 7.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Issue and Paying Agent (save in the case of Book Entry Instruments) and cannot be reissued or resold.

7.10 *Late payment on Zero Coupon Instruments:* If the amount payable in respect of any Zero Coupon Instrument upon redemption of such Zero Coupon Instrument pursuant to Condition 7.1, 7.2, 7.3, 7.4 or 7.5 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Instrument shall be the amount calculated as provided in Condition 7.6(ii) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Instrument becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Instrument have been paid; and

- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Instrument has been received by the Issue and Paying Agent or the Trustee and notice to that effect has been given to the Holders in accordance with Condition 15.

8. Taxation

All payments of principal and interest in respect of the Instruments, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Instruments, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Instruments, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Instrument, Receipt or Coupon:

- (i) presented for payment by or on behalf of a Beneficial Owner who is liable for such taxes or duties in respect of such Instrument, Receipt or Coupon by reason of his having some connection with the relevant Tax Jurisdiction other than the mere holding of such Instrument, Receipt or Coupon;
- (ii) presented for payment in the case of a Bearer Instrument, in the relevant Tax Jurisdiction;
- (iii) presented for payment in the case of a Bearer Instrument more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6);
- (iv) where such withholding or deduction is imposed on a payment to an individual who has not fulfilled the formal requirements for the exemption of withholding tax under European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (v) presented for payment by or on behalf of a Beneficial Owner who would have been able to avoid such withholding or deduction by presenting the relevant Instrument, Receipt or Coupon to another Paying Agent in a Member State of the European Union;
- (vi) presented for payment by or on behalf of a Beneficial Owner of Instruments, Receipts or Coupons who would not be liable for or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- (v) where the Issuer is EDP, presented for payment by or on behalf of a Beneficial Owner of Instruments, Receipts or Coupons particularly in respect of whom the information required in order to comply with the special tax regime approved by Decree-Law no. 193/2005 of 7 November ("Decree-Law no. 193/2005"), and any implementing legislation, is not received prior to the Relevant Date;
- (vi) where the Issuer is EDP, presented for payment by or on behalf of a Beneficial Owner of Instruments, Receipts or Coupons resident for tax purposes in the Tax Jurisdiction, or a resident in a country, territory or region subject to clearly a more favourable tax regime included in the list approved by Order no. 150/2004, of 13 February 2004 (Portaria do Ministro das Finanças e da Administração Pública no. 150/2004) as amended from time to time, issued by the Portuguese Minister of Finance and Public Administration, with the exception of (a) central banks and governmental agencies as well as international institutions recognised by the Tax Jurisdiction of those tax haven jurisdictions and (b) tax haven jurisdictions which have a double taxation treaty in force or a tax information exchange agreement in force with Portugal, provided that all procedures and all information required under Decree-Law no. 193/2005 regarding (a) and (b) above are complied with;
- (vii) where the Issuer is EDP, presented for payment by or on behalf of (1) a Portuguese resident legal entity subject to Portuguese corporation tax (with the exception of entities that benefit from a Portuguese withholding tax waiver or from Portuguese income tax exemptions), or (2) a non-resident legal person with a permanent establishment in Portugal to which the income or gains

obtained from the Instruments, Receipts or Coupons are attributable (with the exception of entities which benefit from a Portuguese withholding tax waiver);

- (viii) where the Issuer is EDP, presented for payment by or on behalf of, a Holder (i) in respect to whom the information and documentation required by Portuguese law in order to comply with any applicable tax treaty is not received by the Issuer or by the Portuguese Paying Agent directly from the Holders before the date by which such documentation is to be provided to the Issuer under Portuguese law, and (ii) who is resident in one of the contracting states; or
- (ix) where such deduction or withholding is required pursuant to the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) and any intergovernmental agreement or implementing legislation adopted by another jurisdiction or any agreement with the U.S. Internal Revenue Service in connection with these provisions.

As used in these Terms and Conditions:

- (i) "Tax Jurisdiction" means in the case of EDP, the Portuguese Republic or any political subdivision or any authority thereof or therein having power to tax and, in the case of EDP B.V., the Netherlands or any political subdivision or any authority thereof or therein having power to tax or in either case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax in which EDP or, as the case may be, EDP B.V. becomes tax resident;
- (ii) the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issue and Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with Condition 15; and
- (iii) "Beneficial Owner" means the holder of the Instruments who is the effective beneficiary of the income attributable thereto.

9. Prescription

The Instruments (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6 or any Talon which would be void pursuant to Condition 6.

10. Events of Default

If any one or more of the following events (each an "Event of Default") shall occur and is continuing:

- (i) the Issuer fails to pay any amount of principal or interest due in respect of the Instruments or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (ii) the Issuer fails to perform or observe any of its other obligations under the Trust Deed or these Terms and Conditions or, if the Issuer is EDP B.V., EDP fails to perform or observe any of its obligations under the Trust Deed or these Terms and Conditions or (in the case of Book Entry Instruments) the Interbolsa Instrument and, save for in the case of Book Entry Instruments (A) such failure is, in the opinion of the Trustee, incapable of remedy or in respect of which, in the opinion of the Trustee, remedial action satisfactory to the Trustee cannot be taken or (B) such failure is, in the opinion of the Trustee capable of remedy or in respect of which, in the opinion of the Trustee, such remedial action can be taken and the failure continues for the period of 30 days (or such longer period as the Trustee may permit) after the Trustee has given written notice to the Issuer requiring the same to be remedied; or
- (iii) any other Indebtedness of EDP B.V. (if EDP B.V. is the Issuer) or EDP or any Indebtedness of any Material Subsidiary becomes due and payable prior to the stated maturity thereof as a result of a default thereunder or any such Indebtedness is not paid at the maturity thereof

or any guarantee or indemnity in respect of Indebtedness or performance given by any such company is not honoured when due and called upon or any security interest, present or future, over the assets of any such company becomes enforceable provided that no such event in relation to such Indebtedness or any guarantee or indemnity in respect of such Indebtedness shall constitute an Event of Default unless the relative Indebtedness either alone or when aggregated with other Indebtedness relative to all (if any) other such events which shall have occurred shall amount to at least U.S.\$50,000,000 (or its equivalent in any other currency) and provided further that, for the purposes of this Condition 10(iii), neither EDP B.V. nor EDP nor any Material Subsidiary shall be deemed to be in default with respect to such Indebtedness, guarantee or security interest until expiration of the applicable grace or remedy period, if any, or if the Trustee is satisfied that it shall be contesting in good faith by appropriate means its liability to make payment thereunder; or

- (iv) any steps are taken with a view to the liquidation or dissolution of EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary, or EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary becomes insolvent or admits in writing its inability to pay its debts as and when the same fall due, or a receiver, liquidator or similar officer shall be appointed over all or any part of EDP B.V.'s (if EDP B.V. is the Issuer), EDP's or any Material Subsidiary's assets or an application shall be made for a moratorium or an arrangement with creditors of EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary or proceedings shall be commenced in relation to EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary under any legal reconstruction, readjustment of debts, dissolution or liquidation law or regulation, or a distress shall be levied or sued out upon all or any part of EDP B.V.'s (if EDP B.V. is the Issuer), EDP's or any Material Subsidiary's assets and shall remain undischarged for (60) days, or anything analogous to the foregoing shall occur under the laws of any applicable jurisdiction provided that, save in the case of Book Entry Instruments, no such event shall constitute an Event of Default if the Trustee is satisfied that it is being contested in good faith by appropriate means by EDP B.V. (if EDP B.V. is the Issuer), EDP or the relevant Material Subsidiary, as the case may be, and EDP or such Material Subsidiary or EDP B.V., as the case may be, has been advised by recognised independent legal advisers of good repute that it is reasonable to do so; or
- (v) save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Holders, EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary or EDP and the Material Subsidiaries (which for this purpose shall include EDP B.V. whether or not it is a Material Subsidiary at the relevant time) taken as a whole cease or threaten to cease to carry on the whole or a major part of the business conducted by it or them at the date on which agreement is reached to issue the first Tranche of the Instruments; or
- (vi) any authorisation, approval, consent, licence, decree, registration, publication, notarisation or other requirement of any governmental or public body or authority necessary to enable or permit EDP B.V. or EDP to comply with its obligations under the Instruments, the Trust Deed or the Keep Well Agreement or, if required for the validity or enforceability of any such obligations, is revoked, withdrawn or withheld or otherwise fails to remain in full force and effect or any law, decree or directive of any competent authority of or in the Netherlands or Portugal is enacted or issued which materially impairs the ability or right of EDP B.V. or EDP to perform such obligations; or
- (vii) EDP shall cease to own directly or indirectly more than 50 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership in any Material Subsidiary or 100 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership in EDP B.V. (if EDP B.V. is the Issuer) or EDP shall cease to have direct or indirect control of any Material Subsidiary or EDP B.V.; or
- (viii) the Keep Well Agreement is terminated or any provision of the Keep Well Agreement is amended or waived in circumstances where such amendment or waiver would have, in the opinion of the Trustee, an adverse effect on the interests of the Holders or is not enforced in a timely manner by EDP B.V. or is breached by EDP provided that in the case of such non-

enforcement or breach this has, in the opinion of the Trustee, an adverse effect on the interests of the Holders; then

- (a) in respect of Instruments other than Book Entry Instruments, the Trustee at its discretion may, and if so requested in writing by the Holders of at least one-quarter in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution of the Holders of the Instruments shall (subject in each case to being indemnified to its satisfaction), given written notice to the Issuer that the Instruments are, and they shall accordingly thereupon immediately become, due and repayable at the Early Redemption Amount (as described in Condition 7.6), together with accrued interest (if any) as provided in the Trust Deed provided that, in the case of any Event of Default other than those described in paragraphs (i) (vi) and (vii) above, the Trustee shall have certified to the Issuer that, in its opinion, such Event of Default is materially prejudicial to the interests of the Holders; and
- (b) in respect of Book Entry Instruments, any Book Entry Instrumentholder may give notice to the relevant Issuer and to the Portuguese Paying Agent at their respective specified offices, effective upon the date of receipt thereof by the Portuguese Paying Agent, that the Book Entry Instruments held by such Book Entry Instrumentholders are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7.6 together with accrued interest (as provided in the Interbolsa Instrument)).

In these Terms and Conditions:

"Group" means EDP and its Subsidiaries;

"Indebtedness" means, with respect to any person, any indebtedness or obligation (whether present or future, actual or contingent) created, issued, guaranteed, incurred or assumed by such person for money borrowed or raised;

"Material Subsidiary" means a Subsidiary:

- (a) whose operations include the generation and/or distribution of electricity in Portugal; and
- (b)
 - (i) at any time whose total assets, as calculated from the then latest annual financial statements, audited if prepared, of that Subsidiary (consolidated in the case of a Subsidiary which itself has subsidiaries) represent not less than 5 per cent. of the total assets of the Group (as shown in the latest audited consolidated accounts of the Group); or
 - (ii) at any time whose revenues, as calculated from the then latest annual financial statements, audited if prepared, of that Subsidiary (consolidated in the case of a Subsidiary which itself has subsidiaries) represent not less than 5 per cent. of the consolidated revenues of the Group (as shown in the latest audited consolidated accounts of the Group).

A report by the directors of EDP that in their opinion, a Subsidiary is or is not, was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. Such report may, if requested, be accompanied by a report from the Auditors (as defined in the Trust Deed) addressed to the directors of EDP as to the proper extraction of figures used by the directors of EDP in determining a Material Subsidiary and as to the mathematical accuracy of the calculations; and

"Subsidiary" means an entity from time to time of which EDP (a) has the right to appoint the majority of the members of the board of directors or similar board or (b) owns directly or indirectly more than 50 per cent. of the share capital or similar right of ownership.

11. Enforcement

In the case of Instruments other than Book Entry Instruments, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Instruments and any related Receipts or Coupons or the obligations of EDP under the Keep Well Agreement, but it shall not be bound to take any such proceedings or any other action unless (a) it shall have been so directed by an Extraordinary Resolution of the Holders or so

requested in writing by the Holders of at least one-quarter in nominal amount of the Instruments outstanding and (b) it shall have been indemnified to its satisfaction. In the case of Book Entry Instruments, the Trustee may at any time, at its discretion and without notice, take such proceedings and/or other action as it may think fit against or in relation to the relevant Issuer to enforce the obligations of the relevant Issuer in respect of the covenants granted to the Trustee by the relevant Issuer under the Conditions or the Trust Deed, however the Trustee shall in no circumstances be bound to do so. No Holder, save for a Book Entry Instrumentholder, shall be entitled to proceed directly against the Issuer or to take proceedings to enforce the Keep Well Agreement unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing, provided that in the case of Book Entry Instruments, the Trustee may not but the holders thereof may at any time take such proceedings against the relevant Issuer as they may think fit to enforce the provisions of the Book Entry Instruments and/or the Interbolsa Instrument.

12. Replacement of Instruments, Receipts, Coupons and Talons

Should any Instrument (other than a Book Entry Instrument), Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Instruments, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Issue and Paying Agent and, in respect of Registered Instruments, a Registrar;
- (b) so long as the Instruments are listed, traded and/or quoted by or on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system;
- (c) there will at all times be a Paying Agent in jurisdiction within Europe other than the relevant Tax Jurisdiction; and
- (d) there will at all times be a Paying Agent in Portugal capable of making payment in respect of the Book Entry Instruments as contemplated by these terms and conditions of the Instruments, the Agency Agreement and applicable Portuguese law and regulation.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain limited circumstances, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Holders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Instrument to which it appertains) a further Talon, subject to the provisions of Condition 9.

15. Notices

- 15.1** *Bearer Instruments:* All notices regarding Bearer Instruments which are not admitted to trading on the Irish Stock Exchange will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London and, for so long as the Instruments are admitted to trading on the Irish Stock Exchange and the rules of that exchange so require, through the Companies Announcement Office of the Irish Stock Exchange. Any such notice will be deemed to have been given on the date of the first publication.
- 15.2** *Notices to Holders of Registered Instruments:* Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.
- 15.3** *Book Entry Instruments:* The Issuer shall comply with Portuguese law in respect of notices relating to Book Entry Instruments.
- 15.4** *General:* The Issuer shall also ensure that notices are duly published and/or filed in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Instruments are for the time being listed, traded and/or quoted.
- 15.5** *Publication not practicable:* If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.
- 15.6** *Notices from Holders:* Notices to be given by any Holder shall be in writing and given by lodging the same, together with the relative Instrument or Instruments, with the Issue and Paying Agent.

16. Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed and, in relation to Book Entry Instruments only, the Interbolsa Instrument contain provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Instruments, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Holders holding not less than ten per cent. in nominal amount of the Instruments for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Instruments for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the Instruments so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Instruments, the Receipts, the Coupons or the Trust Deed (including modifying the date of maturity of the Instruments or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Instruments or altering the currency of payment of the Instruments, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Instruments for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Instruments for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

The Trustee may agree, without the consent of the Holders, to:

- (a) any modification of the Instruments, the Receipts, the Coupons or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders; or
- (b) any modification of the Instruments, the Receipts, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

The Trustee may also, without any consent as aforesaid, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in any such case, is not in the opinion of the Trustee, materially prejudicial to the interests of the Holders.

Any such modification, waiver, authorisation or determination shall be binding on the Holders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Holders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 8 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The Trustee may, without the consent of the Holders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Instruments, the Receipts, the Coupons and the Trust Deed of another company, being a Subsidiary of the Issuer, subject to (a) the Instruments being unconditionally and irrevocably guaranteed by the Issuer or having the benefit of a Keep Well Agreement by EDP on the same basis as that on which they had such benefit immediately prior to the substitution, or the substitute Issuer is EDP (b) the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further Instruments having terms and conditions the same as the Instruments or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Instruments. The Trust Deed and, in relation to Book Entry Instruments only, the Interbolsa Instrument contain provisions for convening a single meeting of the Holders and the holders of instruments of other series in certain circumstances where the Trustee so decides.

18. Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee may enter into business transactions with the Issuer or any person or body corporate associated with the Issuer without accounting for any profit made or benefit received.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Instrument under the Contracts (Rights of Third Parties) Act 1999.

20. Governing Law and Submission to Jurisdiction

20.1 *Governing law:* The Trust Deed, the Interbolsa Instrument, the Agency Agreement, the Keep Well Agreement, the Instruments, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Interbolsa Instrument, the Agency Agreement, the Keep Well Agreement, the Instruments, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law save that, with respect to Book Entry Instruments only, the form (*representação formal*) and transfer of the Instruments, creation of security over the Instruments and the Interbolsa procedures for the exercise of rights under the Book Entry Instruments are governed by, and construed in accordance with, Portuguese law.

20.2 *Submission to jurisdiction:* The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Instruments, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual

obligations arising out of or in connection with the Trust Deed, the Instruments, the Receipts and/or the Coupons (a Dispute) and accordingly each of the Issuers, the Trustee and any holders of Instruments, Receipts or Coupons in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

Each of EDP B.V. and EDP irrevocably and unconditionally waived any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

To the extent allowed by law, the Trustee, the holders of Instruments, Receipts or Coupons may, in respect of any Dispute or Disputes, take: (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

20.3 *Appointment of Process Agent:* Each of EDP B.V. and EDP has in the Trust Deed appointed The Law Debenture Corporate Services Limited at its registered office for the time being (being at 5 September 2017 at Fifth Floor, 100 Wood Street, London EC2V 7EX) as its agent for service of process in any proceeding and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

20.4 *Other documents:* Each of EDP and EDP B.V. has in the Agency Agreement and the Keep Well Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

**PROVISIONS RELATING TO THE INSTRUMENTS (OTHER THAN BOOK ENTRY INSTRUMENTS) WHILE IN
GLOBAL FORM**

Form of Instruments

(A) Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear Bank, Clearstream, Luxembourg or any other clearing system as the holder of an Instrument represented by a Global Instrument (which expression includes a Temporary Global Instrument and a Permanent Global Instrument) must look solely to Euroclear Bank, Clearstream, Luxembourg or such other clearing system (as the case may be) for such person's share of each payment made by the Issuer to the bearer of such Global Instrument (or the registered holder of the Global Registered Instrument, as the case may be), and in relation to all other rights arising under the Global Instruments, subject to and in accordance with the respective rules and procedures of Euroclear Bank, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument or Global Registered Instrument and such obligations of the Issuer will be discharged by payment to the bearer of such Global Instrument (or the registered holder of the Global Registered Instrument, as the case may be), in respect of each amount so paid. References in these provisions relating to the Instruments in global form to "holder" or "accountholder" are to those persons shown in the records of the relevant clearing system as a holder of an Instrument.

(B) Form and Exchange – Bearer Global Instruments

- (1) TEFRA D or TEFRA C: The Final Terms shall specify whether U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "TEFRA D Rules") or U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "TEFRA C Rules") shall apply, or specify if TEFRA is not applicable. Each Tranche of Bearer Instruments is represented upon issue by a temporary global Instrument (a "Temporary Global Instrument"), unless the Final Terms specifies otherwise and the TEFRA C Rules apply.

Where the Final Terms applicable to a Tranche of Bearer Instruments specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Final Terms) represented upon issue by a Permanent Global Instrument.

The Global Instruments will:

- (i) if the Global Instruments are intended to be issued in new global note ("NGN") form, as stated in the Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear Bank and Clearstream, Luxembourg; and
- (ii) if the Global Instruments are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depository for, Euroclear Bank and Clearstream, Luxembourg.

Interests in a Temporary Global Instrument may be exchanged for:

- (i) interests in a permanent global Instrument (a "Permanent Global Instrument"); or
- (ii) if so specified in the Final Terms, definitive Instruments in bearer form ("Definitive Instruments") and/or (if so specified in the Final Terms) Registered Instruments.

Exchanges of interests in a Temporary Global Instrument for Definitive Instruments or, as the case may be, a Permanent Global Instrument will be made only on or after the Exchange Date (as specified in the Final Terms) and (unless the Final Terms specifies that the TEFRA C Rules are applicable to the Instruments) provided certification as to the non-U.S. beneficial ownership thereof as required by U.S. Treasury Regulations (in substantially the form set out in the Trust Deed or in such other form as is customarily

issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Instruments will be made at any time or from such date as may be specified in the Final Terms, in each case, without any requirement for certification.

- (2) *Limitation on entitlement under a Temporary Global Instrument after Exchange Date:* Holders of interests in any Temporary Global Instrument shall not (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Instruments and/or Registered Instruments, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Instruments represented by such Temporary Global Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.
- (3) *Certification of non-U.S. beneficial ownership:* Unless the Final Terms specify that the TEFRA C Rules are applicable or specify that TEFRA is not applicable to the Instruments and subject to paragraph (2) above, if any date on which a payment of interest is due on the Instruments of a Tranche occurs while any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the non-U.S. beneficial ownership thereof as required by U.S. Treasury Regulations (in substantially the form set out in the Trust Deed or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear Bank or Clearstream, Luxembourg, or any other relevant clearing system which may be specified in the Final Terms. Payments of amounts due in respect of a Permanent Global Instrument or (subject to paragraph (2) above) a Temporary Global Instrument (if the Final Terms specifies that the TEFRA C Rules are applicable or that TEFRA is not applicable to the Instruments) will be made through Euroclear Bank or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.
- (4) *Exchange for Definitive Instruments:* Interests in a Permanent Global Instrument will be exchanged (subject to the period allowed for delivery as set out in (i) below), in whole but not in part only and at the request of the Holder of such Global Instrument, for Definitive Instruments and/or (if so specified in the Final Terms) Registered Instruments (a) if Euroclear Bank or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (b) an Event of Default (as defined in Condition 10) occurs or (c) on 60 days' notice given at any time at the request of the bearer, if so specified in the Final Terms. The circumstances described in (a) and (b) are each herein referred to as an "Exchange Event". Whenever a Permanent Global Instrument is to be exchanged for Definitive Instruments and/or Registered Instruments, the Issuer shall procure the prompt delivery of such Definitive Instruments and/or Registered Instruments, duly authenticated and where and to the extent applicable, with Coupons and Talons attached (each as defined in Condition 1.2), in an aggregate nominal amount equal to the nominal amount of such Permanent Global Instrument to the Holder of the Permanent Global Instrument against its surrender at the specified office of the Issue and Paying Agent within 30 days of the Holder requesting such exchange.

(C) Form of Exchange – Global Registered Instruments

- (1) *Global Registered Instrument:* Registered Instruments held in Euroclear Bank and/or Clearstream, Luxembourg (or other clearing system) will be represented by a Global Registered Instrument which will be deposited with, a common depositary or common safekeeper if the Registered Instrument is held under the NSS, as the case may be, for Euroclear Bank and Clearstream, Luxembourg and registered in the name of a common nominee of Euroclear Bank and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper if the Registered Instruments are held under the NSS, as specified

in the Final Terms (or registered in the name of a nominee of, and deposited with, a common depository for such other relevant clearing system).

- (2) *Exchange*: The Global Registered Instrument will become exchangeable in whole, but not in part, for individual Registered Instruments if (a) Euroclear Bank or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or have in fact done so and, in any such case no successor clearing system satisfactory to the Trustee is available, (b) an Event of Default occurs, or (c) on 60 days' notice given at any time at the request of the registered Holder, if so specified in the Final Terms. The circumstances described in (a) and (b) are each herein referred to as an "Exchange Event".

Whenever the Global Registered Instrument is to be exchanged for Registered Instruments, such Registered Instruments will be issued in an aggregate nominal amount equal to the nominal amount of the Global Registered Instrument within five business days of the delivery, by or on behalf of the registered Holder of the Global Registered Instrument, Euroclear Bank and/or Clearstream, Luxembourg, to the Registrar or the Transfer Agent (as the case may be) of such information as is required to complete and deliver such Registered Instruments (including, without limitation, the names and addresses of the persons in whose names the Registered Instruments are to be registered and the nominal amount of each such person's holding) against the surrender of the Global Registered Instrument at the specified office of the Registrar or the Transfer Agent (as the case may be). Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Instruments scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar or the Transfer Agent (as the case may be) may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

(D) Amendment to Conditions

The Temporary Global Instruments, Permanent Global Instruments and Global Registered Instruments contain provisions that apply to the instruments that they represent, some of which modify the effect of the Terms and Conditions of the Instruments set out in this Base Prospectus. The following is a summary of certain of those provisions:

- (1) *Meetings*: The holder of a Permanent Global Instrument or of the Instruments represented by a Global Registered Instrument shall (unless such Permanent Global Instrument or Global Registered Instrument represents only one Instrument) be treated as having one vote in respect of each minimum Specified Denomination of Instruments for which such Global Instrument may be exchanged.
- (2) *Cancellation*: Cancellation of any Instrument represented by a Permanent Global Instrument or Global Registered Instrument that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Instrument or Global Registered Instrument.
- (3) *Purchase*: Instruments represented by a Permanent Global Instrument or Global Registered Instrument may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.
- (4) *Issuer's Options*: Any option of the Issuer provided for in the Conditions of the Instruments while such Instruments are represented by a Permanent Global Instrument or a Global Registered Instrument shall be exercised by the Issuer giving notice to the holders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Instruments drawn in the case of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of account holders with a clearing system in respect of the Instruments will be governed by the standard procedures of Euroclear Bank, Clearstream, Luxembourg or any other clearing system (as the case may be).

- (5) *Holder's Options:* Any option of the holders provided for in the Conditions of any Instruments while such instruments are represented by a Permanent Global Instrument or a Global Registered Instrument may be exercised by the Holder of such Permanent Global Instrument or Global Registered Instrument, giving notice to the Issue and Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent or the Registrar, in the case of a Global Registered Instrument substantially in the form of the notice available from any Paying Agent (or the Registrar, in the case of a Global Registered Instrument), except that the notice shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised, and stating the nominal amount of Instruments in respect of which the option is exercised and at the same time presenting for notation the Permanent Global Instrument or the Global Registered Instrument to the Issue and Paying Agent, or to a Paying Agent acting on behalf of the Issue and Paying Agent, or the Registrar, in the case of a Global Registered Instrument.
- (6) *Notices:* So long as any Instruments are represented by a Permanent Global Instrument or Global Registered Instrument and such Permanent Global Instrument or Global Registered Instrument is held on behalf of a clearing system (i) notices to the Holders of Instruments of that Series may be given by delivery of the relevant notice to the clearing system for communication by it to entitled accountholders in substitution for publication and/or filing as required by the Conditions and any such notice shall be deemed to have been given to the Holders on the date of delivery to the clearing system and (ii) notices to be given by any Holder may be given to the Issue and Paying Agent through Euroclear Bank and/or Clearstream, Luxembourg, as the case may be, in such manner as the Issue and Paying Agent and Euroclear Bank and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

BOOK ENTRY INSTRUMENTS HELD THROUGH INTERBOLSA

General

Interbolsa holds securities through a centralised system (sistema centralizado) composed of interconnected securities accounts, through which such securities (and inherent rights) are held and transferred, and which allows Interbolsa to control at all times the amount of securities so held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal and Interbolsa, as the controlling entity, all participate in such centralised system.

The centralised securities system of Interbolsa provides for all procedures required for the exercise of ownership rights inherent to the Book Entry Instruments held through Interbolsa.

In relation to each issue of securities, Interbolsa's centralised system comprises, inter alia: (1) the issue account, opened by the relevant issuer in the centralised system and which reflects the full amount of issued securities; and (2) the control accounts opened by each of the financial intermediaries which participate in Interbolsa's centralised system, and which reflect the securities held by such participant on behalf of its customers in accordance with their individual securities accounts.

Book Entry Instruments held through Interbolsa will be attributed an International Securities Identification Number ("ISIN" code) through the codification system of Interbolsa. These Book Entry Instruments will be accepted and registered with *Central de Valores Mobiliários ("CVM")*, the centralised securities system managed and operated by Interbolsa and settled by Interbolsa's settlement system.

Form of the Book Entry Instruments held through Interbolsa

The Book Entry Instruments will be represented in dematerialised book-entry form ("forma escritural") and shall be nominativas (in which case Interbolsa, at the request of the Issuer, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Holders and transmit such information to the Issuer). Form and title to the Book Entry Instruments will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable Comissão do Mercado de Valores Mobiliários ("CMVM") and Interbolsa regulations. No physical document of title will be issued in respect of Book Entry Instruments.

The Book Entry Instruments of each Series will be registered in the relevant issue account opened by the relevant Issuer with Interbolsa and will be held in control accounts by each Affiliate Member of Interbolsa (as defined below) on behalf of the holders of the Book Entry Instruments. Such control accounts reflect at all times the aggregate of Book Entry Instruments held in the individual securities accounts opened by the holders of the Book Entry Instruments with each of the Affiliate Members of Interbolsa. The expression "Affiliate Member of Interbolsa" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depositary banks appointed by Euroclear Bank and Clearstream, Luxembourg for the purpose of holding such accounts with Interbolsa on behalf of Euroclear Bank and Clearstream, Luxembourg.

Each person shown in the records of an Affiliate Member of Interbolsa as having an interest in Book Entry Instruments shall be treated as the holder of the Book Entry Instruments recorded therein except as otherwise required by law.

Payment of principal and interest in respect of Book Entry Instruments held through Interbolsa

While the Book Entry Instruments are held through Interbolsa, payment of principal and interest in respect of the Book Entry Instruments: (1) in euros will be (a) credited, according to the procedures and regulations of Interbolsa, by the Portuguese paying agent (*the "Portuguese Paying Agent"*) acting on behalf of the Issuer from the payment current account which the Portuguese Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Portuguese Paying Agent's behalf for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with such Book Entry Instruments and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the Holders or through Euroclear Bank and Clearstream, Luxembourg to the accounts with Euroclear Bank and Clearstream, Luxembourg of the beneficial owners of such Book Entry Instruments, in accordance with the rules and procedures of Interbolsa, Euroclear Bank or Clearstream, Luxembourg, as the case may be; and (2) in currencies other than euros will be (a) transferred, on the payment date and according to the procedures and

regulations applicable by Interbolsa, from the account held by the Portuguese Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of those Book Entry Instruments or through Euroclear Bank and Clearstream, Luxembourg to the accounts with Euroclear Bank and Clearstream, Luxembourg of the beneficial owners of those Book Entry Instruments, in accordance with the rules and procedures of Interbolsa, Euroclear Bank or Clearstream, Luxembourg, as the case may be.

Transfer of Book Entry Instruments held through Interbolsa

Book Entry Instruments held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Book Entry Instruments. No owner of Book Entry Instruments will be able to transfer such Book Entry Instruments, except in accordance with Portuguese law and the applicable procedures established by the CMVM and Interbolsa.

USE OF PROCEEDS

The net proceeds from each issue of Instruments issued by EDP will be applied by EDP for its general corporate purposes. The proceeds of Instruments issued by EDP B.V. will be on-lent to, or invested in, EDP Group companies.

RELATIONSHIP OF EDP B.V. WITH EDP

EDP has entered into a Keep Well Agreement dated 14 March 2001 with EDP B.V. (the "Keep Well Agreement") governed by English law. The following is the text of the Keep Well Agreement:

"KEEP WELL AGREEMENT"

This Keep Well Agreement is made on 14 March 2001 by and between:

- (1) EDP – ELECTRICIDADE DE PORTUGAL, S.A. ("EDP"); and
- (2) EDP FINANCE B.V. ("EDP B.V.").

WHEREAS:

- (A) EDP B.V. is a direct wholly-owned subsidiary of EDP;
- (B) Bankers Trustee Company Limited (the "Trustee", which expression shall, wherever the context so admits, include any successor as trustee for holders of the Instruments as defined below), EDP and EDP B.V. (each an "Issuer" and together the "Issuers") have entered into a trust deed dated 14 March 2001 (the "Trust Deed") relating to the €5,000,000,000 Programme for the Issuance of Debt Instruments (the "Programme");
- (C) The Issuers may issue Instruments after the date hereof pursuant to the Programme (the "Instruments", which expression as used herein shall include Instruments whether in global or definitive form and any receipts, coupons or talons appertaining to such Instruments) which will be constituted by the Trust Deed as modified and/or supplemented and/or restated from time to time;
- (D) EDP B.V. may also hereafter assume from time to time obligations under swap agreements which will be related to the Instruments issued by EDP B.V. (any obligation of EDP B.V. in respect of each swap agreement entered into by EDP B.V. and any Instrument issued by EDP B.V. under the Programme being herein referred to as a "Debt Obligation" and the obligations together being herein referred to as "Debt Obligations"); and
- (E) EDP B.V. entered into the Programme as Issuer for its own benefit and also for the benefit of EDP.

NOW, THEREFORE, EDP and EDP B.V. hereby covenant and agree as follows:

1. In consideration of the sum of £1 paid by EDP B.V. to EDP (receipt of which EDP hereby acknowledges), EDP shall own, directly or indirectly, all of the issued and outstanding share capital of EDP B.V. and will control the composition of the board of directors of EDP B.V. so long as any Debt Obligation is outstanding and shall not pledge, grant a security interest in, encumber or alienate any of such share capital.
2. For so long as EDP B.V. has outstanding Instruments under the Programme, EDP shall, with effect on and from the date of this Agreement, cause EDP B.V. to maintain a Tangible Net Worth (as hereinafter defined), as determined in accordance with generally accepted accounting principles in the Netherlands applied on a consistent basis as shown on EDP B.V.'s most recent audited balance sheet (commencing with EDP B.V.'s audited balance sheet at 31 December 2001), of at least one euro.

"Tangible Net Worth" shall mean the total assets of EDP B.V. less the sum of intangible assets and total liabilities of EDP B.V. A certificate of the auditors of EDP B.V. as to the amount of Tangible Net Worth shall, in the absence of manifest error, be final and conclusive.
3. For so long as EDP B.V. has outstanding Instruments under the Programme, if EDP B.V. at any time shall have insufficient funds or other liquid assets to meet its payment obligations (including in respect of any Debt Obligations) or to repay borrowings then maturing or subsequently to mature, upon receipt of notice from EDP B.V. to such effect, EDP shall make, or have made, available to EDP B.V., before the due date of such payment obligations or borrowings, funds sufficient to enable EDP B.V. to meet such payment obligations or to repay such borrowings, as the case may be, in full as they fall due. EDP B.V. shall use the funds made available to it by EDP hereunder solely for the fulfilment of its payment obligations and the repayment at maturity of its borrowings.
4. Any and all funds from time to time provided by EDP to EDP B.V. pursuant to Clause 3 above shall, at the option of EDP, be either (1) by way of subscription for and payment of share capital (other than

- redeemable share capital) of EDP B.V., or (2) by way of subordinated loan, that is to say, a loan which, and interest on which, is not permitted to be, and is not capable of being, repaid or paid unless all other debt of EDP B.V. has been fully satisfied and is subordinated on a winding-up of EDP B.V. to all of the unsecured and unpreferred creditors of EDP B.V. other than EDP.
5. EDP warrants and agrees that its payment obligations which may arise hereunder constitute unsecured and unsubordinated obligations of EDP and rank *pari passu* with all other unsecured and unsubordinated obligations of EDP other than those obligations which are preferred by law.
 6. This Agreement is not, and nothing herein contained and nothing done by EDP pursuant hereto shall be deemed to constitute, a guarantee, direct or indirect, by EDP of any Debt Obligation or any other debt of EDP B.V. (or of any subsidiary of EDP B.V.) or of any instrument issued by EDP B.V. or of any subsidiary of EDP B.V.
 7. If EDP B.V. shall be in liquidation, administration or receivership or other analogous proceedings (including if EDP B.V. is declared bankrupt ("*faillissement*") or is granted a moratorium of payment ("*surséance van betaling*") or enters into winding-up proceedings ("*ontbinding*") and EDP shall be in default of its obligations hereunder, EDP shall be liable to EDP B.V. by way of liquidated damages for such default in an amount equal to the sum that EDP would have paid had it performed in full all of its obligations hereunder, and EDP B.V. and any liquidator, administrator or receiver of EDP B.V. or other analogous officer or official shall be entitled to claim accordingly.
 8. This Agreement may be modified, amended or terminated only by the written agreement of EDP and EDP B.V. provided, however, that no such modification, amendment or termination shall be made which may have any adverse effect upon the holders of the Instruments issued by EDP B.V. or the holders of any other Debt Obligation taken as a whole while any such Instrument or Debt Obligation is outstanding.
 9. EDP and EDP B.V. each hereby covenant and agree as follows:
 - (i) it will not consent, either orally or in writing, to any modification, amendment or termination of this Agreement which may have any adverse effect upon the holders of the Instruments issued by EDP B.V. or the holders of any other Debt Obligation taken as a whole while any Instrument or other Debt Obligation remains outstanding;
 - (ii) it will give written notice to the Trustee on behalf of the holders of Instruments issued by EDP B.V. and to the holders of any other Debt Obligation at least 30 days prior to any proposed modification, amendment or termination of this Agreement;
 - (iii) it will fully and promptly perform its obligations and exercise its rights under this Agreement and, in the case of EDP B.V. (without limitation to the foregoing) exercise its right to enforce performance of the terms of this Agreement by EDP; and
 - (iv) it will consent to the giving of an order of specific performance or similar relief by any court of competent jurisdiction in the event that any action is brought in respect of this Agreement.
 10.
 - (i) This Agreement shall take effect for the benefit of the Trustee on behalf of the holders of Instruments issued by EDP B.V. and the holder of any other Debt Obligation. Apart from the parties to this Agreement and the Trustee, no other person, firm, company or association (unincorporated or incorporated) shall be entitled to any benefit under this Agreement whatsoever.
 - (ii) This Agreement shall be deposited with and held by the Trustee for so long as the Trust Deed is in force and, if thereafter, any other Debt Obligation remains outstanding it will be deposited with and held by a reputable financial institution on behalf of the holder(s) of such other Debt Obligation. Both parties hereby acknowledge the right of the holder of any Instrument issued by EDP B.V. and any other Debt Obligation to obtain from either party a copy of this Agreement.
 - (iii) The term "holder" herein has the same meaning in relation to each Instrument as the term "Holder" in the Terms and Conditions of such Instrument.

11. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.
12. Each of EDP and EDP B.V. hereby irrevocably agrees that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly any suit, action or proceedings (together "Proceedings") arising out of or in connection with this Agreement may be brought in such courts. Each of EDP and EDP B.V. hereby irrevocably waives any objection which it may have to the laying of the venue of any Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agree that a judgment in any Proceedings brought in the English courts shall be conclusive and binding upon EDP and EDP B.V. and may be enforced in the courts of any other jurisdiction. Nothing contained herein shall limit any right to take Proceedings against EDP or EDP B.V. in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. Each of EDP and EDP B.V. hereby appoints The Law Debenture Trust Corporation p.l.c. at its registered office for the time being (being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX) as its agent for service of process and agrees that, in the event of The Law Debenture Trust Corporation p.l.c. ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Proceedings.
13. This Agreement shall be governed by, and construed in accordance with, the laws of England.

Note:

The Keep Well Agreement is not, and should not be regarded as equivalent to, a guarantee by EDP of any payment in respect of the Instruments. However, following an Event of Default, the Trustee will be entitled, on behalf of the Holders, to enforce EDP B.V.'s rights under the Keep Well Agreement against EDP in accordance with the terms of the Trust Deed. Enforcement in the English courts will be subject, among other things, to the powers of such courts to stay proceedings and other principles of law and equity of general application.

EDP and the EDP GROUP

OVERVIEW

EDP – Energias de Portugal, S.A. ("EDP" and together with its subsidiaries, the "Group" or the "EDP Group") is a listed company (sociedade aberta), whose ordinary shares are publicly traded on the regulated market of Euronext Lisbon. EDP is established in Portugal, organised under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 500.697.256. Its registered head office is located at Av. 24 de Julho, 12, 1249 - 300 Lisbon, Portugal, and its telephone number is +351210012500.

EDP was initially incorporated as a public enterprise (empresa pública) in 1976 pursuant to Decree-Law no. 502/76, of 30 June 1976, as a result of the nationalisation and merger of the principal Portuguese companies in the electricity sector in mainland Portugal. Subsequently, EDP was transformed into a limited liability company (sociedade anónima) pursuant to Decree-Law no. 7/91, of 8 January 1991, and Decree-Law no. 78-A/97, of 7 April 1997.

Under Article 3.1 of its Articles of Association, the corporate purpose of EDP is the direct or indirect promotion, development and management of undertakings and activities in the energy sector, both at national and international levels, with the goal of growing and improving the performance of its group's companies.

As a result of the privatisation of EDP's share capital, which has already involved eight phases – the first of which took place in 1997 and the most recent of which was concluded in February 2013 – the most significant shareholdings in EDP's share capital (i.e. shareholdings equal to or higher than 2 per cent.) as at 30 June 2017 are: China Three Gorges Corporation ("CTG"), owning 21.35 per cent.; Capital Group Companies, Inc., owning 12.00 per cent.; Oppidum Capital S.L., owning 7.19 per cent.; BlackRock, Inc., owning 5.00 per cent.; Mubadala Investment Company, owning 4.06 per cent.; China Ningbo International Cooperation Co., Ltd ("CNIC"), owning 3.02 per cent.; Norges Bank, owning 2.85 per cent.; Fundação Millennium BCP and BCP Group Pension Fund, owning 2.43 per cent.; Sonatrach, owning 2.38 per cent.; and Qatar Investment Authority, owning 2.27 per cent. As of 30 June 2017, EDP has an issued share capital of €3,656,537,715, comprised of 3,656,537,715 shares with a nominal value of €1 per share, all of which have been paid up.

EDP is a vertically integrated utility company that has electricity, gas and renewable energy operations primarily in Portugal, Spain, the United States, Brazil, Mexico, Canada, France, Belgium, Italy, Poland and Romania. Based on its own assessment of information published by and relating to other companies in the relevant sectors, EDP believes it is the largest generator, distributor and supplier of electricity in Portugal in terms of GWh of electricity generated, distributed and supplied respectively and the third largest electricity generation company in the Iberian Peninsula in terms of installed capacity. EDP maintains significant electricity operations in Spain, and based on its own assessment of wind generation figures published by the top two wind market operations according to energy market data providers, EDP believes it is one of the largest wind power operators worldwide in terms of electricity generation (GWh). In Brazil, EDP believes it is one of the largest private generators, distributors and suppliers in terms of GWh of electricity generated, distributed and supplied in the liberalised market, respectively.

Historically, EDP's core business has been electricity generation, distribution and supply in Portugal. Given Spain's geographical proximity and its regulatory framework, the Iberian Peninsula's electricity market has become EDP's natural home market, and EDP has made this market the primary focus of its energy business. As at the date of this Base Prospectus, EDP's principal subsidiaries in Portugal include its electrical generation company, EDP Produção, its electrical distribution company, EDP Distribuição – Energia S.A. ("EDP Distribuição"), and its two supply companies EDP Serviço Universal, S.A. ("EDP SU") and EDP Comercial – Comercialização de Energia, S.A. ("EDP Comercial"). In Spain, EDP's main subsidiary is Hidrocantábrico, which operates electricity generation plants and distributes and supplies electricity, mainly in the Asturias region of Spain.

In the natural gas market, EDP is present in the supply business in both Portugal and Spain. In Portugal, EDP supplies natural gas through EDP Comercial and EDP Gás Serviço Universal, S.A. ("EDP Gás SU"), while in Spain, EDP holds indirectly (through Hidrocantábrico) EDP Comercializadora, S.A. ("EDP Comercializadora"), which EDP believes is one of the largest natural gas suppliers in the Spanish market in terms of number of clients. In March and April 2017, EDP agreed to sell 100 per cent. of its gas distribution network in Spain and Portugal, respectively. On 27 July 2017, EDP announced it has completed, under the same terms and conditions previously disclosed, the sale of 100 per cent. of the share capital of Naturgas

Energia Distribucion, S.A. ("NED"), in Spain, to the consortium comprising institutional investors advised by J.P. Morgan Asset Management, the Abu Dhabi Investment Council, Swiss Life Asset Managers and Covalis Capital. The completion of the proposed transaction in relation to EDP's gas distribution network in Portugal is subject to customary regulatory approvals.

EDP has leveraged its strong Iberian renewable energy platform and, following the acquisition of EDP Renewables North America, LLC in 2007, EDP believes it has become one of the largest wind power operators worldwide in terms of electricity generation, based on its own assessment of wind generation figures published by the top wind operators according to energy market data providers. EDP's renewable power assets are held through its subsidiary EDP Renováveis, of which it currently holds a 82.6 per cent. stake, with the remaining 17.4 per cent. traded on the "Eurolist by NYSE Euronext Lisbon". EDP Renováveis has built significant growth platforms in the European, Brazilian and U.S. markets for the development and operation of power plants that generate electricity using renewable resources (mainly wind but also solar) and is actively seeking to expand its activities into other countries.

In Brazil, in addition to a renewable energy generation business, EDP has significant electricity generation and distribution businesses in the states of São Paulo, Espírito Santo, Tocantins, Ceará and Mato Grosso do Sul through its 51.3 per cent. stake in EDP Brasil, a company listed on the São Paulo Stock Exchange. EDP Brasil is the holding company for the majority investments in the Brazilian electricity industry, including its distribution subsidiaries EDP São Paulo Distribuição de Energia S.A. (formerly Bandeirante Energia, S.A.) ("EDP São Paulo") and EDP Espírito Santo Distribuição de Energia S.A. (formerly Espírito Santo Centrais Elétricas S.A.) ("EDP Espírito Santo"), its generation subsidiaries Energest, S.A., EDP Pequenas Centrais Hidroelétricas, S.A., Santa-Fé Energia, S.A., Lajeado Energia, S.A., Enerpeixe, S.A., Costa Rica Energética, Ltda and Porto do Pecém Geração de Energia, S.A., and its supply subsidiaries, EDP Comercialização e Serviços de Energia, S.A. ("EDP Comercialização") and EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A. In 2016, EDP Brasil was awarded the concession to operate 113 km of transmission grid in the State of Espírito Santo, Brazil, therefore creating the opportunity to enter into the electricity transmission segment. Subsequently, in April 2017, EDP Brasil won 4 more concession blocks in an auction with a total length of 1,184 km, in the states of Maranhão (2 blocks), São Paulo/Minas Gerais and Santa Catarina/Rio Grande do Sul. Investment is expected to occur almost entirely in the period between 2019 to 2021.

