



renováveis

1<sup>ST</sup> HALF 2015

MANAGEMENT REPORT

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## THE COMPANY

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# 1.1. THE COMPANY IN BRIEF

## 1.1.1. VISION, VALUES AND COMMITMENTS

### VISION:

**A global energy renewable company, leader in value creation, innovation and sustainability**

### MISSION:

**Aims to be a long-term market leader in the renewable energy sector, pursuing credibility through safety, value creation, social responsibility, innovation, and respect for the environment.**

### VALUES:

#### **Initiative**

through behaviour and attitude of our people

#### **Trust**

of shareholders, employees, customers, suppliers and other stakeholders

#### **Excellence**

in the way we perform

#### **Innovation**

to create value in our areas of operation

#### **Sustainability**

aimed at the quality of life for current and future generations













### COMMITMENTS:

- We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work
- We listen to our stakeholders and answer in a simple and clear manner
- We surprise our stakeholders by anticipating their needs
- We ensure the participatory, competent and honest governance of our business
- We believe that the balance between private and professional life is fundamental in order to be successful
- We fulfil the commitments that we embraced in the presence of our shareholders
- We place ourselves in our stakeholder's shoes whenever a decision has to be made
- We promote the development of skills and merit
- We are leaders due to our capacity of anticipating and implementing
- We avoid specific greenhouse gas emissions with the energy we produce
- We demand excellence in everything that we do
- We assume the social and environmental responsibilities that result from our performance thus contributing toward the development of the regions in which we are operating

## 1.1.2. WORLD PRESENCE

EDPR is a world leader in renewable energy, present in 12 countries in Europe and the Americas, managing a global portfolio of 9.1 GW of capacity installed, with 556 MW under construction and more in pipeline development, employing over 970 employees.



EDPR North America 345 employees		EDPR Brazil 25 employees	
	<b>4,083 MW operating</b> +300 MW under construction with PPA +555 MW in pipeline with PPA		<b>84 MW operating</b> +120 MW under construction with PPA +116 MW in pipeline with PPA
	<b>30 MW operating</b>		
	180 MW in pipeline with PPA		
EDPR Europe 603 employees			
	<b>2,368 MW operating</b> +2 MW under construction		<b>1,163 MW operating</b>
	<b>358 MW operating</b> +48 MW under construction +430 MW of offshore wind in pipeline development with PPA		<b>71 MW operating</b>
	<b>410 MW operating</b> +77 MW under construction		<b>521 MW operating</b>
	<b>110 MW operating</b> +10 MW under construction		1.4 GW (max) of offshore wind in pipeline under development

# 1.2. ORGANIZATION

## 1.2.1. SHAREHOLDERS

In 2014, EDPR shareholders were spread across 23 countries. EDP (“Energias de Portugal”) is the major one holding 77.5% of the share capital since launching the company’s IPO in June 2008.

EDPR total share capital is, since its initial public offering (IPO) in June 2008, composed of 872,308,162 shares issued with a nominal value of five euros each, fully paid. All these shares are part of a single class and series and are admitted to trading on the NYSE Euronext Lisbon regulated market.

### MAJOR SHAREHOLDER, THE EDP GROUP

The majority of the company’s share capital is owned by EDP Group, holding 77.5% of the share capital and voting rights, since launching the company’s IPO in June 2008.

EDP (“Energias de Portugal”) Group is a vertically integrated utility company, the largest generator, distributor and supplier of electricity in Portugal, has significant operations in electricity and gas in Spain and is the 4<sup>th</sup> largest private generation group in Brazil through its stake in Energias do Brasil. In the Iberian Peninsula, EDP is the third largest electricity generation company and one of the largest distributors of gas. EDP has a relevant presence in the world energy outlook, being present in 14 countries, with more than 9.8 million electricity customers and 1.3 million gas supply points and almost 12,000 employees around the world. In 2014, EDP had an installed capacity of 22.5 GW, generating 60.3 TWh, of which 33% come from wind. EDP has been recognised #1 worldwide in the Dow Jones Sustainability Index in the Utilities sector for the year 2013, and again in 2014, following the group performance in the economic, social and environmental dimensions. Its holding company, EDP SA, is a listed company whose ordinary shares are traded in the NYSE Euronext Lisbon since its privatization in 1997.

### OTHER QUALIFIED SHAREHOLDERS

Besides the qualified shareholding of EDP Group, MFS Investment Management - an American-based global investment manager formerly known as Massachusetts Financial Services - communicated to CNMV in September 2013 an indirect qualified position, as collective investment institution, of 3.1% in EDPR share capital and voting rights.