The EDP Group's revenues from energy sales and services and other for the six months ended 30 June 2017 and 2016 amounted to €7,875.4 million and €7,147.6 million, respectively, yielding operating results of €1,192.2 million and €1,327.4 million in each of the respective periods. The EDP Group's revenues from energy sales and services and other for the years ended 31 December 2016 and 2015 amounted to €14,595.2 million and €15,516.8 million, respectively. As at 30 June 2017, the EDP Group employed 11,938 people and had total assets of €43,524.7 million and total equity of €13,483.4 million.

STRATEGY OF EDP

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

Growth

EDP intends to increase installed capacity by 20 per cent. between 2015 and 2020, mainly driven by the hydro projects in Portugal and Brazil, as well as wind and solar projects in the United States and Latin America. EDP intends to focus on organic growth in respect of CO₂ free technologies, which is expected to result in clean energies (wind and hydro) representing 75 per cent. of the portfolio by 2020.

In Portugal, EDP has completed its planned investments in hydro capacity, with the last planned hydroelectric power plant with pumping capacity of 263 MW completed in the first half of 2017. The increased share of wind power in the Iberian Peninsula's power generation mix and more uncertainty as to annual hydroelectric output (depending on weather conditions) is expected to result in an increasingly volatile market where pumping is an extremely important value added feature. By the end of 2017, close to 40 per cent. of EDP's overall hydro capacity is expected to have pumping capacity. This new hydro capacity is expected to provide an extension of the residual life on our overall hydro portfolio to 30 years in 2020. As of 30 June 2017, the residual life on our overall hydro portfolios was 33 years.

In Brazil, EDP is currently building the São Manoel hydro power plant, concession rights to which were acquired in the A-5 auction of 13 December 2013, and for which operations are planned to start in May 2018. EDP Brasil holds a 33.334 per cent. share of São Manoel (the remainder is held by CTG, owning a 33.333 per cent. share, and by Companhia Furnas Centrais Elétricas S.A., owning a 33.333 per cent. share).

EDP plans to continue developing new wind and solar power capacity as part of its targeted growth plan. EDP believes, based on its assessment of wind generation figures published by the top wind market operators according to energy market data providers, that it is one of the largest wind power operators worldwide with 10.1 GW of wind and solar power capacity installed as of December 2016. EDP believes that this growth resulted not only from solid execution, but also from its competitive advantage in terms of the core competence in terms of all the operational variables: availability, costs and load factor. EDP expects to increase its wind and solar power capacity by approximately 3.5 GW between 2016 and 2020 (700MW/year), with 65 per cent. of this increased capacity target already built or secured with the signing of a feed-in tariff. The North American market is expected to be the key market with 65 per cent. of this new wind power capacity, Europe is expected to represent 15 per cent. and Brazil is expected to represent 10 per cent, while solar capacity is expected to represent around 10 per cent of the new power capacity.

Maintaining Financial Deleveraging

In Portugal, hydro-power plants (“HPPs”) under the CMEC will be gradually transferred from long term contracted generation to a liberalised market and will be exposed to price and volume volatility from the second half of 2017 onwards. Since EDP continues to be strongly committed to its financial deleveraging process, EDP expects to improve its credit ratios, which it believes will mitigate any business risk that may accompany a decline in long-term contracted business in Portugal following the end of the CMEC regime in June 2017.

A key element in EDP's deleveraging process is fulfilling the partnership with CTG. In the wake of the privatisation process, EDP and CTG established a strategic partnership where CTG has committed to invest €2 billion in the acquisition of minority stakes and co-invest in some of EDP's renewable projects, of which €1.6 billion has already been agreed/concluded as of the date of this Base Prospectus.

Another important element will be EDP Renováveis' asset rotation, which includes the sale of minority stakes and the reinvestment in projects. The risk/return from new projects is expected to be more attractive than the minority stakes in existing projects which will be disposed. EDP expects to reach €1.6 billion of asset rotation in 2016-2020, and around 60 per cent. of this objective was already achieved by June 2017.

In 2017, EDP announced the sale of its gas distribution business in Iberia: NED in Spain and EDP Gás S.G.P.S., S.A. (“EDP Gás”) in Portugal for an underlying firm value of approximately €2.6 billion and €0.5 billion, respectively. On 27 July 2017, following the information communicated to the market on 24 April 2017, EDP announced it has completed, under the same terms and conditions previously disclosed, the sale of 100 per cent. of the share capital of NED, in Spain. The completion of the proposed transaction in relation to EDP's gas distribution network in Portugal is subject to customary regulatory approvals. With this sale, the EDP Group will exit the gas distribution business in Iberia, which will further support its deleveraging targets, as well as the integration of its business model.

In addition, an overall reduction in capital expenditures is supporting the deleveraging process since all of the hydro projects under construction in Portugal have been completed by June 2017.

Preserving Low Risk Business Profile

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

EDP aims to limit the risk exposure of its business by proactively managing the major risks that affect its operations, in particular, regulatory, commodity, market and financial risks. A significant part of EDP's business portfolio involves either long-term contracted activities or regulated activities, where revenues are dependent on the outcome of regulatory decisions by governments and other authorities. As a result, EDP is in regular contact with regulatory authorities in order to seek to ensure that it receives accurate and appropriate regulatory treatment, including regarding the level of returns EDP receives on capital employed.

Some of EDP's operations are exposed to liberalised energy markets, which are subject to fluctuations in energy demand, supply and prices both in EDP's core markets and in other related

international markets. In order to reduce its exposure to these sources of volatility, EDP operates an integrated generation and supply model and maintains a hedging strategy that allows it to secure pricing for a significant portion of its fuel needs and electricity and gas sales in the liberalised markets for between 12 and 18 months.

Sustainability continues to be a key component of EDP's strategy and EDP aims to maintain a leadership position in terms of sustainability best practices. EDP believes it has one of the highest proportions of hydro and wind portfolios in Europe and plans to continue to invest in technologies with low exposure to CO2 and other environmental risks.

With respect to financial risk, EDP's funding strategy aims to maintain access to diversified sources and ensure that funding needs can be met 12 to 24 months in advance.

Efficiency

EDP recognises the importance of regularly implementing new initiatives to improve the efficiency of its operations and is committed to implementing its OPEX programme which focuses on reducing the operating costs of its activities worldwide up to €200 million per year by 2020 and achieving accumulated savings of €700 million for the period 2016-2020. The savings are expected to result primarily from headcount reduction in Iberia (mostly driven by retirements and corporate and support functions optimisation) and OPEX growth below inflation in Brazil. EDP seeks to maintain a leading position in efficiency and lean operations.

Profitability and Shareholder Returns

EDP is committed to delivering attractive returns through a predictable and sustainable dividend policy based on a target payout ratio of 65 to 75 per cent., with a dividend floor at €0.19 per share, thus allowing for future increases in the dividend per share in line with increases in the earnings per share.

In summary, EDP's strategy is designed to lead to growth, financial deleveraging, keeping a low risk profile, operational efficiency enhancements and delivering attractive returns, which allows it to have a distinctive profile amongst European utilities.

INVESTMENTS/DIVESTMENTS

EDP Group's total capital expenditure amounted to €747 million in the six-month period ended 30 June 2017, 62 per cent. of which was attributable to the construction of new hydro and wind capacity. Maintenance capital expenditure was 8 per cent. higher year-on-year (+€21 million), totalling €284 million in the six-month period ended 30 June 2017 and was mostly concentrated in regulated networks in Iberia and Brazil.

Capital expenditure in hydro capacity under construction in Portugal totalled €29 million. During the six-month period ended 30 June 2017, two hydro plants started operations: i) Venda Nova III pumping facility (756MW); and ii) Foz-Tua new hydro reservoir (263MW).

Capital expenditure in new wind capacity amounted to €424 million in the six-month period ended 30 June 2017 (76 per cent. of which was located in North America). Wind and solar capacity additions in the six-month period ended 30 June 2017 amounted to 21MW, of which 18MW was in France (wind) and 3MW in Portugal (solar). Wind capacity under construction reached 633MW in June 2017 (79 per cent. in North America, 20 per cent. in Brazil and 1 per cent. in Europe). In Brazil, capex totalled €94 million in the six-month period ended 30 June 2017 and was mostly attributed to EDP's distribution business.

Net financial divestments totalled -€203 million in the six-month period ended 30 June 2017, mainly reflecting the completion of the sale of a minority stake in Portuguese wind assets to CTG (€211 million, excluding shareholder loans) and the sale of a 3.5% stake held in REN (€50 million), partly offset by equity contributions to São Manoel hydro project in Brazil and to offshore wind projects developed in partnership.

EDP'S KEY BUSINESSES

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

Electricity Generation in the Iberian Peninsula

Overview

As the largest generator, distributor and supplier of electricity in Portugal in terms of GWh of electricity generated, distributed and supplied, respectively, EDP currently holds the leading position in the Portuguese domestic electricity market, according to the *Entidade Reguladora dos Serviços Energéticos* ("ERSE"). As at 30 June 2017, the EDP Group accounted for 58 per cent. of the installed capacity in the Portuguese National Electricity System ("SEN") and 99 per cent. of the electricity distribution network in mainland Portugal.

Based on the statistical reports on SEN daily provided by REN (at <http://www.centrodeinformacao.ren.pt/PT/InformacaoExploracao/Paginas/EstatisticaDiaria.aspx>) ("REN Reports"), total electricity consumption in mainland Portugal in the six-month period ended 30 June 2017 reached 24.7 TWh, representing a year-on-year increase of 0.3 per cent (when adjusted for temperature and working days, it increased year-on-year by 0.6 per cent).

According to REN Reports, Portugal's public electricity system is powered by a number of different sources of generation. In the six-month period ended 30 June 2017, the most significant sources of power generation in Portugal, excluding contribution from imports and exports, were coal (6,586 GWh), wind (6,354 GWh) and CCGT (5,884 GWh), representing 26.6 per cent., 25.7 per cent., and 23.8 per cent. of Portugal's total electricity demand, respectively, while electricity generation from hydroelectric power plants accounted for only 19.5 per cent. (4,824 GWh). The contribution made by cogeneration and biomass totalled 3,628 GWh, representing 14.7 per cent. of total electricity demand.

According to REN Reports, in the first six months of 2017, Portugal's energy trade balance with Spain favoured exportation, totalling 1,724 GWh, compared to 4,070 GWh of net electricity exported in the same period in the previous year.

Based on *Red Eléctrica de España S.A.* ("REE") reports, total electricity consumption in mainland Spain reached 125.0 TWh in the six-month period ended 30 June 2017, representing a year-on-year increase of 1 per cent. (when adjusted for temperature and working days, it increased 1.4 per cent.).

According to REE Reports, in mainland Spain the most significant sources of power generation, excluding contribution from imports and exports, were nuclear power generation totalling 28,446 GWh in the six-month period ended 30 June 2017, representing 22.8 per cent. of Spain's total electricity demand in the period. Coal generation reached 20,014 GWh, contributing to 16.0 per cent. of Spain's total electricity consumption. Hydroelectric power generation totalled 13,219 GWh while generation from CCGT plants reached 12,014 GWh in the six-month period ended 30 June 2017, representing 10.6 per cent. and 9.6 per cent. of total electricity consumption in the country, respectively. Wind power generation totalled 25,191 GWh and cogeneration and waste to energy generation reached 15,408 GWh in the six-month period ended 30 June 2017, representing 20.2 per cent. and 12.3 per cent. of Spain's total electricity demand, respectively.

According to REE Reports, in the six-month period ended 30 June 2017, Spain's cross-border energy trade favoured importation, totalling 5,081 GWh (compared to 3,119 GWh of net imports in the same period in the previous year).

Portugal

Through its subsidiary EDP Produção, the EDP Group has a strong presence in electricity generation in Portugal.

As at 30 June 2017, EDP Produção's generating facilities in Portugal, excluding wind, had a total maximum capacity of 10,151 MW, 66.5 per cent. of which was represented by hydroelectric facilities, 20.1 per cent. by CCGT power plant facilities, 11.6 per cent. by coal-fired facilities, 1.5 per cent. by mini hydroelectric power plants and 0.2 per cent. by Fisigen's cogeneration facility, plus 32 MW equity consolidated through its 50 per cent. interest in EDP Produção Bioelétrica, S.A., which is responsible for biomass power plant development. EDP does not own or operate any nuclear-powered facilities in Portugal.

In the six-month period ended 30 June 2017, net electricity generation from EDP Produção reached 11,486 GWh, which represented a year-on-year decrease of 24.3 per cent.

Hydrogeneration

EDP's current hydroelectric portfolio in Portugal includes over 47 facilities and each facility is categorised into one of three generating centres, which generally correspond to the three regional locations in Portugal where these facilities are located. In addition, these facilities in Portugal consist of 109 operating groups, a separate categorisation based on the number and types of turbines operated at these facilities that provide EDP with flexibility to reduce the number of turbines needed to meet demand. These operations are controlled from a remote command centre, located in Porto, Portugal.

EDP Produção also operates a portfolio of mini HPPs with a feed-in tariff remuneration scheme comprising 69 generating groups, across 37 power plants.

Decree-Law 240/2004 of 27 December established the creation of a CMEC mechanism as consideration for the early termination of PPAs related to the binding electricity production by HPPs of the EDP Group. On 8 March 2008, the Government, REN and EDP Produção signed several service concession arrangements for which EDP Produção paid approximately €759 million as consideration of the economic and financial balance for the extension of the period to operate the public hydric domain for an additional average period of 26 years. For further information, please see "*Regulatory Framework—European Energy Policy—Portugal—The Electricity Value Chain—Electricity Generation—Overview*". On 18 September 2013 the European Commission (the "EC") issued a press release stating that it had opened an in-depth state aid inquiry into water resources concessions granted by Portugal to EDP for electricity generation and would also inquire into the situation in other Member States. As with any state aid investigation, such proceedings are solely conducted between the EC and the Member State concerned (in this case, Portugal). The decision to initiate the procedure and the invitation to third parties to submit their observations on the case were published on the Official Journal of the European Union on 16 April 2014, following which EDP submitted its comments as an interested party. On 15 May 2017, the EC concluded that the water resource concessions granted by Portugal did not involve state aid. In the press release of 15 May 2017, the EC confirmed that the compensation paid by EDP for the hydro power concessions was in line with market conditions and that the financial methodology used to assess the price was appropriate and led to a fair market price. Note that the present decision does not address compliance of the measure with other provisions of EU law, such as EU public procurement rules and antitrust rules based on Articles 106/102 TFEU.

Salamonde hydro plant repowering (223 MW) and Baixo Sabor upstream plant (151 MW) were commissioned during 2016 while Venda Nova III pumping facility (756 MW) and the Foz-Tua new hydro reservoir with pumping capacity (263 MW) became operational during the first half of 2017.

Thermal generation

EDP's thermal infrastructure and operations in Portugal consist of four power plants, the largest being the coal-fired power station in Sines, with an installed capacity of 1,180 MW contracted under PPA/CMEC until the end of 2017. The remaining power plants are CCGT facilities located in Carregado (Ribatejo CCGT with an installed capacity of 1,176 MW) and in Figueira da Foz (Lares I and II CCGT with an installed capacity of 863 MW).

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

Performance in the Iberian Peninsula's electricity market is managed centrally by the Energy Management Business Unit, which monitors the financial position of the region's electricity power plants, as well as short and medium-term risk profiles. Apart from plants in the deregulated segment, this oversight also involves management of power plants covered under the CMEC, both in terms of managing sales of energy generated in the market and supplying fuel to these power stations.

Spain

Through its subsidiary Hidrocantábrico, the EDP Group is present in electricity generation (excluding wind power) in the following regions of Spain: Asturias, Navarra and Guadalajara.

As at 30 June 2017, Hidrocantábrico had a total installed capacity of 3,528 MW, with approximately 48.1 per cent. represented by CCGT power plant facilities, 34.7 per cent. by coal-fired facilities, 12.1 per cent. by hydroelectric facilities and 0.7 per cent. by cogeneration and waste to energy facilities. Hidrocantábrico also holds a 15.5 per cent. interest in Central Nuclear Trillo I, A.I.E., which owns the Trillo nuclear power plant, corresponding to 156 MW of the plant's net capacity of 1,003 MW.

In the six-month period ended 30 June 2017, net electricity generation from Hidrocantábrico reached 5,292 GWh, which represented a year-on-year increase of 36.3 per cent. The increase was primarily attributable to programmed outages at Hidrocantábrico's coal plants in the first half of 2016, including the DeNOx upgrade process at Aboño 2, mitigated by lower year-on-year hydro resources in Iberia in the first half of 2017.

To reduce emissions from its existing thermal plants, approximately 72 per cent. of the EDP Group coal portfolio in Spain has DeSOx/DeNOx equipment as of 30 June 2017.

Electricity and natural gas distribution in the Iberian Peninsula

Overview

The EDP Group engages in electricity distribution activity through EDP Distribuição in Portugal and Hidrocantábrico in Spain. In March and April 2017, EDP agreed to sell 100 per cent. of its gas distribution network in Spain and Portugal, respectively. On 27 July 2017, following the information communicated to the market on 24 April 2017, EDP announced it has completed the sale of 100 per cent. of the share capital of NED. The completion of the proposed transaction in relation to EDP's gas distribution network in Portugal is subject to customary regulatory approvals.

According to REN Reports, in Portugal, in the six-month period ended 30 June 2017, the demand for electricity generation increased by 235.6 per cent. year-on-year to 12,107 GWh, mainly due to an increase in the demand for CCGT production, while conventional demand increased by 5.1 per cent. year-on-year to 21,444 GWh. In the six-month period ended 30 June 2017, natural gas demand in Portugal reached 33,550 GWh, representing a 39.8 per cent. year-on-year increase. In Spain, in the six-month period ended 30 June 2017, the demand for electricity generation increased by 19.8 per cent. year-on-year to 27,210 GWh, while the conventional demand in Spain increased by 4.3 per cent. year-on-year to 141,865 GWh. In the six-month period ended 30 June 2017, natural gas demand in Spain amounted to 169,076 GWh, representing a 6.5 per cent. year-on-year increase.

In the Iberian Peninsula's natural gas market, consumption increased by 10.9 per cent. year-on-year to 202,626 GWh in the six-month period ended 30 June 2017, due to a 49.4 per cent. rise in consumption from CCGTs (accounting for 19 per cent. of total gas consumption in Iberia in the first half of 2017), and a 4.4 per cent. increase in conventional demand.

Portugal

Electricity distribution

EDP Distribuição is EDP's regulated Portuguese electricity distribution company acting under a public service concession.

In its distribution activities, EDP Distribuição carries out approximately 99 per cent. of Portugal's local electricity distribution. Currently, it has nearly 225,853 kilometres of grid and in the six-month period ended 30 June 2017 EDP Distribuição distributed 22,094 GWh of electricity to a total of 6.2 million supply points.

Service quality

The quality of EDP's technical service, which is monitored by ERSE, is measured by the indicator "Installed Capacity Equivalent Interruption Time" ("TIEPI"), which measures the specific amount of interruption time within the company's control. In the six-month period ended 30 June 2017, TIEPI increased by 3 minutes year-on-year to 25 minutes, excluding extraordinary events.

EDP has continued to invest in the maintenance of its systems and is continuing to undertake new technical and organisational initiatives, which have allowed its grid to perform adequately despite adverse weather conditions. EDP is particularly focused on Portuguese regions that historically have recorded comparatively lower service quality levels with specific improvement plans that include maintenance, restructuring and reinforcement of the grids.

Innovation

EDP believes that smart grids have the potential to help distribution system operators address the technical challenges posed by new technologies, such as dispersed generation and electric vehicles, while also enhancing efficiency and quality of service. The evolution towards a smarter grid is an increasingly

important part of EDP Distribuição's strategy and this transformation process is affecting a large number of different areas within the company.

InovGrid is EDP Distribuição's umbrella project for smart grids that has been framing and grouping the modernization needs of the distribution network. This project includes increasing decentralised production of renewable energy and developing a more efficient management of the network, as well as the development of a range of new products and services, allowing a more active participation of the client and the promotion of energy efficiency.

InovGrid's first significant milestone was the completion of a smart city pilot in the municipality of Évora in 2011. Following the Évora trial, EDP Distribuição has started smart meter deployment with national reach. In the first six months of 2017, 295 thousand smart meters EDP Boxes ("EBs") were installed in Portugal, resulting in a total of 982 thousand EBs installed as of 30 June 2017. Currently, EDP is installing EBs in the urban perimeter of district capitals.

Beyond smart metering, EDP Distribuição is developing other aspects of its smart grid vision, with projects such as the deployment of remote metering in all transformer sites and public lighting circuits and the installation of *Distribution Transformer Controller* devices to monitor the grid in important low voltage substations. As at 30 June 2017, there were a total of 13,127 distribution transformer controllers installed in Portugal, of which 1,031 units were installed during the first six months of 2017.

EDP Distribuição participates in a large number of European projects, actively collaborating with peers, industry, academia and policy-makers to share knowledge and advance the smart grids vision.

Efficiency of operations

Increases in operational efficiency at EDP Distribuição have enabled more customers to be served and more energy distributed with fewer employees. At EDP Distribuição, the ratio of supply points per employee, often used as a measure of productivity in distribution companies, increased from 1,052 in 2004 to 1,962 as at 30 June 2017. At the same time, the indicator for energy distributed per employee more than doubled between the first half of 2004 (3 GWh) and the first half of 2017 (7 GWh).

Natural gas distribution

In April 2017, EDP, through its subsidiary EDP Iberia, S.L.U., reached an agreement with REN Gás, S.A., a subsidiary of REN, for the sale of 100 per cent. of EDP Gás. EDP Gás owns the gas distribution concession in Northwest Portugal, covering 29 municipalities in the districts of Porto, Braga and Viana do Castelo. The agreed transaction price corresponds to an enterprise value of €532 million and is limited to the sale of the natural gas distribution business in Portugal. Due to regulatory restrictions, natural gas last resort supplier, EDP Gás S.U., will be carved out of the current EDP Gás perimeter before completion and therefore its natural gas customers in Portugal will not be impacted. The completion of the transaction will be subject to customary legal and regulatory approvals.

As at 30 June 2017, EDP Gás had 348,268 supply points (a 5.0 per cent. year-on-year increase) and 5,166 kilometres of distribution grid. Gas volumes distributed during the six-month period ended 30 June 2017 were flat year-on-year at 3,808 GWh.

Spain

Electricity distribution

Hidrocarbónico has an electricity network infrastructure that covers the regions of Asturias (accounting for the large majority of its network), Madrid, Valencia, Cataluña and Aragon, totalling at 30 June 2017 20,553 kilometres. Electricity distributed in the six-month period ended 30 June 2017 through Hidrocarbónico's network amounted to 4,633 GWh, a 0.1 per cent. year-on-year decrease.

Distribution in the high and medium-voltage sector amounted to 3,516 GWh in the six-month period ended 30 June 2017, a 0.5 per cent. year-on-year increase, while in the low-voltage sector the total amount distributed in the period reached 1,118 GWh, representing a 1.8 per cent. year-on-year decrease.

As at 30 June 2017, Hidrocarbónico's electricity distribution business had 662,443 supply points, a 0.3 per cent. year-on-year increase.

Service quality

The investments carried out in recent years, as well as good working practices, allowed interruption to supply to continue to decrease. Despite the unfavourable topographical features in most of its market, EDP believes that Hidrocantábrico leads in quality of service in the Spanish electricity system. In the six-month period ended 30 June 2017, TIEPI increased by 3 minutes year-on-year to 14 minutes, mainly due to unfavourable weather conditions.

Efficiency of operations

The results of Hidrocantábrico's distribution network show the company's continuous efforts to maintain a high level of efficiency. In the electricity distribution area, productivity in the first half of 2017 remained high, with 15.4 GWh distributed per employee, and 2,201 supply points per employee. Furthermore, Hidrocantábrico has maintained high network availability levels, as shown by the above mentioned TIEPI.

Natural gas distribution

In March 2017, EDP accepted a binding offer for the sale of its natural gas distribution subsidiary in Spain, NED. NED is EDP's subsidiary for gas distribution in Spain, comprising over 1 million supply points of natural gas and liquefied propane gas, located in the regions of the Basque Country, Cantabria and Asturias. This transaction is limited to the sale of EDP's natural gas distribution business in Spain and will have no impact on EDP's relationship with its gas customers in Spain.

The fully funded binding offer was presented by a consortium of investors comprising, amongst others, institutional investors advised by J.P. Morgan Asset Management, the Abu Dhabi Investment Council and Swiss Life Asset Managers. The offer was submitted by Nature Investments, a special purpose vehicle set up on behalf of the consortium by Covalis Capital and White Summit Capital.

On 27 July 2017, following the information communicated to the market on 24 April 2017, EDP announced it has completed the sale of 100 per cent. of the share capital of NED.

As at 30 June 2017, NED had 1,013,640 supply points and 8,141 kilometres of distribution grid. Gas volumes distributed in Spain during the first half of 2017 amounted to 15,910 GWh, a 9.0 per cent. year-on-year increase, due to colder weather conditions particularly in the first quarter of 2017.

Electricity and natural gas supply in the Iberian Peninsula

In the Iberian Peninsula electricity and natural gas supply market, the EDP Group is present in the liberalised and regulated markets. In Portugal, EDP supplies electricity and natural gas to customers in the liberalised market through EDP Comercial and in the regulated market through EDP SU and EDP Gás S.U. In Spain, EDP supplies electricity and natural gas to customers in the liberalised market through Hidrocantábrico and EDP Comercializadora, whilst last resort customers are supplied by EDP Comercializadora de Último Recurso S.A. ("EDP CUR").

Portugal

Supply in the liberalised market

According to ERSE, EDP Comercial retained its liberalised market leadership in Portugal both by number of clients and volume of electricity supplied, despite a strong increase in competition. EDP Comercial had a 84.3 per cent. liberalised market share in terms of clients and a 44.2 per cent. liberalised market share in terms of volumes supplied at the end of May 2017.

The 20.5 TWh of electricity supplied during the six-month period ended 30 June 2017 in the liberalised market represented 92.6 per cent. of the total electric energy supplied in Portugal during the period, which compares to 89.7 per cent. for the same period in the previous year. The electricity sold to end customers by EDP Comercial in the six-month period ended 30 June 2017 amounted to 9,194 GWh, representing 44.9 per cent. of the total electricity sold in the liberalised market in Portugal in the period, while in the six-month period ended 30 June 2016 this figure totalled 9,097 GWh, representing then 45.5 per cent. of the Portuguese electricity liberalised supply. Despite the tough competition in the liberalised market, especially in the industrial segment, and the challenging market conditions in the residential segment

compared to regulated tariffs, this increase in market share reflects EDP's strategy to focus on more attractive segments.

By 30 June 2017, EDP Comercial supplied about 4,106,000 customers, approximately 85 per cent. of total customers in the liberalised market. This represents a 5 per cent. year-on-year increase, mainly driven by residential clients switching from the last resort supplier. The growth pace of switching of electricity customers to the free market accelerated significantly in late 2012, gradually leading to significant net additions in EDP's liberalised client portfolio. This pace is now decelerating, as most of the customers are already in the free market (approximately 191,000 added customers in the first half of 2016 compared to approximately 82,000 added customers in the first half of 2017).

The strong pace of gas supply liberalisation, along with EDP's successful dual offer (electricity and gas) to B2C clients, continued to drive an increase in the number of gas customers from 551,441 in June 2016 to 629,096 in June 2017, sustaining EDP as a major player in the gas liberalised market with a market share by number of clients of 49.5 per cent. as at 30 June 2015 according to ERSE. Nevertheless, the natural gas marketed by EDP in Portugal in the liberalised market in the six-month period ended 30 June 2017 declined slightly by 0.6 per cent. year-on-year to 2,014 GWh, primarily due to lower sales in the B2B market.

Currently, EDP Comercial focuses its marketing strategy on two main areas: (1) companies and institutions ("B2B") and (2) residential and small business customers ("B2C").

Companies and institutions (B2B)

At the end of June 2017, the B2B electricity business of EDP Comercial had a client portfolio amounting to 142,920 facilities, compared to 147,928 one year earlier, to which it had supplied 4,068 GWh during the first six months of 2017, which compares to 3,924 GWh for the same period in the previous year.

Residential and small business customers (B2C)

Since 2006, EDP Comercial has remained the most active B2C supplier in the liberalised market. By the end of June 2017, the B2C electricity business of EDP Comercial had a client portfolio amounting to 4.0 million residential and small business customers, compared to 3.8 million by the end of June 2016 (a 5.3 per cent. increase), to which it supplied 5,126 GWh in the six-month period ended 30 June 2017, which accounts for a 0.9 per cent. year-on-year decrease.

Energy services

Additionally, the management of EDP believes that its energy services business will play an increasingly important role in retaining customers and strengthening their long term partnership with EDP.

This area's activity consists of designing and implementing value added energy solutions, for both B2B and B2C customers, ranging from energy efficiency and micro-generation, to electricity quality monitoring and electric equipment maintenance. It is also through this services activity that EDP deploys its initiatives under the Plan for Promoting Consumption Efficiency, an energy efficiency plan promoted by the regulator.

Supply in the regulated market

Under Portuguese law, transitory last resort supply tariffs are available in order to encourage Portuguese customers to switch to the liberalised natural gas and electricity markets. Excluding certain exceptional circumstances, any client who opts out of the regulated market cannot return to it and is bound to be permanently supplied in the liberalised market by one of the existing supply companies.

Currently, the last resort suppliers must continue to be available to supply natural gas and electricity customers who have not yet migrated to the liberalised market, maintaining the application of the respective transitory last resort supply tariffs until 31 December 2017, for electricity supplied in high, medium and special low voltages, and until 31 December 2020, for electricity supplied in standard low voltage and all gas consumption.

In Portugal, EDP supplies electricity to customers who have not yet migrated to the liberalised market through EDP SU. Total clients supplied by EDP SU declined 16.2 per cent. year-on-year to 1,294,679 as at 30 June 2017. Volumes supplied by EDP SU fell from 2.3 TWh in the first six months of 2016 to 1.6 TWh in the first six months of 2017, resulting in a decrease in market share in Portuguese electricity supply from the public network from 10 per cent. in the first six months of 2016 to 7 per cent. in the first six months of 2017, mainly due to the switch of consumers to the liberalised suppliers.

EDP Gás SU is the last resort supplier for the concession area, involving 29 municipalities in the districts of Porto, Braga and Viana do Castelo, being responsible for the supply of natural gas in the regulated market. As at 30 June 2017, EDP Gás SU had 47,355 customers and supplied 159 GWh (a decrease of 15.7 per cent. and 21.9 per cent. year-on-year, respectively, mainly due to the switch of customers to liberalised suppliers).

Spain

Supply in the liberalised market

As at 30 June 2017, the total number of electricity customers in the Spanish liberalised market supplied by Hidrocantábrico and EDP Comercializadora was 875,538 and these customers were invoiced for 6,846 GWh of electricity supplied during the first six months of 2017, a 15.5 per cent. year-on-year decrease. The energy sold represents 7 per cent. of the total energy sold in the liberalised market in Spain for this period.

For the six-month period ended 30 June 2017, the B2B segment recorded sales of 5,784 GWh, a year-on-year decrease of 18.2 per cent. in line with EDP's strategy to focus on the most attractive customer segments.

Within the B2C operation, sales of 1,062 GWh were achieved in the first six months of 2017, representing a year-on-year increase of 2.7 per cent. The strategy in this segment has been focused on portfolio analysis in order to attract profitable customers and gain their loyalty. On the other hand, a campaign was carried out to protect the dual domestic customer segment by means of the *Fórmula Ahorro* (Savings Formula) plan. This promotional offer included electricity and gas supply and a maintenance service through the *Funciona* programme, resulting in 551,342 contracts as at 30 June 2017.

Natural gas marketed in the six-month period ended 30 June 2017 by EDP in Spain was 7,102 GWh, representing a 29.8 per cent. year-on-year decrease to a total of 808,896 clients, reflecting fewer and less appealing trading opportunities in the wholesale market and EDP's strategy of focusing on the most attractive customer segments. Gas sold in the B2B segment amounted to 4,562 GWh, and the remaining 2,540 GWh were sold in the B2C segment.

Supply in the regulated market

As a result of the process of liberalising the Spanish electricity sector, since July 2009 low voltage customers with power less than or equal to 10 kW can receive power by contract or through a reference supplier, including EDP CUR, at a tariff determined by the Spanish government called the Voluntary Price for the Small Consumer.

As at 30 June 2017, EDP CUR had 221,751 electricity customers. These customers consumed 230 GWh of electricity for the six-month period ended 30 June 2017, representing a 7.9 per cent. year-on-year decrease. The figure is continuously decreasing as more customers migrate to the liberalised market.

As for gas supply activity, EDP's efforts to move customers from the regulated to the liberalised market were effective (only a small percentage still remain on the last resort tariff system in the liberalised market) when gas retail tariffs ended in Spain in June 2008. As at 30 June 2017, EDP CUR had 53,070 customers (a 7.1 per cent. year-on-year decrease) and supplied 153 GWh (a 3.4 per cent. year-on-year increase).

EDP Renováveis

EDP Renováveis is a global leader in renewable energy, with its revenue mostly derived from wind energy activities. It currently operates renewable energy assets in Europe (Portugal, Spain, France, Belgium, Italy, Poland and Romania), North America (United States, Canada and Mexico) and Brazil and has various projects in different stages of construction and development in these countries.

On 27 March 2017, EDP, which held a stake of approximately 77.5 per cent. in EDP Renováveis as at 31 December 2016, preliminarily announced the launch of a general and voluntary tender offer to acquire the remaining shares in the issued share capital of EDP Renováveis for the consideration of €6.80 per share (minus the amount of dividends distributed by EDP Renováveis in respect of the financial year of 2016, in the amount of €0.05), payable in cash. The general and public tender offer for the acquisition of shares representative of the share capital of EDP Renováveis was registered on 5 July 2017. On 25 July 2017, EDP

communicated that the offer price would not be revised and thus would be maintained at €6.75 per share. Pursuant to the terms of the tender offer, EDP had committed to acquire all shares which are the subject of a valid acceptance of the offer by the current shareholders. On 4 August 2017, EDP announced the results of the tender offer, concluded on 3 August of 2017, according to which a total of 7,845 acceptance orders were registered into Euronext's ordering system, representing a total of 43,907,516 shares. Based on a offer price of €6.75 per share, EDP's total investment in the tender offer will amount to €296 million. As a result of the tender offer, EDP will hold 720,191,372 shares in EDP Renováveis, which correspond to 82.6% of its share capital and voting rights. Following the acquisition, EDP intends to continue the business of EDP Renováveis as a going concern and maintain EDP Renováveis' existing strategy. The acquisition is aimed at strengthening EDP's position in renewable energy generation and enabling EDP to benefit on a greater scale from the business activities of EDP Renováveis.

As at 30 June 2017, EDP Renováveis managed a global portfolio of 10,428 MW spread over 11 countries, of which 10,072 MW was fully consolidated and an additional 356 MW was accounted for in accordance with the equity method (related to EDP Renováveis equity stakes in Spain and in the United States). The overall installed capacity of EDP Renováveis was spread between Europe (5,184 MW), North America (5,040 MW) and Brazil (204 MW), reflecting a total of 21 MW of new capacity added to its portfolio since December 2016 and 707 MW installed since June 2016. As at 30 June 2017, EDP Renováveis had 633 MW under construction across different geographies.

Of the total 10,072 MW of fully consolidated capacity, 91 per cent. is subject to long-term contracts and regulated frameworks, providing visibility over cash flow generation, and 9 per cent. is exposed to US spot wholesale electricity markets (although partly covered by short-term hedges) and to the Spanish and Polish spot wholesale electricity markets.

EDP Renováveis benefits from a balanced portfolio across different geographies and quality wind farms supported by solid wind assessment know-how allowing it to maximise output even in periods with lower wind resource.

In line with EDP Renováveis' growth strategy, an asset rotation strategy, which includes the sale of minority stakes and the reinvestment in projects potentially with higher returns, is expected to increase the value of EDP Renováveis by allowing it to maintain a self-funding strategy to take advantage of additional market opportunities.

As part of this strategy, in 2016, EDP Renováveis received proceeds from sales of minority stakes in the aggregate amount of approximately €1.0 billion, of which €0.6 billion were from the sale of a minority stake in a portfolio of wind assets with total capacity of 664 MW in Spain, Portugal, Belgium and France; €0.3 billion related to the sale of a minority stake in a portfolio of wind assets with total capacity of 340 MW in the US; and €0.1 billion related to the sale of a minority stake in a portfolio of wind assets with total capacity of 100 MW in Italy. Since 2014, the total amount of EDP Renováveis' asset rotation proceeds reached €1.6 billion, providing an important source of funding to finance new projects and to support the growth of the business.

In the six-month period ended 30 June 2017 EDP Renováveis produced 14,546 GWh of clean electricity (a 9 per cent. year-on-year increase), avoiding 12 million tons of CO₂ emissions. The increase in production benefitted mainly from capacity additions (which represented an 8 per cent. year-on-year increase on average capacity) along with an average wind resource increase. The achieved load factor in the first half of 2017 was 34 per cent., compared to 33 per cent. in the first half of 2016, representing 100 per cent. of the long-term average (P50).

Europe

In the first half of 2017, EDP Renewables Europe ("EDPR EU") installed 21 MW in Europe, which amounted to a total installed capacity of 5,184 MW as at 30 June 2017 (of which 177 MW related to equity consolidated farms), spread over seven countries: Spain, Portugal, France, Belgium, Italy, Poland and Romania.

Electricity generation in Europe in the first six months of 2017 decreased by 5 per cent. year-on-year to 6,041 GWh with year-on-year comparison impacted by the outstanding wind resource in the first half of 2016 versus a normalised wind resource in the first half of 2017. In Europe, EDP Renováveis reached a 28 per cent. load factor in the first half of 2017 (compared to 30 per cent. in the first half of 2016), with year-on-year comparison penalised by the outstanding wind resource in Iberia in the first half of 2016.

As at 30 June 2017, EDP Renováveis had 4 MW under construction in France.

Spain

In Spain, EDP Renováveis' installed wind capacity as at 30 June 2017 amounted to 2,194 MW on a fully consolidated basis plus 177 MW equity consolidated, which was stable year-on-year.

EDP Renováveis in Spain accomplished a load factor of 28 per cent. in the first half of 2017, delivering once again a premium over the Spanish market average (+3 percentage points), although lower year-on-year (31 per cent. in the first half of 2016) due to outstanding wind resource in Spain in the first quarter of 2016. Electricity output in the period decreased by 7 per cent. year-on-year, amounting to 2,665 GWh.

Portugal

In Portugal, EDP Renováveis' installed wind capacity as at 30 June 2017 totalled 1,249 MW plus 5 MW of solar PV. In the first half of 2017 EDP Renováveis added 3 MW of solar energy capacity in Portugal.

EDP Renováveis' load factor in Portugal in the first half of 2017 reached 28 per cent., which was lower year-on-year (32 per cent. in the first half of 2016) but in line when compared with an average first half. In the period the electricity output decreased 12 per cent. year-on-year to 1,536 GWh, impacted by the outstanding wind resource in the first half of 2016.

Within the scope of the EDP and China Three Gorges ("CTG") strategic partnership, in June 2017, EDP Renováveis completed the sale to ACE Portugal Sàrl which is 100 per cent. owned by ACE Investment Fund II LP – an entity participant of China Three Gorges Hong Kong Ltd, a fully-owned subsidiary of CTG – of 49 per cent. of equity shareholding and shareholder loans in a portfolio of wind assets for a total consideration of €248 million. The transaction scope covers 422 MW of wind technology, located in Portugal, with an average age of six years, which were part of the ENEOP project and have been fully consolidated at EDP Renováveis following the conclusion of the asset split process in 2015. This transaction corresponds to a sale of minority interests without loss of control. As such, after this sale, EDP will continue to consolidate these subsidiaries.

Rest of Europe

As at 30 June 2017, EDP Renováveis had 1,560 MW of capacity installed in the rest of Europe and was as follows: Romania 521 MW (of which 50 MW are solar PV), Poland 418 MW, France 406 MW, Belgium 71 MW and Italy 144 MW. 18 MW of new wind energy capacity were installed in the first half of 2017 and 74 MW were installed since June 2016. As at 30 June 2017, EDP Renováveis had 4 MW of wind energy capacity under construction in France.

In the first half of 2017, the rest of EDP's European operations delivered a 27 per cent load factor, representing an increase from 26 per cent. in the first half of 2016.

The electricity output increased by 6 per cent. year-on-year to 1,840 GWh in the first half of 2017, on the back of capacity additions.

Within the scope of the EDP/CTG strategic partnership, in October 2016, EDP Renováveis concluded the sale of 49 per cent. equity shareholding and shareholder loans in a portfolio of wind assets with a capacity of 548 MW in Poland and Italy, to ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both of which are 100 per cent. owned by ACE Investment Fund LP, an entity participated by China Three Gorges Hong Kong Ltd ("CTG HK"), a fully-owned subsidiary of CTG, for a total consideration of €363 million.

North America

In North America, EDP Renováveis' total installed capacity as at 30 June 2017 totalled 5,040 MW (of which 179 MW was equity consolidated) and was as follows: 4,810 MW spread across 12 different states in the United States, including 30 MW related to solar PV in the state of California; 30 MW in Canada; and 200 MW in Mexico. 628 MW of wind energy capacity were added since June 2016, of which 200 MW were in Mexico, representing EDP Renováveis' first project in the country (following an agreement with Industrias Peñoles, a leading Mexican mining company, for an Electricity Supply Agreement under a self-supply regime in which the mining company acquired energy for its own consumption for the energy produced by a wind farm), with the remainder in the United States. As at 30 June 2017, EDP Renováveis had 502 MW under construction in the United States, namely Meadow Lake V 100 MW (Indiana), Redbed Plains 99 MW

(Oklahoma), Quilt Block 98 MW (Wisconsin), Arkwright 78 MW (New York) and Hog Creek 66 MW (Ohio) projects along with 60 MW (South Carolina) related to three solar PV projects.

In the first half of 2017, the electricity output in North America increased 21 per cent. year-on-year to 8,191 GWh, reflecting the growth in installed capacity and the higher load factor of such projects. The average load factor increased from 37 per cent. in the first half of 2016 to 39 per cent. in the first half of 2017 benefitting from an average wind resource in the period along with capacity addition over the last twelve-months with higher expected load factors.

Brazil

EDP Renováveis' installed wind capacity in Brazil totalled 204 MW as at 30 June 2017, stable year-on-year, all of which operated under long-term contracts, providing visibility over cash flow generation.

The average load factor in Brazil improved from 29 per cent. in the first half of 2016 to 36 per cent. in the first half of 2017, reflecting higher wind resource year-on-year along with the positive impact from the latest capacity additions.

Electricity output in Brazil increased to 314 GWh in the first half of 2017 (a 53 per cent. year-on-year increase), driven by capacity additions with higher load factor.

As at 30 June 2017, EDP Renováveis had 127 MW under construction in Brazil related to JAU & Aventura wind project awarded at the energy generation auction with PPA for a period of 20 years. In addition, EDP Renováveis had 140 MW under development (Babilônia wind farm) awarded with 20-year PPA. EDP believes that these projects will strengthen EDP Renováveis' presence in a market with attractive wind resources and strong growth potential.

EDP's energy business in Brazil

Generation (excluding wind power)

As at 30 June 2017, EDP Brasil's generating facilities had a total installed capacity of 2,466 MW fully consolidated, 70.8 per cent. of which was represented by hydroelectric facilities (1,746 MW located in the states of Tocantins, Espírito Santo, Amapá, Pará and Mato Grosso do Sul) and 29.2 per cent. by Pecém coal thermal plant (720 MW located in Ceará). Additionally, EDP Brasil has 296 MW accounted for in accordance with the equity method through its interest in Santo Antônio do Jari HPP (corresponding to 50 per cent. of 373 MW total installed capacity) and Cachoeira Caldeirão HPP (corresponding to 50 per cent. of 219 MW total installed capacity), both in partnership with CTG.

In January 2016, EDP Brasil has completed the sale to Cachoeira Escura Energética S.A. of 100 per cent. of Pantanal Energética Ltda ("Pantanal") for R\$ 390 million, of which R\$35 million is to be paid in July 2017, upon the fulfilment of pending contractual obligations. Pantanal holds an installed capacity of 51 MW through two mini-hydro plants, located in the state of Mato Grosso do Sul.

The total volume of energy sold by EDP's fully consolidated plants in Brazil in the first six months of 2017 reached 6,080 GWh, a 6.1 per cent. decrease compared to the same period in the previous year, which includes 2,049 GWh from Pecém coal thermal plant.