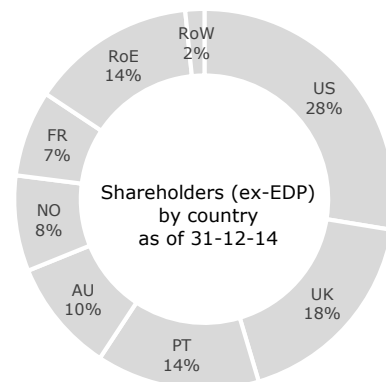
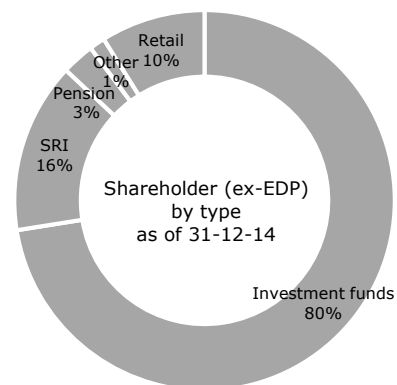
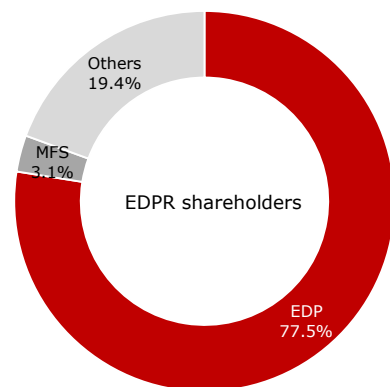
### BROAD BASE OF INVESTORS

As of 2014, EDPR had a broad base of international investors. Excluding EDP Group, EDPR shareholders comprised about 81,000 institutional and private investors spread worldwide. Institutional investors represented 90% of EDPR investor base (ex-EDP Group), while the remaining 10% stood for private investors, most of whom reside in Portugal.

Within institutional investors, investment funds were the major type of investor, followed by sustainable and responsible funds (SRI). EDPR is a member of several financial indexes that aggregate top performing companies for sustainability and corporate social responsibility.

### WORLDWIDE SHAREHOLDERS

In 2014, EDPR shareholders were spread across 23 countries, being United States the most representative country, accounting for 28% of EDPR shareholder base (ex-EDP Group), followed by United Kingdom, Portugal, Australia, Norway and France. In Rest of Europe the most representative countries are Netherlands, Switzerland and Andorra.



## 1.2.2. GOVERNANCE MODEL

The corporate governance model of EDPR, as a listed corporation, is designed to ensure transparency and accountability through a clear separation of duties between management and supervision of the company's activities.

The corporate governance structure adopted is the one in effect in Spain. It comprises a General Meeting of Shareholders and a Board of Directors that represents and manages the company. As required by the law and established in the company's articles of association, the Board of Directors has set up four specialized committees. These are, the Executive Committee, the Audit and Control Committee, the Nominations and Remunerations Committee and the Committee on Related-Party Transactions. This governance structure and composition was chosen to adapt the company's corporate governance model also to the Portuguese legislation and it seeks, compatibility with the Spanish law, to correspond to the so-called "Anglo-Saxon" model set forth in the Portuguese Commercial Companies Code, in which the management body is a Board of Directors, and the supervision and control duties are of the responsibility of a separate body, a Supervisory Board. EDPR's model attempts then to establish compatibility between two different systems of company law, through an Audit and Control Committee of independent members, although not exclusively separate from the Board of Directors.

### Board of Directors

- Consists in no less than 5 and no more than 17 Directors, including a Chairperson, and their term of office shall be 3 years, and they may be re-elected once or more times for equal periods.
- Chairperson is appointed by the members of the BOD, unless this is done by the General Meeting of Shareholders; Vice-Chairperson, who is appointed by the BOD on the proposal of the Chairperson, replaces the Chairperson when he is unable to attend the meetings.
- Possesses broadest powers for the administration, management and governance of the company.
- Chairperson may appoint, among the Directors, one Chief Executive Officers (CEO) or more, with a vote in favour of 2/3 of the Directors, after proposal of the Chairperson or 2/3 of the Directors.
- The Chairperson of the BOD fully represents the company, using its name, implementing decisions of the General Meeting of Shareholders, Board of Directors and the Executive Committee.

### Executive Committee

- Between 6-9 Directors, including the CEO.
- CEO coordinates the implementation of the BOD decisions and the Corporate and General Management functions, partially assigning those to the other executive officers.
- The CFO proposes and ensures the implementation of the financial policy and management.
- The COO EU & BR and the COO NA coordinate their platforms by developing, establishing and implementing the strategic plan for the renewable energy business in their respective platforms, in accordance with the guidelines set by the BOD.