Generation projects under construction

In December 2013, within the scope of the Brazilian energy generation auction carried out by the National Agency of Electric Energy ("ANEEL"), the Terra Nova Consortium, constituted by EDP Brasil (66.6 per cent.) and Furnas (33.4 per cent.), obtained the concession for the São Manoel HPP. This HPP, which is expected to have an installed capacity of 700 MW, is being built on the border of the Mato Grosso and Pará states, in the Teles Pires river. The conditions of the contracted PPA in the electricity auction include the sale of 409.5 average MW for a 30-year term starting in May 2018.

In the context of the Memorandum of Understanding signed by EDP Brasil and CWE Investment Corporation ("CWEI"), which establishes the key guidelines of a partnership aiming at future co-investments between EDP Brasil and CWEI, EDP Brasil signed, in February 2014, a purchase and sale agreement with CWEI (Brasil) Participações Ltda ("CWEI Brasil"), a subsidiary of CWEI, to sell 33.3 per cent. of the company holding the rights to develop São Manoel HPP to CWEI Brasil. The equity commitments made by CWEI Brasil support the strategic partnership between EDP and CTG.

Distribution

Electricity distribution services are provided to a market that is divided into captive customers, who acquire electricity provided by the distributor and pay for their use of the network, and free customers, who choose a different electricity supplier and pay the distributor only for the use of the distribution network.

The distribution activities of EDP Brasil are currently developed by two concessionaires, which had approximately 3.3 million customers as of 30 June 2017, in regions where the total population is approximately 8 million people:

- EDP São Paulo – Supplies energy to approximately 1.8 million customers in 28 municipalities at the regions of Alto Tietê, Vale do Paraíba and Litoral Norte from the state of São Paulo, where approximately 4.5 million people live. The area has a large concentration of companies from important economic sectors, such as aviation, and paper and pulp manufacturing.
- EDP Espírito Santo – Provides services to a population of approximately 3.3 million inhabitants in 70 of the 78 municipalities from the state of Espírito Santo, supplying electricity to circa 1.5 million customers. The main economic activities of the region are metallurgy, iron mining, production of paper and oil and gas.

In the six-month period ended 30 June 2017, the volume of electricity distributed totalled 12.4 TWh, representing a 0.3 per cent. year-on-year decrease. The decline in the end customers market was roughly offset by the increase in the free market.

The volume of electricity sold to end customers decreased by 10.1 per cent. year-on-year in the first half of 2017 primarily due to the switch of consumers to liberalised suppliers. In the residential, commercial and other segments, the volume sold in the first half of 2017 fell by 4.7 per cent. year-on-year while in the industrial segment, the volume of electricity sold fell by 32.7 per cent. year-on-year.

Supply

EDP in Brazil supplies electricity in the liberalised market through EDP Comercialização, which operates both inside and outside the concession areas of the two distributors of EDP Brasil that operate in the regulated market.

EDP Comercialização showed growth in the volume of energy supplied in the six-month period ended 30 June 2017, trading 6,949 GWh, which was 23.0 per cent. higher than the volume traded in the same period of the previous year, reflecting an increase in market liquidity and an increase in the number of customers. Thus, based on publicly available information, EDP Comercialização ranked as the fourth largest private trading company, in terms of volumes supplied, in Brazil in 2016.

EDP'S OTHER ACTIVITIES

EDP also has financial interests in other energy and non-energy related assets, namely a 10.6 per cent. indirect interest in Companhia de Electricidade de Macau – CEM, S.A. (CEM), the utility which acts as exclusive concessionaire for transmission, distribution and commercialisation of electricity in Macau Special Administrative Region (MSAR) since 1985.

Regulatory framework

IBERIAN PENINSULA

MIBEL overview

Since 1 July 2007, the electricity wholesale market in the Iberian Peninsula has been operated as a single, integrated electricity market for Portugal and Spain within the wider context of the European single electricity market, which is provided for in European Union directives. This integrated market for Portugal and Spain is known as Mercado Ibérico de Electricidade ("MIBEL") and is the result of the successive international agreements entered into by the governments of Portugal and Spain since 1998 (the "MIBEL Agreements").

Under the MIBEL Agreements, MIBEL's purpose is to be the common electricity trading platform in Portugal and Spain. The MIBEL Agreements set out a framework that creates: (1) organised and non-organised markets in which transactions or electricity agreements are entered into; and (2) markets in which financial instruments relating to such energy are traded. The creation of MIBEL required both countries to acknowledge a single market in which all agents have equal rights and obligations and in which all agents have to comply with principles of transparency, free competition, objectivity and liquidity.

MIBEL operates with an electricity spot market, which includes daily and intraday markets that are managed by Spanish market operator – Operador del Mercado Ibérico de Energía, Polo Español, S.A., ("OMEL") and an electricity forward market that is managed by Portugal market operator - Operador do Mercado Ibérico de Energia – Pólo Português, S.A. ("OMIP").

The spot market currently operates in a market split system pursuant to which electricity market prices in each country depend on: (i) the supply and demand in each country; and (ii) the available interconnection capacity between each country. It is expected that as interconnection capacity between Portugal and Spain increases, the spot market will evolve to become a single market system.

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

Further to this transfer, as from 1 July 2011, OMIE assumed the management of the bidding system for the purchase and sale of electricity on the spot market within the sphere of MIBEL, while OMEL has become a holding company, owning 50 per cent. of each of OMIE and OMIP and 10 per cent. of the Portuguese parent company, OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP, SGPS"). OMIP, SGPS also holds 50 per cent. of each of OMIE and OMIP, and 10 per cent. of OMEL and has diversified its shareholder base in October 2011, by reduction of the Portuguese Transmission System Operator ("TSO") stake from 90 per cent. to 45 per cent. by sale to several market agents. As of 31 March 2016, TSO holds a stake of 40 per cent in OMIP, SGPS. Pursuant to paragraph 4 of article 4 of the MIBEL agreement signed on 18 January 2008, REN and Red Eléctrica Española, S.A. are permitted to hold up to 10 per cent. of the share capital of holding companies, per each of the system operators.

EUROPEAN ENERGY POLICY

Managing Emissions

Emission allowances for the period from 2013 to 2020 are mainly allocated by auction, in accordance with Directive 2009/29/EC of the European Parliament and of the Council, of 23 April 2009, which amended Directive 2003/87/EC of the European Parliament and of the Council, of 13 October 2003 and aims to improve and extend the greenhouse gas emissions allowance trading scheme.

Decree-Law no. 38/2013, of 15 March, as amended by Decree-Law no. 42-A/2016, of 12 August, established a new approach for licensing that enacted Directive 2004/101/EC of the European Parliament and of the Council, of 27 October 2004 and created a transitional regime for the allocation of free allowances. In 2013, free allocation was initially 80 per cent. of the allowances available, determined by applying a harmonised methodology. This percentage decreases annually, to a 30 per cent. free allocation in 2020, until the free allocation is eliminated in 2027. The global amount of emission allowances available at the European Union level was determined by Commission Decision no. 2010/634/EU of 22 October, subsequently amended by Commission Decision no. 2013/448/EU of 5 September, amended by Commission Decision 2017/126/EU of 24 January, and the methodology allocation was set by Commission Decision no. 2011/278/EU of 27 April,

later amended by Commission Decisions no. 2011/745/EU of 11 November (rectified on 17 November 2011), no. 2012/498/EU of 17 August and no. 2014/9/EU of 18 December.

From 1 January 2013, emission allowances that are not allocated free of charge are subject to an auction. 80 per cent. of the revenues from the auction in each year must be used to promote renewable energy by offsetting part of the special regime generation overcosts. Additionally, if unused emission allowances allocated for the period from 2008 to 2012 are auctioned, 70 per cent. of the proceeds will also be used to promote renewable energy by offsetting part of the special regime generation overcost. At the level of the EU Emissions Trading System ("ETS"), the European Commission produced an impact assessment report on the measures previously designed to prevent the surplus of emission allowances on the market and the consequent reduction in the price of CO₂ per tonne. The purpose of the report was to analyse the functioning of the market and to identify the need for regulatory action in this field.

Ministerial Order no. 3-A/2014, enacted on 7 January and amended by Rectification no. 15/2014 of 6 March, established a set of procedures governing the determination of the amount of revenues to be used in the promotion of renewable energies, including an annual plan for the use of revenues and the collaboration of the Portuguese Carbon Fund (recently replaced by the Environmental Fund "*Fundo Ambiental*" created by Decree Law no. 42 – A/2016, of 12 August) as the Environmental Fund with other agencies in the allocation and use of revenues from the auctioning of allowances for greenhouse gas emissions, as well as the amounts to be deducted from the global use tariff of the Sistema Eléctrico Nacional ("SEN").

Reducing Emissions

Apart from CO₂, the major waste products of electricity generation using fossil fuels are sulphur dioxide, nitrogen oxide and particulate matter, such as dust and ash. Several bodies of legislation have been approved at the European Union level to address this situation.

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

Directive 2008/1/EC of the European Parliament and the Council of 15 January 2008, concerning integrated pollution prevention and control (the "IPPC Directive"), aimed to reduce pollution from various industrial sources throughout the European Union. The IPPC Directive was replaced by Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 ("Directive 2010/75/EU"). Directive 2010/75/EU consolidates seven existing Directives related to industrial emissions and replaces it with a single clear and coherent legislative instrument. The directives that were consolidated include the then-existing IPPC Directive, the LCP Directive, the Waste Incineration Directive, the Solvents Emissions Directive and three Directives on Titanium Dioxide.

Renewable Energy

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

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

In January 2008, the European Union proposed specific binding targets for each Member State. On 23 January 2008, the European Commission established a framework (COM (2008) 30 final) to ensure a sufficient level of investments and support in order to achieve an 11.5 per cent. increase in the share of renewable energy as a proportion of total energy consumption in the European Union, which will in turn ensure that the European Council's target of 20 per cent. by 2020 is met. The European Commission further highlighted the projected decrease in the relative cost of renewable energy due to the cost of EU ETS allowances (a scheme that allows companies to trade allowances for the right to produce CO₂ emissions) and rising prices for oil and gas. Furthermore, the European Commission reinforced the strong renewable energy allocation and flexibility methodology adopted by the European Council.

In light of the positions taken by the European Union, the European Parliament and the European Council adopted Directive 2009/28/EC of the European Parliament and the Council of 23 April 2009, which amended and subsequently replaced Directives 2001/77/EC of the European Parliament and of the Council, of 27 September 2001 and 2003/30/EC of the European Parliament and of the Council, of 8 May 2003 (the "Renewable Energy Directive"). The Renewable Energy Directive was designed to promote the use of renewable energy with the general objectives set out at the European Council Meeting of March 2007, as described above. The Renewable Energy Directive was later amended by Council Directive 2013/18/EU, of 13 May 2013 and Directive (EU) 2015/1513 of the European Parliament and of the Council, of 9 September 2015.

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

As part of international commitments to reducing greenhouse gas emissions, the United Nations Framework Convention on Climate Change ("UNFCCC") was adopted during the Rio de Janeiro Earth Summit in 1992. The convention stated its ultimate objective was to achieve "*the stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.*" Consequently, the parties to the convention, largely industrialised nations, agreed a course of action to combat climate change. In 1997, the Kyoto Protocol was adopted which introduced binding greenhouse gas emission reduction targets for industrialised countries. The protocol, which entered into force in 2005, was intended to cover the period from 2008 to 2012. In 2009, the Copenhagen summit (COP15) was convened with the aim of agreeing a successor to the Kyoto Protocol and the Copenhagen Accord was subsequently agreed, recognising a common objective of limiting global warming to below 2°C. This was followed by the implementation of the Durban Platform for Enhanced Action (ADP) in 2011 which proposed "*a protocol, another legal instrument or an agreed outcome with legal force*" applicable to all members of the UNFCCC. On 12 December 2015, at the COP21 UN Climate Change Conference in Paris, an agreement was announced to address climate change. This agreement was approved by 195 countries that committed to reducing their emissions based on voluntary pledges. The agreement entered into force on 4 November 2016. The COP 23 UN Climate Change Conference will take place from 6-17 November 2017 in Bonn, Germany, and will be presided over by the Government of Fiji and its agenda includes preparations for the implementation of the Paris Agreement.

On March 2012, the European Parliament voted in favour of setting a binding renewable energy target for 2030. In December 2012, European energy ministers gave a mandate to the European Commission to start working on a post-2020 renewable energy policy framework. The European Commission adopted a Communication on 22 January 2014 that provides a policy framework for climate and energy for the period from 2020 to 2030. This Communication proposes a binding greenhouse emissions reduction target of 40 per cent. and a binding target of 27 per cent. for the market share of renewable energy sources. On 5 February 2014, the European Parliament voted in favour of the following three binding targets for emissions reductions, renewable energy sources and energy efficiency: (i) at least a 40 per cent. decrease in greenhouse gases when compared with 1990 levels, (ii) generation of at least 30 per cent. of energy from renewable sources, and (iii) a 40 per cent. improvement in energy efficiency by 2030. The European Renewable Energy Council has endorsed a binding 45 per cent. renewable energy minimum target for 2030.

On 23 October 2014, European Union leaders agreed on a domestic 2030 greenhouse gas reduction target of at least 40 per cent., compared to 1990 levels, together with the other main building blocks of the

2030 policy framework for climate and energy, as proposed by the European Commission in January 2014.

This 2030 policy framework aims to make the European Union's economy and energy system more competitive, secure and sustainable and also sets a target of at least 27 per cent. for renewable energy. The European Council endorsed this target, which will be binding only at the European Union level.

Furthermore, the European Commission proposed a 30 per cent. energy savings target for 2030. The proposed target builds on the achievements already reached: new buildings use half the energy they did in the 1980s and the industrial sector is about 19 per cent. less energy intensive than in 2001. The European Council, however, endorsed an indicative target of 27 per cent. to be reviewed in 2020, having in mind a 30 per cent. target and energy savings by 2030.

On 9 April 2014, the European Commission issued Communication 2014/C 200/01 containing guidelines on state aid for environmental protection and energy for the period from 2014 to 2020, aiming among other things to ensure that support schemes for renewable energy are in accordance with the European Union rules on state aid. The guidelines promote a gradual move to market-based support for renewable energy, foreseeing also the gradual introduction of competitive bidding processes for allocating public support.

In 2015, the European Union approved the framework strategy Resilient Energy Union with a Forward-Looking Climate Change Policy (approved by Communication (2015) 80 final, of 25 February) and has initiated a public consultation process on the new energy market design (Communication (2015) 340 final, of 15 July).

On 30 November 2016, the European Commission presented a package of measures, known as the Clean Energy Package, to keep the European Union competitive as the clean energy transition is changing the global energy markets, comprising five main areas: (i) Energy Efficiency, (ii) Renewables, (iii) Market Design; (iv) Security of Supply and (v) Governance, with three key goals: (i) putting energy efficiency first, (ii) achieving global leadership in renewable energies and (iii) providing a fair deal for consumers.

Portugal

Electricity Sector - Regulatory framework

The Portuguese electricity system has changed significantly in recent years. Prior to 1999, the generation, transmission, distribution and supply components of the electricity sector in Portugal belonged to the EDP Group. Since 2000, the regulation of the electricity industry in Portugal has been subject to significant changes, such as the unbundling of the power transmission network and the liberalisation of power generation and supply.

The main characteristics of the current organisation of the Portuguese electricity system were first set out in EU Directive no. 2003/54/EC of the European Parliament and of the Council of 26 June 2003 (the "Electricity Directive"), which was transposed into Portuguese national law by Decree-Law no. 29/2006, of 15 February 2006, as amended. The Electricity Directive established common rules for the generation, transmission and distribution of electricity in Member States, and it instituted rules relating to the organisation and functioning of the electricity sector, access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems.

Decree-Law no. 172/2006, of 23 August, as amended, further developed this legal framework and established rules for activities in the electricity sector (the "Electricity Framework").

Following implementation of the Electricity Framework, the former organisation of the Portuguese electricity system was replaced by a single market system, and the generation and supply of electricity and management of the organised electricity markets are now fully open to competition, subject to obtaining the requisite licences and approvals or simple registration in the case of the liberalised supply. However, the transmission and distribution components of the electricity industry continue to be regulated activities provided through the award of public concessions. In addition, under the Electricity Framework, the operation of the national distribution network and the national transmission network must prepare a plan for the development and investment of the respective networks to be submitted to the Directorate General of Energy and Geology (*Direcção-Geral de Energia e Geologia*, the "DGEG") and to be subjected to a public consultation of interested third parties and an opinion from ERSE.

Decree-Law no. 319/2009, of 3 November, while transposing Directive no. 2006/32/EC of the European Parliament and of the Council, of 5 April 2006, established indicative objectives and the institutional,

financial and legal framework necessary to eliminate the current market deficiencies and obstacles that prevent the efficient use of electricity, and created the conditions for the development and promotion of an energy services market and of other measures to improve energy efficiency. This legislation, applicable, among others, to electricity distributors, suppliers and certain types of consumers, also set out an indicative objective to achieve an energy economy of 9 per cent. by 2016. Such energy economy was to be reached through the use of energy services and through the improvement of energy efficiency. In 2015, Decree-Law no. 319/2009, of 3 November, was revoked by Decree-Law no. 68-A/2015, of 30 April, amended by Rectification no. 30-A/2015, of 26 June, save for certain provisions. The objective to achieve an energy economy of 9 per cent. was rescheduled to be achieved by 2020.

Notwithstanding all the efforts at the European level to create an energy common market, there are still obstacles to the sale of electricity on equal terms and without discrimination or disadvantages in the European Union. Therefore, a third legislative package was proposed in 2007 by the European Commission, and adopted in 2009 by the European Parliament and European Council. This legislative package includes:

- (i) Directive 2009/72/EC of the European Parliament and of the Council of 13 July (“Directive 2009/72/EC”), which replaced the Electricity Directive. This Directive focuses on common rules relating to the organisation and functioning of the electricity sector, open access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems, along with rules concerning universal service obligations and the rights of electricity consumers.
- (ii) Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July establishing an Agency for the Cooperation of Energy Regulators with the general purpose of assisting the national regulatory authorities and, where necessary, coordinating their actions.
- (iii) Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July, on conditions for access to the network for cross-border exchanges in electricity, which replaces Regulation (EC) No 1228/2003. This Regulation aims at: (1) setting fair rules for cross-border exchanges in electricity, thus enhancing competition within the internal market in electricity, taking into account the particular characteristics of national and regional markets; and (2) facilitating the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in electricity, providing mechanisms to harmonise the rules for cross-border exchanges in electricity.
- (iv) Regulation (EC) 713/2009 was last amended by Regulation (EC) 347/2013, of 17 April, which also amended Regulation (EC) No 714/2009, the latter having been amended by Commission Regulation (EU) no. 543/2013 of 14 June.
- (v) Directive 2009/72/EC was partially transposed into Portuguese national law by Decree-Law no. 78/2011, of 20 June, which amended Decree-Law no. 29/2006, and introduced changes to the Electricity Framework. The main impact is related to a regime of stricter separation between the entities acting in the generation and supply of energy and the transmission and distribution system operators, by attributing new powers to the national energy regulator and reinforcing the protection rights of consumers.

In 2012, the sector's framework laws were once more amended in order to complete the implementation of Directive 2009/72/EC. Decree-Laws no. 215-A/2012 and 215-B/2012, of 8 October, were published, introducing new modifications to Decree-Law no. 29/2006 and to Decree-Law no. 172/2006, respectively. Important modifications introduced included:

- (i) special regime generation can now also be remunerated through market schemes, and is no longer distinguished from the ordinary generation regime exclusively by the fact that it has special remuneration schemes under pro-investment policies;
- (ii) requirements related to the independence and legal separation and ownership unbundling of the transmission network operator were reinforced (in consequence, also, of the challenges created by the privatisation process);

- (iii) regarding the distribution network operator, the legal separation requirements were also clarified, with the aim of assuring independence and eliminating the network access discrimination risk; and
- (iv) concerning the supply activity, the supplier of last resort maintains the obligation of acquiring the special regime generated power, but only when the generation benefits from a guaranteed feed-in-tariff, and the appointment of the Market Facilitator Aggregator, to which will be attributed responsibility for acquiring special regime generation without a guaranteed feed-in-tariff. ERSE has incorporated the above changes into the applicable regulations.

Under the Electricity Framework, the Portuguese electricity system is divided into five major functions: generation, transmission, distribution, supply, and the logistical operations that facilitate switching electricity suppliers for consumers. Subject to certain exceptions, each of these functions must be operated independently, from a legal, organisational and/or decision-making standpoint.

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

Decree-Law no. 138/2014, of 15 September, introduced a legal framework to safeguard strategic assets essential to ensure national defence and security and to guarantee the supply of services fundamental to the public interest related to the energy, transport and communications sectors. Under the new legal framework, a change in EDP's control structure involving direct or indirect control by a person or persons from a country that is not a member of the European Union or the European Economic Area may be denied by the Portuguese government under certain circumstances if there are real and serious reasons to believe that national defence and security or the safety of supply of energy are at risk.

The National Strategy for the Energy Sector

The current organisation of the Portuguese energy sector is mostly the result of a significant restructuring initiated pursuant to the National Strategy for the Energy Sector first established by Resolution of the Council of Ministers no. 169/2005, of 24 October, and later amended and updated by Resolution of the Council of Ministers no. 29/2010, of 19 March.

Resolution of the Council of Ministers no. 20/2013, of 10 April replaced the Resolution of the Council of Ministers no. 29/2010, of 19 March and set two main policy plans for the energy sector: the National Plan of Action for Energy Efficiency 2013-2016 (the "PNAEE 2016") and the National Plan of Action for Renewable Energies 2013-2020 (the "PNAER 2020"). These plans of action are intended to be tools for better energy planning by establishing the means of achieving international goals and commitments assumed by Portugal in matters of energy efficiency and the use of renewable resources, without losing sight of economic rationality and the need to ensure adequate levels of energy prices, which do not prejudice the competitiveness of Portuguese companies or the minimum living standards of the general population. The plans focus primarily on the reduction of the country's energy dependence, the increase of energy generation using renewable resources and the promotion of energy efficiency and sustainable development, namely by: (i) ensuring the continuance of measures that guarantee the development of an energy model with economic rationality, which provides sustainable energy costs; (ii) ensuring a substantial improvement in the country's energy efficiency; and (iii) maintaining the reinforcement to diversify primary energy sources, reevaluating the investments made in renewable technologies and presenting a new remuneration model for more efficient and prominent technologies.

The PNAEE 2016 and PNAER 2020 have the following five major objectives:

- (i) To comply with the commitments assumed by Portugal with greater economical rationality;
- (ii) To significantly reduce greenhouse gas emissions;
- (iii) To reinforce primary energy sources diversification, thus contributing to the enhancement of Portugal's safety of supply;

- (iv) To improve the energy efficiency of Portugal's economy, particularly in the public sector, thus reducing public spending and promoting an efficient use of available resources; and
- (v) To improve economic competitiveness by reducing consumption and costs related to the functioning of companies and household economy management, freeing resources to boost internal demand and new investments.

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

Further, Decree-Law no. 127/2013, of 30 August, which implemented Directive 2010/75/EU into Portuguese national law, established an industrial emissions regime aiming for integrated prevention and control of pollution, as well as rules to prevent and reduce air, water and soil emissions and waste generation in order to achieve a high level of environmental protection.

In relation to measures enacted to address climate change, Resolution of the Council of Ministers no. 56/2015, of 30 July (as amended by Rectification no.41/2015, of 17 September), approved the Strategic Framework for Climate Policy, the Climate Change National Programme and the National Strategy for Climate Change Adjustment. This Resolution, among other things, also determined that Portugal must reduce its greenhouse gas emissions from 18 per cent. to 23 per cent. by 2020 and from 30 per cent. to 40 per cent. by 2030, both calculated on the basis of the 2005 levels, contingent on the results of European negotiations.

The Electricity Value Chain

Electricity Generation

Electricity generation is subject to licensing and is carried out in a competitive environment. Electricity generation is divided into two regimes: an ordinary regime and a special regime.

The special regime relates to generation activity subject to special legal regimes, such as electricity generation through cogeneration (renewable or non-renewable) or endogenous resources (e.g. wind, biomass, biogas), small generation and generation without network injection, as well as generation of electricity using endogenous resources, either renewable or non-renewable, which is not subject to a special legal regime. All the remaining generation units which fall outside the scope of these criteria are included in the ordinary generation regime.

Ordinary Regime

Overview

Prior to 1 July 2007, electricity generated by EDP Produção's power plants and other power plants was sold under PPAs to REN (acting as a single buyer), allowing these power plants to achieve a return on assets of 8.5 per cent. in real pre-tax terms. The price of electricity provided for in each PPA consisted of capacity and energy charges, together with other costs associated with the generation of electricity, such as self-generation and generation facilities' operations and maintenance costs. The capacity and energy charges were passed through to the final tariff paid by customers.

The Portuguese government set out the framework for the early termination of the PPAs in laws and decree-laws promulgated in 2004 and 2007, the CMEC. These laws provide for changing the single buyer status of REN and defining compensatory measures concerning stranded costs for the respective contracting parties through the passing on of charges to all electrical energy consumers as permanent components of the Global Use of the System Tariff ("UGS Tariff"). The market reference price for the calculation of the compensation payable to the generators was revised in 2007 from €36/MWh to €50/MWh. The conditions precedent for early termination of the PPAs set forth in the various laws and decree-laws, as well as in the PPA termination agreements entered into between EDP Produção, and REN on 27 January 2005, were met in 2007, and the PPAs to which EDP Produção was a party were terminated on 1 July 2007 and replaced with the CMEC mechanism.

The amount of the initial global gross compensation due to EDP Produção as a result of the early termination of the PPAs is €833.5 million. The amount of compensation is capped at a maximum set for each generator and is subject to an annual review during the first ten years of the CMEC, during which such compensation amounts are paid, along with a final review at the end of the ten-year period. The purpose of these adjustments is to ensure parity between the revenues expected in a market regime based on their initial compensation value and the revenues effectively obtained in the market, thereby protecting generators from market risk during the ten-year period. The initial global gross compensation due to EDP Produção is reflected in the electricity tariffs paid by all consumers in Portugal as a separate component of the UGS Tariff, designated as "Parcela Fixa" (fixed charge), and recovered by EDP Produção or its assignees over a period of 20 years. The adjustments to the initial global gross compensation are also reflected in electricity tariffs, and if those adjustments are to EDP Produção's benefit, they shall be due from all consumers in Portugal as a separate component of the UGS Tariff, designated as "Parcela de Acerto" (variable charge).

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

Dispatch no. 4694/2014, of 21 February, published on 1 April, and Dispatch no. 10840/2016, of 26 August and published on 5 September, set out the guidelines of the procedures to be followed in the calculation of the revisibility regarding the participation of the CMEC power plants in the system services market.

In addition, EDP has formalised the status of water concessions for its hydro power plants in accordance with Decree-Law no. 226-A/2007, of 31 May, last amended by Law no. 17/2014, of 10 April. In September 2013, the European Commission opened a formal investigation into the extension of hydro power concessions granted by the Portuguese Government to EDP. During the formal investigation, the Commission verified that the compensation paid by EDP for the mentioned extension was in line with market conditions. On this basis, the Commission issued a press release on 15 May 2017 stating that it has now concluded that the compensation paid by EDP for the extension of the concessions does not involve state aid. As a result, EDP has retained the rights to operate 26 hydro power plants under market conditions (with 4.094 MW of installed capacity), whose average term of operation is until 2047.

Order no. 12597-A/2014, of 13 October and published on 14 October, established that the amounts paid by generators to the transmission system operator for the transfer of the public hydric domain's rights of use shall be deducted from the costs of general economic interest ("CIEGs"), particularly from the amount to be recovered by the transmission system operator through the UGS Tariff related with the overcosts of the PPAs.

Dispatch no. 2258/2017, of 15 March, created a working group to study the hidraulicity mechanism aiming at reviewing and implementing a harmonised mechanism within the Iberian Peninsula, taking into account, in particular, the need to implement mechanisms that limit the remuneration of hydroelectric energy. This study and proposed measures should have been presented to the Government by 31 March 2017, but no information has been made public.

Capacity remuneration mechanism

Ministerial Order no. 765/2010, of 20 August, established a new regime applicable to generators operating in the liberalised market, providing that remuneration may be awarded to generators that provide generation capacity guaranteed to be used in connection with the technical management of the national electricity transmission network, under similar conditions to those that, since 2007, have been available for generation companies in Spain. In addition, the provision of an investment incentive for a period of ten years, amounting to €20,000 per MW installed was established, to be used in generation capacity in the ordinary regime (not less than 50 MW). Power plants that benefit from the CMEC mechanism, had been excluded from such incentive benefits. New capacity increases of hydro power plants with reversible systems were also covered by this measure. The availability incentive provided for a payment for the availability of certain generation capacity in a predetermined timeframe equal to or less than one year, in an amount to be defined by the member of the Portuguese government responsible for the energy sector. These capacity payments to generators were to be made and managed by the system operator and supported by the electricity tariffs as set out in the Tariff Regulation enacted by the ERSE, an autonomous public entity.

Following the entering into of Memorandum of Understanding on Specific Economic Policy

Conditionality by the Portuguese State with the International Monetary Fund, the European Union and the European Central Bank, (the "Financial Assistance Programme"), the Portuguese capacity remuneration mechanism was reviewed.

Ministerial Order no. 139/2012, of 14 May, revoked Ministerial Order no. 765/2010, of 20 August, and terminated, with effect from 1 June 2012, the capacity remuneration mechanism as described above, establishing the new guiding principles of the substitute regulatory regime. Consequently, the availability incentive and the investment incentive previously established by Ministerial Order no. 765/2010, of 20 August, ceased to be applicable.

Ministerial Order no. 251/2012, of 20 August, introduced new availability and investment incentives applicable to thermal and hydro power plants, respectively. The annual reference value of the availability incentive for thermal power plants correspond to €6,000/MW per year. In October 2016, the Secretary of State for Energy issued Dispatch no. 12378-A/2016 (dated 15 September and published on 13 October) to launch a revision process of the capacity remuneration mechanism in force. This review was considered in the State Budget, under Law no. 42/2016, of 28 December, and was formalised on 27 January 2017, with Ministerial Order no. 41/2017, which approved a new mechanism that remunerates the availability services through a competitive auction, suspending the previous mechanism from 1 January 2017. The auction for 2017 was carried out on 30 March and the total bid size (1,766 MW) was awarded to three entities, including the last resort supplier.

The investment incentive for new hydro power plants shall take effect, if granted, from the month which follows the request for eligibility and shall be in effect for a period of ten years, in an amount calculated on the basis of the current criteria for national supply coverage set out in Ministerial Order no. 251/2012 and related regulations. The annual reference values of the investment incentive shall correspond to the amounts set out in the Annex to Ministerial Order no. 251/2012, of 20 August.

On 29 April 2015, the European Commission issued a decision initiating a state aid sector inquiry on capacity mechanisms in the electricity sector which focused on 11 countries, including Portugal. The interim report was published for public consultation on 13 April 2016, following which the European Commission invited Member States and stakeholders in the electricity sector to submit comments on this interim report by 6 July 2016. The final report was published on 30 November 2016. The main conclusions were: (i) capacity mechanisms must be accompanied by appropriate market reforms, (ii) the need for a capacity mechanism must be demonstrated and (iii) capacity mechanisms must be fit for purpose and open to all capacity providers.

Competition Balance Mechanism

Decree-Law no. 74/2013, of 4 June, provides for the establishment of a mechanism designed to ensure a balance in the competition of the wholesale electricity market in Portugal, with an impact on the allocation of costs of CIEG between participants of the electricity system.

This Decree-Law was further complemented with the publication of the Ministerial Order no. 288/2013, of 20 September, amended by Ministerial Order no. 225/2015, of 30 July, which establishes procedures to study the impact of extra market measures and events registered within the European Union and the redistributive effects impacting electricity tariffs. It also establishes the partitioning of CIEG to be paid by generators of electricity in the ordinary regime and other generators that are not included in the guaranteed remuneration regime, and the deduction of these amounts of CIEG to be recovered by the UGS Tariff.

Special Regime

Overview

The Portuguese legal provisions applicable to the generation of electricity based on renewable resources are primarily governed by Decree-Law no. 172/2006, of 23 August, amended with the entry into force of Decree-Law no. 215-B/2012, of 8 October. Special regime generation is also governed by Decree-Law no. 29/2006, of 15 February, as this sets out the principles for the organisation and functioning of the Portuguese Electricity System.

The Portuguese special generation regime provides that generators who benefit from a guaranteed remuneration under the law may sell electricity to last resort suppliers (who are required to purchase electricity under the special regime pursuant to article 55 of Decree-Law no. 172/2006, of 23 August),

receiving an amount corresponding to the tariff applicable to the respective generation technology. However, the special regime generator may opt to sell electricity to other suppliers of electricity operating in the market.

Portuguese law establishes that the activity of electricity generation can be carried out either under an ordinary regime or a special regime. The special regime generation includes i) generation of electricity through endogenous resources (renewable and non-renewable) that is subject to the general framework applicable to special regime generation (in particular in what concerns licensing and tariffs) and ii) generation of electricity subject to specific legal frameworks (in particular in what concerns licensing and tariffs), such as renewable and non-renewable cogeneration, self-consumption, small scale generation and wave energy within a pilot zone.

Licenses

The licensing regime applicable to power plants included in the special regime generation is governed by Decree-Law no. 172/2006, of 23 August, Ministerial Order no. 237/2013, of 24 July, and Ministerial Order no. 243/2013, of 2 August, amended by Rectification no. 38-A/2013, of 1 October, and Ministerial Order no. 133/2015, of 15 May.

The granting of the right to construct and operate a power plant included in the special regime generation depends on the applicable remuneration scheme. If the power plant will operate under the special remuneration scheme (feed-in tariff), the promoters must be selected upon the conclusion of a public tender procedure or proceeding which allows any interested parties which comply with the applicable requirements to be established, as per fair and transparent criteria, determined by the Ministry responsible for the energy sector. The promoter must then request a network interconnection point to be allocated by the network operator, at the request of the promoter. The entities to which the interconnection point has been allocated or who wish to operate under the general remuneration scheme (trading energy in organised markets, through bilateral agreements or to an aggregator) must obtain a generation licence from DGEG or the Secretary of State (depending on the power plant's installed capacity) before beginning construction of the power plant. Once construction is completed, an operation licence must also be obtained. The DGEG licensing process operates in parallel with a local licensing process administered by the municipalities in which the power plant is to be located. In particular, the requesting party must obtain local construction and operation licences for the power plant. In some instances, an environmental impact evaluation may be required, and a favourable environmental impact declaration must be issued by the Environmental Impact Authority. This favourable environmental impact declaration, when applicable, is a condition precedent for the issuance of the generation licence. Also, in cases where installations are to be located within the National Ecologic Reserve territory, depending on the specific circumstances, additional permits or a special Ministerial Order recognising the public interest of the project may be required.

Ministerial Order no. 237/2013, of 24 July, establishes the regime for the prior communication procedure regarding the installation of power plants under the special regime, which do not require a generation licence and Ministerial Order no. 243/2013, of 2 August, establishes the licensing regime for power plants under a special regime which requires a generation licence. The need for a power plant under the special regime to obtain a generation licence is determined in accordance with article 33-E of Decree-Law no. 172/2006, of 23 August, as amended.

Tariffs

Decree-Law no. 189/88, of 27 May, and the amendments thereto, including Decree-Law no. 313/95, of 24 November, Decree-Law no. 168/99, of 18 May, Decree-Law no. 312/2001, of 10 December, Decree-Law no. 339-C/2001, of 29 December, Decree-Law no. 33-A/2005, of 16 February, Decree-Law no. 225/2007, of 31 May and Decree-Law no. 35/2013, of 28 February, set out a specific formula for calculating the tariffs to be paid to generators for the electricity generated by power plants using renewable energy (excluding large hydro power plants) that initiated their licensing procedure prior to the entering into force of Decree-Law no. 215-B/2012, of 8 October.

As a consequence of the entry into force of Decree-Law no. 215-B/2012, of 8 October, with the exception of Ministerial Order no. 202/2015, of 13 July, which established the remuneration scheme for ocean renewable energy in an experimental or pre-commercial phase (and a capacity allocation procedure that ended on 31 December 2015), there is currently no remuneration regime applicable to new renewable energy projects, which, according to Decree-Law no. 215-B/2012, of 8 October, and Ministerial Order no. 243/2013, of 2 August, shall be defined by a Ministerial Order, which has not yet been published.

Ministerial Order no. 268-B/2016, of 13 October, approved the deduction obligation, by the supplier of last resort, of the amounts received by generators benefiting cumulatively from guaranteed remuneration and other public incentives destined to promote and develop renewable energy. This legislation has been repealed by Ministerial Order no. 69/2017, of 6 February, which follows the revoked text very closely. However, in order to implement Ministerial Order no. 69/2017, DGEG must propose the amount due by each power plant and its respective unit value, which has not yet occurred.

Wind farms

With the publication of Decree-Law no. 35/2013, of 28 February, and as previously envisaged in Decree-Law no. 215-B/2012, a new remuneration regime came into force for wind farms licensed after the entry into force of Decree-Law no. 33-A/2005, of 16 February, but before the entry into force of Decree-Law no. 215-B/2012, of 8 October.

Wind farms licensed before the entry into force of Decree-Law no. 33-A/2005, of 16 February, maintain their right to have their electricity remunerated in accordance with the formula defined in Schedule II of Decree-Law no. 189/88, of 27 May, as amended by Decree-Law no. 339-C/2001, of 29 December.

The remuneration scheme introduced by Decree-Law no. 35/2013, of 28 February, allowed for the extension of the period by which special regime generators receive a feed-in-tariff, against the payment of an annual compensation. ERSE Directive no. 9/2013, of 6 June and published on 26 June, and Order no. 119/2013, of 25 March, regulate the billing and payment of the compensation, as well as the consequences of failure to pay the compensation due to the SEN.

Upon entry into force of Decree-Law no. 35/2013, of 28 February, wind farms that were already in operation as of 17 February 2005 sell their electricity at a set price, dependent on generation hours, for a period of 15 years after entry into force of Decree-Law no. 33-A/2005, of 16 February; all other wind farms which fall under the transitory regime approved by article 4 of Decree-Law no. 33-A/2005 sell their electricity at a set price, dependent on generation, for a period of 15 years from the date the operation licence has been granted.

After such period, the wind farms that benefit from a remuneration regime prior to entry into force of Decree-Law no. 33-A/2005, of 16 February may choose:

- (i) to benefit, for an additional five years, from a tariff which shall be determined by the member of the government responsible for the energy area; or,
- (ii) to adhere to an alternative remuneration regime, against payment of annual compensation to the SEN of €5,000 or €5,800 per MW of installed capacity, for a period of eight years between 2013 and 2020. If generators choose to pay the compensation of €5,000 per MW of installed capacity to the SEN, they shall be entitled to benefit from the alternative remuneration regime they choose for a period of five years, upon the conclusion of the initial 15-year term. If generators choose to pay the compensation of €5,800 per MW of installed capacity to SEN, they shall be entitled to benefit from the alternative remuneration regime for a period of seven years, upon the conclusion of the initial 15-year term.

Wind farms licensed after 17 February 2005 and which do not fall under the transitory regime approved by Decree-Law no. 33-A/2005, of 16 February, sell their first 33 GWh of electricity at a price based on a formula set out in Decree-Law no. 33-A/2005, for a period of 15 years from the date the operation licence is granted. After the 33 GWh limit is exceeded, electricity in excess of 33 GWh and, in any case, after the 15-year period from the date of granting of an operation licence has elapsed, all electricity generated on those wind farms will be sold at the then-existing market price, plus the price received from the sale of green certificates, if any. Provided that certain legal requirements are met, some of these windfarms may alternatively adhere to:

- (a) an extension of the guaranteed remuneration up to 44 GWh and, in any case, up to 20 years as from the start of supply of energy to the grid; or,
- (b) an alternative remuneration regime corresponding to the set market price, with the advantage that a floor (of €74 MWh) and a cap (of €98 MWh), or just a floor (of €60

MWh), is established, against payment of annual compensation to the electricity system of €5,000 or €5,800 per MW of installed capacity between 2013 and 2020. If generators choose to pay the compensation of €5,000 per MW of installed capacity to the SEN, they shall be entitled to benefit from the alternative remuneration regime they choose for a period of five years, upon the conclusion of the initial 15-year term. If generators choose to pay the compensation of €5,800 per MW of installed capacity to SEN, they shall be entitled to benefit from the alternative remuneration regime for a period of seven years, upon the conclusion of the initial 15-year term.

The alternative remuneration regimes (ii) and (b) above offer generators the possibility of receiving the amount corresponding to the set market price, with the advantage that a floor (of €74 MWh) and a cap (of €98 MWh), or just a floor (of €60 MWh), is established. This means that, if market prices fall below or rise above such amounts (in the first case), or fall below such amount (in the second case), the generators shall receive the cap or the floor value, irrespective of the set market price. The payment of the annual compensation should occur between 2013 and 2020, depending on the number of years of extension chosen by the generator.

On 7 April 2015, Ministerial Order no. 102/2015 was published, which established the procedures for the placement of additional energy and for the repowering authorisation of wind farms on the terms established by Decree-Law 94/2014, of 24 June. The main measures introduced by this legislation were: (i) the energy produced by repowering wind farms (increasing the number of wind turbines in existing wind farms) is remunerated at a fixed rate of €60/MW; (ii) the energy corresponding to the difference between installed capacity and the injected energy in the network is remunerated at 60€/MW; and (iii) recognition of the wind farms repowering as an independent generator.

On 14 August 2017, Dispatch no. 7087/2017, of 1 August, issued by the Secretary of State for Energy, was published, establishing that, in the context of a repowering authorisation procedure, DGEG must, prior to conclusion of the appraisal phase, consult ERSE on the impacts of the repowering's feed-in tariff on the SEN, such authorisation to be granted only if the same has no negative effects for the SEN.

Small Hydro Plants (PCH)

Decree-Law no. 35/2013, of 28 February, imposed a term of 25 years after the allocation of the operation license, subject to the limits imposed by the licence of water resources' usage, for the maintenance of remuneration conditions established under Decree-Law no. 33-A/2005, of 16 February. Before this date, the remuneration scheme would be valid during the period foreseen in the licence of water resources' usage.

Own consumption and small power generation

Decree-Law no. 25/2013, of 19 February, established that the supplier of last resort is required to purchase electricity from micro and mini generation units, regardless of the remuneration arrangements (subsidised or general scheme).

Decree-Law no. 153/2014, of 20 October, which revoked Decree-Law no. 25/2013, of 19 February, and has been further regulated by Ministerial Orders nos. 14/2015 and 15/2015, of 23 January, and Ministerial Order no. 60-E/2015, of 2 March, define the legal regimes concerning generation for own consumption and small power generation activities.

Ministerial Order no. 15/2015, of 23 January, set the reference tariff to be applied in 2015 to energy produced by small power generation to €95/MWh and determined the percentages to be applied to the reference tariff, according to the energy source used by those generators: 100 per cent. for PVs, 90 per cent. for biomass and biogas, 70 per cent. for wind farm and 60 per cent. for small hydro. Ministerial Orders no. 42-A/2016, of 9 March, and no. 20/2017, of 11 January have extended these tariffs to 2016 and 2017, respectively.

Cogeneration

Decree-Law no. 23/2010, of 25 March, as amended by Law no. 19/2010, of 23 August, which transposed Directive 2004/8/EC of the European Parliament and Council, of 11 February (subsequently repealed by Directive 2012/27/EU of the European Parliament and of the Council, of 25 October – "Directive 2012/27/EU"), as amended by Decree-Law no. 68-A/2015, of 30 April, and rectified by the Rectification no. 30-A/2015, of 26 June, established a legal framework applicable to the generation of electricity through cogeneration.

The 2010 version of Decree-Law no. 23/2010 (as amended by Law no. 19/2010, of 23 August) established a transitory regime for cogeneration power plants operating at the time of its entry into force, allowing for generators with an operation license to choose between the previous remuneration scheme (for a maximum period of 15 years from the beginning of the operation license or 10 years after the entry into force of Decree-Law no. 23/2010, of 25 March, whichever occurs first) and the remuneration scheme approved by said decree-law.

The terms of calculation of the reference tariff and the efficiency, renewable and market participation premiums, as well as the provisions regarding the transition into the remuneration scheme approved by Decree-Law no. 23/2010, of 25 March, were enacted by Ministerial Order no. 140/2012, of 14 May, as amended by Rectification no. 35/2012, of 11 July, and Ministerial Order no. 325-A/2012, of 16 October.

Decree-Law no. 68-A/2015, of 30 April, which amended Decree-Law no. 23/2010, of 25 March, sets out a more expeditious regime for obtaining a licence for generation of electricity through cogeneration, a new way of calculating the reference tariff payable to cogenerators, as well as new rules on the transitory remuneration scheme.

The remuneration mechanism is currently based on two methods subject to the choice of the cogeneration generator: a general regime whose compensation is either defined by market value or, if the injection capacity is less than or equal to 20 MW and the energy will be self-consumed, a feed-in tariff based on market value and paid by the last resort supplier; and a special regime that is only available for generators with an injection capacity of less than or equal to 20 MW, defined by a temporary reference tariff plus an efficiency premium and a renewable premium, if applicable.

Ministerial Order no. 173/2016, of 21 June, among other provisions, established the terms and conditions for the allocation of electric power injection at a certain point of Public Service Power Grids ("RESP") applicable under the special modality of the production remuneration regime in cogeneration subject to the license regime.

The values of reference tariffs are defined quarterly by DGEG.

As significant amendments were approved to the cogeneration legal regime, the terms of the applicable remuneration schemes depend on the time the licensing procedure was carried out.

Electricity Transmission

Electricity transmission is carried out through the national transmission network, under an exclusive concession granted by the Portuguese government for a 50-year period until 2057. The exclusive concession for electricity transmission was awarded to REN under article 69 of Decree-Law no. 29/2006, of 15 February, following the concession already awarded to REN under article 64 of Decree-Law no. 182/95, of 27 July, as amended and republished by Decree-Law no. 56/97, of 14 March.

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

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

The Electricity Framework also establishes a certification procedure for the transmission system operator, which is carried out by ERSE. On 9 September 2014, ERSE issued a decision certifying that REN. complies with the relevant legal requirements to be considered a full ownership unbundling transmission

system operator, subject to the conditions set out therein.

Electricity Distribution

Electricity distribution occurs through the national distribution network, consisting of a medium and high voltage network, and through the low voltage distribution networks.

Currently, the national distribution network is operated through an exclusive concession granted by the Portuguese State. This exclusive concession for the activity of electricity distribution in high and medium voltage levels is held by EDP's subsidiary EDP Distribuição, pursuant to article 70 of Decree-Law no. 29/2006, of 15 February, as a result of converting the licence held by EDP Distribuição under the former regime into a concession agreement, which was signed on 25 February 2009, for a 35-year term. The terms of the concession are set forth in Decree-Law no. 172/2006, of 23 August.

The low voltage distribution networks continue to be operated under concession agreements granted by the municipalities. Although the existing concession agreements were maintained pursuant to Decree-Law no. 172/2006, of 23 August, the new concessions will have to be entered into after a competitive procedure which is to be implemented by the relevant municipalities. The rules for the procedure of the public tenders (that should take place in 2019) were approved by Law no. 31/2017, of 31 May. According to this law, the concession agreements terminating prior to 2019 (which is the case for the agreements for the municipalities of Lisbon, ending in 2017, and São João da Madeira, which ended in 2016 but was extended for a one-year period), may be extended by the relevant municipalities that do not opt for carrying out the distribution activity directly. For this purpose, the municipalities must enter into a written agreement with EDP Distribuição which shall be valid until the new concession agreements enter into force.

Entities carrying out electricity low voltage distribution activities which supply more than 100,000 customers and which are vertically integrated as a company or a group shall be independent from the rest of the company, from a legal, organisational and decision-making standpoint.

The minimum criteria for ensuring the independence of entities carrying out distribution activities include, among others, restrictions aimed at ensuring that the entities carrying out electricity distribution activities have an independent and effective decision-making power and obligations ensuring that their respective trademark and communications are distinct from the trademark and communications of all the other entities acting in the energy sector. For instance, EDP Distribuição must establish and implement a compliance programme, subject to prior approval by ERSE, which sets out the measures taken in order to ensure that discriminatory conduct is excluded and that compliance with the programme is adequately monitored.

Operators of low voltage distribution networks who supply less than 100,000 customers are obliged to have separate accounts for such networks but are not subject to a full ownership or legal unbundling obligation.

The prices that EDP Distribuição charges for access to the distribution networks are subject to extensive regulation by ERSE. The access tariffs set by ERSE are paid by all consumers, whether in the regulated or the liberalised market, being differentiated by voltage level and the period of electricity consumption. The allowed revenues of EDP Distribuição are set as follows: (i) capital expenditures ("CAPEX") are remunerated through the application of a rate of return to the net regulated asset base of the distribution activities; and (ii) OPEX are remunerated through a price-cap mechanism, reduced by an efficiency factor.

This structure was introduced in the 2012 to 2014 regulatory period, where ERSE made some important improvements to the regulatory framework regarding distribution activities: CAPEX was no longer contained in the price cap mechanism and became valued autonomously and adjusted at real values two years after it was incurred. The stability afforded to permitted revenues as a result of this improvement was also seen in OPEX, where only 40 per cent. of the variable component of the price cap is dependent on electricity consumption, compared with 100 per cent. in previous years.

For the regulatory period from 2015 to 2017, the most important features introduced were an incentive mechanism on smart grid investments and the introduction of the grid extension as a new driver in exchange with the injected energy, representing 15 per cent. of the variable component. The regulated asset base is remunerated by a 6.75 per cent. reference rate of return, being the definitive value determined according to the daily average of the ten-year Portuguese government bond yield between October of year "t-1" and September of year "t". This mechanism sets a floor and a cap of 6.0 per cent. and 9.5 per cent., respectively.

Electricity Supply

Electricity supply is open to competition, subject only to a registration regime. Suppliers may freely buy and sell electricity. For this purpose, they have a right of access to the national transmission and distribution networks upon payment of access tariffs set by ERSE. EDP operates as a supplier in the liberalised market, through its subsidiary EDP Comercial.

Electricity suppliers must comply with certain public service obligations to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access tariffs and access to information in simple and understandable terms.

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

Since 1 January 2007, the role of last resort supplier has been undertaken by an independent entity, from an organisational and legal standpoint, EDP SU created for this purpose by EDP's subsidiary, EDP Distribuição, and also by local low voltage distribution concessionaires with less than 100,000 clients, and is expected to continue to be undertaken by these entities until the free market is fully efficient and under the corresponding licenses that will expire when the respective distribution concession contracts have expired.

Pursuant to amendments introduced by Decree-Law no. 264/2007, of 24 July, the last resort supplier is further required to buy forward energy in the markets managed by OMIP and OMI Clear in the quantities and at auctions defined by DGEG. Purchases of energy in the market managed by OMIP include listed annual, quarterly and monthly electricity futures contracts, at base-load and with physical delivery. The purchases are recognised for the purpose of regulated costs whenever they reach maturity. The last resort supplier must manage the different forms of contracts in order to acquire energy at the lowest cost. All unneeded surplus electricity acquired by the last resort supplier is resold on the organised market.

The prices that EDP SU charges for electricity supplied to customers remaining in the regulated market are subject to extensive regulation. Final customer tariffs applicable to the regulated market are differentiated by voltage level, tariff option and the period of electricity consumption. These tariffs, when set, should be uniform throughout mainland Portugal within each voltage level, subject to specified exceptions based on volume.

Revenues for last resort suppliers comprise different components according to the regulated activity: for the activities of energy sale and purchase, the application of a rate of return to the net regulated asset base (concerning CAPEX and OPEX); for commercialization activity, OPEX remunerated through a price-cap mechanism, reduced by an efficiency factor; and a commercial margin defined annually by ERSE.

For the regulatory period from 2012 to 2014, ERSE made some important improvements to the regulatory framework: revision of the structure of OPEX in terms of fixed and variable components (now calculated on a 50 per cent./50 per cent. basis, rather than the previous 20 per cent./80 per cent. split) and introduced a new factor for this component, the number of services, in addition to the existing factor, number of customers. In the regulatory period from 2015 to 2017, the variable component returned to being a single factor, the number of customers, representing 75 per cent of OPEX.

Logistics for Switching Suppliers

Consumers are free to choose their electricity supplier and are exempt from any payment when switching suppliers. Switching suppliers should not take more than three weeks, and there is no limitation on the number of switches any customer can make.

Decree-Law no. 172/2006, of 23 August, allows for a new entity, the logistic operator for switching suppliers ("OLMC"), whose activity would be regulated by ERSE, to be created with the purpose of overseeing the logistical operations that facilitate switching suppliers for consumers. Accordingly, ERSE has determined that until a switching operator is created, management of the logistics for switching suppliers would be conducted by EDP Distribuição, the operator of the medium and high voltage distribution network.

Decree-Law no. 38/2017, of 31 March, established the legal regime applicable to OLMC for electricity and natural gas which would be a regulated activity to be developed by Agência para a Energia ("ADENE"), the

national agency for energy, which has as its mission the development of activities of public interest in the area of energy, efficient use of water and energy efficiency in mobility, consequently this regulated activity will not continue to be performed by EDP Distribuição.

Phasing out of end-user regulated tariffs

Pursuant to Decree-Law no. 104/2010, of 29 September, the Portuguese government set out the termination procedures in relation to the regulated end-user tariff for large clients (very high, high, medium and special low voltage) starting at the beginning of 2011. During 2011, a transitory regulated end-user tariff for large clients was available. The end of this transitory regulated end-user tariff (for all segments except normal low-voltage) was scheduled to occur on 1 January 2012, however a transitory regulated tariff continued to be applied in 2012 and Decree-Law no. 256/2012, of 29 November, extended its application until 31 December 2013.

On 28 July 2011, pursuant to the memorandum of understanding entered into by the Portuguese government, the European Union, the International Monetary Fund and the European Central Bank, a Resolution of the Council of Ministers no. 34/2011, of 1 August, approved the timetable for termination of the regulated end-user tariff and the introduction of a transitory regulated end-user tariff for standard low voltage electricity consumers and set the beginning of December 2011 as the deadline for the enactment of all necessary legislation to enforce this measure. The Resolution of the Council of Ministers no. 34/2011, of 1 August, determined the end of the regulated end-user tariff for the electricity supplied to standard low voltage electricity consumers with contracted power equal to or under 41.4 kVA and equal to or higher than 10.35 kVA by 1 July 2012 and consumers with contracted power under 10.35 kVA by 1 January 2013.

To effect the Resolution of the Council of Ministers 34/2011, Decree-Law no. 75/2012, of 26 March, established the removal of the electricity regulated end-user tariff for electricity supplied to standard low voltage consumers and approved the application of an aggravating factor to encourage the transition to the liberalised market. The process of removing regulated tariffs was expected to be completed by 31 December 2014 or 31 December 2015, in respect of customers that have contracted power equal or higher than 10.35 kVA or lower than 10.35 kVA, respectively.

Decree-Law no. 13/2014, of 22 January, extended the period of application of the regulated transitory end-user tariff for large clients until such date to be defined through order of the member of the government responsible for the energy sector. This extension is only applicable to clients supplied in high, medium and special low voltage, thus excluding the clients supplied in very high voltage. Order no. 27/2014, of 4 February, established 31 December 2014 as being the date until which the regulated transitory end-user tariff for large clients should continue to apply.

Decree-Law no. 15/2015, of 30 January, and Ministerial Order no. 97/2015, of 30 March, determined that the last resort electricity suppliers must continue to supply electricity consumers who have not yet migrated to the liberalised market, effectively maintaining the application of the transitory end-user regulated tariff, until 31 December 2017. Law no. 42/2016, of 28 December, permitted the Government to extend this deadline to 31 December 2020 and this extension was formalised through Ministerial Order no. 39/2017, of 26 January. The abovementioned law also determined the elimination of the differential established on the Council of Ministers Resolution no. 34/2011, of 28 July and published on 1 August, which refers to the aggravating factor to encourage the transition to the liberalised market.

Electricity Tariffs

According to ERSE statutes, approved by Decree-Law no. 97/2002, of 12 April, further regulated by Decree-Law no. 84/2013, of 25 June, ERSE is responsible for the establishment and for the approval of tariffs and regulated prices applicable in mainland Portugal and in the autonomous regions of Azores and Madeira, under the Tariff Regulation of the electricity sector. The tariffs and prices for electricity and other services in 2017 were approved by ERSE Directive no. 1/2017, of 3 January.

Costs deferral

The regulatory period from 2006 to 2008 brought little change in the method of tariff calculation. However, in 2006 and 2007, a "tariff deficit" was generated, which meant that the final customer tariffs charged by the last resort supplier (EDP SU in 2007 and EDP Distribuição in 2006) were not covering all the costs of the system, generating a loss for the last resort supplier and for the transmission system operator, REN. This deficit resulted from two different decree-laws: i) Decree-Law no. 187/95, of 27 July, amended by Decree-Law no. 157/96, of 31 August, and Decree-Law no. 44/97, of 20 February, which provided that the low

voltage tariffs could not rise above the expected rate of inflation in 2006; and ii) Decree-Law no. 237-B/2006, of 18 December, which set a maximum 6 per cent. rise in tariffs for residential customers (normal low voltage) in 2007. These deficits will be fully recovered in ten years, beginning in 2008, through annual rises in access tariffs.

When ERSE established tariffs for 2009, another, and significantly larger, tariff deficit was generated, mainly due to increasing electricity costs in wholesale markets. Given the need to regulate the creation of these deficits and to clarify how they could be recovered, Decree-Law no. 165/2008, of 21 August, defined the rules applicable to tariff adjustments referring to electric energy acquired by the last resort supplier in exceptional cost situations, as well as to tariff repercussions of certain costs related to energy, sustainability and general economic interest policy measures. Namely, this decree-law stated that every tariff deficit generated thereon on these conditions, such as the case of the deficit generated in 2009, must be recovered over a 15-year period, which means that an instalment worth 1/15 of the total deficit plus the corresponding interest would be added to tariffs each year, beginning in 2010.

In 2012, to prevent an increase in electricity tariffs, the Portuguese government deferred annual adjustments of the CMEC from 2010, according to Decree-Law no. 109/2011, of 18 November. Another deferral was enacted pursuant to Decree-Law no. 256/2012, of 29 November, to the annual adjustments of the CMEC and PPA (CAE – Contratos de Aquisição de Energia) from 2011, compensated by an annual interest rate of 5 per cent. and 4 per cent., respectively, as set by Ministerial Order no. 145/2013, of 9 April.

Decree-Law no. 32/2014, of 28 February, deferred the 2012 CMEC annual adjustment in the electricity tariff for 2014. Thus, it was determined that the aforesaid amount will be reflected in equal parts in the allowed revenues for 2017 and 2018 of the distribution network operator. The Decree-Law also foresees the payment of compensation for this deferral, according to a remuneration rate computed pursuant to Ministerial Order no. 500/2014, of 16 June, applied to the parameters being established by Dispatch no. 9480/2014, of 22 July, which provided an annual interest rate of 5 per cent.

In 2011, a change in Decree-Law no. 29/2006, of 15 February, was established by Decree-Law no. 78/2011, of 20 June, and further amended by Decree-Law no. 75/2012, of 26 March, by Decree-Law no. 112/2012, of 23 May, by Decree-Law no. 215 A/2012, of 8 October, by Decree-Law no. 178/2015, of 27 August, and Law no. 42/2016, of 28 December, in order to allow for the deferral of overcosts with the acquisition of electricity under the special regime generation, which was mandatory for the 2012 overcosts and optional until 2015, over a period of five years. As such, in 2012, ERSE deferred for a five-year period the recovery of the special regime generation overcosts expected for that year. For the special regime generation overcosts in respect of 2013, 2014, 2015, 2016 and 2017, the same methodology was applied, which means that such overcost amounts were deferred for a period of five years.

Ministerial Order no. 279/2011, of 17 October, further regulated by Ministerial Order no. 146/2013, of 11 April, determines the methodology to calculate the rate of return applied to future transfers of allowed revenues related to additional costs associated with the purchase of special regime electricity. The final value of the rate of return depends on the parameters defined annually in supplementary legislation. The parameters for 2017 were set by Ministerial-Order no. 262-A/2016, of 10 October and considered by ERSE in the tariffs for 2017.

Extraordinary Contribution to the Energy Sector

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

Consequently, Decree-Law no. 55/2014, of 9 April, created the Systemic Sustainability Fund for the Energy Sector, with the goal of contributing to the sustainability of the energy sector and of the national energy policy, namely by financing energy efficiency policies and reducing tariff debt of the National Electricity System using the revenue obtained from CESE.

At the same time, Order no. 12597-B/2014, of 13 October and published on 14 October, established

that the sum obtained from the CESE shall be allocated to cover the costs resulting from the reduction of SEN's tariff deficit, particularly through its deduction from the amount to be recovered by the transmission system operator through the UGS Tariff related to the overcosts of the PPAs.

Law no. 82-B/2014, of 31 December, approved the Portuguese State Budget for 2015 and maintained the CESE in 2015. Subsequently, Law no.33/2015, of 27 April, amended Law no. 83-C/2013, of 31 December as well as the legal framework applicable to the CESE contained therein. Law no. 159-C/2015, of 30 December, approved the extension of revenues in the State Budget for 2015 and maintained the application of the CESE in 2016. Law no. 42/2016, of 28 December, maintained the application of this measure in 2017. The Stability Programme 2017-2021, published in April 2017, provides that the CESE will apply in 2018.

Social tariffs

The electricity social tariff was established by Decree-Law no. 138-A/2010, of 28 December, and provides a percentage discount applied to the low voltage access tariff. This discount is funded by the generators of electricity in the ordinary regime.

Another support mechanism was implemented through Decree-Law no. 102/2011, of 30 September, and regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September, establishing an extraordinary social support mechanism for energy clients ("ASECE"), corresponding to a percentage discount applied to an invoice without VAT or other taxes.

Decree-Law no. 138-A/2010, of 28 December, and Decree-Law no. 102/2011, of 30 September, were amended by Decree-Law no. 172/2014, of 14 November, and Law no. 7-A/2016, of 30 March, expanding the eligibility criteria and setting a maximum annual income threshold, and are also regulated by Ministerial Order no.178-B/2016, of 1 July, simplifying the procedures to verify if the eligibility criteria is met.

Law no. 7-A/2016, of 30 March, approved the Portuguese State Budget for 2016 and determined the termination of ASECE by its incorporation into the social tariff, creating a unique and automatic model for assigning social tariffs to economically vulnerable customers. The procedures and further conditions required for the operation of the new model were defined by Ministerial Order no. 178-B/2016, of 1 July. A discount value of 33.8 per cent. was defined by Dispatch no. 5138-A/2016, of the Secretary of State for Energy, of 8 April and published on 14 April, to be applied starting from 1 July 2016.

Natural gas regulatory framework

Overview

The general basis, principles and model of organisation of the Portuguese Natural Gas System ("SNGN"), were established through Decree-Law no. 30/2006, of 15 February, and Decree-Law no. 140/2006, of 26 July, both amended by Decree-Law no. 66/2010, of 11 June and the former amended by Decree-Law no. 77/2011, of 20 June.

Thereafter, Decree-Laws no. 230/2012 and 231/2012, of 26 October, were published, completing the transposition of the Directive 2009/73/EC of the European Parliament and of the Council, of 13 July 2009 ("Directive 2009/73/EC") and introducing new modifications to Decree-Law no. 30/2006, of 15 February, and to Decree-Law no. 140/2006, of 26 July, respectively. These acts introduced important modifications: (i) the requirements related to the independence and legal separation and ownership unbundling of the transmission network operator were reinforced, with the aim of assuring the independence and eliminating the network access discrimination risk; (ii) the legal separation requirements were equally clarified for all the remaining operators in the gas sector (LNG terminal, underground natural gas storage and distribution network operators); and (iii) the statutes of the supplying players were clarified, with particular reference to the suppliers of last resort playing in the SNGN.

The SNGN is currently divided into six major components: reception, storage and regasification of LNG, underground storage of natural gas, transportation, distribution, supply and logistic operations for switching suppliers.

Activities related to the reception, storage and regasification of natural gas, underground storage of natural gas, and natural gas transportation, continue to be regulated and are provided through the award of public service concessions. Natural gas distribution is carried out through the award of public service concessions or licences. The supply of natural gas and the management of the organised markets are competitive activities and only require compliance with a licensing or authorisation process for the start-up of operations.

MIBGÁS

During the last decade, the Portuguese and Spanish Governments, with the commitment of the respective Public Administration, have made their best efforts to establish a stable framework that would enable gas system operators in both countries to develop their activity in the Iberian Peninsula, the Iberian Natural Gas Market ("MIBGÁS").

The construction of this framework started with the creation of the MIBGÁS, S.A., a company whose share capital must be owned according to the limits established by Ministerial Order no. 643/2015, of 21 August.

The trading of products in this organised gas market started on 16 December 2015.

Natural Gas Value Chain

Reception, Storage and Regasification of LNG and Underground Storage

There are no natural gas deposits in Portugal and therefore there is no domestic natural gas production. The supply of natural gas to the Portuguese market is carried out through two physical interconnections with Spain (Campo Maior and Valença) and a container terminal in the industrial area of Sines' port.

Galp Gás Natural, S.A., the gross last resort supplier of the SNGN, has long-term take-or-pay contracts with two main suppliers: Sonatrach in Algeria and NLNG in Nigeria. The natural gas from Sonatrach is transported via the Magherb pipeline while the natural gas from NLNG is transported via LNG carriers. Both supply the regulated Portuguese gas market.

The reception, storage and regasification of LNG in Sines' terminal are operated by REN Atlântico, S.A. ("REN Atlântico"), under a concession regime and are subject to the sector's regulation by ERSE. Portuguese legislation predicts that access to GNL terminals shall be based on specific tariffs or methodologies previously approved by the respective regulatory entities, published and applicable to all market agents, given that ERSE is the entity in charge for that definition and publication.

The underground storage of natural gas comprises the following components: the reception, compression, underground storage and gas depressurisation and drying for posterior delivery to the transmission network. These activities are performed in Carriço, near the Portuguese city of Leiria, and are operated by REN Armazenagem, S.A. ("REN Armazenagem") and Transgás Armazenagem, under a concession regime and subject to the sector's regulation. Since 2012, with Decree-Law no. 231/2012, of 26 October, Portuguese legislation stipulates that access to underground storage facilities is based either on negotiated access with the operators or regulated access, or through a combination of both.

EDP has a contract for use with REN Armazenagem, taking advantage of the underground storage facilities for establishing safety reserves to ensure power to its plants and/or to its clients during peaks in consumption demand. EDP also has an agreement with REN Atlântico to provide for clients supplied by the autonomous units of reception, storage and regasification of LNG that send natural gas to the distribution networks or directly to the end customer ("UAG").

Transportation

Natural gas transportation activities are carried out under an exclusive 40-year concession granted by the Portuguese government to the system operator REN Gasodutos, S.A. ("REN Gasodutos"). The granting of the natural gas transportation network concession to REN Gasodutos followed the decision to separate the activity of natural gas distribution from that of transportation. The terms of the concession contract were established by the Council of Ministers Resolution no. 105/2006, of 23 August, and REN Gasodutos was awarded the concession in September 2006. The Natural Gas Framework also establishes a certification procedure for transmission system operators, which is carried out by ERSE. On 9 September 2014, ERSE issued a decision certifying that REN Gasodutos complies with the relevant legal requirements to be considered a full ownership unbundling transmission system operator, subject to the conditions set out therein.

Distribution

Natural gas distribution is carried out through concessions or licences granted by the Portuguese government and involves the distribution of natural gas through medium and low-pressure pipelines. The entities operating the natural gas distribution network at the date of enactment of Decree-Law no. 30/2006, of 15 February, will continue operating the natural gas distribution network as concessionaires or licensed

entities under an exclusive territorial public service regime pursuant to article 66 of Decree-Law no. 30/2006, of 15 February.

Natural gas distribution activities are required to be independent, from a legal, organisational and decision-making standpoint, from other activities unrelated to the distribution activity, unless the concessionaires or licensed distributors serve fewer than 100,000 customers. The relevant concessionaires are required to ensure third party access to the natural gas distribution networks at tariffs applicable to all eligible customers, including supply companies, which are required to be applied objectively and without discrimination between users.

As of the date of this Base Prospectus, EDP holds, through its subsidiary EDP Gás – SGPS, S.A., 100 per cent. of EDP Gás Distribuição, S.A., the natural gas distribution concessionaire for the north-western region of Portugal.

The allowed revenues of distribution networks operators are defined by ERSE on an annual basis according to the parameters defined at the beginning of each regulatory period and consist of: (i) CAPEX remuneration, through the application of a rate of return to the net regulated asset base; and (ii) OPEX remuneration, through a price cap mechanism, reduced by an efficiency factor. On 30 June 2016, ERSE released the parameters for the new regulatory period from 2016 to 2019. The efficiency factor imposed on EDP Gás Distribuição, S.A. increased from 1.5 per cent. to 2.0 per cent. The structure of OPEX was kept at 40 per cent. fixed and the weight of the component consumption /number of supply points was kept at 25/75 per cent., respectively. The reference rate of return was decreased to 6.2 per cent., to be adjusted each year based on the evolution of treasury bonds for Portuguese debt with an average maturity of ten years limited to a floor of 5.7 per cent. and to a cap of 9.3 per cent.

Supply

Under the Natural Gas Framework, natural gas supply is open to competition, subject only to prior registration addressed to DGEG. EDP's licensed supplier of natural gas for the liberalised market is EDP Comercial.

Suppliers may openly buy and sell natural gas. For this purpose, they have right of access to the natural gas transportation and distribution networks upon payment of the access tariffs set by ERSE. The Natural Gas Framework enumerates certain public service obligations for suppliers to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access tariffs and access to information in simple and understandable terms.

The Natural Gas Legal Framework also establishes the existence of a gross last resort supplier and of retail last resort suppliers, subject to regulation by ERSE and to a licensing process. Under article 40 of Decree-Law no. 140/2006, of 26 July, this role of retail last resort supplier is undertaken by natural gas distributors, within their respective concession areas or licensed areas. As last resort suppliers are required to be legally separated from all other activities (unless they serve fewer than 100,000 clients), EDP's last resort supplier activity is undertaken by its subsidiary EDP Gás SU in the concession areas of its gas distribution company EDP Gás Distribuição, S.A.

The allowed revenues of last resort suppliers are defined by ERSE on an annual basis according to the parameters defined at the beginning of each regulatory period. On 30 June 2016, ERSE released the parameters for the new regulatory period 2016-2019. In respect of last resort supply activity, and based on a cost incentive form of regulation, ERSE decreased the efficiency factor from 3 per cent. to 2 per cent. and kept the structure of OPEX at 20 per cent. fixed and 80 per cent. variable attached to the number of customers.

ERSE Directive no. 4/2017 of 16 June, approved the regulated tariffs to be applicable between July 2017 and June 2018.

Logistic operations for switching suppliers

Consumers are free to choose their supplier, without any additional fees for switching suppliers. Decree-Law no. 140/2006, of 26 July, allows for a new entity, whose activity would be regulated by ERSE, to be created with the purpose of overseeing the logistical operations that facilitate switching suppliers for consumers and determines that this logistic operator for switching suppliers should be the same entity for the Portuguese Electricity System and for the Portuguese Natural Gas System. Decree-Law no. 38/2017, of 31 March, established the legal regime applicable to OLMC for electricity and natural gas which would be a regulated activity to be developed by ADENE.

Phasing out of end-user regulated tariffs

The liberalisation of the supply of natural gas commenced on 1 January 2007 (with respect to power generators) and was extended to consumers of over one million cubic metres of natural gas per year on 1 January 2008, and to consumers of over 10,000 cubic metres of natural gas per year in 2009. By 1 January 2010, the supply of natural gas was fully open to all natural gas clients.

Through Decree-Law no. 66/2010, of 11 June, the Portuguese government set out termination procedures in relation to the regulated end-user tariff for large clients (with an annual gas consumption greater than 10,000 m³) commencing on 1 July 2010. A transitory regulated end-user tariff for large clients was available until 31 March 2011. Although this transitory regulated end-user tariff was scheduled to end on 2011, a transitory regulated tariff continued to be applied in 2012 and Decree-Law no. 15/2013, of 29 January, extended the application until a date to be defined through an order of the member of the government responsible for the energy sector. Through Ministerial Order no. 59/2013, of 11 February, the Portuguese government determined that termination of end-user tariffs for large clients would occur on 30 June 2014, or before, if the number of clients in the liberalised market rose above 90 per cent. Having arrived at this date with a considerable number of customers still in the regulated market, Ministerial Order no. 127/2014, of 25 June, amended Ministerial Order no. 59/2013, of 11 February, and determined that termination of the end-user tariffs for large clients would occur on 30 June 2015. This deadline was subsequently extended to 31 December 2020 by Ministerial Order no. 144/2017, of 24 April.

Regarding regulated end-user tariffs for clients with annual gas consumption smaller than 10,000 m³, the Portuguese government determined termination procedures in Decree-Law no. 74/2012, of 26 March, as of (i) 1 July 2012, regarding clients with an annual consumption greater than 500 m³; and (ii) 1 January 2013, regarding clients with an annual gas consumption equal to or smaller than 500 m³. Without prejudice to the termination of the end-user tariffs on 1 July 2012 and on 1 January 2013, the Portuguese government defined a transitory period during which clients that had not migrated to the liberalised market may still benefit from transitory end-user regulated tariffs until 31 December 2014 and until 31 December 2015, respectively.

Decree-Law no. 15/2015, of 30 January, and Ministerial Order no. 97/2015, of 30 March, have determined that the last resort gas suppliers must continue to supply natural gas consumers which have not yet migrated to the liberalised market, and therefore maintain the application of the respective transitory end-user regulated tariff, until 31 December 2017. This deadline was subsequently extended to 31 December 2020 by Ministerial Order no. 144/2017, of 24 April. Ministerial Order no. 108-A/2015, of 14 April, amended by Ministerial Order no. 359/2015, of 14 October, defined the mechanism of the aggravating factor to be applied to the transitory natural gas tariffs to final clients. Dispatch no. 11412/2015, of the Secretary of State of Energy, of 30 September and published on 12 October, updated the parameters provided in Ministerial Order no. 108-A/2015, of 14 April.

From 2020, natural gas last resort suppliers can only supply economically vulnerable consumers, as defined by Decree-Law no. 231/2012, of 26 October, amended with the Ministerial Order no. 144/2017, of 24 April. However, economically vulnerable consumers were granted the right to choose whether to continue to be supplied by the last resort supplier or by a regular supplier, in any case, maintaining the right to benefit from the legally established tariff discounts.

Social Tariffs

In order to protect economically vulnerable natural gas consumers, the Portuguese government, through Decree-Law no. 101/2011, of 30 September, established the gas social tariff, providing a percentage discount applied to the low pressure access tariff. Another support mechanism was implemented through Decree-Law no. 102/2011, of 30 September, further regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September, which established the aforementioned ASECE.

These Decree-Laws were later amended by Decree-Law no. 172/2014, of 14 November, which expanded the eligibility criteria and set a maximum annual income threshold, and by Ministerial Order no. 278-B/2014, of 29 December, which simplified the procedures to verify whether the eligibility criteria was met by a given consumer.

Law no. 7-A/2016, of 30 March, which approved the Portuguese State Budget for 2016, terminated the ASECE by its incorporation into the social tariff and set an automatic model for assigning a social tariff to economically vulnerable customers. The procedures and further conditions required to the functioning of the new model were defined by Ministerial Order no. 178-C/2016, of 1 July. Dispatch no. 3229/2017 of the

Secretary of State of Energy, dated 11 April and published on 18 April, set the social tariff for gas, to be applied starting from 1 July 2017, based on a percentage discount applied to the low voltage access tariff equivalent to a 31.2 per cent. discount over the provisional tariffs.

CESE

The regulated assets of natural gas distribution networks are also covered by CESE. Law no.33/2015, of 27 April, amended Law no. 83-C/2013, of 31 December as well as the legal framework applicable to the CESE contained therein to extend the application of CESE to the gross last resort supplier holding take-or-pay supply contracts, and Ministerial Orders no. 157 B/2015, of 28 May and 92-A/2017, of 2 March defined the parameters and values needed to compute the value of CESE taking into account the duration of contracts, the contracted amounts of gas and the estimated price of natural gas.

Market regulators

Responsibility for regulation of the Portuguese energy sector is shared between DGEG, ERSE and the Portuguese Competition Authority, according to their respective functions and responsibilities.

DGEG

DGEG has primary responsibility for the conception, promotion and evaluation of policies concerning energy and geological resources and has the stated aim of assisting the sustainable development and the security of energy supply in Portugal. In particular DGEG is responsible for: (1) assisting in defining, enacting, evaluating and implementing energy policies; (2) identifying geological resources in order to ensure that their potential uses are properly evaluated; (3) promoting and preparing the legal and regulatory framework underlying the development of the generation, transmission, distribution and consumption of electricity; (4) promoting and preparing the legal and regulatory framework necessary for the promulgation of policies relating to research, usage, protection and assessment of geological resources; (5) supporting the Ministry of the Economy at an international and European level; (6) supervising compliance with the legal and regulatory framework that underpins the Portuguese energy sector (particularly in connection with the electricity transmission network, the electricity distribution network and the quality of service provided to energy consumers); (7) providing sector-based support to the Portuguese government in crisis and emergency situations; (8) approving the issuance, modification and revocation of electricity generation licences; (9) conducting the public tender procedure for the attribution of network interconnection points in the renewable energy sector; and (10) issuing opinions concerning the energy sector.

While carrying out its responsibilities, DGEG must consider the following national objectives: (1) safety of supply; (2) energy diversification; (3) energy efficiency; and (4) the preservation of the environment.

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

- (i) The Distribution Network Regulation – The Distribution Network Regulation identifies the assets of the distribution network and sets out the conditions for its operation, in particular regarding the control and management of the network, maintenance of the network, technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. The Distribution Network Regulation was approved by Ministerial Order no. 596/2010, of 30 July.
- (ii) The Transmission Network Regulation – The Transmission Network Regulation identifies the assets of the transmission network and sets out the conditions for its operation. In particular, it lays out standards for: the control and management of the network, its maintenance, and the technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. The Transmission Network Regulation also establishes the means and the legal support for the codification of the technical and safety rules to be observed by entities that intend to connect to the transmission grid. The Transmission Network Regulation was approved by Ministerial Order no. 596/2010, of 30 July.

ERSE

ERSE was appointed as the independent regulator of electricity services in February 1997. On 2002, ERSE's authority with respect to the electricity sector was extended to the autonomous regions of Madeira

and Azores and later to the natural gas sector, according to ERSE's statutes defined by Decree-Law no. 97/2002, of 12 April.

In 2012, Decree-Law no. 212/2012, of 25 September, revised ERSE's statutes with an emphasis on the reinforcement of the regulator's independence and powers, namely those applicable to sanctions, in accordance with Directive 2009/72/EC and Directive 2009/73/EC. Law no. 9/2013, of 28 January, pursuant to Directive 2009/72/EC and Directive 2009/73/EC, established the sanctioning regime applicable to electricity and natural gas sectors and formally granted ERSE powers to initiate legal proceedings and apply sanctions to the entities operating in these sectors.

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

According to ERSE statutes, ERSE is responsible for the establishment and for the approval of tariffs and regulated prices for electricity and natural gas. On 15 December of each year, ERSE publishes a document defining the allowed revenues of the regulated activities and the electricity tariffs for the following year. Every three years, ERSE publishes a document containing the parameters for each new regulatory period. The tariffs and prices for electricity and other services in 2017 were approved by ERSE Directive no. 1/2017, of 3 January. The tariffs and prices for natural gas in the gas year 2016-2017 and the parameters for the regulatory period 2016-2019 were approved by ERSE Directive no. 13/2016, of 27 June.

The responsibility of approving the principal regulations applicable to the Portuguese electricity and natural gas systems is also assigned to ERSE as set forth below:

Electricity Sector

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

The last update of the Tariff Regulation was released by ERSE in 2014 before the beginning of the current regulatory period 2015-2017 (Regulation no. 551/2014, of 15 December). The changes introduced by this revision were mainly related to: i) plans relating to the implementation of dynamic tariffs; ii) the expansion of tariff options for grids access; iii) the introduction of changes in the Transmission Network Access Tariff according to generators' legal framework; iv) the establishment of an assets' profitability control mechanism; v) the review of the incentive methodology for smart grids; vi) the revision of the incremental costs mechanism; and vii) other changes resulting from the adoption of the micro and mini generation legal regime and of the social tariff regime.

- (ii) Commercial Relations Regulation governs commercial relations between entities within the electricity sector. The first Commercial Relations Regulation was issued in December 1998 and has since then been subject to several amendments.
- (iii) Through Regulation no. 561/2014, of 10 December, published on 22 December 2014, ERSE approved the current version of the Commercial Relations Regulation. This revision was motivated primarily by the need to allocate and clarify: i) the regulatory level specificities resulting from the introduction of the Market Facilitator role; ii) the network access tariffs rules applied to generators; and iii) the certification of the transmission network operator. ERSE also considered the necessary adaptation of the regulatory framework for the publication of the sanctioning regime of the energy sector and adjustments in the commercial and contractual relationship between operators resulting from the end of the first transitional period for the extinction of regulated tariffs.

- (iv) Quality of Service Regulation governs the quality of service provided by electricity companies to their customers. The Quality of Service Regulation was first issued on 1 January 2001 by DGEG and has been subject to several amendments since then.

The Quality of Service Regulation was last updated by Regulation no. 455/2013, of 30 October, published on 29 November resulting in the extinction of regulated tariffs. The updated Quality of Service Regulation is focused more on the context of supply activity liberalisation, establishing a higher level of obligations for suppliers. In addition, as a result of the investment and optimisation of the operation and maintenance activity developed by network operators, network performance has evolved in terms of continuity of service at levels much higher than those established so far.

- (v) Access to the Network and Interconnections Regulation – Defines the technical and commercial conditions on which third parties may access the electricity networks and interconnections. The Access to the Network and Interconnections Regulation was first issued in December 1998 and has been subsequently amended several times.

Regulation no. 560/2014, of 10 December, published on 22 December approved the current version of the Access to the Network and Interconnections Regulation. This regulatory review sets out the content of the information to be sent to ERSE by network operators in order to: i) allow ERSE to monitor the operation and functioning of the networks and equipment; ii) evaluate the correspondent reinforcement needs; and iii) ensure the correct and transparent application of ERSE's supervisory powers.

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

Regulation no. 557/2014, of 10 December, published on 19 December, approved the current version of the Networks Operation Regulation. This regulatory review was intended to ensure the proper and transparent application of ERSE's supervisory powers and to facilitate, if applicable, sanctioning procedures.

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

Natural Gas Sector

Decree-Law no. 30/2006, of 15 February, and Decree-Law no. 140/2006, of 26 July, reinforced by Decree-Law no. 212/2012, of 25 September, set out ERSE's responsibilities in the SNGN including approving the main applicable regulations. Relevant revisions of the regulations were published on 10 April 2013, in order to: (i) accommodate and harmonise them with the regulatory procedures established at European and Iberian levels, issued by the Third Package; (ii) create a better regulatory framework, to match the development of the natural gas market; (iii) improve the capacity allocation mechanism and the pricing model applicable to high pressure infrastructure; (iv) increase efficiency in regulation through consolidation/implementation of incentive regulation and adoption of mechanisms mitigating the impact of demand volatility, and (v) improve tools for pricing flexibility, adapting the tariff model to intermittent and seasonal uses of natural gas.

- (i) Tariff Regulation establishes the criteria and methods for determining natural gas tariffs and prices applicable to the natural gas sector. It sets out, among other things, the criteria and processes for: defining the regulated tariffs and determining the respective tariff structures, calculation and determination of the tariffs, calculation and determination of allowed revenues and the processes applicable to the calculation and amendments to tariffs and its

respective publication. The first Tariff Regulation was issued in September 2006 and has since been subject to several amendments.

The Tariff Regulation was last enacted by Regulation no. 415/2016, of 29 April, last amended by ERSE Directive no.7/2017, of 16 June and published on 17 July, in consideration of the beginning of the fourth regulatory period in the natural gas sector and the need to add the necessary adaptations to guarantee full coherence with the provisions included in the three European network codes already published.

The changes to the Tariff Regulation, now approved, introduced: i) impact mitigation mechanisms for adjustments in the allowed revenues of the underground storage facilities; ii) incentive regulation model in the Technical and Global Management Activity System; iii) a definition of reference costs mechanism in the supply activity; iv) the approval of temporary attenuation mechanism impacts of adjustments in unit revenues of transmission and distribution activities; v) flexibility in the structure of network access tariffs, contributing to increased use of the natural gas system for consumers with consumption concentrated in time; and vi) a definition of new capacity products and respective rates at high pressure infrastructure.

- (ii) Commercial Relations Regulation governs commercial relations between entities within the natural gas sector and the mechanism of compensation to ensure tariff uniformity, metering rules and conflict resolution rules. The first Commercial Regulation was approved on September 2006 and has since been subject to several amendments. The last major amendments occurred in March 2010, in order to adapt the Commercial Relations Regulation to the full liberalisation of the Portuguese Natural Gas System. Subsequently, ERSE issued some other amendments to the complementary regulatory legislation, such as the commercial conditions for connections to natural gas grids and the general conditions of the supply agreements.

The Commercial Relations Regulation was last updated by Regulation no. 416/2016, of 29 April. The main goal of this revision was to assign the role of UAG to the wholesale last resort supplier and to consolidate the monitoring of natural gas market operation, by strengthening reporting obligations to ERSE concerning: i) general conditions of natural gas contracts contracted between suppliers and consumers; ii) contracted price indexation mechanisms and contractual loyalty mechanisms; iii) systematisation of content to be included in contracts and invoices; iv) mandatory adoption of a standardised contractual form; and v) forecasting of a voluntary billing mechanism between suppliers in the context of switching processes.

- (iii) Quality of Service Regulation establishes the standards for the quality of service that, from a technical and commercial nature, should be observed in all services rendered in the Portuguese Natural Gas System. The first Quality of Service Regulation was approved in September 2006 and has since been subject to several amendments.

In the last revisions of April 2013, defined by Regulation no. 139-A/2013, of 16 April, the changes made included: (i) the calendar year becomes the reference for report; and (ii) the suppliers in liberalised markets have reporting duties in respect of the quality of commercial service, as well as new targets for some quality of service indicators.

- (iv) Access to the Networks, Infrastructure and Interconnections Regulation establishes the conditions and obligations governing the right of access to all infrastructure of the RNTGN, which must be complied with by the regulated companies operating in the natural gas sector and by eligible customers. The Access to the Network, Infrastructure and Interconnections Regulation also established the conditions under which the operator may refuse access to the networks, interconnections and storage facilities. The first version of this regulation was approved in September 2006 and this regulation was last updated by Regulation no. 435/2016, of 9 May, in order to align this regulation with subsequent provisions to the three

European network codes and the changes which had occurred in the natural gas sector since 2013.

In August 2014, Directive no. 14/2014 approved a supplementary document to this regulation, the Procedural Manual of the Access to the Infrastructures ("MPAI"), which established the rules for capacity assignment, as well as the terms for consumption forecasts and capacity utilisation for 2014 and 2015. For subsequent years the deadlines for the allocation process, the capacity allocation and the consumption and utilisations forecasting process were or will be announced by the SNGN global technical manager, as established in procedures no,4, 5 and 6 of the MPAI.

- (v) Infrastructure Operation Regulation defines the criteria and procedures for managing natural gas flows, the provision of system services and the technical conditions enabling the operators of the natural gas transportation network, of underground storage facilities and of LNG terminals to manage such flows, while ensuring interoperability with the networks to which they are connected. The first Infrastructure Operation Regulation was approved in June 2007 and was revised by Regulation no. 417/2016, of 29 April, in order to align the Infrastructure Operation Regulation with subsequent provisions to the three European network codes and the changes which had occurred in the natural gas sector since 2013.

The UAG, which is part of the Procedural Manual of Management and Operation of Networks for Local Distribution, approved in April 2011 and revised in July 2012, is a complementary document to the Infrastructure Operation Regulation, which aims to establish the criteria and procedures for managing the logistics of the supply of LNG to the UAG.

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

The Manual of Logistics Management Supply of UAG and the Procedural Manual of the Global Technical Management of the SNGN, regarding access to the networks, were last revised by ERSE Directive no. 17/2014, of 31 July.

Portuguese Competition Authority

From 8 July 2012, Portugal has in place a new competition act, approved by Law no. 19/2012, of 8 May, which replaced former Law no. 18/2003, of 11 June. The new competition act follows closely the wording of the fundamental anti-trust provisions contained in the Treaty on the Functioning of the European Union and of the EU Merger Control Regulation.

Competition rules in Portugal, which have been enforced since 2003 by an independent agency, the Portuguese Competition Authority, were reviewed by Decree-Law no. 125/2014, of 18 August, as amended by Rectification no. 40/2014, of 18 August. The Authority is empowered to fully apply those rules in respect of the economic principle of market economy and free competition, in view of an efficient functioning of the markets, an effective distribution of resources and the interests of consumers.

To that end, the Portuguese Competition Authority enjoys a number of sanctioning, supervisory and regulatory powers which include investigative prerogatives to perform inquiries of legal representatives of companies or associations of companies, request documents or information and conduct searches at business and non-business premises, including private domiciles. It may also impose severe fines on companies and individuals that do not comply with competition rules. Penalties can amount to 10 per cent. of a group's annual turnover or 10 per cent. of an individual's annual income.

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

Spain

Electricity Sector – Regulatory Framework

The main characteristics of the Spanish electricity sector are the existence of the wholesale Spanish generation market (also referred to as the "Spanish Pool"), and the fact that all consumers have been free to choose their supplier since 1 January 2003. Additionally, since 2006, bilateral contracts and the forward market (long-term energy acquisition contracts) have made up a larger part of the market.

All generators provide electricity at market prices to the Spanish Pool and under bilateral contracts to consumers and other suppliers at agreed prices. Suppliers, including last resort suppliers, and consumers can buy electricity in this pool. Foreign companies may also buy and sell in the Spanish pool and in the forward markets.

The market operator and agency responsible for the market's economic management and bidding process is OMIE (see "*Regulatory framework – Iberian Peninsula – Mibel Overview*"), while REE is operator and manager of the transmission grid and sole transmission agent. REE as transmission company, together with regulated distributors, provide network access to all consumers. However, consumers must pay an access tariff or toll for the transmission and the distribution.

Liberalised suppliers are free to set a price for their customers. The main direct activity costs of these entities are the wholesale market price and the regulated access tariffs to be paid to the distribution companies. Electricity generators and suppliers or consumers may also engage in bilateral contracts without participating in the wholesale market.