### Audit and Control Committee

- Between 3-5 Directors, including the Chairperson.
- Majority of members shall be independent.
- Permanent body and performs supervisory tasks independent from BOD.
- Term of office of its Chairperson is 3 years, after which he may only be re-elected for a new term of 3 years; nonetheless they may continue as members.
- Competences are delegated by the BOD and include proposing the appointment of the company's auditors to the BOD for subsequent approval by the General Meeting of Shareholders, supervising the financial reporting and the functioning of the internal risk management and control systems, supervising internal audits and compliance, establish a direct contact with external auditors, preparing an annual report on its supervisory activities and expressing an opinion on the management's report.

### Nominations and Remunerations Committee

- Between 3-6 Directors, including the Chairperson, who must be independent.
- At least one member must be independent and the members should not be members of the EC.
- Permanent body, with no executive functions, and whose main functions are to assist and report to the BOD about appointments, re-elections, dismissals and remunerations of the members of the BOD and their positions, as well as about appointments, dismissals and remunerations of senior management personnel.

### Related-Party Transactions Committee

- No fewer than 3 Directors, including the Chairperson.
- Majority of members shall be independent and is a body belonging to the BOD.
- Performs the duties of rectifying transactions, above certain thresholds defined, between EDPR and EDP or related parties, qualified shareholders, directors, key employees or his relatives.

## Board of Directors



### Executive Committee

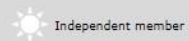


### Related-Party Transactions Committee

### Audit and Control Committee



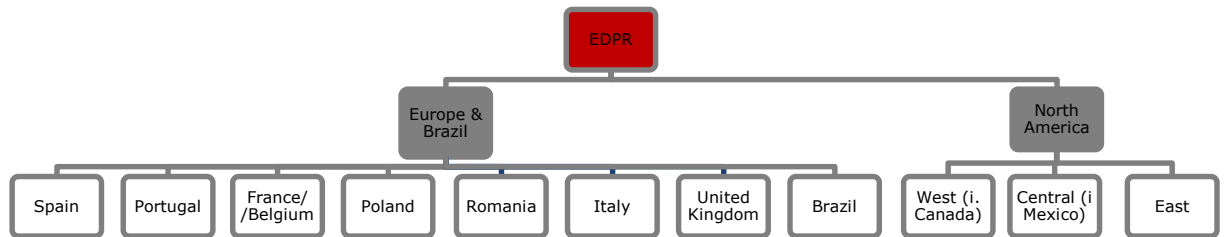
### Nominations and Remunerations Committee





## 1.2.3. ORGANIZATIONAL STRUCTURE

EDPR organizational structure is divided in 3 key elements: a corporate center at the Holding and 2 platforms - Europe & Brazil and North America. Within EDPR Europe & Brazil platform, there are 8 business units, one for each of the countries where the company operates, namely Spain, Portugal, France/Belgium, Italy, Poland, Romania, UK and finally Brazil. Similarly in the EDPR North America platform, there are 3 business units, that represent the operational regions in the continent: West (includes Canada), Central (includes Mexico) and East.



### ORGANIZATIONAL MODEL PRINCIPLES

The model is designed with several principles in mind to ensure optimal efficiency and value creation.

Accountability alignment	Critical KPIs and span of control are aligned at project, country, platform and holding level to ensure accountability tracking and to take advantage of complementarities derived from end-to-end process vision.
Client-service	Corporate areas function as competence support centers and are internal service providers to all business units for all geographical non-specific needs. Business priorities and needs are defined by local businesses and best practices are defined and distributed by corporate units.
Lean organization	Execution of activities at holding level are held only when significant value is derived, coherently with defined EDPR holding role.
Collegial decision-making	Ensures proper counter-balance dynamics to ensure multiple-perspective challenge across functions.
Clear and transparent	Platforms organizational models remain similar to allow for: - Easy coordination, vertically (holding-platforms) and horizontally (across platforms); - Scalability and replicability to ensure efficient integration of future growth.