As from 1 July 2009, last resort suppliers, appointed by the Spanish government, supply electricity at a regulated tariff set by the Spanish government to the last resort consumers (low-voltage electricity consumers whose contracted power is less than or equal to 10 kW). Since then, distributors have not been permitted to supply electricity. In January 2014, the last resort tariff was replaced by the "Voluntary Price for the Small Consumer" (*precio voluntario para el pequeño consumidor*).

Royal Decree-Law no. 6/2010, of 9 April, amended (pursuant to Article 23) Articles 1, 9, 11 and 14 of Law no. 54/1997 and created a new player which, as specified in Royal Decree no. 647/2011, of 9 May, was responsible for developing the supply of energy to recharge electric vehicles.

As part of the unbundling of the transmission system operator, distributors sold their remaining transmission assets to REE in 2011, completing the process required by Law no. 17/2007, which established REE as the sole transmission agent.

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

Royal Decree-Law no. 9/2013, of 13 July, included a set of regulatory modifications applicable to the Spanish electricity sector that affected the return ratio of energy assets. These modifications were confirmed by the enactment of Law no. 24/2013 of the Electricity Sector, of 26 December 2013, and were primarily aimed at eliminating the tariff deficit. The main modification directly implemented by Royal Decree-Law no. 9/2013 was that the return ratio pre-tax of regulated activities was indexed to the yield associated with Spanish ten-year sovereign bonds plus a spread. The spread mentioned above for distribution and transmission activities was established at 100 basis points for the second half of 2013 and has been set at 200 basis points from 2014 onwards. The spread for renewable and combined heat and power ("CHP") generation has been set at 300 basis points since the enactment of Royal Decree-Law no. 9/2013.

Following the enactment of Law no. 24/2013, the Spanish government implemented a set of additional royal decrees that included modifications to regulations governing all activities relating to the provision of energy, including renewables, electricity distribution and transmission activities, as further detailed in the following sections.

Royal Decree-Law 7/2016 established that discounts in tariffs to vulnerable customers ("Social Voucher") would be supported by all supply companies.

Electricity Sector Act

The enactment of Law no. 54/1997 (the "Electricity Sector Act") gradually changed the Spanish electricity sector from a state-controlled system to a free-market system with elements of free competition and liberalisation. The Electricity Sector Act is intended to guarantee that the supply of electricity in Spain is

provided at high quality and lowest possible cost. In order to achieve those targets, the Electricity Sector Act provides for:

- the unbundling of regulated (transmission, distribution, technical management of the system and economic management of the wholesale market) and liberalised activities (generation, trading, international transactions and energy suppliers for recharging electric vehicles);
- a wholesale generation market, or electricity pool;
- freedom of entry to the electricity sector for new operators carrying out liberalised activities;
- all consumers, from 1 January 2003, the ability to select their electricity supplier and their method of supply;
- all operators and consumers, the right to access the transmission and distribution grid by paying access tariffs approved by the Spanish government; and
- the protection of the environment.

Law no. 17/2007 amended the Electricity Sector Act, bringing it into conformity with the Electricity Directive, with the intention of reconciling the liberalisation of the electricity system with the twin national objectives of guaranteeing supply at the lowest possible price and minimising environmental damage. Royal Decree-Law no. 13/2012 built upon the achievement of that target by including Directive 2009/72/EC in the Spanish regulation.

In December 2013, a new electricity sector act (Law no. 24/2013) entered into force substituting Law no. 54/1997. This new law is based on the reforms announced by the Ministry of Industry in July 2013 and maintains the main principles of Law no. 54/1997, but reinforces the objectives of economic and financial sustainability in the electricity sector, thus preventing a new tariff deficit.

Generation

Generation facilities have several methods of contracting for the sale of electricity and determining a price for the electricity:

- *Wholesale energy market or pool.* This pool was created on 1 January 1998 and includes a variety of transactions that result from the participation of market agents (including generators, suppliers and direct consumers and, until 30 June 2009, distributors) in daily and intra-day market sessions.
- *Bilateral contracts.* Bilateral contracts are private contracts between market agents, where terms and conditions are freely negotiated and agreed. Information about these contracts has to be given to the energy market in order to retain transparency within the electricity industry.
- *Auctions for purchase options or primary emissions of energy.* Principal market participants could be required by law to offer purchase options for a pre-established amount of their power. Some of the remaining market participants are entitled to purchase such options during a specified period. However, these options are currently not regulated in Spain.

These sales can be subject to Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency ("REMIT"). REMIT imposes certain obligations on market participants, mainly transparency and information obligations. It is compulsory for members of the EU.

Power plants also participate in ancillary services markets managed by the system operator, REE. Participation is mandatory for certain kind of power plants.

Until December 2013, power plants that used renewable, waste and CHP energy sources were regulated under a "special regime", but the distinction between an ordinary and a special regime ceased to apply after the enactment of Law no. 24/2013.

Order no. ITC 2794/2007 established a new regime of fixed payments applicable to generators operating in the ordinary regime. This regime established for a period of ten years, an investment incentive, set at an initial amount of €20,000 per MW installed, increased up to €26,000 per MW installed by Order ITC/3127/2011 and lowered to €10,000 per MW installed by Royal Decree-Law no. 9/2013. Referred Order ITC/3127/2011 has also regulated an incentive regarding the availability of the certain facilities in the short term.

Between 2011 and 2014, Royal Decree no. 134/2010, set out a remuneration procedure approved by European Union competition authorities to promote consumption of indigenous coal. The Soto de Ribera 3 power plant, owned by EDP, belonged to this regime. Royal Decree-Law no. 14/2010 imposed on generators the payment of a €0.5 per MWh fee for the use of the networks. The regime ended in December 2014.

Law no. 15/2012 imposed a set of taxes on generators in order to cover the costs of the electricity system: (i) a 7 per cent generation tax on income from electricity output, (ii) a 22 per cent. charge on the use of inland water for electricity generation (increased to 25.5% by means of Royal Decree-Law 10/2017, of 9 June), (iii) a tax on the production of nuclear waste and a tax on storage of this waste, (iv) a tax on natural gas of €0.65/GJ applying to all natural gas consumers, and (v) a tax on coal of €0.65/GJ applicable to generators.

Law no. 24/2013 also regulates the temporary closure of generation facilities, which is subject to a prior administrative authorisation scheme.

Royal Decree no. 900/2015 established the administrative, technical and economic conditions of the self-consumption regime. Self-customers have to pay access rates to use the distribution network and a self-consumption charge if they are physically connected to the distribution network. However, self-customers with less than 10 kW are exempt from variable self-consumption charges.

Specific remuneration regime for renewables, CHP and waste generation

Prior to July 2013, the electricity system was required to acquire the electricity offered by special regime generators at tariffs that were fixed by a royal decree or order and that varied depending on the type of generation. These tariffs were generally higher than average Spanish electricity market prices. Application of the Spanish special regime was discretionary for companies that owned eligible facilities. Generally, eligible facilities were those with an installed capacity of 50 MW or less that used cogeneration, CHP, waste or any renewable energy source as their primary energy.

Royal Decree no. 661/2007 provided the previous regulation of the Spanish special regime. Eligible facilities were those with an installed capacity of 50 MW or less that used cogeneration, CHP, waste or any renewable energy source as their primary energy. This decree was framed within the commitment of the Spanish government to encourage investments in renewable energy in Spain.

Under this decree, Spanish special regime power facilities were able to select a fixed tariff or to participate in the market. If the generator sold electricity in the market, it received the market price plus a premium, subject to a cap and floor on final prices.

However, since January 2012, the special regime has suffered several adjustments as part of the measures taken by the Spanish government to ensure financial sustainability of the electricity system:

- (i) In January 2012, Royal Decree-Law no. 1/2012 suspended feed-in tariffs and premiums for new projects.
- (ii) In December 2012, Act no. 15/2012 introduced a tax to energy generation (7 per cent. of incomes).
- (iii) On 4 February 2013, Royal Decree-Law no. 2/2013 encompassed a set of regulatory modifications mainly the elimination of premium, cap and floor schemes.
- (iv) In July 2013, Royal Decree-Law no. 9/2013, changed the remuneration scheme of the special regime and repealed Royal Decree no. 661/2007.
- (v) The new scheme was confirmed by Law no. 24/2013, of December 2013, replacing the "special regime" with the "specific remuneration regime".

As a consequence of Royal Decree-Law no. 9/2013, in July 2013, during the first regulatory period, which applies from July 2013 to December 2019, the return ratio pre-tax during the remaining useful life of the assets under the special regime has to be equal to the yield associated with Spanish ten-year sovereign bonds plus a spread of 300 basis points. The new return ratio pre-tax has been set at 7.4 per cent. during the regulatory life of the power plant (20 years in the case of existing wind generation, 25 years in the case of CHP generation and generation from waste, and 30 years in the case of photovoltaic generation).

As a result of the enactment of Law no. 24/2013, in December 2013, the special regime for renewables, CHP and waste generation was replaced by a specific remuneration regime which applies to the facilities that were regulated under the special regime prior to July 2013. As of July 2013, any new facilities that would have been eligible facilities under the special regime would receive the same treatment as facilities that belong to the ordinary regime, the only difference being the regulated supplements that are received from the specific remuneration regime.

The specific remuneration additional to market revenues consists of: (i) a capacity supplement in €/MW to cover investments not recovered in the market; and (ii) if applicable, an operation supplement in €/MWh when operating costs cannot be recovered in the market. This specific remuneration is calculated taking into account standard installations throughout the regulatory life of the power plant, and assuming an efficient and well-managed company. The granting of this specific remuneration scheme for new facilities will be determined on a competitive basis through auctions. The result of the auctions will determine the value of the supplement in €/MW applicable.

Royal Decree no. 413/2014 of June 2014 established the detailed regulation applicable to the specific remuneration regime. Remuneration values for the first half of the six-year regulatory period for power plants under the special regime prior to July 2013 were set out in Ministerial Order no. 1045/2014. Order ETU/130/2017, published in February 2017, set the remuneration parameters of the second regulatory semi-period 2017-2019.

The amount of the capacity supplement for existing wind farms varies depending on the year the power plant went into operation and will be paid for 20 years after the power plant was commissioned. Interim revisions every three years are conducted to correct deviations from the expected pool price. Farms with a commissioning date earlier than 2004 were not given any capacity supplement. EDP Renováveis installed capacity in Spain, according to the start-up date, was 9 per cent. up to 2003, 39 per cent. between 2004 and 2007 and 52 per cent. from 2008 onwards.

On 12 April 2017, the Spanish Government authorised auctions of up to 3 GW of specific remuneration for renewable facilities in mainland Spain in accordance with Royal Decree 359/2017. In accordance with this Decree, an auction was held on 17 May 2017 which awarded 3 GW (almost all of which related to wind capacity). On 25 May 2017, the Government announced that a new auction of 3 GW would take place, with substantially similar rules as the previous auction. This auction was held on 26 July 2017 and awarded a total of 5 GW of renewable capacity (4 GW of solar and 1 GW of wind capacity).

The authorisation of renewable, CHP and waste plants is by regional governments due to their small size. However, as a result of Royal Decree-Law no. 6/2009 since 2009 all facilities had to be entered in a register managed by the Ministry of Industry in order to benefit from the premiums and tariffs of the Spanish special regime (Royal Decree 661/2007), and now the specific remuneration scheme created by Royal Decree-Law no. 9/2013.

Electricity tariffs, supply and distribution

Since January 2003, all consumers have become qualified consumers. All of them may choose to acquire electricity under any form of free trading through contracts with suppliers, by going directly to the organised market or through bilateral contracts with producers.

With the adoption of the Last Resort Supply (*Suministro de Último Recurso*) on 1 July 2009 (Law no. 17/2007 that amended the Electricity Sector Act in order to adapt it to the Electricity Directive, the regulated tariff system has been replaced by a last resort tariff system. Last resort tariffs (now called *precio voluntario para el pequeño consumidor*) are set by the Spanish government on an additive basis and can only be applied to low-voltage electricity consumers whose contracted power is less than or equal to 10 kW. According to Royal Decree no. 216/2014, the last resort tariff is calculated taking into account the sum of the following components: (1) costs of the electricity generation (which is indexed to the Spanish hourly pool), (2) access tariffs and (3) regulated costs of supply management. Last resort consumers can choose between being supplied at last resort tariffs or being supplied in the liberalised market. The cost of supply methodology was approved by Royal Decree 469/2016. Ministerial Order ETU/1948/2016 establishes the cost of supply during 2017 and 2018. Due to several Supreme Court decisions and according to the referred Ministerial Order, the cost of supply between 2014 and 2016 also has to be re-invoiced to customers during 2017 and 2018. Regulated costs of supply management included in invoices between 2014 and 2016 were provisory.

Electricity transmission and distribution activities are regulated given that their particular

characteristics impose severe limitations on the possibility of introducing competition. The new regulatory framework changed the manner in which electricity businesses receive payments in order to promote efficient and quality of service. The regulations take into account the investment and optional costs related to transmission activities. Fixed remuneration for distribution is based on investment and operational and maintenance costs. Currently, the economic regime for distributors is contained in Royal Decree-Law no. 9/2013, Law no. 24/2013 and Royal Decree no. 1048/2013, and the settlement system is contained in Royal Decree no. 2017/1997. Until July 2013, remuneration to distribution activities was determined by Royal Decree no. 222/2008 and Royal Decree-Law no. 13/2012, which had already established that capital costs would only be paid for net assets and postponed the remuneration until the second year after new assets have been brought into operation.

The main change introduced in July 2013 was setting the return ratio of energy assets based on the yield associated with Spanish ten-year sovereign bonds plus a spread, set at 100 basis points for the second half of 2013 and 200 basis points for 2014 onwards. Royal Decree no. 1048/2013, approved in December 2013, establishes the general remuneration framework which is mainly based on the regulatory asset base ("RAB"). This RAB is determined by taking into consideration audited physical units affected by efficiency factors. After approval of Royal Decree no. 1073/2015 and Ministerial Order no. 980/2016 the new remuneration model has come into effect producing a substantial improvement in EDP's remuneration through its subsidiary Hidrocantábrico Distribución Eléctrica. In the meantime, Royal Decree-Law no. 9/2013 established a transitory phase of the remuneration scheme between 2013 and 2015.

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

Access tariffs and other regulated prices and charges are set by the Minister of Energy, Tourism and Digital Agenda. The portion of access tariffs that is designated to cover transmission and distribution costs will be fixed by the national regulatory authority *Comisión Nacional de los Mercados y la Competencia* ("CNMC") according to a methodology which has not yet been approved by the Spanish government. Access tariffs and regulated prices are uniform throughout Spain, although regional extra costs, if approved, may be added to tariffs set by the Ministry of Industry.

On the other hand, on 1 July 2009, the regulated system of electricity tariffs was extinguished. Since then, distributors have ceased to supply electricity, and now function as network operators. Accordingly, from that date, all consumers have been in the liberalised market. However, Royal Decree no. 216/2014, provides that the low voltage final consumers who use 10 kW or less are eligible for the tariff of last resort, which applies a regulated price to that supply. This tariff will be applied by the designated suppliers of last resort (called *comercializadores de referencia*), among which is EDP Comercialización Último Recurso, S.A.

Following the approval of Act 25/2009, prior to commencing the supply of electricity, suppliers are obliged to provide a statement to the Ministry of Industry or to the respective regional authority where they wish to engage in the supply (who will transfer the information to CNMC) which includes a confirmation of (a) the dates for beginning and ending their supply activity, (b) proof of their capacity for the development of the supply, and (c) the guarantees required. CNMC is entitled to publish on its web site an up-to-date list of electricity suppliers that have communicated the commencement of their supply.

Due to the disappearance of the Supplier switching office (*Oficina de Cambio de Suministrador* or "OCSUM"), the CNMC supervises the process for consumers changing their electricity supplier under principles of transparency, objectivity and independence.

Last resort suppliers in the Iberian Peninsula may acquire electricity in the spot or forward markets to meet last resort demand. In Spain, following the enactment of Royal Decree-Law no. 17/2013, last resort suppliers are no longer permitted to hold energy auctions to purchase electricity.

Law 18/2014 implemented Directive 2012/27/EU of Energy Efficiency, establishing mandatory contributions from suppliers of gas, electricity and petroleum products to the National Energy Efficiency Fund in order to support efficiency measures to comply with that Directive.

Tariff Deficit in electricity sector

Regulatory developments in the electricity sector in Spain during 2012 and 2013 were aimed at eliminating the tariff deficit in order to ensure the sustainability of the system. These measures have contributed to the following positive developments: i) the definitive settlements of 2014 and 2015 and produced a surplus of €550 million and €469 million, respectively; ii) the provisional settlement of 2016 is expected to produce a slight surplus; iii) in 2015, the Spanish government approved two reductions of the regulated prices of capacity paid by consumers through Royal Decree-Law no. 9/2015 and Ministerial Order no. 2735/2015 in August 2015 and December 2015, respectively.

However, the past debts of tariff deficit amounted to € 23,070 million as of 31 December 2016 (nearly €2,000 million less than in 2015), none of which is currently being financed by electric companies. Deficits prior to 2014 were securitised as described below.

Law no. 24/2013 provides that access tariffs, regulated prices and other regulated income must be sufficient to recover the full costs of the regulated activities without any deficit. Although some deficit was permitted until 2013 (as provided by Royal Decree-Law no. 6/2009 and Royal Decree-Law no. 14/2010), Law no. 24/2013 limits tariff deficits incurred as of 2014 to a 2 per cent. yearly cap.

The deficit produced up to 2012 was fully transferred from the electricity companies to a Securitisation Fund called Depreciation Fund of Electric Tariff Deficit ("FADE"), which is guaranteed by the Spanish State Budget. Financing costs of FADE are included in the regulated costs to be recovered through access tariffs.

In 2012 and 2013 the Spanish government took important steps in order to address the key aspects of the problem of the tariff deficit:

- (i) Royal Decree-Law no. 1/2012 suspended temporarily all new renewable premiums.
- (ii) Royal Decree-Laws no. 13/2012 and 20/2012 reduced system costs in 2012 up to €1,000 million (in transmission and distribution activities, in capacity payments to generators, in coal subsidies, in system operation and payments to interruptible customers) while increasing system revenues in €700 million from some budget surpluses. Some of these measures were only in force during 2012.
- (iii) Access tariffs were updated as from April 2012 to all customers resulting in a revenue increase for the system of €1,600 million.
- (iv) Due to the inadequacy of previous measures for containing the tariff deficit, the Spanish government approved Law no. 15/2012 in December 2012, which imposed new taxes on generators and natural gas customers in order to cover the costs of the electricity system. Additionally, the Spanish government has allocated and will continue to allocate up to €450 million per year of the revenues from the sale of emission allowances to the tariff. The implementation of the above measures increases system revenues by €3,300 million annually.
- (v) Royal Decree-Law no. 2/2013 described above.
- (vi) Royal Decree-Law no. 9/2013 with an estimated yearly impact of €4,500 million, held by customers (€900 million), National Budget (€900 million) and companies (€2,700 million).

The deficit produced in 2013 (€3,200 million) was transiently financed by electricity companies until December 2014 when it was securitised through the mechanism approved by Royal Decree no. 1054/2014.

Last Resort Tariff to vulnerable customers

Royal Decree-Law no. 6/2009 has created the "Social Voucher" for some consumers benefiting from the tariff of last resort (the "TUR"). The TUR complies with the social, consumer and economic conditions as determined by the Ministry of Energy. Currently, as provided by Royal Decree no. 216/2014, this tariff for vulnerable customers consists of a discount of 25 per cent. of the regulated tariff PVPC (*precio voluntario para el pequeño consumidor*). From 1 July 2009, individual consumers with a contracted capacity of less than

3 kW in their residence, consumers over 60 years old with minimum pensions, large families and families of which all the members are unemployed have been entitled to this last resort tariff (as provided by Royal Decree-Law no. 6/2009).

Royal Decree-Law no. 13/2012 and Law no. 24/2013 also linked the eligibility to benefit from this tariff to household income but the conditions for benefiting from the "Social Voucher" settled in Royal Decree-Law 6/2009 remain until the income thresholds are defined.

Discounts applied to vulnerable customers were funded by all vertically integrated companies according to the rules established in Law no. 24/2013 and Royal Decree no. 968/2014 between 2014 and 2016. However, several Supreme Court rulings abolished in August 2016 the funding mechanism approved by Law no. 24/2013. Royal Decree-law no. 7/2016 of December 2016 approved a new framework of protection for vulnerable customers and also a new mechanism consisting in all supply companies financing the cost of the discounts proportionally to the number of their customers. The detailed conditions of the new framework are still pending further regulations.

Authorisations and Administrative Procedures

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

Administrative registration, permits and licences are generally required for the construction, enlargement, modification and operation of power plants and ancillary installations. In addition, power plants using renewable energy sources or CHP must be registered on the "specific remuneration" register managed by the Minister of Energy, Tourism, and Digital Agenda before the power plant is entitled to benefit from the specific remuneration regime. New power plants in mainland Spain will only be included in the specific remuneration register through a competitive process of capacity auctions.

Facilities must also be authorised in order to connect to the relevant transmission and distribution networks. If interconnection authorisation is not granted, administrative authorisation cannot be granted.

However, interconnection authorisation can only be denied due to lack of current or future network capacity.

Royal Decree no. 1699/2011, regulating the connection of small power plants to distribution networks, aims to streamline administrative procedures to speed up the connection of small power plants (renewable energy power plants below 100 kW and CHP installations below 1 MW) to the electricity grid.

Royal Decree no. 900/2015 specifies the administrative procedures that apply to self-consumption facilities.

Gas Regulation Overview

The general basis, principles and model of organisation of the gas sector in Spain were established through the Hydrocarbons Act no. 34/1998, of 7 October 1998 (the "Hydrocarbons Act"), Royal Decree no. 949/2001, of 3 August and Royal Decree no. 1434/2002, of 27 December 2002.

The approval of Act no. 12/2007, of 2 July, which modifies the Hydrocarbons Act, in order to adapt it to EU Directive 2003/55/EC of the European Parliament and of the Council, of 26 June 2003, has continued the process of deregulation that was started in the sector in 1998, and Royal Decree-Law no. 13/2012 has completed this process by including Directive 2009/73/EC in the Spanish regulation. The regulated supply system ended on 1 July 2008 and was substituted by a last resort supply system. According to Law no. 12/2007, the scope of consumers that can be supplied under the last resort tariff systems has been reduced to only domestic and low consumption users. However, these clients will have the option to choose between being supplied under the last resort system (by last resort suppliers appointed by the Spanish government) or in the liberalised market (at the prices freely agreed with suppliers).

The Ministerial Order ETU/1977/2016, of 23 December, establishes the tariffs and the revenues related to access to gas sector installations by third parties and remuneration of regulated activities for the year 2017.

Following the same criteria established for the electricity sector, the Spanish government has amended the Hydrocarbons Act, through Royal Decree-Law no. 8/2014, of 4 July, included in Act no. 18/2014, in order to regulate the financial stability of the gas system. The amendments to Law no. 34/1998 are focused on the economic and financial balance of the system, thus aiming to avoid new tariff deficits.

In 2015, the approval of Act no. 8/2015, of 21 May, modified the Hydrocarbons Act, with the main goal of creating an organised market of natural gas in the Spanish system that, once it is liquid, should give a price reference to the market and increase competition in the sector. The act established that the organised market should be operating before October 2015 and also assigns MIBGAS as the market operator. There are other important changes in the act, for example, the liberalisation of the periodic check-ups of users' installations (which was a distributor duty in the past).

In October 2015, Royal Decree no. 984/2015 was approved which: i) defined the general principles of the operation of the organised market of natural gas in the Spanish system (the operative details were established in December 2015 pursuant to resolutions); ii) modifies the system of contracting access capacity to the gas sector installations by third parties; and iii) develops the model of liberalisation for periodic check-ups of users' installations, the responsibilities of each party and recognises the administrative cost of distribution system operator.

With respect to the supplier of last resort, Royal Decree no. 485/2009 and Royal Decree no. 216/2014 allow for the possibility of merging firms that have to supply both electricity and gas, under the supplier of last resort requirements, into a single company. As a result, by Decision no. 12/02/2009 of the General Director for Energy Policy and Mines, EDP CUR holds the qualification of supplier of last resort in both sectors from 1 January 2010.

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

Any company engaging in a regulated activity must engage in only one regulated activity. However, a group of companies may conduct unrelated activities whenever they are independent at least in terms of their legal form, organisation and decision making in respect of other activities not relating to transmission, distribution and storage (Law no. 34/1998 and Law no. 12/2007). Royal Decree-Law no. 13/2012 incorporated new rules from Directive 2009/73/EC to achieve an effective separation between regulated activities and non-regulated activities carried out by Spanish companies. This Royal Decree-Law also establishes the ownership unbundling model for the gas transmissions system operator in relation to the main network for the primary transmission of natural gas transmission pipeline/grid, "red troncal". However, any vertically integrated company established prior to 3 September 2009 may opt between an ownership unbundling model or the independent system operators or regional transmission organisations ("ISOs") model.

The Spanish gas market has developed significantly in recent years, with an increase of 3.4 million customers (81 per cent.) from 2000 to 2016. Over the same period, gas demand has grown even more, recording an increase of 119 TWh (60 per cent.), mainly due to the demand of CCGTs. This is despite the fact that gas consumption decreased by 30 per cent. in the period from 2008 to 2015 (from 449 TWh to 314 TWh).

Natural Gas Transportation

The construction, expansion, operation and closure of gas pipelines, storage facilities and regasification plants requires prior administrative authorisation. In addition, for the construction and operation of gas transmission, regasification and storage facilities, other licences and permits are necessary, including an environmental impact assessment; licences related to infrastructure construction and land rights; and licences related to construction (for example, an activity licence, opening licence and works licence).

Preliminary authorisation is granted by either the Ministry of Industry, if the proposed facilities are basic transportation facilities, or, if they affect more than one autonomous community, by the regional authorities where such facilities will be located.

Once the preliminary authorisation has been granted, either the Ministry of Industry or the applicable autonomous regional authority will authorise the engineering construction project. Such authorisation enables the applicant to begin construction of the facility. Definitive authorisations are then granted upon completion of the facility.

Natural Gas Supply

EDP participates in the ordinary supply market through EDP Comercializadora S.A.U., and in the last resort market through its subsidiary EDP CUR in selling natural gas to end consumers all over Spain.

Suppliers acquire natural gas from producers or other suppliers and sell it to other suppliers or to consumers in the liberalised market on terms and conditions freely agreed among the parties. In order to

enable suppliers to conduct their business, transporters and distributors are under an obligation to grant access to their network in exchange for regulated tolls and fees. Royal Decree-Law no. 6/2009 has appointed the companies that can supply consumers under the last resort supply system.

Due to the disappearance of OCSUM (Supplier switching office), the CNMC supervises the process for consumers changing their gas supplier under principles of transparency, objectivity and independence.

Following the approval of Act no. 25/2009, prior to commencing supply activity gas suppliers are obliged to provide a statement to the Ministry of Industry or to the respective regional authority where they wish to engage in supply activity (who will transfer the information to the CNMC) which includes confirmation of: (a) the dates for commencing (and ending) their activity, (b) proof of their technical capacity for the development of the activity, and (c) the guarantees required. A prior administrative authorisation is only required for the conduct of supply activities if a company or its parent company is from a country outside of the European Union that does not recognise equivalent rights. The CNMC is entitled to publish on its web site an up-to-date list of gas suppliers that have communicated the exercising of their activities.

The implementation of supply of last resort in the natural gas sector was established by Royal Decree no. 104/2010, of 5 February, and Royal Decree-Law no. 13/2012 which has partially included Directive 2009/73/EC in the Spanish regulation.

Tariff Deficit in natural gas sector

In the Spanish natural gas sector, the main regulatory developments in the period from 2012 to 2014 aimed to reduce the tariff deficit. In this context, the Spanish government approved Royal Decree Law no. 8/2014 in July 2014, the main measures of which are summarised as follows:

- Reduction of €238 million per year in regulated activities remuneration (distribution and transportation).
- New remuneration models for regulated activities, during a new six-year regulatory period, which applies from July 2014 to December 2020. For distribution, the new model is still demand based, but the price updating component (IPH) disappears. In the case of transportation, there is a new variable component of remuneration linked to the system demand evolution.
- 2014 tariff deficit financed by regulated companies in 15 years. New deficit occurred from 2015 ahead, financed by regulated companies in five years.
- New yearly cap to tariff deficits, which leads to automatic tariffs and tolls increase.

The accumulated deficit as of 31 December 2016 amounts to 2,471 million as declared by the CNMC. This amount includes the debt for the unsuccessful underground storage project, named "Castor" (1,328 million).

Brazil

The Ministry of Mines and Energy ("MME") is the Brazilian government's office responsible for conducting the country's energy policies. Its main duties include formulating and implementing policies for the energy sector, according to the guidelines defined by the National Energy Policy Council ("CNPE"). The MME is responsible for establishing national energy sector planning, monitoring the security of supply of the Brazilian electricity sector and defining preventive actions to guarantee supply restoration in case of structural imbalances between supply and demand of energy.

According to Law no. 10848/2004 (the "New Electricity Act"), Brazilian government, acting primarily through MME, undertook certain duties that were previously the direct responsibility of the ANEEL, including granting concessions and issuing directives governing the bidding process for concessions relating to public services.

ANEEL has the authority to regulate and enforce the production, transmission, distribution and sale of electricity, ensuring the service quality provided by the universal service and tariff establishment to the network users, while preserving the economic and financial viability of agents and industry. The 2004 Electricity Act introduced significant changes to the regulation aimed at providing new incentives to maintain the country's generation capacity adequately to supply the electricity market. Furthermore, through competitive electricity public auctions, energy supply and demand are expected to produce lower tariffs. The

key features of the New Electricity Act include:

Creation of two markets for electricity trading:

- (i) the regulated contracting market for the sale and purchase of electricity towards the distribution companies, which is operated through electricity purchase auctions; and
- (ii) the unregulated market or free contracting market for the sale and purchase of electricity for generators, free consumers and electricity trading companies.

The requirement that distribution companies purchase electricity sufficient to supply 100 per cent of their demand through public energy auctions.

Creation of an electricity reserve policy for all electricity traded through contracts.

Restrictions on certain activities of electricity distribution companies to ensure focus on their core business and guarantee more efficient and reliable services to their customers.

Restrictions on self-dealing to encourage electricity distribution companies to purchase electricity at lower prices, rather than buying electricity from related parties.

Continued compliance with contracts executed prior to the New Electricity Act in order to provide stability to transactions carried out before its enactment.

Prohibition on power distribution utilities on sales of electricity to free consumers at non-regulated prices.

Prohibition on distributors engaging directly in power generation or transmission operations.

Several significant changes in regulation regarding the electricity sector occurred during 2012, such as the Provisional Measure 579/2012, later converted to Law no. 12.783, in which the Brazilian government presented measures to reduce electric energy bills. The expected average reduction for Brazil amounts to 20.2 per cent of total electric energy bills due to government actions aimed at concession renewals (13 per cent) and sector charges (7 per cent).

Regarding concession renewals, the generation utilities with contracts expiring between 2015 and 2017 may renew their concessions and shall guarantee that they make available physical energy to the quotas system for the distributors in proportion to the market size of each distributor.

On 23 January 2013, Provisional Measure 605 was published, which has the objective of increasing the scope of application of the resources of the Energy Development Fund - *Conta de Desenvolvimento Energético* ("CDE"). As a result, the CDE began using resources to help offset the discounts applied to the tariffs and the involuntary exposure of distributors resulting from the decision of some generation companies not to extend their generation concessions. This measure amended Law no. 10438/2002, which established the application of the CDE resources.

On 6 March 2013, the CNPE issued the Resolution CNPE 3/2013, which set a new methodology for sharing additional costs incurred using thermoelectric power plants out of the order of merit, which would normally give preference to hydro power plants. According to this new resolution, thermal power plants may operate out of the typical order of merit ahead of the hydroelectric plants to maintain the safety of the system in light of the hydrological crisis in Brazil.

On 7 March 2013, the Decree no. 9745/2013 increased the costs that can be covered by funds from the CDE, from January to December 2013. The CDE is responsible for the monthly transfer to the distribution utilities of amounts to cover the costs related to: generation allocated under the Energy Relocation Mechanism – ERM; replacement amounts not covered by such quotas ("Involuntary Exposure"); and the additional cost of thermal power plants dispatched out the order of merit, Energy Security of the System Service Charge ("ESS – Energy Security").

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

distribution companies (through the CDE) with reference to the costs and CVA charges mentioned above.

Hydro power plants in Brazil have adopted the Energy Reallocation Mechanism (the "MRE"), a hydrological risk sharing mechanism. The Generating Scaling Factor is a measurement of the amount of energy generated compared against the amount of energy guaranteed under the MRE. If a hydro plant generates less energy than the amount guaranteed, it will have a deficit. This can occur due to unfavourable hydrological conditions, such as extended or severe drought. When a deficit occurs, hydro generators must buy energy in the spot market, generally at higher prices, to accomplish their contractual commitments.

Since distribution network operators ("DNOs") had cash flow difficulties due to Involuntary Exposure and high energy costs as a result of the below average raining season in 2014, the federal government issued Decree no. 8221/2014. This decree created an account in the Regulated Contracting Environment (the "ACR-Account") to cover the additional costs of electricity distributors due to involuntary exposure in the context of high levels in the spot market and high usage of thermoelectric plants. The Commercialisation Chamber (the "CCEE") manages the account, and is responsible for contracting loans, as well as for ensuring the transfer of costs incurred in the operations of the CDE. Such operations are entitled to defray the expenses incurred from February 2014 until 31 December 2014. Monthly amount transferred to each DNO must be ratified by ANEEL and will consider the prevailing tariff coverage. The balance of the ACR-Account may be pledged in favour of banks (creditors), and its operation is regulated by the agency. Loans will be paid by consumers in 54 months through energy tariffs. On 25 April 2014, the CCEE signed contracts with banks to finance 11.2 billions of BRL\$ (*reais*) to enable the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The CDE present in the energy tariffs will generate funds to repay the loan amount. Loan repayments started in November 2015. The ACR-Account resources obtained through bank loans were completely used in April 2014. Therefore, in August 2014, a new loan of BRL 6.5 billions was approved. The value of the ACR-Account was insufficient to cover the November and December of 2014 deficit, forcing ANEEL to defer payment for 31 March 2015. In March 2015, the CCEE signed a new loan of BRL 3.4 billions. The amounts received by the ACR-Account to cover the 2014 deficit were considered in the energy tariffs from the 2015 ordinary tariff processes. Since 2015, the ACR-Account balance has been controlled by ANEEL.

The Tariff Flag System started operating in January 2015. This system signals to the consumers the real costs of electricity generation, and consists of three flags: green, yellow and red. The green flag indicates that the cost of energy production is low and therefore no extra charges are applied to the energy tariff. The yellow and red flags represent differing levels of increase in energy production cost, and that an additional charge has been added to the tariff. Only consumers classified as low income residential subclass will receive a discount on the additional amount applied by the yellow and red flags.

On 4 February 2015, the Tariff Flag Resource Account was created, through Decree 8,401/2015. Distributors collect the proceeds from the application of the Tariff Flag System to this account, managed by the CCEE. Proceeds are allocated to cover the costs that are not included in the distribution tariff, such as: ESS – Energy Security, thermal dispatch; insufficient Itaipu hydroelectric generation; spot market exposure due to insufficient generation by those hydroelectric plants contracted according to the quotas regime, instituted by Law no. 12,783/2013; and compensation to the Reserve Energy Account. Reserve energy is intended to strengthen energy security and was established by Law no. 10848/2004.

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

On 27 February 2015, through Ratifying Resolution no. 1859, ANEEL established new criteria for the additional tariff and the operation of the Flag Tariff System:

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

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

In the Provisional Measure no. 688, issued on 18 August 2015 and converted into Law no. 13203 on 8 December 2015, ANEEL introduced optional insurance for hydro generators to cover the event of a deficit. The cost of the insurance varies depending on the level of cover. The option to insure the risk, under conditions provided by Law no. 13203, was conditioned on the inability to receive the amount of energy not covered in the MRE via legal proceedings. EDP Brazil has an insurance policy for 7 of 15 of its hydro plants, covering 51 per cent of the guaranteed energy from EDP Brazil.

On 1 February 2016, by Resolution no. 2,016, ANEEL set new criteria for the functioning of the Tariff Flags system including changes in the additional fare:

- Green flag: used in the months in which the value of the CVU of the last plant to be dispatched is less than R\$211.28/MWh; without additional energy rate values.
- Yellow flag: used in the months in which the value of the CVU of the last plant to be dispatched is higher than R\$211.28/MWh and less than R\$422.56/MWh, current maximum PLD's value; with increase in proportion to the consumption of R\$1.5 per 100 kWh.
- Red flag: used in the months in which the value of the CVU of the last plant to be dispatched is equal to or greater than R\$422.56/MWh, current maximum PLD's value. In addition, the Red flag was divided into two levels:
 - Level 1: triggered in the months in which the value of the CVU of the last plant to be dispatched is equal to or greater than the PLD's ceiling value R\$422.56/MWh and less than R\$610/MWh; with extra proportional tariff rate to R\$3.0 per 100 kWh.
 - Level 2: triggered in the months in which the value of the CVU of the last plant to be dispatched is greater than R\$610/MWh; with extra proportional tariff rate to R\$4.5 per 100 kWh.

On 14 February 2017, by Resolution no. 2,203, ANEEL set new values to be charged to consumers on the yellow and red flag:

- Green flag: used in the months in which the value of the CVU of the last plant to be dispatched is less than R\$211.28/MWh; without additional energy rate values.
- Yellow flag: used in the months in which the value of the CVU of the last plant to be dispatched is higher than R\$211.28/MWh and less than R\$422.56/MWh, current maximum PLD's value; with increase in proportion to the consumption of R\$2.0 per 100 kWh.
- Red flag: used in the months in which the value of the CVU of the last plant to be dispatched is equal to or greater than R\$422.56/MWh, current maximum PLD's value. In addition, the Red flag was divided into two levels:
 - Level 1: triggered in the months in which the value of the CVU of the last plant to be dispatched is equal to or greater than the PLD's ceiling value R\$422.56/MWh and less than R\$610/MWh; with extra proportional tariff rate to R\$3.0 per 100 kWh.
 - Level 2: triggered in the months in which the value of the CVU of the last plant to be dispatched is greater than R\$610/MWh; with extra proportional tariff rate to R\$3.5 per 100 kWh.

The Provisional Measure no. 735, issued on 23 June 2016 and converted into Law no. 13360 on 18 November 2016, aims to restructure the Brazilian Energy Sector Funds' management whose current values are approximately R\$20 billion, made up of: (i) the CDE, (ii) Global Reversion Reserve ("RGR") and (iii) Fuel Consumption Account.

It is an important step forward in the governance of the Brazilian Energy Sector. The management of the resources migrate from Eletrobras, a state-owned company with assets in the electricity sector, to a board composed of representatives of the CCEE, with recent history of control and audit of their accounts, subject to the regulation of the

ANEEL.

Law no 13360 also determines that from 2030 the CDE's apportionment between DNOs will be proportional to their markets. The transition period between the current allocation, which overloads the regions South, Southeast and West Central regions, and the proportional allocation to markets will be 2017-2030. The participation of high voltage installations will be lower than low voltage.

The measure creates favourable conditions for the transfer of shareholding control of concessions and simplifies the bidding process and the terms of payment to the Union.

It also authorises the transfer of debts with Itaipu from Federal Reserve to end-consumer tariffs and revokes the possibility of extension of the concessions whose start-up of the plants was delayed, even if there is recognition of exclusive responsibility.

Finally, it also permits distribution companies to sell their energy excedents to the free market so that they can enhance their energy overcontract condition.

More recently, in Provisional Measure no. 579/2012, later converted to Law no. 12783/2013, the Ministry of Mines and Energy published The Ministerial Ordinance ("Portaria") no. 120/2016, which detailed compensation payable to transmission companies that have decided to renew their concession contracts. ANEEL estimates that the total amount of compensation (BRL\$10.8 billion) would increase energy tariffs around 7.2 per cent.

According to Decree no.9022, of 31 March 2017, MME detailed sources to support the CDE account (as well as RGR utilization) and the situations in which they can be used, implemented and managed, as stated in previous legislation (Law no. 7891/2013, 10438/2002, 12111/2009 and 12783/2013).

Distribution tariffs

Power distribution companies in Brazil operate with regulated tariffs, and their operating results are therefore subject to regulation. Their concession contracts contain provisions for periodic and annual tariff adjustments and the possibility of extraordinary tariff revisions (i.e. revisions that can be taken by the regulator if some unexpected exogenous factor occurs that affects the financial or economic equilibrium of the concession).

Periodic tariff revisions

Every three, four or five years, depending on the concession contract, ANEEL establishes a new set of tariffs, reviewing all concessionaire costs and expected revenue. To calculate periodic tariff revisions, ANEEL determines the annual revenue required for a power distribution company to cover what a concession contract refers to as the sum of "Portion A" and "Portion B" costs. Portion A costs consist of a distribution company's costs of power supply, transmission costs as well as tariff charges. Portion B costs consist of the distribution company's operating costs, taxes, depreciation and return on investment, accepted by the regulator. The after-tax rate of return on Regulatory Asset Base ("RAB") in this regulatory period (2011-2015) was set at 7.5 per cent.

The required revenue of EDP's electricity distribution companies is calculated on an annual basis and regards a revenue flow compatible with the regulatory economic costs calculated according to specific rules established by ANEEL, over a past 12-month period called a test year. The regulatory regime in Brazil provides for price caps, and if the estimated required revenue for the year under analysis is different from the actual revenue of the concessionaire for that year, the risk is allocated to the concessionaire. Recent modifications in the tariff methodology have reduced this risk, called market risk, and for almost all of Portion A costs the market risk has been allocated to the customers: if the revenue is higher than expected, the tariff for the next year is reduced, and vice versa.

Periodic tariff revisions are conducted every three years for EDP Espírito Santo and every four years for EDP São Paulo.

On 28 April 2015, through Resolution 660, ANEEL approved changes in the methodology applicable to the processes of Periodic Tariff Review for distributors from 6 May 2015. The changes related to the following: (i) general procedures; (ii) operating costs; (iii) factor X (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues; and (vi) other income. The most significant changes are as follows:

- a) the tariff cycle concept was extinguished. The methodologies and parameters prevailing at the time of the tariff review will be used. The parameters and the methodologies will be updated every two to four years and every four to eight years respectively in each case counted from 2015;
- b) the weighted average cost of capital ("WACC") increased from 7.5 per cent. to 8.09 per cent. (after tax). The points taken into account in the update were: (i) standardisation of the series; (ii) use of

- average credit risk of companies in the debt capital; and (iii) recalculation of the cost of capital every three years, with the methodology review in every six years;
- c) remuneration for the risk associated with investment operations funded by third-party funds (subsidies);
- d) the definition of efficient operating costs was changed to comprise the "consumer energy index" and "non-Technical losses";
- e) in determining the level of non-technical losses, the variable "low-income" was included and the database updated based on three statistical models;
- f) the level of unrecoverable revenues (percentage) shall be calculated based on past 60 months of non-compliance by the concessionaire;
- g) the percentage share of other revenue has been changed to 30 per cent. in the services of: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. The percentage share of other services was set at 60 per cent.; and
- h) the calculation of Factor X now includes consideration of commercial quality.

These changes, which will represent an increase in future income only, impacted the tariff review of EDP São Paulo in October 2017 and will impact the next tariff review of EDP Espírito Santo, which according to the expectations of management should occur in August 2018.

Tariff adjustments

Because the revenues of electricity distribution companies are affected by inflation, they are afforded an annual tariff adjustment to address the impact of inflation in the period between periodic revisions. For the purposes of the annual adjustment, a tariff adjustment rate (referred to as the Tariff Adjustment Index) is applied, through which Portion A costs are adjusted to account for variations in costs and Portion B costs are adjusted to account for variations in the IGP-M inflation index. For Portion B, the tariff adjustment rate also takes into account a measure of the distributor's operating productivity power quality, called Factor X. The main objective of Factor X is to ensure an efficient balance between revenues and costs, established at the time of revision, by taking into account standard values established by the regulator. Factor X has three components: (i) expected productivity gains; (ii) quality of service; and (iii) cost efficiency.

On 18 October 2016, ANEEL approved the 2016 annual tariff readjustment for EDP São Paulo which applied from 23 October 2016 to 22 October 2017. The average effect was 23.53 per cent. Portion B was readjusted by 9.54 per cent., considering an IGP-M of 10.66 per cent. and an X-factor of 1.12 per cent., resulting from 1.14 per cent. of productivity gains, 0.22 per cent. of incentives to quality of service and -0.24 per cent. of trajectory to adequacy of operational costs.

On 31 July 2017, ANEEL approved the 2017 annual tariff readjustment for EDP Espírito Santo which applied from 7 August 2017 to 6 August 2018. The average effect was 9.34 per cent. Portion B was readjusted by -2.52 per cent., considering an IGP-M of -1.33 per cent. and an X-Factor of 1.2 per cent. resulting from 1.15 per cent. productivity gains, 0.05 per cent. of incentives to quality of service and 0 per cent. of trajectory to adequacy of operational costs.

The new tariffs for use of the transmission system, approved by ANEEL's regulatory resolution No. 2,259/2017, which will be incorporated in the transportation costs to be collected in the next 12 months, explain the increase of 6.68 percentage points of the total of 9.34 per cent. of the average effect to be passed on to consumers.

United States

Federal, state and local energy statutes regulate the development, ownership, business organisation and operation of electric generating facilities in the United States. In addition, the federal government regulates wholesale sales of electricity and certain environmental matters, and the state and local governments regulate the construction of electric generating facilities, retail electricity sales and environmental and permitting matters.

Federal regulations related to the electricity industry

The federal government regulates wholesale power sales and the transmission of electricity in interstate commerce through the Federal Energy Regulatory Commission ("FERC"), which draws its jurisdiction from the Federal Power Act, as amended (the "FPA"), and from other federal legislation such as the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA 1978"), and the Public Utility Holding Company Act of 2005 ("PUHCA 2005").

Electricity generation

All of the EDP Group's project companies in the United States operate as exempt wholesale generators ("EWGs") under PUHCA 2005 or as owners of qualifying facilities ("QFs") under PURPA 1978 or are dually certified. In addition, most of the project companies are regulated by FERC under Parts II and III of the FPA and have market-based rate authorisation from FERC. Such market-based rate authorisation allows the project companies to make wholesale power sales at negotiated rates to any purchaser that is not an affiliated public utility with a franchised electric service territory.

EWGs are owners or operators of electric generation (including producers of renewable energy, such as wind and solar projects) that are engaged exclusively in the business of owning and/or operating generating facilities and selling electric energy at wholesale. An EWG cannot make retail sales of electric energy or engage in other business activities that are not incidental to the generation and sale of electric energy at wholesale. An EWG may own or operate the limited interconnection facilities necessary to connect wholesale generation to the grid.

Under the FPA, FERC has exclusive rate-making jurisdiction over "public utilities" that engage in wholesale sales of electric energy or the transmission of electric energy in interstate commerce. With certain limited exceptions, the owner of a renewable energy facility that has been certified as an EWG in accordance with FERC's regulations is subject to regulation under the FPA and to FERC's rate-making jurisdiction. FERC typically grants EWGs the authority to charge market-based rates as long as the EWG can demonstrate that it does not have, or has adequately mitigated, market power and it cannot otherwise erect barriers to market entry. Currently, none of the EDP Group's project companies or their affiliates has been found by FERC to have the potential to exercise market power in any U.S. markets. In the event that FERC's analysis of market power changes or if certain other conditions of market-based rate authority are not met, FERC has the authority to impose mitigation measures or withhold or rescind market-based rate authority and require sales to be made based on cost-of-service rates which could result in a reduction in rates.

FERC generally grants EWGs with market-based rate authority waivers from many of the accounting and record-keeping requirements that are otherwise imposed on traditional public utilities under the FPA. However, EWGs with market-based rate authority are subject to ongoing review of their rates under FPA sections 205 and 206, advance review of certain direct and indirect dispositions of FERC-jurisdictional facilities under FPA section 203, regulation of securities issuances and assumptions of liability under FPA section 204 (subject to certain blanket preauthorisations), and supervision of interlocking directorates under FPA section 305. FERC has authority to assess substantial civil penalties (i.e. up to \$1.2 million USD per day per violation) for failure to comply with the conditions of market-based rate authority and the requirements of the FPA.

Certain small power production facilities may qualify as QFs under PURPA 1978. A wind-powered generating facility (or the aggregation of all such facilities owned or operated by the same person or its affiliates and located within one mile of each other) with a net generating capacity of 80 MW or less may be certified by FERC or self-certified with FERC as a QF. Certain QFs, including renewable energy facilities with a net generating capacity of 30 MW or less, are exempt from certain provisions of the FPA, including the accounting and reporting requirements. Additionally, renewable energy QFs with a net generating capacity of 20 MW or less are exempt from FERC's rate-making authority under the FPA. QFs that are not located in competitive markets have the right to require an electric utility to purchase the power generated by such QFs. QFs also have the right to require an electric utility to interconnect it to the utility's transmission system, and to sell firm power service, back-up power, and supplementary power to the QF at reasonable and non-discriminatory rates. Finally, a renewable energy QF with a net capacity of 30 MW or less is exempt from regulation under PUHCA 2005 and the state laws and regulations respecting the rates of electric utilities and the financial and organisational regulation of electric utilities.

FERC also implements the requirements of PUHCA 2005, which imposes certain obligations on "holding companies" that own or control 10 per cent. or more of the direct or indirect voting interests in companies that own or operate facilities used for the generation of electricity for sale, including renewable energy facilities. As a general matter, PUHCA 2005 imposes certain record-keeping, reporting and accounting obligations on such holding companies and certain of their affiliates. However, holding companies that own only EWGs, QFs or foreign utility companies are exempt from the federal access to books and records provisions of PUHCA 2005.

Energy transactions in the United States are either bilateral in nature, which allows two parties to freely contract for the sale and purchase of energy, or take place within a single, centralised clearing market for spot energy purchases and sales and which facilitates the efficient distribution of energy. Given the limited interconnections between transmission systems in the United States and differences among market rules, regional markets have formed within the transmission systems operated by ISOs, such as the Midcontinent, California, New York, PJM Interconnection, and New England ISOs.

EDP's project companies typically sell power and the associated renewable energy credits ("REC") from EDP's electric generation facilities under long-term bilateral power purchase agreements. However, additional energy or ancillary services may be sold on a short-term basis to the market, generally at short-term clearing prices. In addition, EDP's project companies may sell RECs under long-term or short-term bilateral agreements. All of EDP's electric generating facilities are typically interconnected to the grid through long-term interconnection agreements, under which transmission-owning utilities (in combination with any ISO in which the utility is a member) agree to construct and maintain system-operated interconnection facilities and provide interconnection service to the facilities. As such, successful and timely completion of EDP's projects and electric sales from EDP's projects are dependent on the performance of EDP's counterparties under the interconnection agreements.

NERC reliability standards

FERC has jurisdiction over all users, owners, and operators of the bulk power system for purposes of approving and enforcing compliance with certain reliability standards. Reliability standards are requirements to provide for the reliable operation of the bulk power system. Pursuant to its authority under the FPA, FERC certified the North American Electric Reliability Corporation ("NERC") as the entity responsible for developing reliability standards, submitting them to FERC for approval, and overseeing and enforcing compliance with reliability standards, subject to FERC review. FERC authorised NERC to delegate certain functions to eight regional entities. All users, owners and operators of the bulk power system that meet certain materiality thresholds are required to register with the NERC and comply with FERC-approved reliability standards. Violations of mandatory reliability standards may result in the imposition of civil penalties of up to \$1.2 million USD per day per violation. All of EDP's project companies in the United States that meet the relevant materiality thresholds have registered with NERC as Generation Owners and/or Generation Operators, and are required to comply with applicable FERC-approved reliability standards. NERC may require generators that own certain interconnection facilities also to register as Transmission Owners and/or Transmission Operators. Such a change may impose additional reliability standards on EDP's project companies.

State Regulations Related to the Electricity Industry

State regulatory agencies have jurisdiction over the rates and terms of electricity service to retail customers. As noted above, an EWG is not permitted to make retail sales. States may or may not permit QFs to engage in retail sales.

In certain states, approval of the construction of new electricity generating facilities, including renewable energy facilities such as wind farms, is obtained from a state agency, with only limited additional ministerial approvals required from state and local governments. However, in many states the permit process for power plants (including wind farms) also remains subject to land-use and similar regulations of county and city governments. State-level authorisations may involve a more extensive approval process, possibly including an environmental impact evaluation, and are subject to opposition by interested parties or utilities.

Renewable Energy Policies

The marked growth in the U.S. renewable energy industry has been driven primarily by federal and state government policies designed to promote the growth of renewable energy, including wind and solar power. The primary U.S. federal renewable energy incentive programmes have been the PTCs, ITC, a cash grant programme in lieu of tax credits (now expired), and MACRS, which allows the accelerated depreciation of certain major equipment components over a five-year period. The principal way in which many states have encouraged renewable generation development is through the implementation of RPS, under which a utility must demonstrate that a certain percentage of its energy supplied to consumers within the applicable state comes from renewable sources. Under many RPS, a utility may demonstrate its compliance through its ownership of RECs. RECs are generally tradable and considered separate commodities from the underlying power that is generated by the resource. A majority of states, the District of Columbia and three U.S. territories have implemented mandatory RPS requirements, and a number of other states and two U.S. territories have implemented voluntary, rather than mandatory, renewable energy goals. Additionally, some states and localities encourage the development of renewable resources through reduced property taxes, state tax exemptions and abatements, and state grants.

Federal Tax Incentives

In the United States, the federal government has supported renewable energy primarily through income tax incentives. Historically, the main tax incentives have been the federal PTC, ITC and the five-year depreciation for eligible assets under MACRS under the Internal Revenue Code of 1986. The PTC is a per kilowatt-hour tax credit for electricity that is generated by qualified energy resources including wind, and sold by the taxpayer to an unrelated person during the taxable year. In 2009, the American Recovery and Reinvestment Act allowed renewable energy projects to elect, in lieu of the PTC, an ITC equal to 30 per cent. of the capital invested in the project. The PTC and ITC for wind projects are available for new projects that begin construction before 1 January 2020. The value of the PTC and ITC has been reduced by 20 per cent. for projects that begin construction in 2017, and will be reduced by 40 per cent. for projects that begin construction in 2018, and by 60 per cent. for projects that begin construction in 2019. As of the date of this Base Prospectus, there can be no assurance that the wind PTC and ITC will be extended so as to be available for projects beginning construction after 2019.

Historically, the main federal tax incentives for solar projects have been an ITC equal to 30 per cent. of the capital invested in the project and the five-year depreciation for eligible assets under MACRS. The 30 per cent. ITC for solar projects is currently scheduled to be reduced to 26 per cent. for projects that begin construction in 2020, to 22 per cent. for projects that begin construction in 2021, and to 10 per cent. for projects that begin construction after 31 December 2021. With respect to asset depreciation under MACRS, in February 2008, the Economic Stimulus Act of 2008 provided for a temporary 50 per cent. bonus depreciation with 5-year MACRS utilised to recover the remaining basis for eligible property, including wind and solar property. The full bonus depreciation has been extended several times and is now scheduled to apply to property placed into service before 1 January 2018. The value of bonus depreciation is scheduled to be reduced for property placed in service in 2018 to 40 per cent. and in 2019 to 30 per cent., after which the bonus depreciation expires. As of the date of this Base Prospectus, there can be no assurance that the bonus depreciation will be extended beyond its current expiration.

EDP's ability to take advantage of the benefits of the PTC, ITC and depreciation incentives is based in part on the investment structures that EDP entered into with institutional investors in the United States (the "Partnership Structures"). Even assuming that the PTC, ITC and depreciation incentives continue to be available in the future, there can be no assurance that (1) EDP will have sufficient taxable income in the United States to utilise the benefits generated by these tax incentives or (2) EDP will otherwise be able to realise the benefits of these incentives. In particular, there can be no assurance that EDP will be able to realise the benefits of these incentives through Partnership Structures entered into with investors who offer acceptable terms and pricing (or that there will be a sufficient number of such suitable investors).

State Renewable Portfolio Standards

In addition to U.S. federal tax incentives, at the state level, RPS provide support for EDP's business by specifying that a certain percentage of a utility's energy supplied to consumers within the state must come from renewable sources (typically between 15 per cent. and 25 per cent. by 2020 or 2025) and, in certain cases, make provision for various penalties for non-compliance. According to the Database of State Incentives for Renewables and Efficiency as of February 2017, 29 U.S. states, the District of Columbia and three U.S. territories have mandatory RPS requirements, while an additional eight states and one US territory have adopted non-mandatory renewable energy goals. Within states, municipalities that have authority over electric utilities may also choose to adopt renewable energy incentives. For states with mandatory targets, most state RPS administrators require utilities to secure RECs to demonstrate compliance with the RPS requirement. Although additional states may consider the enactment of a RPS, there can be no assurance that they will decide to do so, or that the existing RPS will not be discontinued or adversely modified.

Environmental Compliance

Construction and operation of wind and solar generation facilities and the generation and transport of renewable energy are subject to environmental regulation by U.S. federal, state and local authorities. Typically, environmental laws and regulations require a lengthy and complex process for obtaining licences, permits and approvals prior to construction, operation or modification of a project or generating facility. Prior to development, permitting authorities may require that wind project developers consider and address, among other things, impact on birds, bats and other biological resources, noise impact, paleontological and cultural impact, wetland and water quality impact, compatibility with existing land uses and impact on visual resources. In addition, projects which propose to impact federal land or require some federal licence or permit, or federal funding, generally require the review of the potential environmental effects of the action pursuant to the National Environmental Policy Act ("NEPA"), which requires that the public be afforded an opportunity to review and comment on the proposed project.

Other federal environmental reviews that would be triggered by a discretionary federal agency action to license, permit or fund a project include a review of the project's effects on listed species and designated critical habitat under section 7 of the Endangered Species Act ("ESA") to ensure that the permitted project includes sufficient avoidance, minimisation and mitigation measures to avoid jeopardising the continued existence of a species and/or adversely modifying designated critical habitat. In Spring 2016, the definition of "adverse modification" under ESA, section 7 was changed to apply a stricter standard that inquires as to whether the federal agency action, if approved, will preclude or significantly delay recovery of a listed species. For those projects located on federal Bureau of Land Management ("BLM") land holdings, BLM has prepared an environmental impact statement that reviewed potential impacts on a programmatic level and is intended to reduce the time required to obtain permits to construct wind projects on their land.

The U.S. Fish and Wildlife Service ("USFWS") is charged with enforcement of federal environmental laws protecting endangered and threatened species, migratory birds, and bald and golden eagles as well as the habitat supporting such species. The ESA, Migratory Bird Treaty Act ("MBTA") and Bald and Golden Eagle Protection Act ("BGEPA") each prohibit the "take" of species protected by the particular statute. Generally, prohibited "take" of species includes activities that kill, injure, or capture a protected species and, for the ESA, extends to habitat modification.

The USFWS has issued voluntary guidelines for land-based wind energy projects, which outline the USFWS regulatory requirements under the ESA, MBTA and BGEPA and provide project developers with guidance as to how to assess potential impacts and avoid or minimise significant adverse impacts of a project on species and habitats. While a project developer who adheres to the USFWS guidelines is not relieved of legal culpability should a violation of any of these statutes arise, the USFWS may consider a developer's documented efforts to engage with the agency and follow the guidelines in the scoping of any enforcement action or penalty. Additionally, the USFWS also manages a permitting regime for take under BGEPA through which developers adopt conservation measures to avoid and/or minimise the "take" of eagles to the maximum extent possible. Under the permitting regime, the USFWS may issue a permit for a set duration, between five and thirty years, depending on the nature of the activities, impact on eagles, and mitigation measure taken by the recipient. Special requirements for avoidance, minimization, or mitigation measures are required for permits with a duration of greater than five years. At present, there is no similar permitting or incidental take authorisation program for the MBTA.

Other federal reviews, permits, or authorisations may be required where a renewable energy project involves or impacts federal lands, federally regulated natural resources, or other areas of federal authority. For example, wind farms with structures which exceed 200 feet in height must meet the lighting and safety regulations of the Federal Aviation Administration. Likewise, wind and solar projects must comply with permitting and mitigation requirements relating to impacts on wetlands, water quality, and wastewater discharge under the Clean Water Act, for project activities in or in proximity to waters of the United States. It is possible that wind farms may in the future be subject to further federal restrictions intended to minimise interferences with military radar systems. Further, the designation of new species as well as new or revised critical habitat protected under the ESA can adversely affect new project development as well as impose new restrictions upon existing project operations where there is retained federal discretionary authority associated with the project permit, license or funding.

Various states have also implemented environmental laws and regulations that impact renewable energy projects. In addition to state permitting regimes for the protection of waterways and other natural resources. Certain state environmental laws require the preparation of an environmental assessment or impact report similar to the federal review required under NEPA, while some states require a meeting be held to solicit comments from affected local landowners and local authorities.

The United States is one of the most attractive markets globally for wind energy generation in terms of total installed wind capacity and continued growth. As of 31 December 2016, the U.S. wind industry accounted for over 17 per cent. of global wind energy capacity. According to the American Wind Energy Association (the "AWEA"), the U.S. wind energy industry installed 8,203 MW in 2016, which brought the U.S. total installed wind power capacity to 82,143 MW as of 31 December 2016. According to AWEA, in 2016 wind energy provided approximately 5.5 per cent. of the United States' electricity and has represented 27 per cent. of new power plant installation capacity. According to AWEA's 2016 Annual Report, EDP Renováveis was the fourth largest owner of wind projects in the United States, based on installed capacity, at the end of 2016. EDP Renováveis' main competitors, based on installed wind capacity owned include Berkshire Hathaway Energy, Avangrid Renewables, Invenergy, and NextEra Energy Resources. These five companies represent 38.3 per cent. of total installed wind capacity in the U.S. according to AWEA's 2016 Annual Report.

MANAGEMENT

Corporate governance model

EDP's shareholders approved its current corporate governance model at the Annual General Shareholders Meeting held on 30 March 2006, which entered into force on 30 June 2006. The corporate governance model is structured as a two-tier system, composed of an executive board of directors (the "Executive Board of Directors") and a general and supervisory board (the "General and Supervisory Board"). The Executive Board of Directors is EDP's managing body and is responsible for its management and for developing and pursuing EDP's strategy. Since the Annual General Shareholders Meeting held on 21 April 2015, the Executive Board of Directors must be composed of at least five and no more than eight directors, all of whom undertake executive positions. Under the current mandate of 2015-2017, the Executive Board of Directors is composed of eight directors who were elected at the Annual General Shareholders Meeting held on 21 April 2015. The General and Supervisory Board is a supervisory and consulting body and is responsible for, among other things, supervising the EDP Group's activities and reviewing and approving important transactions involving the EDP Group. The General and Supervisory Board must be composed of at least nine members and must at all times have more members than the Executive Board of Directors. All members of the General and Supervisory Board undertake non-executive positions. Under the current mandate of 2015-2017, the General and Supervisory Board is composed of 21 members who were elected by the shareholders at the Annual General Shareholders Meeting held on 21 April 2015. EDP complies with the corporate governance provisions included in the Portuguese Securities Code. Furthermore, EDP adopted in full the corporate governance recommendations contained in the Corporate Governance Code approved by the Portuguese Securities Market Commission (the "CMVM"), with the exception of the following recommendation:

The articles of association of companies that limit the number of votes that can be held or cast by a single shareholder, individually or with other shareholders, must also set out that the amendment or maintenance of this provision must be submitted to the vote of the general meeting at least every five years – with no increased quorum requirement above that laid down by law and that all the votes cast must be counted without the aforementioned limitation on this decision.

This recommendation has not been adopted on the basis of the considerations below.

Over the past five years, the subject of statutory limitation on voting rights has been discussed by the General Meeting of EDP on two occasions. The limitation of the number of votes set out in Article 14 of EDP's Articles of Association reflects the will of the shareholders of EDP, as expressed through resolutions of the General Meeting, to defend the company's specific interests: (i) a change of the limit from 5 per cent. to 20 per cent. was approved by the shareholders at the General Meeting of 25 August 2011, involving participation of 72.25 per cent. of the capital and approval by a majority of 94.16 per cent. of the votes cast; (ii) a later increase to the current 25 per cent. was approved at the General Meeting of 20 February 2012, involving participation of 71.51 per cent. of the capital and approval by a majority of 89.65 per cent. of the votes cast. The shareholders have thus been periodically called upon to make a decision as to whether the number of votes ought to be limited. The continued existence of the limitation has prevailed as previously described.

The attitudes of shareholders of EDP have thus proven to be in line with those advocated by the recommendation and enable EDP to pursue its goals, whilst avoiding the rigid procedures for this review set down in EDP's Articles of Association, which has also attracted particularly intense scrutiny from shareholders.

Executive Board of Directors

The Executive Board of Directors, together with EDP's executive officers, manages EDP's affairs and monitors the daily operation of EDP's activities in accordance with Portuguese law and EDP's Articles of Association. Executive officers are in charge of EDP's various administrative departments and report directly to the Executive Board of Directors. Companies within the Group are managed by their respective boards of directors. The names of the current directors on the Executive Board of Directors, along with their principal affiliations and certain other biographical information, are set forth below:

Name	Year of Birth	Position	Year Originally Elected	Last Election
António Luís Guerra Nunes Mexia	1957	Chief Executive Officer	2006	2015

Name	Year of Birth	Position	Year Originally Elected	Last Election
Nuno Maria Pestana de Almeida Alves	1958	Chief Financial Officer	2006	2015
João Manuel Manso Neto	1958	Executive Director	2006	2015
António Fernando Melo Martins da Costa	1954	Executive Director	2006	2015
João Manuel Verísssimo Marques da Cruz	1961	Executive Director	2012	2015
Miguel Stilwell de Andrade	1976	Executive Director	2012	2015
Miguel Nuno Simões Nunes Ferreira Setas	1970	Executive Director	2015	---
Rui Manuel Rodrigues Lopes Teixeira	1972	Executive Director	2015	---

António Luis Guerra Nunes Mexia, Chairman In March 2006, he became CEO of EDP Energias de Portugal. He is also the President of the Business Council for Sustainable Development in Portugal (part of the WBCSD regional network) since April 2016.

He received a degree in Economics from University of Geneva (Switzerland) in 1980, where he was Assistant Lecturer in the Department of Economics. He was also a lecturer at Universidade Nova de Lisboa and at Universidade Católica from 1982 to 1995. He served as Assistant to the Secretary of State for Foreign Trade from 1986 until 1988. From 1988 to 1990 he served as Vice-Chairman of the Board of Directors of ICEP (Instituto do Comércio Externo de Portugal). From 1990 to 1998 he was a member of the Board of Directors of Banco Espírito Santo de Investimentos and, in 1998, he was appointed Chairman of the Board of Directors of Gás de Portugal and Transgás. In 2000, he joined Galp Energia as Vice-Chairman of the Board of Directors, and became Executive Chairman of the company in 2001. In 2004, he was appointed Minister of Public Works, Transport and Communication of the Portuguese Government. From 2015 to 2017, he was President of Eurelectric (The Union of the Electricity Industry).

In 2013 he received the Honoris Causa Graduation from "Instituto Superior de Economia e Gestão" (ISEG) and in 2014 he was honored by the President of the Portuguese Republic with the "Grã-Cruz da Ordem do Mérito Empresarial".

Nuno Maria Pestana de Almeida Alves He holds a degree in Naval Architecture and Marine Engineering (1980) and a Master in Business Administration (1985) from University of Michigan. In 1988, he joined the Planning and Strategy Department of Millennium BCP and, in 1990, became an associate director of Millennium BCP's Financial Investments Division. In 1991, he was appointed as the Investor Relations Officer for the BCP Group and, in 1994, he joined the Retail network as Coordinating Manager. In 1996, he became Head of the Capital Markets Division of Banco CIFS, which is now known as Millennium BCP Investimento, and, in 1997, Co-Head of the bank's Investment Banking Division. In 1999, he was appointed as Chairman and CEO of CIFS Dealer, the brokerage arm of Banco CIFS. Before his appointment as EDP's Chief Financial Officer in March 2006, he acted as an Executive Board Member of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets. He is a Member of the Board of Directors of EDP Energias do Brasil, EDP Renováveis and Hidroeléctrica del Cantábrico, and CEO of EDP - Imobiliária e Participações and Sãvida. He was appointed on 30 March 2006 as Member of the Executive Board of Directors, and began his role on 30 June 2006, before being reappointed on 15 April 2009, 20 February 2012 and 2 April 2015.

João Manuel Manso Neto He graduated with a degree in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed both a professional education course through the American Bankers Association (1982), the academic component of the Master's Degree programme in Economics at the Faculdade de Economia, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the Wharton School in Philadelphia. From 1981 to 1995 he worked at Banco Português do Atlântico, occupying several positions, mainly as Head of the International Credit Division, and General Manager responsible for Financial and South Retail areas. From 1995 to 2002, he worked at the Banco Comercial Português, where he held the posts of General Manager of Financial Management, General Manager of Large Corporates and Institutional Businesses, General Manager of the Treasury, member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank Gdansk in Poland. From 2002 to 2003, he was a member of the Board of Banco Português de Negócios. From 2003 to 2005 he worked at EDP as General Manager and Member of the Board of EDP Produção. In 2005 he was elected CEO at HC Energía, Chairman of Genesa and Member of the Board of Naturgas Energia and OMEL. Currently he is CEO of EDP Renováveis and responsible for Regulation and Energy Management (Gas and electricity) at Iberian level, being also a member of

the Board of OMIE, OMIP and MIBgás. He was appointed on 30 March 2006 as a member of the Executive Board of Directors. He began the role on 30 June 2006, and was reappointed on 15 April 2009, 20 February 2012 and 21 April 2015.

António Fernando Melo Martins da Costa He holds a degree in Civil Engineering from Faculdade de Engenharia do Porto (1976) and an MBA from Porto Business School (1989). He also has complementary Executive degrees from INSEAD (Fontainebleau, France – 1995), PADE from AESE (Lisbon, 2000) and the Advanced Management Program from Wharton School (Philadelphia, USA – 2003). He was a Teacher's Assistant at the Instituto Superior de Engenharia do Porto between 1976 and 1989. In 1981 he joined the Hydro Generation department at EDP where he stayed until 1989. Between 1989 and 2003 he was General Director at the Millennium BCP Bank, and Board Member of Insurance, Pensions and Assets Management companies of BCP Group. Between 1999 and 2002 he was Executive Director of Eureko BV (The Netherlands), President of Eureko Polska and Vice-President of PZU (Poland). He was the CEO and Vice-Chairman of the Board of Directors of EDP – Energias do Brasil between 2003 and 2007. During this period, he also held positions as Vice-President of the Portuguese Chamber of Commerce in Brazil and President of the Brazilian Association of Electricity Distribution companies. In 2007, he assumed functions as Chairman and CEO of Horizon Wind Energy in the USA, being also a Member of the Executive Board of EDP Renováveis since its incorporation in 2008 until 2012. Between 2009 and 2012, he was CEO of EDP Internacional, and CEO of EDP Soluções Comerciais from 2009 to 2013. He has been the CEO of EDP Gás since 2012 and CEO of EDP Valor since 2013, and maintains responsibilities for EDP Distribuição at EDP's Executive Board level. He is a Founding Member of the Portuguese Institute for Corporate Governance. He was appointed on 30 March 2006 as member of the Executive Board of Directors of EDP. He began the role on 30 June 2006, and was reappointed on 15 April 2009, 20 February 2012 and 21 April 2015.

João Manuel Veríssimo Marques da Cruz He holds a degree in Management (1984) from Instituto Superior de Economia e Gestão at Universidade Técnica de Lisboa, an MBA (1989) from the Technical University of Lisbon - Universidade Técnica de Lisboa and a Postgraduate qualification in Marketing and Management of Airlines (1992) from the University of Bath in connection with the International Air Travel Association, UK. He began his career at the TAP Group in 1984 (Transportes Aéreos de Portugal) having had several positions before becoming General Director. Between 1997 and 1999 he was a Board Member of TAPGER. Between 2000 and 2002, he was a member of the Board of several companies within CP – Portuguese Railways, namely EMEF. Between 2002 and 2005, he became CEO of Air Luxor, an airline company, and between 2005 and 2007 he became chairman and CEO of ICEP - Instituto do Comércio Externo de Portugal. From March 2007 to 2012, he was a board member of EDP Internacional S.A. and in 2009 he was nominated Chairman of the Board of Directors of CEM – Macao Electrical Company. He was appointed as a member of the Executive Board of Directors of EDP Renováveis on May 2012, as Chairman of the Câmara Comércio Luso-Chinesa on April 2012 and Chairman of EDP Internacional on September 2014. He was appointed as member of the Executive Board of Directors on 20 February 2012 and reappointed on 21 April 2015. He was appointed as a member of the Executive Board of Directors of EDP - Energias do Brasil SA on 10 April 2015. He is the Chairman of Global Hydro, a joint venture between EDP and CTG for small and medium sized hydro projects, from 9 April 2015.

Miguel Stilwell de Andrade He graduated with Distinction in Mechanical Engineering from University of Strathclyde (Glasgow, Scotland) and an MBA from MIT Sloan (Boston, USA). He began his career at UBS Investment Bank in London, UK, where he worked primarily in Mergers and Acquisitions on various projects in European countries, including Portugal, as well as in Japan, Thailand and Brazil. He lived between 1994 and 2003 in Scotland, Italy, England, Portugal and the USA. In 2000, he joined EDP in the area of Strategy and Corporate Development / M&A and was the Director of this area between 2005 and 2009. During this period Miguel coordinated and managed various M&A and capital markets transactions for EDP, including the acquisition of several companies that gave rise to EDP Renováveis, the acquisition of Hidrocantabrico, the different phases of EDP's privatization, EDP's share capital increase in 2004, the IPO of EDP Energias do Brasil in 2005 and the IPO of EDP Renováveis in 2008. He was a Member of the Board of EDP Distribuição Energia, from January 2009 to February 2012. Miguel was also a non-executive Member of the Board of Directors of EDP Inovação, EDP Ventures, EDP Gas Distribuição and Chairman of InovGrid ACE. In 2012, he was appointed Chairman of EDP Comercial, as well as Counselor Delegate and Vice President of Hidroeléctrica del Cantabrico and Naturgas Energia. Between 2013 and 2015, he was a Member of the Board of Directors of FAE - Fórum de Administradores de Empresas. In 2014, he was appointed CEO of EDP Soluções Comerciais. He was appointed in 2015 as Board Member of the Câmara de Comércio Hispano Portuguesa in Spain. He was elected member of the Executive Board of EDP on 20 February of 2012 and re-elected on 21 April 2015.

Miguel Nuno Simões Nunes Ferreira Setas He holds both a BSc. in Physics, and a MSc. in Electrical and Computing Engineering, each from Instituto Superior Técnico, Lisbon. He also has an MBA from Universidade Nova de Lisboa. In Brazil since 2008, he has been the CEO of EDP Energias do Brasil since January 2014. Previously, between 2010 and 2013, he was the Vice-President responsible for the Distribution business (CEO of EDP São Paulo (formerly

known as Bandeirante Energia, S.A.) and EDP Espírito Santo, two electricity distribution companies). Between 2008 and 2009, he was the Vice President responsible for New Business Development, Commercialisation and Renewables. He joined EDP in 2006 as the CEO Chief of Staff. In 2007, he was made a Board Member of EDP Comercial, and was responsible for commercialisation in the liberalised energy market). He was also Board Member of EDP Inovação, Portgás and Fundação EDP. He has worked in the energy sector since 1998, when he was Corporate Director in GDP - Gás de Portugal. Between 1999 and 2001, he was Board Member of Setgás (a natural gas distribution company in Setúbal, which formed part of Galp Energia). Between 2000 and 2001, he was an Executive Board Member of Lisboagás (a natural gas distribution company in Lisbon, which also formed part of Galp Energia). He was Strategic Marketing Director of Galp Energia (oil and gas) until 2004. In the transportation sector, he was Executive Board Member of Comboios de Portugal (CP) and CEO of CP Lisboa (the largest business unit of CP), between 2004 and 2006. He started his career in 1995 as consultant in McKinsey & Co, developing strategic projects for energy, banking, insurance, retail and industry clients. He was appointed on 21 April 2015 as a member of the Executive Board of Directors.

Rui Manuel Rodrigues Lopes Teixeira He holds a MSc. degree in Naval Architecture and Marine Engineering from Institute Superior Técnico de Lisboa, a Master in Business and Administration from the Universidade Nova de Lisboa and is a graduate of Harvard Business School's Advanced Management Program. He was appointed on 21 April 2015 as a member of the Executive Board of Directors of EDP. He serves as Chief Executive Officer of EDP – Gestão da Produção de Energia, S.A. He is also a Member of the Board of Directors of several subsidiaries of EDP Group. From 1996 to 1997, he was assistant director of the commercial naval department of Gellweiler— Sociedade Equipamentos Maritimos e Industriais, Lda. From 1997 to 2001, he worked as project manager and ship surveyor for Det Norske Veritas, with responsibilities for offshore structures, shipbuilding and ship repair. Between 2001 and 2004, he was a consultant at McKinsey & Company, focussing on energy, shipping and retail banking. From 2004 to 2007, he headed the corporate planning and control division within the EDP Group. In 2007 he also served as Chief Financial Officer of EDP Renewables Europe SL. In 2008 he became a member of the Board of Directors of EDP Renováveis, S.A., a member of the Executive Committee, and the Chief Financial Officer of EDP.

General and Supervisory Board

The General and Supervisory Board is primarily responsible for permanently monitoring the management of EDP and its subsidiaries and providing advice and support to the Executive Board of Directors, primarily with respect to strategy, reaching objectives and complying with applicable laws. The General and Supervisory Board also carries out other supervisory and control functions relating to the Group's activities, and it maintains a mandatory financial matters committee and audit committee composed of five of its members, which is responsible for overseeing the financial data and auditing of EDP.

The names of the members of the General and Supervisory Board, along with their principal affiliations and certain other biographical information, are set out below:

Name	Year of Birth	Position	Year Originally Elected	Last Election
China Three Gorges Corporation (represented by Eduardo de Almeida Catroga)	1942	Chairman	2012 (as Vice-Chairman)	2015
Luís Filipe Marques Amado	1953	Vice-Chairman	2015	2015
China Three Gorges New Energy Corp. (represented by Ya Yang)	1962	Member	2012	2015
China International Water & Electric Corp. Ltd. (represented by Guojun Lu)	1956	Member	2012	2015
China Three Gorges (Europe) S.A. (represented by Dingming Zhang)	1963	Member	2012	2015
China Three Gorges (Portugal) Sociedade Unipessoal, Lda. (represented by Shengliang Wu)	1971	Member	2015	2015
DRAURSA, S.A. (represented by Felipe Fernández Fernández)	1952	Member	2015	2015

Name	Year of Birth	Position	Year Originally Elected	Last Election
Fernando María Masaveu Herrero	1966	Member	2012	2015
Banco Comercial Português, S.A. (represented by Nuno Manuel da Silva Amado)	1957	Member	2015	2015
Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (the "Sonatrach") (represented by Ferhat Ounoughi)	1967	Member	2007	2015
Senfora, BV (represented by Mohamed Ali Al Fahim)	1976	Member	2015	2015
António Sarmiento Gomes Mota	1958	Member	2009	2015
Maria Celeste Ferreira Lopes Cardona	1951	Member	2012	2015
Ilídio da Costa Leite de Pinho	1938	Member	2012	2015
Jorge Avelino Braga de Macedo	1946	Member	2012	2015
Vasco Joaquim Rocha Vieira	1939	Member	2012	2015
Augusto Carlos Serra Ventura Mateus	1950	Member	2013	2015
João Carvalho das Neves	1956	Member	2015	2015
Alberto Joaquim Milheiro Barbosa	1953	Member	2015	2015
María del Carmen Fernández Rozado	1952	Member	2015	2015
António Manuel de Carvalho Ferreira Vitorino (Chairman of the General Meeting)	1957	Member	2015	2015

Eduardo de Almeida Catroga, Chairman He obtained a degree in Finance from the Universidade Técnica de Lisboa (now known as Instituto Superior de Economia Gestão) in 1966, having received the Alfredo da Silva award for the highest course classification as well as a several other scholarly awards. He was a professor at ISEF (from 1968 to 1974) and an invitee graduated professor from 1990 onwards. In 1979, he obtained a post-graduate degree from Harvard Business School, in the Program for Management Development. In 2012, he obtained the Honoris Causa Degree from Universidade Técnica de Lisboa. His corporate career has spanned over 47 years, mainly working in the private sector. He began in 1967 at CUF (by then one of the larger corporate groups in Iberia) where he was responsible for the finance department and for the planning and control department. By the age of 31, he was made Chief Financial Officer and member of the Board and of the Executive Committee. He was later Executive Vice-Chairman of Quimigal (in the chemistry sector) from 1978 to 1980. In 1981, he became delegate director of Sapec (Belgian holding with a diversified business portfolio) and is now its Chairman. During the 1980s, he was non-executive director of BP (British Petroleum) Portugal and Chairman of the Board of Directors of CELCAT. Since February 2012, he has been the Chairman of EDP General and Supervisory Board, where he has been a Member since 2006. He is also a non-executive director at Nutrinveste (a company that is a world leader at the consumer products area such as oil and olive oil) and at the Group Banco Financia Holding (investment bank). He is also a member of the Investment Committee of PVCI (Portugal Venture Capital Initiative), a group of investment funds connected to European Investment Bank. He was Minister of Finance of the XII Government in the last mandate with Cavaco Silva as Prime-Minister, between December 1993 and October 1995. He also had two other political posts: first in 2010, he led the negotiation group of Partido Social Democrata ("PSD") who agreed with the socialist government of José Sócrates the fruition of 2011 State General Budget, and second, by PSD invitation, he coordinated the preparation of the proposal for the PSD electoral programme for the June 2011 elections. He published *Política Económica – 22 Meses no Ministério das Finanças* (1995) and *Intervenções sobre Política Económica* (vol. I, Discursos and vol. II, Debates e Entrevistas, 1995), as well as several articles in specialty magazines in the areas of economic policy, Portuguese economy and corporate strategy. On 9 June 2006, he was awarded the Grã-Cruz da Ordem Militar de Cristo from the

President of Republic. In 2007, he obtained the award Carreira de Economista, attributed by Economists Bar, and the distinction of Antigo Aluno do Ano by ISEG.

Luís Filipe Marques Amado, Vice-Chairman Originally from Porto de Mós, he holds a degree in economics, and is auditor of Tribunal de Contas. He was a deputy of Assembleia Regional da Madeira and of Assembleia da República, Secretary of State of Internal Administration and Foreign Affairs, Minister of National Defense and Minister of State and of the Foreign Affairs and Cooperation. He was a visiting professor at Georgetown University and remains an advisor. He was a non-Executive Chairman of Banif and is a non-executive director of SOM. He has also held posts as an invitee professor at the Instituto Superior de Ciências Sociais e Políticas, and at Paris School of International Affairs (PSIA). He was a curator of Fundação Oriente, a member of the Board of Directors of Fundação Francisco Manuel dos Santos and a member of the European Council of Foreign Relations and of the Centre for International Relations and Sustainable Development (CIRSD). He received the Grã-Cruz da Ordem de Cristo and several distinctions from foreign governments. He was elected Vice-Chairman of EDP General and Supervisory Board at the General Shareholders Meeting on 21 April 2015.

Ya Yang He has a Bachelor's degree in Finance from Changsha University of Electricity. He later got his "Diplôme d'Etudes Supérieures Spécialisées" from the Business School of the University of Montreal, Canada and EMBA from HEC Paris. He served a series of posts before focussing on the China Three Gorges Project. He was Project Officer of the Bureau of Hydropower Construction of Ministry of Water Resources & Hydropower and Auditor of Beijing Office of PriceWaterHouseCoopers. Currently, he is the Chief Accountant & Corporate Controller of China Three Gorges Corporation, a Member of the Board of China Yantze Power Company Limited and Vice-Chairman of Risk Management Committee of China Society for Hydropower Engineering. On 20 February 2012, he was appointed a member of the General and Supervisory Board of EDP, to represent the China Three Gorges New Energy Co. Ltd, and assumed the role on 11 May 2012. He was appointed as representative of China Three Gorges New Energy Co. Ltd and was selected as a Member of EDP'S General and Supervisory Board on 21 April 2015 at the General Shareholders' Meeting.

Guojun Lu He has a Bachelor's degree in Engineering from East China Institute of Water Resources Engineering and a PhD in Economics from Central University of Finance and Economics in China. He served for China International Water and Electric Corporation from 1982 to 2010, starting as Deputy Chief of the Sri Lanka Office, Manager of the Pakistan Project Department and Deputy Chief of the Hydropower Department 1. He then served as Vice President and President of China International Water and Electric Corporation and Executive Vice President of China Water Investment Group Corporation. Currently, he is Assistant President of China Three Gorges Corporation and Chairman of China Three Gorges International Corporation. He was appointed member of the General and Supervisory Board of EDP, to represent the China International Water & Electric Corp, on 20 February 2012 and assumed the role on 11 May 2012. He was appointed as representative of China International Water & Electric Corp, elected as Member of EDP'S General and Supervisory Board on 21 April 2015 at the General Shareholders' Meeting.

Dingming Zhang He has a Bachelor's degree in Power System and Automation from Huazhong University of Science and Technology in 1984 and a Master's degree in Management from Huazhong University of Science and Technology in 2001. He served as an associate and then Deputy Division Chief in the Key Project Construction Department of the State Planning Commission of China (1984-1994), working in Germany between 1992 and 1993. He then worked as Deputy Division Chief, Division Chief and Deputy Director of Capital Planning Department of the Three Gorges Construction Committee under the State Council (1994-2002), before he became Deputy Director of Power Production Department of China Three Gorges Corporation (2002). He then worked as Executive Vice President of China Yangtze Power Company Limited (2002-2011) and President of Beijing Yangtze Power Capital Co. Ltd. (2008-2011). His past experience also includes acting as Director of the Board of Guangzhou Development Industry (Holding) Co. Ltd. and Director of the Board of Yangtze Three Gorges Technology and Economy Development. From 2011 to 2015, he served as Board Secretary, Director of Strategic Development Department and Director of Marketing Department in China Three Gorges Corporation. Since 2015, he has been President of China Yangtze Power Company Limited. He was appointed Vice-Chairman of the General and Supervisory Board of EDP, to represent the China Three Gorges Corporation, on 20 February 2012 and assumed office on 11 May 2012. He was appointed as representative of China Three Gorges (Europe), S.A. and elected as Member of EDP's General and Supervisory Board on 21 April 2015 at the General Shareholders' Meeting.

Shengliang Wu He was born on 11 March 1971. He received a Bachelor's degree in Engineering from Wuhuan University of Hydraulic and Electrical Engineering in 1992. He also received a Master's degree in Technical Economics and Management from Chongqing University in 2000. He served as a technician and later as an engineer in Gezhouba Hydropower Plant (1992-1998). He also acted as Secretary of the Corporate Affairs Department in Gezhouba Hydropower Plant (1998-2002), as Financial Manager of the Capital Operating Department of China Yangtze

Power Company (2002-2003), and as Information Manager and then Deputy Director of Office of the Board of China Yangtze Power Company (2004-2006). He later worked as Deputy Director and then Director of the Capital Operating Department of China Yangtze Power Company (2006-2011). His past experience includes acting as Director of the Board of Daye Non-ferrous Metals Co., Ltd (2008-2011) and as Executive Vice President of Beijing Yangtze Power Capital Co. Ltd (2008-2011). In 2011, he was appointed as Deputy Director of Strategic Planning Department in China Three Gorges Corporation. Since 2015, he has been Vice President of China Three Gorges International Corporation and President of China Three Gorges (Europe) S.A. He was appointed a member of the General and Supervisory Board of EDP, to represent China Three Gorges International (Europe) S.A., on 20 February 2012 and began the term on 11 May 2012. He was appointed as representative of China Three Gorges (Portugal), Sociedade Unipessoal, Lda., and was elected as a Member of EDP'S General and Supervisory Board on 21 April 2015 General Shareholders' Meeting.

Felipe Fernández Fernández He has a degree in Economics and Management Sciences (1970 - 1975) from University of Bilbao. His professional career includes the following positions: Professor at the Faculty of Economics and Business, University of Oviedo (1979 - 1984), Director of Regional Economy and Planning of the Principality of Asturias (1984 - 1990), Member of the Board and Executive Committee of the Caja de Ahorros de Asturias (1986 - 1990), Member of the Board of Directors and Vice-President of "Sociedade Asturiana de Estudios Económicos e Industriales" (1986 - 1990), Member of the Board of Directors and Vice-President of the company SEDES, SA (1988 - 1990), President of the Committee for Planning and Urbanism of Asturias (1990 - 1991); Counsel for Planning, Urbanism and Housing in the Principality of Asturias (1990 - 1991); Counsel for Rural and Fishing Affairs in the Principality of Asturias (1991 - 1993), Director of the Department of Management Control of Hidrocantábrico (1993 - 1998); Director of the Department of Management Control, Purchasing and Quality of Hidrocantábrico (1998 - 2001), Chairman of the company Gas Asturias (2001 - 2003), Director of Support Areas and Control of Hidrocantábrico (2001 - 2002); Hidrocantábrico CFO, Chairman of Gas Capital, CEO of Hidrocantábrico Servicios, Board Member of Naturcorp, Gas de Asturias, SINAIE, Canal Energía, Telecable and Sociedad Regional de Promoción de Asturias (2002 - 2004). He is currently a Board Member of HC Energia, Board Member of Naturgas Energía Grupo, Board Member of Ahorro Corporación, Board Member of Liberbank and a Member of its Management Committee (participation in the preparation and approval of Risk Appetite Frame (RAF) and of the 2015 Liberbank Recovery Plan, and participation and approval of the risk reports Información con Relevancia Prudencial 2014 and Informe de Autoevaluación de Capital 2014 of Liberbank). He also participated in trainee seminars of PricewaterhouseCoopers: Recovery Plan (November 2015) and Risk Appetite Frame – RAF (May 2015). He is also a Board Member of Cementos Tudela Veguín and Masaveu Inmobiliaria, a Member of the Patronage of Fundação Princesa das Asturias and a Member of the Jurado de la Concordia. He was appointed member of the General and Supervisory Board of EDP to represent Cajastur Inversiones SA on 20 February 2012 and to represent DRAURSA, S.A. on 21 April 2015. He is currently a Member of the Corporate Governance and Sustainability Committee of EDP.