## 1.3. 1H15 IN REVIEW

### 1.3.1. KEY METRICS SUMMARY

<b>INSTALLED CAPACITY</b> <b>9.1 GW</b> EBITDA + Net equity	<b>TECHNICAL AVAILABILITY</b> <b>97.4%</b> -0.1 p.p. vs 1H14	<b>GENERATION</b> <b>10.8 TWh</b> -1% vs 1H14
<b>ADDITIONS Y-O-Y</b> <b>542 MW</b> EBITDA + Net equity	<b>LOAD FACTOR</b> <b>31%</b> -3 p.p. vs 1H14	<b>EMISSIONS AVOIDED</b> <b>9.4mt CO<sub>2</sub></b> +5% vs 1H14
<b>CAPEX+ FINANCIAL INVESTMENTS</b> <b>€350m</b> +€233m vs 1h14	<b>NET DEBT</b> <b>€3.5 billion</b> +€190m vs YE14	<b>12 COUNTRIES</b>
<b>EBITDA</b> <b>€548m</b> +11% vs 1H14	<b>OPEX/MW</b> <b>€30k/MW</b> +6% vs 1H14	<b>973 EMPLOYEES</b> +9% vs 1H14
<b>OPERATING CASH-FLOW</b> <b>€404m</b> -6% vs 1H14	<b>NET PROFIT</b> <b>€69m</b> -14% vs 1H14	<b>TRAINING</b> <b>70%</b> 12hrs / employer

## 1.3.2. HIGHLIGHTS OF THE PERIOD

### **EDP Renováveis executes project finance for 120 MW in Brazil, Jan-26<sup>th</sup>**

EDPR has executed project finance structure agreements with the BNDES for the Baixa do Feijão project, in Brazil, which comprises four wind farms with a total capacity of 120 MW. The Baixa do Feijão project is currently under construction and is located in the State of Rio Grande do Norte, one of the windiest locations of Brazil. The long-term contracted debt facilities amount to R\$ 306 million and its financial closing is subject to customary conditions. In December 2011, at the Brazilian energy A-5 auction, these four projects were awarded with 20-year Power Purchase Agreements ("PPAs") starting in January 2016.

### **EDPR re-negotiates part of its long-term debt arrangements with EDP, Mar-16<sup>th</sup>**

EDPR re-negotiated the terms of 1.1 billion euros of its total long-term debt arrangements with EDP. This option allowed EDPR to lengthen the debt maturity terms, from 3.7 years to 4.8 years, and will have a positive impact in the company's results of c. 24 million euros, on a full-year and pre-tax basis.

### **EDPR executes a new asset rotation transaction in the US, Mar-18<sup>th</sup>**

EDPR has reached an agreement with DIF Infrastructure III ("DIF III"), to sell a 49% equity shareholding in an operating solar PV power plant with 30 MW. Based on the transaction price and the institutional equity financing established in September 2014, the enterprise value for 100% of the assets amounts to \$3.1million/MW.

### **Payment of Dividends – Fiscal Year 2014, Apr-23<sup>rd</sup>**

The General Shareholders' Meeting of EDPR, held on April 9<sup>th</sup> 2015 in Madrid, approved the proposal of the Board of Directors regarding the allocation of profits of the financial year ended on December 31<sup>st</sup> 2014, which provides for the payment of a gross dividend of 0.04 Euros per share, available for payment starting on May 8<sup>th</sup> 2015.

### **EDPR agrees the acquisition of 45% of EDP Renováveis Brasil from EDP Brasil, Apr-27<sup>th</sup>**

Following the Memorandum of Understanding ("MoU") executed with EDP Energias do Brasil, S.A. ("EDP Brasil") and announced to the market on November 27<sup>th</sup>, 2014, EDPR has signed an agreement with EDP Brasil for the acquisition of 45% of EDP Renováveis Brasil, S.A. ("EDPR Brasil").

The agreed transaction price totals R\$190 million which is divided as R\$ 176 million at closing and up to R\$ 14 million in earn-out payments. Completion of this transaction is subject to regulatory approval and other customary closing conditions, and is expected to occur until the end of 2015.

### **EDP Renováveis change in corporate bodies, May-6<sup>th</sup>**

Rui Manuel Rodrigues Lopes Teixeira has submitted his resignation as member of EDPR's Board of Directors, given the new responsibilities assumed in EDP - Energias de Portugal, S.A. ("EDP") after his appointment to EDP's Executive Board of Directors. In order to fill the vacancy, following the proposal from the Nominations and Remunerations Committee, the EDPR Board of Directors, appointed by cooption Miguel Dias Amaro, as member of such Board, and to EDPR Executive Committee, and for his appointment as Joint Director.