Fernando María Masaveu Herrero He received a law degree from University of Navarra. He began his career at Masaveu Group in 1993 where he worked in various roles. He currently performs the following positions, among others: Chairman of Masaveu Corporation; Cementos Tutela Veguín; Agrocortex Florestais do Brasil; Masaveu LLC; Masaveu Real Estate US Delaware LLC; Board Member of Hidroeléctrica del Cantábrico, S.A.U.; Board Member of Naturgas Energía Grupo; Board Member of Bankinter; Member of the Bankinter Executive Committee; Board Member of ENEO SGPS; Board Member of Olmea International; Chairman of Fundação Maria Cristina Masaveu Peterson; Chairman of the Fundação San Ignacio de Loyola; Protector of Fundação Princesa das Astúrias; Member of the Executive Committee of Fundação Princesa das Astúrias; Member of the Patrimonial Committee of Fundação Princesa das Astúrias; International Protector of Associação Amigos do Museu do Prado; Honor medal of Escuela Superior de Música Reina Sofia; Patroness of scholarships; Chairman of the Board of Oppidum Capital, S.L. He is also a Member of the Board of several companies in Masaveu Group; Member of EDP General and Supervisory Board; Member of EDP Strategy and Performance Committee and the Member of EDP Remunerations Committee. He was elected Member of EDP's General and Supervisory Board on 20 February 2012 and 21 April 2015. In the past, he occupied relevant positions in several areas: Research and Development: Board Member and Vice-Chairman of Agrupación de Fabricantes de Cemento (OFICEMEN) and joint Board Member of Masaveu Medicina; Furthermore: Chairman of Bodegas Murúa, Bodegas Fillaboa and Bodegas Pagos de Aráiz, Board Member at Rioja Alta; Foundations: Protector and Chairman of Fundação Masaveu, Protector and Secretary at Fundação Virgen de los Dolores, Protector of Fundação Oso; Energía: Chairman of Audit Committee of Hidroeléctrica del Cantábrico; Financial: Board Member of Financiera Interprovincial SINCAV, Board Member of Banco Herrero, Member of the International Advisory Board of Santander Group; Transportation: Joint Board Member of Transportes Covadonga, Comercial Iberoamericana de Servicios e Fletamentos y Consignaciones Marítimas; Environment: Board Member of Teconma; Medical: Board Member of Molypharma and of Medicina Asturiana; Publishings: Vice-Chairman of the Board of Directors and of the Executive Committee of Ediciones Nobel; Real State and Concessions: Joint Board Member of COCANSA, Chairman of the Board of Directors of DRAURSA, Chairman of the Board of Directors of Estacionamentos Iruña, Joint Director of

Aparcamientos Asturias y Estacionamientos Noroeste, Vice-Chairman and Board Member of Propriedades Urbanas, Chairman of the Board of Directors of Agüeira e Hoteles y Turismo de la Meseta, Managing Director of Danyson Kft.

Nuno Manuel da Silva Amado He has a degree in Companies Organization and Management from ISCTE (Instituto Superior das Ciências do Trabalho e da Empresa). He also has a complementary executive degree from INSEAD, Fontainebleau (Advanced Management Programme). From 1980 to 1985 he was employee of KPMG Peat Marwick, in the Audit and Consulting Department. From 1985 onwards he worked at Citibank and Banco Fonseca & Burnay. He was later a Member of the Board of Directors of Deutsche Bank Portugal, Member of the Executive Committee of BCI (Banco de Comércio e Indústria) / Banco Santander, Vice-Chairman of the Executive Committee of Crédito Predial Português, Vice-Chairman of the Executive Committee of Banco Totta & Açores, and a Member of the Executive Committee of Banco Santander Negócios de Portugal, of Banco Santander Totta, S.A. and of Banco Santander Totta, SGPS. From August 2006 until January 2012 he became CEO and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.A. and of Banco Santander Totta, SGPS. Since February 2012 he is Vice-Chairman of the Board of Directors and CEO of Banco Comercial Português. He is Vice-Chairman of the Supervisory Board of Bank Millennium Polónia. He was appointed Member of the General and Supervisory Board of EDP – Energias de Portugal, S.A. on 6 May 2013 and re-appointed on 21 April 2015, representing Banco Comercial Português, S.A.

Ferhat Ounoughi He has a degree in Finance from the Institute of Economic Sciences of the University of Algiers (1991). He also has an Executive MBA in Strategy by MDI Algiers and by EDHEC, University of Lille II, France, 2008. He has professional diploma of audit and internal control from IFACI, the French Institute of Internal Control and Audit (2009). He has attended several training courses on accountancy, finance, audit, dispute resolution, project management, production and exploitation of petroleum, leadership and commercial development. After military service, he joined the Accountant and Financial Department at Sonatrach, the national Algerian company for oil and gas. In 1999, he assumed his first management position as "Order to Pay Manager" at the oil and gas production department. In 2002, he was promoted and was responsible for the finances of the engineering and construction of upstream activity at Sonatrach. In 2004 he was again promoted and assumed the position of Audit Procedures Head of upstream activity at Sonatrach. Between 2006 and 2013, he became Internal Audit Director of upstream activity at Sonatrach. While connected to the internal audit, he attended several seminars within the scope of management risk, namely, "Risk Management" in 2007, "The role of internal Audit in the Risk Management" in 2008 and "Mapping of Major Risks" in 2009. In 2013, he was appointed Director of Financial Operations in the headquarters of Sonatrach, a position he held until beginning of 2016. In March 2016, he was appointed Executive Central Director of Procurement and Logistic of Sonatrach, a position he held until the beginning of 2017. In January 2017, he was appointed Executive Director of Subsidiaries and Affiliates of Sonatrach. He was elected Member of the General and Supervisory Board of EDP as Sonatrach's representative on 21 April 2015.

Mohamed Ali Al Fahim He has a degree in Finance from the University of Suffolk, Boston (1999). He started his professional career at the Abu Dhabi National Oil Company (ADNOC), where he worked from 2000 to 2008. He focused on the identification and definition of investment strategies for a balanced investment portfolio for ADNOC, to ensure the Group's requirements for cash flow and returns were met. During that time, he also gained experience as a Corporate Finance Consultant for KPMG-Dubai (2001-2002) and for HSBC Bank at the Project and Export Finance Division in London (2006). Since September 2008, he has been Head of Finance at the Finance & Accounts Department of International Petroleum Investment Company (IPIC). He is a member of the board of directors of several companies as an IPIC representative: AABAR Investment PJS (since May 2010) and RHB bank Group (since May 2014). He attended the Risk Management Program for corporate leaders at Harvard Business School in December 2013. He was appointed a member of the General and Supervisory Board of EDP, in representation of Senfora Sarl, on 16 April 2010 and reappointed 20 February 2012 and was appointed as representative of Senfora B.V. on the 21 April 2015.

António Sarmiento Gomes Mota He has a degree in Management from ISCTE (Instituto Superior das Ciências do Trabalho e da Empresa) (1981), an MBA from the School of Economics of Universidade Nova de Lisboa (1984) and a PhD in Management from ISCTE. He is a Full Professor of ISCTE Business School, of which he was the head between 2003 and 2012. He was also the head of INDEG/ISCTE from 2005 to 2012, and has been the Chairman of the Board of Directors of Grupo Soares da Costa since 2013, Chairman of the Tax Board of CTT since 2013 and is a member of the Remunerations Committee of PT. He has also been the Vice-Chairman of Instituto Português de Corporate Governance since 2010. He has written a number of books and papers on areas such as corporate governance, financial markets and instruments, strategy and business restructuring. He was appointed a member of the General and Supervisory Board of EDP on 15 April 2009 and reappointed on 2 February 2012 and on 21 April 2015.

Maria Celeste Ferreira Lopes Cardona She holds a Doctorate in law, with a specialisation in Administrative Law, from Faculdade de Direito da Universidade de Lisboa. She was a Member of Centro de Estudos Fiscais of the Minister of Finance. She represented Portugal, on behalf of Minister of Finance, on the Tax Affair Committee of OECD

(Organisation for Economic Cooperation and Development). She has been an Assistant Professor at Faculdade de Direito da Universidade de Lisboa and at Universidade Lusíada. She was Deputy at the European Parliament and at the National Parliament. She was Minister of Justice of the XV Constitutional Government. In 1998, she was awarded the degree of Grande Oficial da Ordem do Infante D. Henrique by his Excellency the President of the Portuguese Republic. She was also a non-executive Board Member of Caixa Geral de Depósitos. She has published articles and opinions in specialty magazines, namely in "Ciência e Técnica Fiscal". She is also the author of several monographs and varied studies, such as "As agências de regulação no Direito Comunitário", "O problema da retroactividade na lei fiscal e na Constituição", "A prescrição da obrigação tributária e a caducidade da liquidação de impostos", and "A natureza e o regime das empresas de serviço público". She is currently a lawyer and a consultant in M. Cardona Consulting, Lda. and also a non-executive member of BCI, headquartered in Maputo, Mozambique, a member of the Fiscal Council of SIBS and a legal and fiscal consultant for several financial and non-financial institutions. She was appointed as a Member of the General and Supervisory Board of EDP on 20 February 2012, and reappointed on 21 April 2015.

Ilídio da Costa Leite de Pinho He has a degree in Electronics and Machinery Engineering. He was awarded the Grã-Cruz Order of Merit, the Gold Medal and the "Honorary citizen" award granted by the city of Vale de Cambra in 1999, the gold medal and "University Benefactor" award granted by "Universidade Católica Portuguesa" and the Golden Badge by the Portuguese Association of Voluntary Firemen in 2002. He became an honorary member of the Industrial Order of Merit and a Member of the "Ordens Honoríficas Portuguesas" from 1986 to 1999. Between 1986 and 1991, he was a non-executive member of the Board of Directors Member of ICEP (Instituto do Comércio Externo do Portugal), representing the National Industry. He became President of the City Hall Council of Vale de Cambra between 1979 and 1983 and President of the City Hall Assembly of Vale de Cambra between 1993 and 1997. In addition to being a member of the board of several business associations, he was also a member of the Administrative Committee of "Universidade Católica" – Oporto and of the Senate of "Universidade do Porto", the University Counsel of "Universidade de Aveiro" and the "Trilateral Commission" between 1988 and 1996. He was founder and Chairman of the Board of Directors of COLEP as founder of NacionalGás, S.A. and its subsidiaries, LusitâniaGás, EGA, EGL, EMPORGÁS, EDISOFT, S.A. and MEGASIS, and was also the main shareholder of Transinsular. In addition, he was non-executive Member of the Board of Directors of "Banco Espírito Santo, S.A." between 2000 and 2005. He was shareholder of "CEM - Companhia de Electricidade de Macau, SARL", Chairman of the Strategy Committee of "Fomentinvest, S.A.", founder and Chairman of the Board of Directors and the Board of Trustees of Fundação Ilídio Pinho and Chairman of various companies of Group Ilídio Pinho. He was appointed as a member of the General and Supervisory Board of EDP on 20 February 2012 and on 21 April 2015.

Jorge Avelino Braga de Macedo He obtained a law degree from Universidade de Lisboa in 1971. At Yale University, he completed his M.A. in International Relations (1973) and also has a PhD in Economics (1979). He graduated from the Faculty of Economics of Universidade de Lisboa in 1982. From 1999 to 2003, he belonged to the OECD (Organisation for Economic Cooperation and Development) and the European Commission in Brussels between 1988 and 1991. At a national level, he was Minister of Finance (1991 – 1993, having chaired ECOFIN) and President of the Parliamentary Commission for European Affairs (1994 – 1995) and of the Instituto de Investigação Científica e Tropical (2004 – 2015). He has taught in several universities in the USA, Europe and Africa. He was a trainee at International Monetary Fund and has been a consultant at the European Bank for Reconstruction and Development, the United Nations and the World Bank. Currently, he is a Professor and Director of the Center Globalization and Governance (CG & G) at the Nova School of Business and Economics of the Universidade Nova and a researcher at NBER (Cambridge, Mass), CEPR (London) and CIGI (Waterloo, Ont.). He was appointed member of the General and Supervisory Board of EDP on the 20 February 2012 and reappointed on the 21 April 2015.

Vasco Joaquim Rocha Vieira He has a degree in Civil Engineering. He took several courses, including General Course of Staff (1969 – 1970), Complementary Course of General Staff (1970 – 1972), Course of Command and Direction for Official General (1982 – 1983) and the Course of National Defense (1984). In 1984, he was promoted to Brigadier and in 1987, he was promoted General. In 1956, he joined the Military College having received the Alcazar of Toledo Award given to the highest rated finalist of all students from the Military Academy. From 1969 to 1973, he collaborated with Lisbon's City Hall. He taught at the Military Academy and at the Institute for Advanced Military Studies. He was Deputy Secretary for Communications and Public Works of the Macau Government (1974 – 1975), Director of Weapons and Engineering (1975/1976), Chief of Staff of the Army (1976/1978) during the normalisation period of the Army's role in the democratic regime following the 1974 Revolution, of the military reconversion, of the operative and missions of the Army at the end of the Ultramar war and of the demobilisation and reorientation of the Army for Portugal responsibilities before NATO. During this period, he was a member of the Revolution Council. He was the national military representative (1978/1984) at Europe Supreme Allied Command – SHAPE/NATO and Minister of Republic for Azores Autonomous Region with chair at Council of Ministers (1986/1991). Appointed as Macao Governor in 1991, he was responsible for the management of this territory during the transition period until

power over Macao was transferred from Portugal to People's Republic of China in 1999. Currently, he is Member of the Board of Engineers, Member of the Academy of Engineering, Member of the Supreme Council of Associations of the Former Students of the Military College, member of the Supreme Council of SHIP (Sociedade Histórica da Independência de Portugal), member of the Honorary Council of the ISCS (Instituto Superior de Ciências Sociais e Políticas) and Member of the School Board of the same Institute. He is an honorary associate of Lisbon Geography Society, of Sociedade Histórica da Independência de Portugal and of the Combatants League. He was appointed member of the General and Supervisory Board of EDP on 20 February 2012 and reappointed on the 21 April 2015.

Augusto Carlos Serra Ventura Mateus He has a degree in Economics from Instituto Superior de Economia e Finanças (ISCEF) of Universidade Técnica de Lisboa. Guest Professor at ISEG with diversified responsibilities in the areas of European and Portuguese Economy, Economic Policy and Industrial and Competitiveness Policy at the level of degrees and masters' degrees. Researcher and consultant in the areas of macroeconomics, economic policy, industrial competitiveness, business strategy, territorial development, program evaluation, policy and economic development of culture and creativity. Responsible for the coordination of several studies of evaluating programs and policies and for the coordination of several research projects and studies in applied economics. He has held the positions of Secretary of State for Industry (October 1995 until March 1996) and Ministry of Economy (March 1996 until December 1997). He is currently Chairman of the consulting company Augusto Mateus & Associados, founded in 1998, and General Chairman of Instituto Politecnico de Tomar since 2011. He was appointed member of the General and Supervisory Board of EDP on 6 May 2013 and on the 21 April 2015.

João Carvalho das Neves He has obtained a PhD from Manchester Business School, centre for Creative Leadership, Kennedy Harvard Government School, a PhD in management control (HEC Paris and Wisconsin Graduate Business School in Madison), in company finances (IMD and Management Centre of Europe), in international finances (INSEAD), in analysis and risk management (Stern New York University) and in banks (International Banking Centre from Manchester Business School and the International Centre for Monetary and Banking Studies in Geneva). He has held the following positions: Professor in finance and planning and management control, ISEG, Universidade de Lisboa; Director of the master degree in Real Estate Management and Assessment; Advisor at A2ES – Agência de Avaliação e Acreditação do Ensino Superior para as áreas da Gestão, Gestão de Saúde, Banca e Finanças; Manager Advisor (pro bono) of Raríssimas – Associação Nacional de Doenças Mentais e Raras; Independent management consultant; Fellow of RICS Royal Institution Chartered Surveyors (management and assessment of real estate) since January 2008; Statutory Auditor since 1998; Technical Accountant (admitted since 1981); Approved as Business Coach by the ECA European Coaching Association; Approved as Multi-Health Systems in Emotional Intelligence Bar-On model; Chairman of ACSS Administração do Sistema Central de Saúde, I.P (2011-2014). Board Member of BPN (2008) and SLN (2008 – 2009) where he was included as member of Miguel Cadilhe team; Judicial administrator (1993 – 1998) of Torralta, TVI and Casino Hotel de Troia, taking part of the recovery process of these companies; Associated Partner of Coopers & Lybrand, now PWC (1992 – 1993), director of CIFAG/IPE (1985 – 1992) and assistant controller of Cometa (1981 – 1984); Member of the Scholar Council ISEG (2014); Chairman of the Audit Board ADVANCE Centro de Investigação em Gestão do ISEG (2009 – 2014); Chairman of the Audit Board of ADVANCE Centro de Investigação em Gestão of ISEG (2009 – 2014); Chairman of the Audit Board of Federação Portuguesa de Judo (1997 – 2013); Member of the Audit Board of SIBS, S.A. (2007 – 2008); Member of the Audit Board of FCCN – Fundação para a Computação Científica Nacional (2009 – 2011); Member of the Scientific Council of INE for the housing prices index (2010 – 2011); Member of ISEG Scientific Council (2005 – 2008); Chairman of Management Department at ISEG (2007 – 2008); MBA Director at ISEG (1998 – 2020 and 2014 – 2016) of the post-graduation and master degree in management and real estate assessment (2001). He has relevant experience as consultant, invitee professor abroad and author and co-author of management books. Relevant experience in the risk area include the attendance of courses, the coordination of projects, the co-authorship on several articles on the matter, the communication in national and international conferences and the guidance in PhD dissertations. He was elected member of the General and Supervisory Board of EDP on 21 April 2015.

Alberto Joaquim Milheiro Barbosa Has more than 35 years of professional experience. After obtaining his degree in Electrical Engineering he taught at Faculdade de Engenharia da Universidade do Porto as an assistant professor and started his industrial career as an engineer in electrical studies. He enhanced his competences throughout his career with multiple technical and management training programs of both national and international institutions. During several years, he was a member of the Board, overseeing Efacec activities in the fields of Electrical Mobility, amongst others. He has previously held positions of President of Board, Executive Director or General Manager in several national and international companies, within the Efacec and Tech M5 Groups. Currently, he is a member of EDP's General and Supervisory Board. Within the scope of this Board, he is a member of the Strategy and Performance Committee and of the Audit Committee. He is also a Board Member of the technological start-up "Follow Inspiration". During his career, Alberto Barbosa has headed or been involved in mergers, acquisitions and sale of over

20 companies or business areas (some of them involving several hundred million euros) and has overseen multiple projects including strategic analysis, technical analysis and financial package preparation. He has also gained strong experience in investor relations, as well as in negotiation with financial institutions. He is a member of the Portuguese Academy of Engineering (Academia de Engenharia) and had actively participated in multiple industry associations, including the IEC, the Portuguese Institution of Engineers (Ordem dos Engenheiros), Animee, UNICE, APDC, APREN, APIEE and ADFER. He has also worked as an Expert for the CEC, advising the Commission on several subjects in the fields of Energy and Information Technology. Over the last 20 years he has participated in multiple conferences and colloquiums, having presented over 100 lectures in technical fields (electricity networks, telecommunications, transportation systems) as well as management areas, and wrote technical and position articles in various magazines and newspapers.

María del Carmen Fernández Rozado She holds a Degree in Economic, Business Administration and Political Science and Sociology from the Complutense University of Madrid and a PhD from the same institution. She holds an MBA from IESE Business School (University of Navarra). She has also acted as Member of State Tax Inspectors Body, by public competition, and Account Auditor (Registered in the Auditing and Accounting Institute). During her professional career, she has participated in more than 50 workshops, international and national workshops and seminars regarding Finance, Auditing, Taxes, Global Management, Business Strategy, Renewable Energies and International Cooperation. She has more than 35 years of experience in the field of Finance, Accounting, Taxation and in the Energy Sector. From 1983 to 1999, she has occupied relevant positions in the Ministry of Economy and Finance (General Tax Inspector Chief in Madrid). In 1999, she was appointed member of the Board of the National Energy Commission (Regulatory Body of Spanish Energy System). During this period (1999-2011), she has participated in the Planning of the Sector including authorizations, mergers and acquisitions as well as in the implementation of the retribution model for Electricity distribution in the Spanish Market and other subjects. She acted as President of the Renewable Energy TASK FORCE, Sustainability Energy Efficiency and Carbon Market in ARIAE (Latin American Energy Regulators Association) for a number of years. A large part of her professional career has been carried out in Latin America providing technical assistance in the Regulatory Bodies in Peru, Colombia, Dominican Republic, Guatemala, Argentina and Uruguay regarding implementation of technical norms in the tender of renewable energies. She has been involved in the development of projects in wind, solar and mini hydraulic, energy efficiency, carbon markets (elaboration of PDDs, baseline, follow-up and monitoring of GEI emissions). In the EU, she has been Vice-President of renewable energies in MEDREG (Mediterranean Regulatory Body). Since September 2011, she is international advisor for the development and implementation of business plans in Energy and Infrastructure in Latin America and Asia. She has provided local support to various Institutions and Regulatory Bodies. From 2012-2013, she was a member of the Advisory Board of Ernst & Young (EY) in Madrid. In April 2015, she was appointed member of the General and Supervisory Board and the Audit Committee of EDP. She has also held the following positions: Professor at several Universities and Business Schools both Spanish and Foreign, developing programs in relation with Fiscal, Account Auditing, financing of Renewable Energy projects and Carbon Markets; author of numerous articles and publications regarding previously mentioned activities; member of Several Professional Associations in Spain and Latin American. Patron of the Comillas University Foundation ICAI-ICADE, Madrid; Vice-president of the Club Financiero Genova, Madrid.

António Manuel de Carvalho Ferreira Vitorino He obtained a degree in law from Faculdade de Direito da Universidade de Lisboa in 1981. He obtained a master degree in legal-political sciences from Faculdade de Direito da Universidade de Lisboa in 1986. He has been a Member of Portuguese Bar Association since 1982. He has been an assistant professor at Faculdade de Direito de Lisboa since 1982. He was an invitee professor at Faculdade de Direito da Universidade Nova de Lisboa between 2008 and 2010. He was a deputy at Assembleia da República between 1980 and 2006. He was Secretary of State of Parliamentary Issues (1983 – 1985), an Alternate Secretary of Macao Government (1986 – 1987) and a Judge at Constitutional Court (1989 – 1994). He was a Deputy at the European Parliament (1994 – 1995). He was Minister of Presidency and National Defense (1995 – 1997). He was European Commissioner for the Justice and Internal Affairs (1999 – 2004). He is a non-executive member of the Board of Directors of Banco Santander Totta and Chairman of the General Shareholders' Meeting of Brisa, Auto-Estradas de Portugal, S.A. and EDP He is the Chairman of the Audit Board at Siemens Portugal and Tabaqueira Industria. He is also a non-executive Chairman of Áreas (Portugal) and was Chairman of Instituto Jacques Delors, Paris (2011/2016). He has been a partner at Cuatrecasas, Gonçalves Pereira since December 2005. He was elected Member of the General and Supervisory Board of EDP on 21 April 2015.

SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

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

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

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

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

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

At the meeting on 18 June 2015, the General and Supervisory Board, aware of the fact that the responsibilities of the Strategy Committee and the Competitiveness and Performance Analysis Committee were completely compatible and in many cases, interdependent, decided to merge the two and create a Strategy and Performance Committee. That meeting also approved the internal regulations for all the General and Supervisory Board's specialised committees.

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

FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

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

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

- António Sarmento Gomes Mota (Chairman)
- João Carvalho das Neves (Vice-Chairman)
- Alberto Barbosa
- María del Carmen Rozado
- Maria Celeste Cardona

In accordance with the internal regulations of the Financial Matters Committee/Audit Committee, this Committee is assigned, by delegation from the General and Supervisory Board, the following general powers:

- financial matters relating to EDP;
- the internal procedures for auditing and accounting practices followed by EDP and the Internal Financial Reporting Control System (SCIRF), in coordination with the Internal Audit Department;
- matters relating to the internal financial reporting control system and risk management processes, particularly relating to their fiscal, legal and financial aspects; and
- the activity and the independence of the Statutory Auditor and the External Auditor of EDP, with whom it should maintain a close relationship.

As a specialised committee of the General and Supervisory Board, the Committee on Financial Matters/Audit Committee supports the former in the process of hiring and dismissing the external auditor, pursuant to Article 10 (1) (k) of the internal regulations of the Financial Matters Committee/Audit Committee.

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

In view of these duties, the Financial Matters Committee/Audit Committee held 12 meetings in 2016, as envisaged in its Activity Plan. The matters addressed in those meetings were: (i) supervision of the financial reporting and business of EDP, (ii) monitoring the activity of the Internal Audit and Compliance Department, (iii) monitoring the activity of the Risk Management Department of the EDP Group, (iv) monitoring litigation processes in the EDP Group, (v) monitoring the activity of the IT Department of the EDP Group, (vi) monitoring the contractual relationship with the statutory auditor and external auditor, their activities and assessing the objective conditions of their independence and (vi) monitoring reports of irregularities (whistleblowing) and the relationship with the Audit Committees of EDP's subsidiaries.

REMUNERATION COMMITTEE

Pursuant to Article 27 of the EDP Articles of Association, the Remuneration Committee designated by the General and Supervisory Board is the body that determines the remuneration of the members of the Executive Board of Directors, as well as any supplements.

In accordance with the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit to the annual General Meeting a statement on the remuneration policy for the members of the Executive Board of Directors approved by such Committee. Taking into account the publication of Law no. 28/2009, of 19 June, the work of the Remuneration Committee shall abide by the applicable legal rules.

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

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, all of whom are independent from the managing body. This committee always has at least one representative present at the Annual General Meetings of the Shareholders. Currently the Remuneration Committee of the General and Supervisory Board is composed of:

- Yang Ya (Chairman)
- Fernando Masaveu Herrero
- Ilídio da Costa Leite de Pinho
- João Carvalho das Neves
- Vasco Rocha Vieira

In the Annual General Meeting held on 21 April 2015 in accordance with Law no. 28/2009 of 19 June and EDP's by-laws, the Chairman of this Committee attended the meeting and submitted for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the current three-year term, which was approved by shareholders.

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

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

- corporate governance;
- strategic sustainability;
- internal codes of ethics and conduct;
- systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- the definition of appropriate selection criteria and responsibilities to be observed in the structures and internal bodies of EDP or its subsidiaries and assessment of their repercussions on membership; and

- drafting of succession plans.

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

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

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

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

The committee currently consists of the following members:

- Luís Amado (Chairman)
- Felipe Fernández Fernández
- Jorge Braga de Macedo
- Maria Celeste Cardona
- Shengliang Wu

STRATEGY AND PERFORMANCE COMMITTEE

The Strategy and Performance Committee is a specialised committee resulting from the merging of the Strategy Committee and the Competitiveness and Performance Analysis Committee, with powers relating to strategy, particularly in relation to investment, financing and strategic partnerships, and with a focus on the analysis of performance and competitiveness of EDP within the markets in which it operates. The work of the Strategy and Performance Committee is governed by internal regulations approved by the General and Supervisory Board. The committee currently consists of the following members:

- Eduardo de Almeida Catroga (Chairman)
- Alberto Barbosa
- Augusto Mateus
- Dingming Zhang
- Ferhat Ounoughi
- Fernando Masaveu Herrero
- João Carvalho das Neves
- Jorge Braga de Macedo
- Mohamed Al Fahim
- Nuno Amado
- Shengliang Wu

The mission of the Strategy and Performance Committee is to oversee the following areas on a continuous basis:

- short, medium and long-term strategies and scenarios;
- strategic implementation, business planning and respective budgets;
- investments and divestiture;
- debt and financing;
- strategic alliances;
- development of markets and competitiveness;
- regulatory issues;
- analysis of the EDP Group's and its Business Units' performance;
- benchmarking the EDP Group's performance in relation to the sector's leading companies; and
- assessment of the competitiveness of EDP's business portfolio.

EXECUTIVE OFFICERS

EDP has 20 executive officers in charge of various business and administrative departments at the holding company level of EDP (Corporate Centre) which report directly to the Executive Board of Directors. Selected information for the executive officers in charge of EDP's principal business activities is set forth below:

Name	Year of Birth	Year of Appointment	Position
SUPPORT TO GOVERNANCE AREA			
Maria Teresa Pereira	1965	2005	Company Secretary and Head of Legal Department
Pedro McCarthy Cunha	1987	2016	Chief of Staff of the Chairman of the Executive Board
Azucena Viñuela Hernández	1965	2006	Head of Internal Audit Department
STRATEGIC AREA			
Ana Quelhas	1976	2016	Head of Energy Planning Department
António Castro	1959	2016	Head of Risk Management Department
Duarte Castro Bello	1979	2011	Head of Business Analysis Department
Joana Simões	1961	2004	Head of Regulation and Competition Department
FINANCIAL AREA			
Paula Cristina Santos Guerra	1973	2008	Head of Financial Management Department
João Rui Fonseca Gouveia Carvalho	1979	2015	Head of Planning and Control Department
Miguel Ribeiro Ferreira	1967	2004	Head of Consolidation, Accounting and Tax Department
Miguel Henriques Viana	1972	2006	Head of Investor Relations Department
SYSTEMS AND ORGANISATIONAL AREA			
José Filipe Esteves Saraiva Santos	1967	2012	Head of Organisational Development Department
Vergílio Domingues Rocha	1952	2010	Head of Information Systems Department
HUMAN RESOURCES AREA			
Paula Maria Pinto Eusébio Carneiro	1967	2013	Head of Human Resources Department
Miguel Nuno Simões Nunes Ferreira Setas	1970	2017	EDP University
MARKETING AND COMMUNICATION AREA			
José Manuel Ferrari Bigares Careto	1962	2014	Head of Customer and Marketing Department
Paulo Campos Costa	1965	2015	Head of Brand, Marketing and Communication Global Coordination Department
Jorge Cruz Morais	1957	2015	Head of Institutional Relations and Stakeholders Management Department
SUSTAINABILITY, ENVIRONMENT AND ETHICS AREA			
António Castro	1959	2016	Head of Sustainability Department
José Eduardo Figueiredo Soares	1951	2012	Ethics Ombudsman
BUSINESS UNITS			
Carlos Manuel Sola Pereira da Mata	1963	2012	Head of Energy Management Business Unit

The business address of each member of the Executive Board of Directors and each executive officer of EDP is Av. 24 de Julho, 12, 1249 - 300 Lisbon, Portugal. The business address of each member of the General and Supervisory Board and each member of the Specialised Committees of the General Supervisory Board described above is Av. 24 de Julho, 12, 1249 - 300 Lisbon, Portugal.

CONFLICTS OF INTEREST

The members of the Executive Board of Directors, the General and Supervisory Board, the Specialised Committees of the General Supervisory Board described above and the executive officers of EDP do not have any conflicts, or any potential conflicts, between their duties to EDP and their private interests or other duties.

FINANCIAL STATEMENTS OF THE EDP GROUP

The following financial information is extracted without material adjustment from the audited consolidated financial statements of EDP for the years ended 31 December 2016 and 31 December 2015, prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union and incorporated by reference in this Base Prospectus, and from the unaudited condensed consolidated financial statements of EDP for the six months ended 30 June 2017 and 30 June 2016, prepared in accordance with IAS 34 “Interim Financial Reporting” (“IAS 34”) as adopted by the European Union and which are incorporated by reference in this Base Prospectus.

Consolidated Income Statement

Thousands of Euros	Six Months ended 30 June		Year ended 31 December	
	2017	2016	2016	2015
Revenues from energy sales and services and other	7,875,410	7,147,613	14,595,164	15,516,799
Cost of energy sales and other	-4,982,355	-4,177,858	-8,857,132	-10,062,093
	2,893,055	2,969,755	5,738,032	5,454,706
Other income	199,020	239,296	427,314	848,783
Supplies and services	-472,361	-435,743	-947,874	-920,608
Personnel costs and employee benefits	-340,788	-323,500	-660,616	-652,979
Other expenses	-376,442	-383,054	-797,549	-805,944
	-990,571	-903,001	-1,978,725	-1,530,748
	1,902,484	2,066,754	3,759,307	3,923,958
Provisions	-1,647	5,025	15,076	-16,056
Amortisation and impairment	-708,664	-744,345	-1,510,304	-1,464,523
	1,192,173	1,327,434	2,264,079	2,443,379
Financial income	240,254	597,249	899,323	936,221
Financial expenses	-610,200	-1,004,980	-1,790,803	-1,768,736
Share of net profit in joint ventures and associates	7,228	-4,586	-22,062	-23,899
Profit before income tax and CESE	829,455	915,117	1,350,537	1,586,965
Income tax expense	-119,153	-242,860	-88,796	-277,769
Extraordinary contribution to the energy sector (CESE)	-67,415	-58,834	-61,630	-62,054
	-186,568	-301,694	-150,426	-339,823
Net profit for the period	642,887	613,423	1,200,111	1,247,142
Attributable to:				
Equity holders of EDP	450,430	472,171	960,561	912,703
Non-controlling Interests	192,457	141,252	239,550	334,439
Net profit for the period	642,887	613,423	1,200,111	1,247,142
Earnings per share (Basic and Diluted) – Euros	0.12	0.13	0.26	0.25

Consolidated Statements of Financial Position

Thousands of Euros	As at 30 June	As at 31 December	
	2017	2016	2015
Assets			
Property, plant and equipment	23,155,362	24,193,736	22,773,716
Intangible assets	4,883,769	5,128,544	5,524,634
Goodwill	2,300,646	3,414,852	3,388,588
Investments in joint ventures and associates	821,139	820,565	664,011
Available for sale investments	117,324	165,044	200,206
Investment property	30,744	31,219	36,465
Deferred tax assets	667,865	904,412	272,498
Debtors and other assets from commercial activities ⁴	2,589,938	2,448,442	3,312,318
Other debtors and other assets	423,277	469,269	444,257
Collateral deposits associated to financial debt	37,294	31,936	66,855
Total Non-Current Assets	35,027,358	37,608,019	36,683,548
Inventories	267,317	316,577	204,206
Debtors and other assets from commercial activities ⁴	2,771,225	3,207,613	3,468,900
Other debtors and other assets	237,092	354,316	443,118
Current tax assets	294,250	494,504	314,867
Financial assets at fair value through profit or loss	7,570	9,567	9,288
Collateral deposits associated to financial debt	4,525	20,095	13,060
Cash and cash equivalents	1,989,044	1,521,253	1,245,449
Assets held for sale ⁵	2,926,359	551,802	154,529
Total Current Assets	8,497,382	6,475,727	5,853,417
Total Assets	43,524,740	44,083,746	42,536,965
Equity			
Share capital	3,656,538	3,656,538	3,656,538
Treasury stock	-62,088	-63,528	-62,691
Share premium	503,923	503,923	503,923
Reserves and retained earnings	4,584,258	4,348,793	3,659,302
Consolidated net profit attributable to equity holders of EDP	450,430	960,561	912,703
Total Equity attributable to equity holders of EDP	9,133,061	9,406,287	8,669,775
Non-controlling Interests	4,350,381	4,330,085	3,451,718
Total Equity	13,483,442	13,736,372	12,121,493
Liabilities			
Financial debt	15,907,646	15,550,273	15,653,876
Employee benefits	1,262,630	1,410,136	1,647,730
Provisions	618,626	637,613	481,439
Deferred tax liabilities	538,036	722,401	794,983
Institutional partnerships in USA	1,956,741	2,339,425	1,956,217
Trade and other liabilities from commercial activities	1,182,782	1,293,133	1,237,274
Other liabilities and other payables	834,566	829,257	548,136
Total Non-Current Liabilities	22,301,027	22,782,238	22,319,655
Financial debt	3,466,743	2,476,403	3,616,664
Employee benefits	392,208	316,709	175,763
Provisions	24,903	33,879	24,633
Hydrological correction account	1,574	1,574	11,417
Trade and other liabilities from commercial activities	2,531,609	3,362,421	3,380,358
Other liabilities and other payables	334,669	345,032	311,574
Current tax liabilities	593,114	953,264	517,380
Liabilities held for sale ⁵	395,451	75,854	58,028
Total Current Liabilities	7,740,271	7,565,136	8,095,817
Total Liabilities	30,041,298	30,347,374	30,415,472
Total Equity and Liabilities	43,524,740	44,083,746	42,536,965

⁴ As at 31 December 2016, EDP Group included in "Debtors and other assets from commercial activities", the previous line item "Trade receivables". For comparison purposes, this line item was changed for the comparative periods.

⁵ As at 30 June 2017, assets and liabilities held for sale mainly included assets and liabilities relating to the sale of EDP's gas distribution subsidiary, Naturgas Energia Distribución S.A., in Spain, following EDP's acceptance of a binding offer for the sale in March 2017, and EDP's gas distribution subsidiary, EDP Gás SGPS, in Portugal. As at 31 December 2016, assets and liabilities held for sale comprised assets and liabilities relating to the sale of EDP Gás SGPS.

Consolidated Statements of Cash Flows

Thousands of Euros	As at 30 June		As at 31 December	
	2017	2016	2016	2015
Operating activities				
Cash receipts from customers	7,171,210	6,795,836	13,369,454	14,357,283
Proceeds from tariff adjustments sales	592,916	1,253,785	2,286,944	903,070
Payments to suppliers	-5,388,813	-4,716,295	-9,475,160	-10,512,735
Payments to personnel	-461,767	-447,234	-902,430	-781,382
Concession rents paid	-140,395	-142,475	-278,310	-277,627
Other receipts/(payments) relating to operating activities	-483,996	-362,027	-330,525	-462,695
Net cash flows from operations	1,289,155	2,381,590	4,669,973	3,225,914
Income tax received/(paid)	-311,426	-173,725	-628,153	-141,780
Net cash flows from operating activities	977,729	2,207,865	4,041,820	3,084,134
Investing activities				
Cash receipts relating to:				
Sale of assets/subsidiaries with loss of control	-	95,434	95,434	242,985
Other financial assets and investments	52,914	35,671	34,956	33,498
Changes in cash resulting from consolidation perimeter variations	26,497	-	-	101,389
Property, plant and equipment and intangible assets	7,306	3,185	18,058	11,596
Other receipts relating to tangible fixed assets	8,866	4,115	10,782	16,308
Interest and similar income	48,853	34,967	89,240	84,922
Dividends	16,478	10,004	19,888	34,359
Loans to related parties	28,119	32,998	49,586	4,482
	189,033	216,374	317,944	529,539
Cash payments relating to:				
Acquisition of assets/subsidiaries	-1,100	-85,416	-139,607	-207,971
Other financial assets and investments	-59,715	-70,967	-140,531	-78,014
Changes in cash resulting from consolidation perimeter variations	-34,206	-1,085	-7,051	-
Property, plant and equipment and intangible assets	-1,110,058	-1,137,577	-2,090,617	-1,835,636
Loans to related parties	-4,677	-21,510	-74,605	-40,583
	-1,209,756	-1,316,555	-2,452,411	-2,162,204
Net cash flows from investing activities	-1,020,723	-1,100,181	-2,134,467	-1,632,665
Financing activities				
Receipts/(payments) relating to loans	1,667,114	-502,595	-1,183,196	-1,458,838
Interest and similar costs including hedge derivatives	-422,297	-448,359	-926,797	-920,577
Governmental grants received	-6	-	-	-
Share capital increases/(decreases) by non-controlling interests	-11,899	145,640	86,229	-46,168
Receipts/(payments) relating to derivative financial instruments	9,116	-3,080	-23,520	-22,808
Dividends paid to equity holders of EDP	-690,637	-672,537	-672,537	-672,308

Dividends paid to non-controlling interests	-53,173	-119,585	-175,355	-128,971
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Thousands of Euros	As at 30 June		As at 31 December	
	2017	2016	2016	2015
Treasury stock sold/(purchased)	-	-1,183	-2,878	6,223
Sale of assets/subsidiaries without loss of control	210,847	556,080	697,881	394,904
Receipts/(payments) from institutional partnerships – USA	-131,613	113,431	451,788	68,474
Net cash flows from financing activities	577,452	-932,188	-1,748,385	-2,780,069
Changes in cash and cash equivalents	534,458	175,496	158,968	-1,328,600
Effect of exchange rate fluctuations on cash held	-66,667	107,808	116,836	-39,946
Cash and cash equivalents at the beginning of the period	1,521,253	1,245,449	1,245,449	2,613,995
Cash and cash equivalents at the end of the period	1,989,044	1,528,753	1,521,253	1,245,449

EDP FINANCE B.V.

INCORPORATION, DURATION AND DOMICILE

EDP Finance B.V. (hereinafter "EDP B.V."), a wholly-owned subsidiary of EDP, is incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) in Amsterdam, the Netherlands, on 1 October 1999 for an unlimited period of time.

EDP B.V. has its registered office at Luna ArenA, Herikerbergweg 130, 1101 CM Amsterdam, the Netherlands (telephone number +31 (0)20 575 56 00) and its statutory seat is in Amsterdam, the Netherlands. EDP B.V. is registered in the Commercial Register of the Chamber of Commerce under file number 34121496.

OBJECTS AND ACTIVITIES

The main objects of EDP B.V. are to assist EDP and the EDP Group in raising funds in the international markets and to provide financial and investment services to group companies.

SHARE CAPITAL

The authorised share capital of EDP B.V. consists of 80,000 shares of €100 each, of which 20,000 shares have been issued and fully paid up.

MANAGEMENT

The management of EDP B.V. is conducted by a management board that may consist of one or more members. Members of the management board are elected by a general meeting of the shareholders of EDP B.V. and may be recalled from this position at any time.

The current management board is composed of four members: EDP, Hubert Philippus de Kanter, Myrthe Marie Louise Görtzen and TMF Netherlands B.V. Details of the directors of EDP can be found in "Management".

The details of the individual directors of EDP B.V. are as follows:

Name	Year of Birth	Position	Elected
Hubert Philippus de Kanter	1963	Director	2014
Myrthe Marie Louise Görtzen	1974	Director	2012

TMF Netherlands B.V. may be represented by:

- i) any two managing directors acting jointly;
- ii) any proxy holder A acting jointly with a managing director or a proxy holder A or a proxy holder B; or
- iii) any proxy holder B acting jointly with a managing director or a proxy holder A.

Full details of all appointed managing directors, proxy holders A and proxy holders B can be found in the register entry for TMF Netherlands B.V. in the Commercial Register of the Chamber of Commerce under file number 33126512.

The contact address for the managing directors, proxy holders A and proxy holders B of TMF Netherlands B.V. (including the individual directors of EDP B.V.) is Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam, the Netherlands (telephone number: +31 (0)20 575 56 00).

EDP B.V. may be legally represented by the entire management board, being EDP, Mr. H.P. de Kanter, TMF Netherlands B.V. and Mrs. M.M.L. Görtzen, acting jointly, or by two members of the management board acting jointly.

The principal outside activities of Mr. De Kanter and Mrs. Görtzen are as employees of TMF Netherlands B.V., a trust company established in the Netherlands in 1970 whose principal outside activities are the provision of corporate secretarial and administrative services to businesses, companies and other forms of enterprise.

For details of the outside activities of EDP please see "*EDP and the EDP Group*" above.

CONFLICTS OF INTEREST

The members of the management board of EDP B.V. do not have any conflicts, or any potential conflicts, between their duties to EDP B.V. and their private interests or other duties.

ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

An annual general meeting of shareholders must be held in Amsterdam, the Netherlands, within six months following the end of each fiscal year. Each outstanding share is entitled to one vote.

BOARD PRACTICES

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

FINANCIAL STATEMENTS AND DISTRIBUTION OF PROFITS

EDP B.V.'s fiscal year coincides with the calendar year. The annual general meeting of the shareholders shall determine the allocation of the accrued profits.

The following financial information is extracted without material adjustment from the audited financial statements of EDP B.V. for the years ended 31 December 2015 and 31 December 2016, prepared in accordance with the IFRS as adopted by the European Union and incorporated by reference in this Base Prospectus, and from the unaudited financial statements of EDP B.V. for the six months ended 30 June 2016 and 30 June 2017, prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") as adopted by the European Union, and which are incorporated by reference in this Base Prospectus.