### **EDPR concludes the sale of minority stakes in wind farms in Brazil to CTG, May-19<sup>th</sup>**

EDP Renováveis Brasil, S.A. ("EDPR Brasil") has completed the sale to CWEI (Brasil) Participações Ltda ("CWEI Brasil"), a subsidiary of China Three Gorges ("CTG") of a minority equity shareholding in selected wind farms in Brazil. Following price adjustments, in order to reach a 49% equity shareholding CWEI Brasil will invest a total of R\$385.7 million, including equity contributions already completed and R\$86.8 million of estimated future equity contributions for the projects currently under construction/development.

The transaction scope covers 84 MW of wind energy in operation, and 237 MW of wind energy under construction or development that were already awarded with long-term contracts to sell the electricity produced for 20 years.

The transaction is made in the context of the €2 billion strategic partnership established in Dec-11 between EDPR's principal shareholder, EDP – Energias de Portugal, S.A. ("EDP"), and CTG.

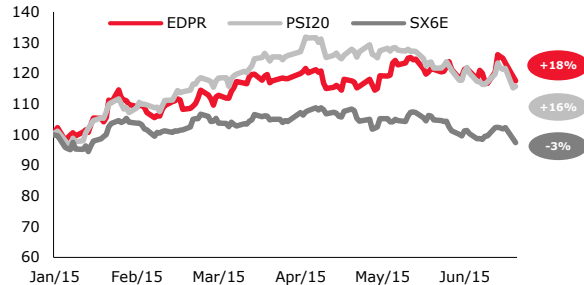
### **EDPR to study the development of a complementary Asset Rotation program, Jun-22<sup>nd</sup>**

EDPR has decided to mandate Citigroup Global Markets Limited and UBS Investment Bank to evaluate alternatives to efficiently monetise and rotate its assets, focusing on the particular possibility of establishing a YieldCo composed by European wind generation assets to be listed on the Spanish stock exchange.

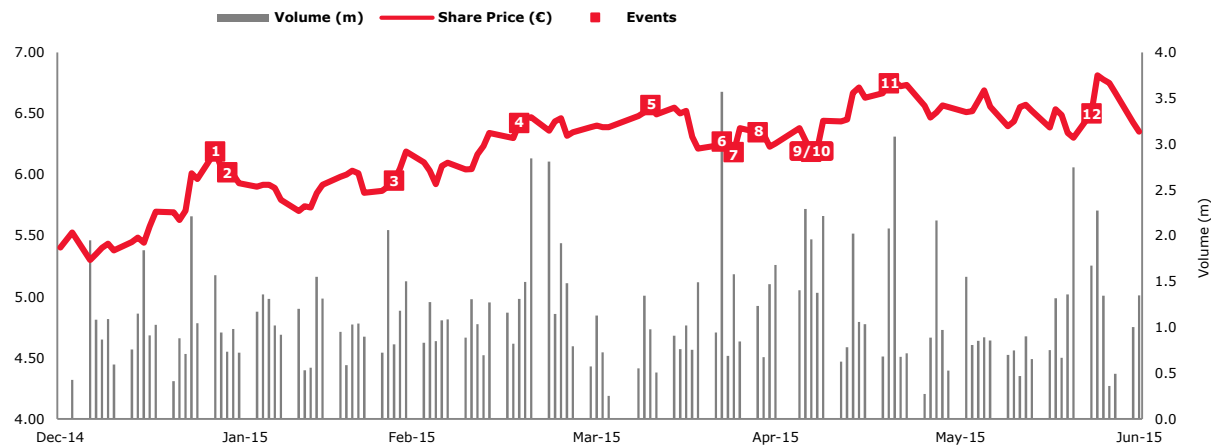
### 1.3.3. SHARE PERFORMANCE

Share price increased +18% in 1H15, outperforming both NYSE Euronext Lisbon PSI20 (+16%) and Dow Jones Eurostoxx Utilities SX6E (-3%).

EDPR has 872.3 million of shares listed and admitted to trading in NYSE Euronext Lisbon. On June 30<sup>th</sup> of 2015, EDPR had a market capitalization of 5.5 billion euro, equivalent to € 6.35 per share, +18% above from the 4.7 billion euro at previous year-end. In 1H15 total shareholder return was 18%, including the dividend paid on May 8<sup>th</sup> of € 0.04 per share.



EDPR in Capital Markets	1H15	2014	2013	2012	2011
Opening price (€)	5.40	3.86	3.99	4.73	4.34
Minimum price (€)	5.30	3.87	3.58	2.31	5.25
Maximum price (€)	6.81	5.70	4.36	4.86	3.89
Closing price (€)	6.35	5.40	3.86	3.99	4.73
Market capitalization (€ million)	5,539	4,714	3,368	3,484	4,124
Total traded volume: Listed & OTC (million)	143.9	396.84	448.15	446.02	463.56
...of which in NYSE Euronext Lisbon (million)	57.4	149.48	200.29	207.49	232.29
Average daily volume (million)	1.1	1.56	1.76	1.74	1.80
Turnover (€ million)	897.0	1,976.41	1,759.20	1,525.56	2,098.58
Average daily turnover (€ million)	7.2	7.75	6.90	5.96	8.17
Rotation of capital (% of total shares)	17%	45%	51%	51%	53%
Rotation of capital (% of floating shares)	73%	202%	229%	228%	236%
Share price performance	+18%	+40%	-3%	-16%	+9%
Total shareholder return	+18%	+41%	-2%	-16%	+9%
PSI 20	+16%	-27%	+16%	+3%	-28%
Dow Jones Eurostoxx Utilities	-3%	+12%	+9%	-9%	-25%



- |   |   |
|---|---|
| <b>1</b> EDPR executes project finance for 120 MW in Brazil       | <b>7</b> EDPR announces dividend payment of €0.04 to occur in May 8th 2015  |
| <b>2</b> EDPR FY14 Volumes & Capacity Statement release           | <b>8</b> EDPR agrees the acquisition of EDPR Brasil from EDP Brasil   |
| <b>3</b> EDPR FY14 Annual Results release                         | <b>9</b> EDPR informs about change in corporate bodies and informs about representative for relations with the market |
| <b>4</b> EDPR executes a new asset rotation transaction in the US | <b>10</b> EDPR 1Q15 Results release   |
| <b>5</b> EDPR Annual Shareholders' Meeting                        | <b>11</b> EDPR concludes the sale of minority stakes in wind farms in Brasil to CTG                                   |
| <b>6</b> EDPR 1Q15 Volumes & Capacity Statement release           | <b>12</b> EDPR studies the development a complementary Asset Rotation program   |

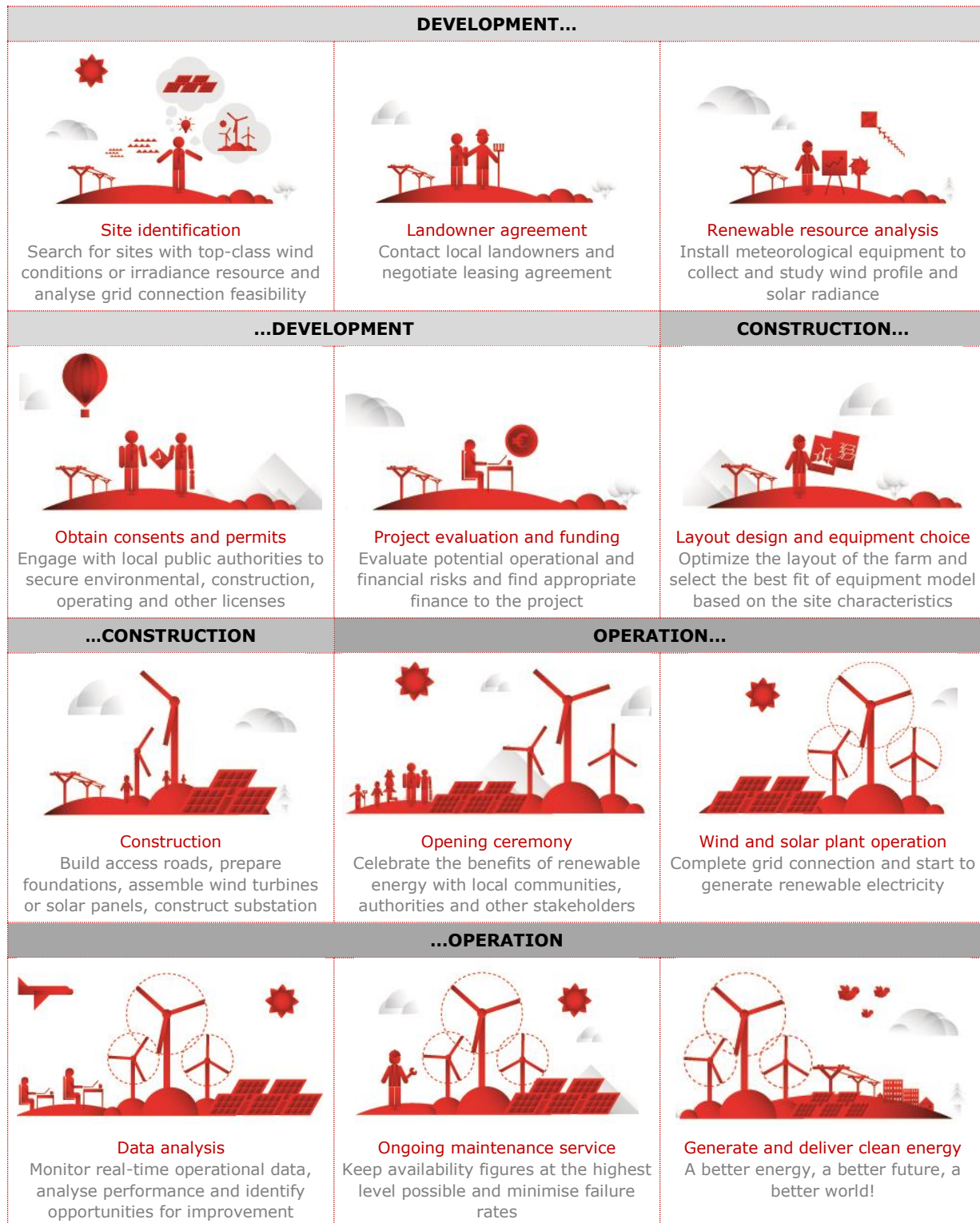
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## OUR STRATEGY