Income Statement

Thousands of Euros	Six Months ended 30 June		Year ended 31 December	
	2017	2016	2016	2015
Interest income	282,531	318,687	638,919	705,667
Interest expenses	-279,482	-315,575	-609,781	-747,647
Net interest income/(expense)	3,049	3,112	29,138	-41,980
Net other financial income and expenses	574	7,800	3,929	-18,564
Net financial income/(expenses)	3,623	10,912	33,067	-60,544
Other income/(expenses)				
Services rendered	796	609	1,214	2,055
Supplies and services	-1,224	-1,356	-2,460	-2,660
Personnel costs	-19	-22	-38	-39
Profit/(Loss) before income tax	3,176	10,143	31,783	-61,188
Tax (expense)/benefit	-789	-2,531	-7,936	15,297
Net profit for the period	2,387	7,612	23,847	-45,891

Statement of Financial Position

Thousands of Euros	As at 30 June	As at 31 December	
	2017	2016	2015
Assets			
Loans to and receivables from group entities	11,150,741	12,942,089	12,931,757
Derivative financial instruments	107,633	156,700	203,998
Deferred tax assets	1,537	2,239	10,005
Total Non-Current Assets	11,259,911	13,101,028	13,145,760
Loans to and receivables from group entities	3,489,462	1,100,769	1,631,137
Derivative financial instruments	52,366	69,077	84,587
Debtors and other assets	2,664	1,865	1,789
Tax receivable	5,049	5,075	5,075
Cash and cash equivalents	497,398	219,037	806
Total Current Assets	4,046,939	1,395,823	1,723,394
Total Assets	15,306,850	14,496,851	14,869,154
Equity			
Share capital	2,000	2,000	2,000
Share premium	11,980	11,980	11,980
Reserves and retained earnings	107,315	83,730	130,129
Profit/(loss) for the period	2,387	23,847	-45,891
Total Equity	123,682	121,557	98,218
Liabilities			
Debt securities	10,307,327	10,021,509	9,369,836
Loans and credit facilities from third parties	2,062,434	2,359,359	2,336,111
Derivative financial instruments	55,409	77,377	190,781
Total Non-Current Liabilities	12,425,170	12,458,245	11,896,728
Debt securities	2,044,816	1,202,056	2,524,513
Loans and credit facilities from third parties	432,070	206,890	211,250
Loans from group entities	-	337,678	34,268
Amounts owed on commercial paper	180,000	85,000	110,000
Derivative financial instruments	98,474	83,630	-6,201
Trade and other payables	2,638	1,795	378
Total Current Liabilities	2,757,998	1,917,049	2,874,208
Total Liabilities	15,183,168	14,375,294	14,770,936
Total Equity and Liabilities	15,306,850	14,496,851	14,869,154

Statement of Cash Flows

	As at 30 June		As at 31 December	
	2017	2016	2016	2015
Cash flows from operating activities				
Profit/(Loss) for the period	2,387	7,612	23,847	-45,891
Adjustments for:				
Net interest income/(expense)	-3,049	-3,073	-29,138	42,178
Net other financial income and expenses	950	-85,888	-43,106	241
Supplies and services	-	-	-	-64
Tax income	789	2,531	7,936	-15,297
	1,077	-78,818	-40,461	-18,833
Changes in:				
Loans to and receivables from group entities	-514,052	1,349,795	1,198,901	1,181,282
Debtors and other assets	-2,533	147	-457	-241
Amounts owed on commercial paper	95,000	-110,000	-25,000	-100,000
Loans from group entities	-589,197	-322,232	-148,172	898,187
Trade and other payables	2,583	1,415	1,793	379
	-1,007,122	840,307	986,604	1,960,774
Interest received	128,450	134,490	325,082	318,832
Interest paid	-272,298	-314,516	-605,673	-669,126
Tax received/(paid)	25	-	-	-1,889
Net cash used in operating activities	-1,150,945	660,281	706,013	1,608,591
Cash flows from financing activities				
Proceeds from issued debt securities	1,479,121	595,476	1,595,476	744,893
Redemption of debt securities	-	-1,250,000	-2,250,000	-1,582,366
Proceeds of loans and credit facilities from third parties	-125,000	-	365,000	1,489,980
Redemption of loans and credit facilities from third parties	75,000	-6,566	-206,566	-2,471,767
Net cash flow from financing activities	1,429,121	-661,090	-496,090	-1,819,260
Net increase/(decrease) in cash and cash equivalents	278,176	-809	209,923	-210,669
Cash and cash equivalents at the beginning of the year	219,037	806	806	193,365
Effect of exchange rate fluctuations on cash and cash equivalents held	185	1,559	8,308	18,110
Cash and cash equivalents at the end of the period	497,398	1,556	219,037	806

TREND INFORMATION

There has been no material adverse change in EDP B.V.'s prospects since 31 December 2016.

TAXATION

The following is a general description of certain Netherlands, Portuguese and Irish tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective purchasers of Instruments should consult their tax advisers as to the consequences under the tax laws of the country in which they are resident for tax purposes and the tax laws of the Netherlands and/or Portugal and/or Ireland of acquiring, holding and disposing of Instruments and receiving payments of interest, principal and/or other amounts under the Instruments. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Portugal

The following is a general summary of the Issuers' understanding of current law and practice in Portugal as in effect as at the date of this Base Prospectus in relation to certain current relevant aspects of the Instruments to Portuguese taxation and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any Beneficial Owner of Instruments. It does not take into account or discuss the tax laws of any country other than Portugal and relates only to the position of persons who are the absolute beneficial owners of Instruments. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences resulting from the purchase, ownership and disposition of Instruments, including the effect of any state or local taxes, under the tax laws of Portugal and each country where they are resident, or are deemed to be resident.

The reference to "interest", "other investment income" and "capital gains" in the paragraphs below means "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take into account any different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law or which may be created by the "Terms and Conditions of the Instruments" or any related documentation.

The summary below in relation to Instruments issued by EDP B.V. and by EDP assumes that such Instruments would be treated by the Portuguese tax authorities as corporate bonds (*obrigações*) as defined under Portuguese law. If the Portuguese tax authorities do not treat the Instruments as *obrigações*, no assurance can be given that the same tax regime will apply.

1. Instruments issued by EDP B.V.

Interest and other investment income obtained by Portuguese resident individuals on Instruments issued by EDP B.V. are subject to individual income tax. If the payment of interest or other types of investment income is made available to Portuguese resident individuals through a Portuguese resident entity or a Portuguese branch of a non-resident entity, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to aggregate it to his taxable income, subject it to tax at progressive rates varying from 14.5 per cent. up to 48 per cent. In the latter circumstance, an additional surcharge is due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the taxable income exceeding €250,000 (if any). Additionally, in case the income aggregation is chosen, an additional surtax is due for the tax year of 2017 according to the taxable income of the taxpayer, as follows: (i) 0 per cent. for taxable income up to €20,261; (ii) 0.88 per cent. for taxable income exceeding €20,261 up to €40,522; (iii) 2.75 per cent. for taxable income exceeding €40,522 up to €80,640; (iv) 3.21 per cent. for taxable income above €80,640. Also, in case the individual elected to aggregate the interest and other investment income,, the tax withheld is deemed a payment on account of the final tax due. Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at a rate of 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply. If the interest and other investment income on the Instruments is not received through an entity located in Portugal, it is not subject to Portuguese withholding tax, but an autonomous taxation rate of 28 per cent. will apply unless an option for aggregation is made, subject to the aforementioned progressive tax rates, additional surcharge and surtax.

Gains obtained with the repayment of Instruments are classified as capital gains for Portuguese tax purposes.

Capital gains obtained by Portuguese resident individuals on the repayment or transfer of the Instruments are taxed at a rate of 28 per cent. levied on the positive difference between the capital gains and capital losses realised on the transfer of securities and derivatives of each year, which is the final tax on that income, unless the

individual elects to aggregate it to his taxable income, subjecting it to tax at progressive rates of up to 48 per cent. In the latter circumstance, an additional surcharge is due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 and up to €250,000 and (ii) 5 per cent. on the taxable income exceeding €250,000 (if any). Additionally, in case the income aggregation is chosen, an additional surtax is due for the tax year of 2017 according to the taxable income of the taxpayer, as follows: (i) 0 per cent. for taxable income up to €20,261; (ii) 0.88 per cent. for taxable income exceeding €20,261 up to €40,522; (iii) 2.75 per cent. for taxable income exceeding €40,522 up to €80,640; (iv) 3.21 per cent. for taxable income above €80,640. Accrued interest qualifies as interest for tax purposes.

Interest and other investment income derived from the Instruments and capital gains obtained with the transfer of the Instruments by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable profits and are subject to Corporate Income Tax at a 21 per cent. tax rate (a 17 per cent. rate is applicable to the first €15,000 of taxable income obtained by small and medium sized companies, as defined in the annex of Decree-Law no. 372/2007, of 6 November), to which a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of their taxable income may be added. A state surcharge (*derrama estadual*) also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000, and 7 per cent. on taxable profits in excess of €35,000,000.

The acquisition of Instruments through gift or inheritance by a Portuguese resident legal person or non-resident legal person acting through a Portuguese permanent establishment is subject to Corporate Income Tax at a 21 per cent. tax rate (a 17 per cent rate is applicable to the first EUR 15,000 of taxable income obtained by small and medium sized companies, as defined in the annex of Decree-Law no. 372/2007, of 6 November), to which a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of their taxable income may be added. A state surcharge (*derrama estadual*) also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000, and 7 per cent. on taxable profits in excess of €35,000,000.

Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more account holders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent. unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

There is neither wealth nor estate tax in Portugal.

Payments made by EDP B.V. of interest, other investment income or principal on Instruments issued by it to an individual or legal person non-resident in Portugal for tax purposes without a permanent establishment to which such income may be attributable are not subject to Portuguese income tax.

Capital gains obtained on the transfer of an Instrument by an individual or a legal person who is neither resident nor engaged in business through a permanent establishment in Portugal to which that gain is attributable are not subject to Portuguese income tax.

2. Instruments issued by EDP not integrated in a centralised control system foreseen under Decree-Law no. 193/2005, of 7 November 2005

Interest and other types of investment income obtained on Instruments by a Portuguese resident individual are subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to aggregate it to his taxable income, subjecting it to tax at progressive rates of up to 48 per cent. In the latter circumstance, an additional surcharge is due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 and up to €250,000 and (ii) 5 per cent. on the taxable income exceeding €250,000 (if any). Additionally, in case the income aggregation is chosen, an additional surtax is due for the tax year of 2017 according to the taxable income of the taxpayer, as follows: (i) 0 per cent. for taxable income up to €20,261; (ii) 0.88 per cent. for taxable income exceeding €20,261 up to €40,522; (iii) 2.75 per cent. for taxable income exceeding €40,522 up to €80,640; (iv) 3.21 per cent. for taxable income above €80,640. Also, in case the individual elects to aggregate the interest and other investment, the tax withheld is deemed a payment on account of the final tax due.

Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent. unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

In the case of Zero Coupon Instruments, the difference between the redemption value and the subscription cost is qualified as investment income and is also subject to Portuguese income tax.

Gains obtained with the repayment of Instruments are classified as capital gains for Portuguese tax purposes.

Capital gains obtained by Portuguese resident individuals on the repayment or transfer of Instruments are taxed at a rate of 28 per cent. levied on the positive difference between the capital gains and capital losses realised on the transfer of securities and derivatives of each year, which is the final tax on that income, unless the individual elects to aggregate it to his taxable income, subjecting it to tax at progressive rates of up to 48 per cent. In the latter circumstance, an additional surcharge is due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 and up to €250,000 and (ii) 5 per cent. on the taxable income exceeding €250,000 (if any). Additionally, in case the income aggregation is chosen, an additional surtax is due for the tax year of 2017 according to the taxable income of the taxpayer, as follows: (i) 0 per cent. for taxable income up to €20,261; (ii) 0.88 per cent. for taxable income exceeding €20,261 up to €40,522; (iii) 2.75 per cent for taxable income exceeding €40,522 up to €80,640; (iv) 3.21 per cent for taxable income above €80,640. Accrued interest qualifies as interest for tax purposes.

Interest and other investment income derived from Instruments and capital gains obtained with the repayment or transfer of Instruments by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to Corporate Income Tax at a 21 per cent. tax rate (a 17 per cent rate is applicable to the first EUR 15,000 of taxable income obtained by small and medium sized companies, as defined in the annex of Decree-Law no. 372/2007, of 6 November), to which a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income may be added. A state surcharge (*derrama estadual*) also applies at 3 per cent. on taxable profits in excess of €1,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000, and at 7 per cent. on taxable profits in excess of €35,000,000.

Withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due. Financial institutions subject to Portuguese corporate income tax (including branches of foreign financial institutions located in Portugal), and *inter alia* pension funds, retirement and/or education savings funds, share savings funds, venture capital funds and collective investment undertakings constituted under the laws of Portugal are not subject to withholding tax.

Interest and other types of investment income obtained by non-resident legal persons without a Portuguese permanent establishment to which the income are attributable is subject to withholding tax at a rate of 25 per cent., which is the final tax on that income. Interest and other types of investment income obtained by non-resident individuals without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 28 per cent., which is the final tax on that income. The rate is 35 per cent. in the case of individuals or legal persons domiciled in a country, territory or region included in the "tax havens" list approved by Ministerial order no. 150/2004, of 13 February as amended from time to time. Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax of 35 per cent. unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Under the tax treaties entered into by Portugal which are in full force and effect as of the date of this Base Prospectus, the withholding tax rate may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes were approved by Order (*Despacho*) no. 4743-A/2008 (2nd series), of 8 February 2008, published in the Portuguese official gazette, second series, no. 37, of 21 February 2008 of the Portuguese Minister of Finance (as amended), available for viewing and downloading at www.portaldasfinancas.gov.pt.

Income paid to an associated company of EDP which is resident in the European Union is exempt from withholding tax.

For these purposes, an associated company of EDP is:

- (i) a company which is subject to one of the taxes on profits listed in Article 3 (a) (iii) of Council Directive 2003/49/EC without being exempt, which takes one of the forms listed in the Annex to that Directive, which is considered to be resident in an European Union Member State and is not, within

the meaning of a double taxation convention on income concluded with a third state, considered to be resident for tax purposes outside the European Union;

- (ii) a company which holds a minimum direct holding of 25 per cent. of EDP's share capital, or a company whose share capital is directly held at least by 25 per cent. by EDP, or a company whose share capital is directly held at least 25 per cent. by a third company which also directly holds at least 25 per cent. of the share capital of EDP; and
- (iii) provided that the holding has been maintained for an uninterrupted period of at least two years, if the minimum holding period is met after the date the withholding tax becomes due, a refund may be obtained.

The associated company of EDP to which payments are made must be the beneficial owner of the interest, which will be the case if it receives the interest for its own account and not as an intermediary, either as a representative, a trustee or authorised signatory, for some other person.

The exemption from withholding tax may take place at source or through the refund of tax withheld.

Capital gains obtained on the repayment or transfer of Instruments by non-resident individuals without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation in 2017 unless the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (*Portaria*) no. 150/2004, of 13 February (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*) amended from time to time. If the exemption does not apply, the gains will be subject to personal income tax at a rate of 28 per cent. However, under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis. Accrued interest does not qualify as capital gains for tax purposes.

Gains obtained on the repayment or disposal of Instruments by a legal person non-resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation, unless the share capital of the beneficial owner is more than 25 per cent. directly or indirectly held by Portuguese resident entities or if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (*Portaria*) no. 150/2004, of 13 February (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*) as amended. For the first exception the capital gains are still exempt if the following requirements are cumulatively met: (i) the beneficial owner is resident in an EU Member State, in an European Economic Area Member State which is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States, or in a country with which Portugal has a double tax treaty in force which foresees the exchange of information; (ii) the beneficial owner is subject and not exempt from a tax referred to in article 2 of Council Directive 2011/96/UE of 30 November 2011, or from a tax of similar nature with a rate not lower than 60 per cent. of the Portuguese IRC rate (currently 12.6 per cent.); (iii) the beneficial owner holds, directly or indirectly, at least 10 per cent. of the share capital or voting rights for at least 1 year uninterruptedly of the entity disposed; (iv) the beneficial owner is not part of an arrangement or series of arrangements which have been put into place for the main purpose or one of the main purposes of obtaining a tax advantage. If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent. However, under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis.

Stamp Duty at a rate of 10 per cent. applies to the acquisition through gift or inheritance of Instruments by an individual who is resident for tax purposes in Portugal. An exemption applies to transfers in favour of the spouse, de facto spouse, descendants and parents/grandparents. The acquisition of Instruments through gift or inheritance by a Portuguese resident legal person or a non-resident legal person acting through a Portuguese permanent establishment is subject to Corporate Income Tax at a 21 per cent. tax rate (a 17 per cent rate is applicable to the first EUR 15,000 of taxable income obtained by small and medium sized companies, as defined in the annex of Decree-Law no. 372/2007, of 6 November), to which a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income may be added. A state surcharge (*derrama estadual*) also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000, and 7 per cent. on taxable profits in excess of €35,000,000.

No Stamp Duty applies to the acquisition through gift and inheritance of Instruments by an individual who is not resident for tax purposes in Portugal. The acquisition of Instruments through gift or inheritance by a non-resident legal person is subject to corporate income tax at a rate of 25 per cent. However, under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis.

There is neither wealth nor estate tax in Portugal.

3. Instruments issued by EDP integrated in a centralised control system foreseen under Decree-Law no. 193/2005, of 7 November 2005

The regime described in paragraph 2 above corresponds to the general tax treatment of investment income and capital gains on Instruments issued by a Portuguese entity and to the acquisition through gift or inheritance of such Instruments.

Nevertheless, pursuant to the Special Tax Regime for Debt Securities, approved by Decree-Law no. 193/2005, of 7 November 2005, as amended from time to time (hereafter "the special regime approved by Decree-Law no. 193/2005"), investment income paid on, as well as capital gains derived from, a sale, repayment or other disposition of the Instruments, to non-Portuguese resident beneficial owners will be exempt from Portuguese income tax provided the debt securities are integrated in (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as the CVM managed by Interbolsa), or (ii) an international clearing system operated by a managing entity established in a member state of the European Union other than Portugal (e.g. Euroclear or Clearstream, Luxembourg) or in a European Economic Area Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States, or (iii) integrated in other centralised systems not covered above provided that, in this last case, the Portuguese government authorises the application of the Decree-Law no.193/2005, and the beneficiaries are:

- (i) central banks or governmental agencies; or
- (ii) international bodies recognised by the Portuguese Republic; or
- (iii) entities resident in countries or jurisdictions with whom Portugal has a double tax treaty in force or a tax information exchange agreement; or
- (iv) other entities without headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable and which are not domiciled in a blacklisted jurisdiction as set out in the Ministerial order no. 150/2004 from time to time.

For purposes of application at source of this tax exemption regime, Decree-Law no.193/2005 requires completion of certain procedures and the provision of certain information. Under these procedures (which are aimed at verifying the non-resident status of the noteholder), the beneficial owner is required to hold the Instruments through an account with one of the following entities:

- (i) a direct registered entity, which is the entity with which the debt securities accounts that are integrated in the centralised system are opened;
- (ii) an indirect registered entity, which, although not assuming the role of the "direct registered entities", is a client of the latter; or
- (iii) an international clearing system, which is an entity that proceeds, in the international market, to clear, settle or transfer securities which are integrated in centralised systems or in their own registration systems.

The special regime approved by Decree-Law no. 193/2005 sets out the detailed rules and procedures to be followed on the proof of non-residence by the beneficial owners of the Instruments to which it applies.

Under these rules, the direct register entity is required to obtain and retain proof, in the form described below, that the beneficial owner is a non-resident entity that is entitled to the exemption. As a general rule, the proof of non-residence should be provided to, and received by, the direct register entities prior to the relevant date for payment of any interest, or the redemption date (for Zero Coupon Instruments), and, in the case of domestically cleared Instruments, prior to the transfer of Instruments, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand on the date of this Base Prospectus.

(a) Domestically Cleared Instruments

The beneficial owner of Instruments must provide proof of non-residence in Portuguese territory substantially in the terms set forth below:

- (i) If a holder of Instruments is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese State, a declaration of tax residence issued by the holder of Instruments, duly signed and authenticated or proof pursuant to the terms of paragraph (iv) below.
- (ii) If the beneficial owner of Instruments is a credit institution, a financial company, pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the holder of Instruments and its domicile; or (C) proof of non-residence, pursuant to the terms of paragraph (iv) below.
- (iii) If the beneficial owner of Instruments is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence and the law of incorporation and domicile; or (B) proof of non-residence pursuant to the terms of paragraph (iv) below.
- (iv) In any other case, confirmation must be made by way of: (A) a certificate of residence or equivalent document issued by the relevant tax authorities or; (B) a document issued by the relevant Portuguese consulate certifying residence abroad; or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence. For these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable. There are rules on the authenticity and validity of the documents, in particular that the holder of Instruments must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until three months after the date on which the withholding tax would have been applied and will be valid for a three-year period starting on the date such document is issued.

In the cases referred to in paragraphs (i), (ii) and (iii) above, proof of non-residence is required only once, the beneficial owner having to inform the register entity of any changes that impact the entitlement to the exemption. The holder of Instruments must inform the register entity immediately of any change that may preclude the tax exemption from applying.

(b) Internationally Cleared Instruments

If the Instruments are registered in an account with an international clearing system, prior to the relevant date for payment of any interest or the redemption date (for Zero Coupon Instruments), the entity managing such system is to provide to the direct register entity or its representative the identification and number of securities, as well as the amount of income payable and, when applicable, the amount of tax to be withheld, itemised by type of beneficial owner, as follows:

- (i) Entities with residence, headquarters, effective management or permanent establishment in the Portuguese territory to which the income is attributable which are not exempt from tax and are subject to withholding tax;
- (ii) Entities which have residence, headquarters, effective management or permanent establishment in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by Ministerial order no. 150/2004, of 13 February, as amended from time to time, which are not exempt from tax and are subject to withholding tax;
- (iii) Entities with residence, headquarters, effective management or permanent establishment in the Portuguese territory to which the income is attributable which are exempt from tax or not subject to withholding tax; and
- (iv) Other entities which do not have residence, headquarters, effective management or permanent establishment to which the income would be attributable in the Portuguese territory.

In addition, the international clearing system managing entity is to provide to the direct register entity, in relation to each income payment, at least the following information concerning each of the beneficiaries mentioned in (i), (ii) and (iii) above: name and address, tax identification number, if applicable, identification of the securities held and amount thereof and amount of income.

No Portuguese exemption shall apply at source under the special regime approved by Decree-law no. 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for an exemption to apply are met, but, due to inaccurate or insufficient information, tax is withheld, a special refund procedure is available under the regime approved by Decree-law no. 193/2005. The refund claim is to be submitted to the direct register entity of the Instruments within six months from the date the withholding took place. The refund of withholding tax after the above six-month period is to be claimed to the Portuguese tax authorities through an official form available at <http://www.portaldasfinancas.gov.pt> (approved by Order no. 2937/2014 issued by Portuguese Secretary of State for Tax Matters), within two years from the end of the year in which tax was withheld. The refund is to be made within three months, after which interest is due.

Administrative cooperation in the field of taxation

On 10 November 2015, the Council of the European Union adopted Council Directive (EU) 2015/2060 of 10 November 2015 repealing Council Directive 2003/48/EC of 3 June 2003 (the "Savings Directive") from 1 January 2016 in the case of Portugal (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates) to prevent an overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2014/107/EU of 9 December 2014, which amended Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, of 19 December 1977, which is based on the format established by the Organisation for Economic Co-operation and Development ("OECD") called Common Reporting Standard ("CRS"). This new global standard for automatic exchange of information on investment income is generally broader scope than the Savings Directive. Notwithstanding the repeal of the Savings Directive as of 1 January 2016, certain provisions will continue to apply for a transitional period.

The Council Directive 2014/107/EU of 9 December 2014 regarding the mandatory automatic exchange of information in the field of taxation was transposed into the Portuguese Law through the Decree-Law no. 64/2016, of 11 October. Under such law, the Issuer will be required to collect information regarding certain accountholders and report such information to Portuguese Tax Authorities – which, in turn, will report such information to the relevant Tax Authorities of EU Member States or third States which have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information for the Common Reporting Standard.

Under Council Directive 2014/107/EU, of 9 December 2014, financial institutions are required to report to the tax authorities of their respective Member State (for the exchange of information with the state of residence) information regarding bank accounts, including custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Directive. The information refers to the account balance at the end of the calendar year, income paid or credited in the account and the proceeds from the sale or redemption of

the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others. In view of the regime enacted by Decree-Law no. 64/2016, of 11 October, all information regarding the registration of the financial institution, the procedures to comply with the reporting obligations arising thereof and the applicable forms were approved by Ministerial Order (Portaria) no. 302-A/2016, of 2 December 2016, Ministerial Order (Portaria) no. 302-B/2016, of 2 December 2016, Ministerial Order (Portaria) no. 302-C/2016, of 2 December 2016, Ministerial Order (Portaria) no. 302-D/2016, of 2 December 2016 and Ministerial Order (Portaria) no. 302-E/2016, of 2 December 2016.

Foreign Account Tax Compliance Act – Portugal

The United States has reached a Model 1 intergovernmental agreement with Portugal, signed on 6 August 2015 and ratified by Portugal on 5 August 2016 and which has entered into force on 10 August 2016. Portugal has implemented, through Law 82-B/2014, of 31 December, the legal framework based on reciprocal exchange of information on financial accounts subject to disclosure in order to comply with FATCA. Through Decree-Law no. 64/2016, of 11 October, the Portuguese government approved the complementary regulation required to comply with FATCA. Under the referred legislation the Issuer is required to obtain information regarding certain account holders and report such information to the Portuguese Tax Authorities, which, in turn, will report such information to the United States Internal Revenue Service. It is foreseen that additional legislation will be created in Portugal namely on certain procedures, rules and dates in connection with FATCA.

The deadline for the financial institutions to report to the Portuguese tax authorities the mentioned information has been postponed several times, the last time to 10 January 2017 through Order (despacho) issued by the Portuguese Secretary of Tax Affairs on 28 December 2016.

Netherlands

General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Instruments, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. For the purposes of Netherlands tax law, a holder of Instruments may include an individual or entity which does not have the legal title to these Instruments, but to which nevertheless the Instruments or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Instruments or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of the acquisition, holding, settlement, redemption and disposal of the Instruments.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as at the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands corporate and individual income tax consequences for:

- (i) holders of Instruments holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Instruments of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutorily defined term), directly or indirectly, holds or is deemed to hold: (1) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer; (2) rights to acquire, directly or indirectly, such interest; or (3) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*);
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other Netherlands tax resident entities that are not subject to or exempt from Netherlands corporate income tax;
- (iv) persons to whom the Instruments and the income from the Instruments are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*);

- (v) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba and the Instruments are attributable to such permanent establishment or permanent representative; and
- (vi) individuals for whom the Instruments or the income therefrom are attributable to employment activities which are taxed as employment income in the Netherlands.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Withholding Tax

With respect to Instruments issued by EDP B.V., all payments made by EDP B.V. under the Instruments may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, provided that the Instruments do not in fact function as equity of EDP B.V. within the meaning of article 10, paragraph 1, under d of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

With respect to Instruments issued by EDP, all payments made by EDP under the Instruments may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Corporate and Individual Income Tax

(a) Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands corporate income tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Instruments are attributable, income derived from the Instruments and gains realised upon the redemption, settlement or disposal of the Instruments are generally taxable in the Netherlands (up to a maximum rate of 25 per cent.).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands tax purposes, income derived from the Instruments and gains realised upon the redemption, settlement or disposal of the Instruments are taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under the Netherlands Income Tax Act 2001, if:

- (i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Instruments are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Instruments are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance by the individual of activities with respect to the Instruments that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies, an individual that holds the instruments must determine taxable income with regard to the Instruments on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a percentage of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a statutory threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Instruments will be included as an asset in the individual's yield basis. The deemed return percentage to be applied to the yield basis increases progressively depending on the amount of the yield basis. With regard to 2017, up to a yield basis of €75,000 the percentage is 2.87 per cent.; between €75,000 and € 975,000 the percentage is 4.6 per cent. and above €975,000 the percentage is 5.39 per cent. The deemed return on income from savings and investments is taxed at a rate of 30 per cent. The percentage to determine the deemed return can be restated on a yearly basis.

(b) Non-residents of the Netherlands

If a person is not a resident nor is deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes, such person is not liable for Netherlands income tax in respect of income derived from the Instruments and gains realised upon the settlement, redemption or disposal of the Instruments, unless:

- (i) the person is not an individual and such person: (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Instruments are attributable; or (2) is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Instruments are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25 per cent.

- (ii) the person is an individual and such person: (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Instruments are attributable; or (2) realises income or gains with respect to the Instruments that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which include activities in the Netherlands with respect to the Instruments which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*); or (3) is (other than by way of securities) entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Instruments are attributable.

Income derived from the Instruments as specified under (1) and (2) is subject to individual income tax at progressive rates up to a maximum rate of 52 per cent. Income derived from a share in the profits of an enterprise as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "*Residents of the Netherlands*"). The fair market value of the share in the profits of the enterprise (which includes the Instruments) will be part of the individual's Netherlands yield basis.

Gift and Inheritance Tax

- (a) Residents of the Netherlands

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

A holder of Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a gift within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a gift within a 12 months period after leaving the Netherlands. The same 12-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

- (b) Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Instruments by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of Netherlands Gift and Inheritance Tax Act 1956. However, inheritance tax will be due, unless in the case of a gift of the Instruments by, or on behalf of, a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands for the purposes of the Netherlands Gift and Inheritance Act 1956, but, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands for the purposes of the Netherlands Gift and Inheritance Tax Act 1956. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Instruments or in respect of a cash payment made under the Instruments, or in respect of a transfer of Instruments.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Instruments.

Ireland

The following is a summary of Irish withholding taxes on interest based on the laws and practices currently in force in Ireland and addresses the tax position of investors who are the absolute beneficial owners of their Instruments. Particular rules not discussed may apply to certain classes of taxpayers holding Instruments, including dealers in securities and trusts, and should be treated with appropriate caution. The summary does not constitute tax or legal advice and the comments below are of a general nature only and do not discuss all aspects of Irish taxation that may be relevant to any particular holder of Instruments. Prospective investors in the Instruments should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Instruments and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

Tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. The Issuers will not be obliged to withhold tax from payments of interest on the Instruments so long as such payments do not constitute Irish source income. Interest paid on the Instruments may be treated as having an Irish source if:

- (a) the Issuers are resident in Ireland for Irish tax purposes; or
- (b) the Issuers are not resident in Ireland for Irish tax purposes but (i) the register for the Instruments is maintained in Ireland; or (ii) if the Instruments are in bearer form, the Instruments are physically held in Ireland; or
- (c) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which are used to fund the payments on the Instruments.

It is anticipated that: (i) the Issuers are not and will not be resident in Ireland for tax purposes; (ii) bearer Instruments will not be physically located in Ireland and the Issuers will not maintain a register of any registered Instruments in Ireland; and (iii) the Issuers do not and will not have a branch or permanent establishment in Ireland.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any interest, dividends or annual payments paid on Instruments issued by a company not resident in Ireland (such as the Issuer), where such interest, dividends or annual payments are collected or realised by a bank or encashment agent in Ireland.

Encashment tax does not apply where the Instrument holder is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013 the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Instruments (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt. Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Instruments are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. The Issuers may be foreign financial institutions for these purposes. A number of jurisdictions (including Portugal and the Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA with respect to payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to Instruments, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on Instruments, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on Instruments, such withholding would not apply prior to 1 January 2019 and Instruments characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the relevant Issuer). However, if additional Instruments as described under *"Terms and Conditions of the Instruments — Further Issues"* that are not distinguishable from previously issued Instruments are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Instruments, including the Instruments offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in Instruments.

Neither the Issuers nor the Keep Well Provider are obliged to gross up any amounts which may be withheld or deducted pursuant to FATCA.

SUBSCRIPTION AND SALE

Instruments may be sold from time to time by the Issuer to any one or more of Banco Bilbao Vizcaya Argentaria, S.A., Banco BPI, S.A., Banco Comercial Português, S.A., Banco Santander Totta, S.A., Barclays Bank PLC, BNP PARIBAS, Caixa - Banco de Investimento, S.A., CaixaBank, S.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Haitong Bank S.A., HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Mizuho International plc, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc, Société Générale, The Royal Bank of Scotland plc (trading as NatWest Markets) and UBS Limited (the "Dealers"). The arrangements under which Instruments may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 5 September 2017 (the "Dealership Agreement") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments. The Dealership Agreement provides that the obligations of Dealers to subscribe for Notes may be subject to certain conditions precedent. Instruments may be offered by the Issuer or the Dealers to any Investors, subject to the restrictions described below.

United States of America

Regulation S Category 2; TEFRA D, unless TEFRA C or TEFRA not applicable is specified as applicable in the relevant Final Terms.

Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Instruments: (1) as part of their distribution at any time; or (2) otherwise until 40 days after the completion of the distribution of the Instruments comprising the relevant Tranche, as certified to the Issue and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Instruments to or through more than one Dealer, by each of such Dealers as to Instruments of such Tranche purchased by or through it, in which case the Issue and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons except in accordance with Regulation S of the Securities Act, and such Dealer will have sent to each dealer to which it sells Instruments during the restricted period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to or for the account or benefit of U.S. persons.

In addition, until 40 days after the commencement of the offering of Instruments comprising any Tranche, any offer or sale of Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Portugal

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Instruments may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (*Código dos Valores Mobiliários*) enacted by Decree-Law no. 486/99, of 13 November 1999 (as amended and restated from time to time) unless the requirements and provisions applicable to the public offering in Portugal are met and registration, filing, approval or recognition procedures with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, "CMVM") are made. In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that other than in compliance with

all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation implementing the Prospectus Directive (as amended) and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Instruments by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including compliance with the rules and regulations that require the publication of a prospectus, when applicable: (1) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold, re-sold, re-offered or delivered and will not directly or indirectly take any action, offer, advertise, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Instruments in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (2) it has not distributed, made available or cause to be distributed, and will not distribute, make available or cause to be distributed, the Base Prospectus or any other offering material relating to the Instruments to the public in Portugal; and (3) that any such distribution shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

The Netherlands

Zero Coupon Instruments (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either EDP, EDP B.V. or a member of Euronext Amsterdam N.V. in accordance with the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of 21 May 1985 (as amended) and, in addition thereto, if such Zero Coupon Instruments in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987 attached to the Royal Decree of 11 March 1987 (*Staatscourant* 129) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Instruments. No such mediation is required in respect of: (a) the transfer and acceptance of Zero Coupon Instruments while in the form of rights representing an interest in a Zero Coupon Instrument in global form; or (b) the initial issue of Zero Coupon Instruments in definitive form to the first holders thereof; or (c) transfer and acceptance of Zero Coupon Instruments in definitive form between individuals not acting in the conduct of a business or profession; or (d) the transfer and acceptance of such Zero Coupon Instruments within, from or into the Netherlands if all Zero Coupon Instruments (either in definitive form or as rights representing an interest in a Zero Coupon Instrument in global form) of any particular Series or Tranche are issued outside the Netherlands and are not distributed within the Netherlands in the course of initial distribution or immediately thereafter. In the event that the Savings Certificate Act applies, certain identification requirements in relation to the issue and transfer of, and payments, on Zero Coupon Instruments have to be complied with. For the purposes of this paragraph, "Zero Coupon Instruments" are Instruments that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (1) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the Issuer;
- (2) in relation to any Instruments having a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold, and will not offer or sell, any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal and agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of section 19 of the FSMA by the Issuer; and
- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Instruments in, from or otherwise involving the United Kingdom.

Kingdom of Spain

The Instruments may not be offered, sold or distributed, nor may any subsequent resale of Instruments be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (Royal Legislative Decree 4/2015 of 23 October, approving the consolidated text of the Securities Market Law) or without complying with all legal and regulatory requirements under Spanish securities laws.

Neither the Instruments nor the Programme have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Programme is not intended for any public offer of the Instruments in Spain.

Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") and, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Instruments directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, ministerial guidelines and regulations of Japan.

Public Offer Selling Restriction under the Prospectus Directive

From 1 January 2018, unless the Final Terms in respect of any Instruments specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - i. a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - ii. a customer within the meaning of IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - iii. not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments.

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Instruments specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Instruments to the public in that Relevant Member State:

- (a) if the final terms in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Public Offer"), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
 - (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
 - (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,
- provided that no such offer of Instruments referred to in paragraph (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "offer of Instruments to the public" in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and, where the context so requires in this Base Prospectus, includes any relevant implementing measure in the Relevant Member State.

Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it will not underwrite the issue of, or place the Instruments, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended, the "MiFID Regulations"), including, without limitation, Regulations 7 (*Authorisation*) and 152 (*Restrictions on advertising*) thereof, any codes of conduct made under the MiFID Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Instruments, otherwise than in conformity with the provisions of the Companies Act 2014 (as amended, the "Companies Act"), the Central Bank Acts 1942-2015 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended); and
- (c) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, the Instruments otherwise than in conformity with the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued by the Central Bank of Ireland under Section 1370 of the Companies Act.

France

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Instruments to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Instruments, and that such offers, sales and distributions have been and shall only be made in France only to: (a) providers of investment services relating to portfolio management for the account of third parties; and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the *Code monétaire et financier*. This Base Prospectus prepared in connection with the Instruments has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.

General

Other than with respect to the listing of the Instruments on such stock exchange as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

GENERAL INFORMATION

1. It is expected that each Tranche of Instruments which is to be admitted to listing on the Official List of the Irish Stock Exchange and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Global Instrument or Instruments initially representing the Instruments of such Tranche, and the approval of the Base Prospectus has been granted on 5 September 2017 by the Central Bank of Ireland.
2. The establishment of the Programme was authorised by the Board of Directors of EDP at a meeting held on 21 September 1999 and by the management board of EDP B.V. at a meeting held on 8 October 1999. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 24 July 2017 and by written resolutions of the management board of EDP B.V. on 31 July 2017. The Issuers have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Instruments and their respective obligations under the Trust Deed and the Keep Well Agreement.
3. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuers in relation to the Instruments and is not itself seeking admission of the Instruments to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.
4. The Instruments (other than Book Entry Instruments) have been accepted for clearance through Euroclear Bank and Clearstream, Luxembourg (which are the entities in charge of keeping records in respect of such Instruments). The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the Final Terms relating thereto. The Book Entry Instruments will be cleared through the clearing system operated by Interbolsa. The appropriate identification reference for a Tranche of Book Entry Instruments will be specified in the applicable Final Terms. Book Entry Instruments shall only be denominated in euro or in such other currency as accepted for registration and settlement purposes by Interbolsa. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of Interbolsa is Avenida da Boavista, 3433 4100-138 Porto, Portugal.
5. Bearer Instruments (other than Temporary Global Instruments) with an initial maturity of more than one year and any Coupon appertaining thereto, will bear a legend to the following effect: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.*"
6. For the period of 12 months following the date of this Base Prospectus, physical copies of the following documents will, when published, be available from the registered offices of EDP and EDP B.V. and from the specified offices of the Paying Agents for the time being in London and Lisbon (together with English translations in the case of paragraphs (i), (ii) and (iii) below):
 - (i) the constitutional documents of EDP and EDP B.V.;
 - (ii) the audited consolidated financial statements of EDP in respect of the financial years ended 31 December 2015 and 31 December 2016 and the audited financial statements of EDP B.V. in respect of the financial years ended 31 December 2015 and 31 December 2016, in each case with the audit reports prepared in connection therewith;
 - (iii) the most recently published audited annual financial statements of EDP and EDP B.V. and the most recently published unaudited interim financial statements (if any) of EDP and EDP B.V. in each case together with any audit or review reports prepared in connection therewith;
 - (iv) the Dealership Agreement, the Trust Deed, the Interbolsa Instrument, the Keep Well Agreement, the Agency Agreement and the forms of the Instruments, the Receipts, the Coupons and the Talons;
 - (v) a copy of this Base Prospectus;
 - (vi) any future information memoranda, prospectuses, offering circulars, supplements and Final Terms (save that Final Terms relating to an Instrument which is neither admitted to trading on a regulated

market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Instrument and such holder must produce evidence satisfactory to the relevant Paying Agent, as the case may be, as to its holding of Instruments and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and

- (vii) in the case of each issue of Instruments admitted to trading on the Main Securities Market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, this Base Prospectus will be available on the website of the Irish Stock Exchange (www.ise.ie) and Central Bank (www.centralbank.ie).

In relation to the documents referred to at (i), (ii) and (iii) above, the Issuers confirm that the translations thereof are true and accurate, however, in case of a discrepancy between the original document and the English translation thereof, the original document will prevail.

7. There has been no significant change in the financial or trading position of EDP, EDP B.V. or the EDP Group since 30 June 2017, and there has been no material adverse change in the prospects of EDP, EDP B.V. or the EDP Group since the date of their last published audited financial statements, being 31 December 2016.
8. Save as described in note 31 (*Provisions for liabilities and charges*) to EDP's condensed consolidated financial statements for the six months ended June 2017 and in note 37 (*Provisions for liabilities and charges*) to EDP's consolidated financial statements for the year ended 31 December 2016 (which are incorporated by reference in this Base Prospectus), none of EDP, EDP B.V. or any other member of the EDP Group is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which EDP or EDP B.V. is aware) in the 12 months preceding the date of this document which may have or have had a significant effect on the financial position and profitability of EDP, EDP B.V. or the EDP Group.
9. The auditors of EDP are KPMG & Associados, SROC, SA, independent certified public accountants, who have audited: (i) the consolidated financial statements of the EDP Group as of and for the year ended on 31 December 2015, without qualification, prepared in accordance with IFRS as adopted by the European Union; and (ii) the consolidated financial statements of the EDP Group as of and for the year ended on 31 December 2016, without qualification, prepared in accordance with IFRS, as adopted by the European Union. With respect to the unaudited condensed interim financial information of EDP for the six month periods ended 30 June 2016 and 30 June 2017 incorporated by reference in this Base Prospectus, KPMG & Associados, SROC, SA have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports incorporated by reference in this Base Prospectus state that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. The auditors of EDP have no material interest in EDP. KPMG & Associados, SROC, S.A. is a member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*).

KPMG Accountants N.V. audited EDP B.V.'s financial statements for the financial year ended on 31 December 2015 and for the financial year ended on 31 December 2016, prepared in accordance with IFRS as adopted by the European Union, as stated in their reports incorporated by reference herein. KPMG Accountants N.V. have no material interest in EDP B.V. KPMG Accountants N.V. are chartered accountants (*registeraccountants*) in the Netherlands and are members of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

EDP B.V. has appointed PricewaterhouseCoopers Accountants N.V. as its auditor for the financial year ended 31 December 2017 and going forward.

The Trust Deed will provide that the Trustee may rely on any certificate or report by the auditors of the relevant Issuer or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the relevant Issuer or such other person in respect thereof.

10. Instruments issued under this Programme will have a minimum denomination of €1,000 (or its equivalent in any other currency).
11. Instruments issued by EDP, B.V. having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent.
12. The price and amount of Instruments to be issued under the Programme will be determined by the Issuer and the relevant Dealer on or before the applicable Issue Date of the relevant Series of Instruments in accordance with prevailing market conditions and will be disclosed in the applicable Final Terms. The Issue Price of the Instruments of any Series may be less than, equal to or greater than the par value of the relevant Instruments as at the Issue Date.
13. Interest on Floating Rate Instruments will accrue at a rate linked to either LIBOR or EURIBOR (each a "FRN Reference Rate"). The relevant FRN Reference Rate (including the relevant reference period and details of where it is published) that will apply to any particular Tranche of Instruments issued under the Programme will be disclosed in the Final Terms.
14. The yield for any particular Series of Instruments will be calculated on the basis of the average annual rate of return if the relevant Instruments were to be purchased at the Issue Price on the Issue Date and held to maturity. The yield specified in the applicable Final Terms in respect of a Series of Instruments will not be an indication of future yield.
15. The Issuers do not intend to provide any post-issuance information in relation to any issues of Instruments.
16. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Instruments issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or the Issuers' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Instruments issued under the Programme. Any such positions could adversely affect future trading prices of Instruments issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

17. The ratings of the Issuers are set out at page 2 of this Base Prospectus. The applicable ratings of each of the relevant credit rating agencies have the following meanings:

(i) Moody's – Baa3

Moody's issuer ratings are opinions of the ability of entities to honour senior unsecured financial obligations and contracts. Obligations issued by issuers rated Baa3 are judged to be medium grade and subject to moderate credit risk and as such may possess certain speculative characteristics. The modifier 3 indicates a ranking in the lower end of this generic rating category.

(ii) Standard and Poor's – BBB-

A Standard & Poor's issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness in order to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the

obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments. The addition of the minus (-) sign shows the obligor's relative standing within the major rating category BBB.

(ii) Fitch – BBB-

In aggregate, Fitch's issuer credit ratings provide an ordinal ranking of issuers based on Fitch's view of their relative vulnerability to default on financial obligations. BBB ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity. The addition of the modifier "-" sign denotes relative status within the major rating category BBB.

18. The information at paragraph 17(i), (ii) and (iii) above has been extracted from the websites of Moody's (in the case of paragraph (i)), Standard & Poor's (in the case of paragraph (ii)) and Fitch (in the case of paragraph (iii)). The Issuers confirm that such information has been accurately reproduced and that, so far as they are aware and are able to ascertain from information published by Moody's, Standard & Poor's and Fitch respectively, no facts have been omitted which would render the reproduced information inaccurate or misleading.

ISSUERS

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Banco Comercial Português, S.A.

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CaixaBank, S.A.

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Citigroup Centre
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Deutsche Bank AG, London Branch

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Haitong Bank, S.A.

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ING Bank N.V.

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Mizuho International plc

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France

**The Royal Bank of Scotland plc (trading as
NatWest Markets)**

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United Kingdom

UBS Limited
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United Kingdom

AUDITORS

To EDP

KPMG

KPMG & Associados – Sociedade de Revisores
Oficiais de Contas, S.A.
Edifício Monumental
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To EDP B.V.

KPMG Accountants N.V.

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ISSUE AND PAYING AGENT

Deutsche Bank AG, London Branch

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REGISTRAR AND PAYING AGENT

Deutsche Bank Luxembourg S.A.

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PORTUGUESE PAYING AGENT

**Deutsche Bank Aktiengesellschaft – Sucursal em
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Arthur Cox Listing Services Limited

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To EDP as to Portuguese law

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