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# 2.1. BUSINESS DESCRIPTION

Our renewable energy business grossly comprises the development, construction and operation of fully controlled wind farms and solar plants to generate and deliver clean electricity.



## 2.2. BUSINESS PLAN 2014-17

EDPR's value creation strategic plan through 2017 remains in line with previous architecture, supported by three pillars with defined goals: Selective Growth, Increased Profitability and Self-funding Model.

Selective Growth		Increased Profitability		Self-funding Model	
Solid value creation, investing in quality projects with predictable prices through long term contracts		Profitable growth supported by distinctive core competences and unique know-how		Enhanced growth by an asset rotation program designed to accelerate value creation	
Investing in quality projects	>500 MW per year	Maintaining high availability levels	>97.5%	Strong Operating Cash-Flow generation	€3.5bn
Growing in projects w/ long-term contracts already awarded	>85% visible	Leveraging quality growth on distinctive wind assessment	31.5% Load Factor	Asset Rotation to enhance value growth	€0.7bn (ex-CTG)
Developing offshore: 1 GW awarded in FR and projects in the UK	post-2017 growth	Increasing efficiency, reducing OPEX/MW	-2% CAGR	Net Investment supported by Asset Rotation Program	€1.8bn

By delivering on its strategy, EDPR expects to achieve solid growth targets...

<b>Electricity Output</b>	<b>EBITDA</b>	<b>Net Profit</b>	<b>Dividend Pay-out</b>
9% CAGR 13-17	9% CAGR 13-17	11% CAGR 13-17	25-35%

...and continue to lead in a green and competitive sector with increased worldwide relevance.

## 2.3. RISK MANAGEMENT

In line with EDPR's controlled risk profile, Risk Management process defines the mechanisms for evaluation and management of risks and opportunities impacting the business, increasing the likelihood of the company achieving its financial targets, while minimizing fluctuations of results without compromising returns.

### 2.3.1. RISK MANAGEMENT PROCESS

EDPR's Risk Management Process is an integrated and transversal management model that ensures the implementation of best practices of Corporate Governance and transparency in the communication to the market and shareholders. This process is closely followed and supervised by the Audit and Control Committee, an independent supervisory body composed of non-executive members.

The purpose of the Risk Management process is to ensure the alignment of EDPR's risk exposure with the company's desired risk profile. It consists in the identification and prioritization of risks, the development of adequate risk management policies and their implementation. Risk management policies are aimed to mitigate risks, without ignoring potential opportunities, thus, optimizing return versus risk exposure.

Risk management is endorsed by the Executive Committee, supported by the Risk Committee and implemented in day-to-day decisions by all managers of the company. It is supported by three distinct organizational functions, each one with a different role: Strategy (Risk Profiler), Management (Risk Manager) and Controlling (Risk Controller):

- **RISK PROFILER:** Responsible for identification and analyses of risks, defining policies and limits for risk management within the company;
- **RISK MANAGER:** Responsible for day to day operational decisions and for implementing approved risk policies;
- **RISK CONTROLLER:** Responsible for follow up of the result of risk taking decisions and for verifying alignment of operations with general policy approved by the Executive Committee.

These three Risk Functions work together and meet in the Risk Committee, the forum to discuss global risk policies to be implemented and to control the risk exposure of the company.

In order to separate business decisions from strategic analyses and the definition of new policies, EDPR created three distinct meetings of the Risk Committee with different periodicity:

- **RESTRICTED RISK COMMITTEE:** Held every month, it reviews the risk of new transactions such as new power purchase agreements, new investments, energy price and electricity hedges, along with pipeline status and EBITDA @Risk. It helps to control the implementation of defined policies and the exposure to most important risk factors.
- **FINANCIAL RISK COMMITTEE:** Held every quarter, it focuses on the financial exposure of the company by monitoring market evolution of FX and interest rates, credit-out and credit-in guarantees and financial counterparty risk, along with reviewing debt and Tax Equity liability status, Project Finance covenants, IR and FX hedges and EDPR's cash-flow map. Similarly to the Restricted Risk Committee, it helps to control the implementation of defined policies and the exposure to most important financial risk factors.
- **RISK COMMITTEE:** Held every quarter, it is the forum where new strategic analyses are discussed and new policies are proposed for approval to the Executive Committee. Additionally, EDPR's overall risk position is reviewed.

### 2.3.2. RISK AREAS AND MAIN RISK FACTORS

Risk Management at EDPR is focused on covering all market, credit and operational risks of the company. In order to have a holistic view of risks, they were grouped in Risk Areas covering the entire business cycle of EDPR. The following list summarizes Risk Areas defined within EDPR:

- **COUNTRIES & REGULATIONS:** Changes in regulations may impact EDPR's business in a given country;
- **REVENUES:** Revenues received by EDPR's projects may diverge from what is expected;
- **FINANCING:** EDPR may not be able to raise enough cash to finance its planned Capex; or to fulfil its financial obligations due to changes in exchange rates or bankruptcy of counterparties;



- WIND TURBINE CONTRACTS: Changes in turbine prices may impact projects' profitability; or there may not be sufficient turbine supply to build planned wind farms;
- PIPELINE DEVELOPMENT: EDPR may deliver an installed capacity different from its targets or suffer delays and/or anticipations in its installation;
- OPERATIONS: Projects may deliver a volume different from expected due to turbine availability; financial results can be impacted by human errors.

Within each Risk Area, risks are classified in Risk Groups and finally into Risk Factors. Those are the source of the risk and the purpose of Risk Management at EDPR is to measure, control and eventually mitigate all risk factors that affect the company.

The following table summarizes the Risk Areas, Risk Groups and main Risk Factors of the company's business and the Risk Management mitigation strategies, general and specific to the 1H15 period.

## RISK AREA

- RISK GROUPS AND RISK FACTORS
  - Risk Management mitigation strategies at EDPR

### COUNTRIES & REGULATIONS

- COUNTRY RISK (Macroeconomic, Political, Natural disasters)
- REGULATORY RISK (Incentive system, Incentive level, Tax, Operations)
  - Careful selection of energy markets based on country risk and energy market fundamentals
  - Diversification in markets and remuneration schemes
  - Active involvement in all major wind associations in all markets where EDPR is present

### REVENUES

- MARKET PRICE RISK (Electricity, Green Certificates, REC, Basis)
- PRODUCTION RISK (NEH uncertainty, Wind volatility, Generation profile, Curtailment)
  - Regulated remunerations schemes in many markets in which EDPR operates
  - Hedge of market exposure through long term power purchase agreements (PPA) or short-term financial hedges

### FINANCING

- FINANCIAL MARKETS RISK (Exchange rate, Interest Rate)
- COUNTERPARTY RISK (Credit, Operational)
- LIQUIDITY RISK
  - Natural hedging, maintaining debt and revenues in same currency
  - Execution of FX forwards to eliminate exchange rate transaction risk
  - Fixed interest rates
  - Counterparty credit analysis and compliance with policy
  - Alternative funding sources such as Tax equity structures and Multilateral/ Project Finance agreements

### WIND TURBINE CONTRACTS

- TURBINE PRICE RISK (Demand/offer, Macroeconomics and commodity prices)
- TURBINE SUPPLY RISK
  - Signing of medium term agreements with turbine manufacturers to ensure visibility of turbine prices and supply
  - Relying on a large base of turbine suppliers to ensure supply and signing contracts before engaging in tender auctions

### PIPELINE DEVELOPMENT

- EXECUTION RISK (Construction, Installation, Supply chain)
- DEVELOPMENT RISK (PPA contract, construction + environmental + interconnection permits)
  - Counterparty credit and technical analysis
  - Supervision of EDPR's engineering team
  - Flexible CODs in PPAs to avoid penalties
  - Employment of a "buffer" to ensure targets are achieved
  - Partnerships with strong local teams
  - Track recurrent operational risks during construction and development

### OPERATIONS

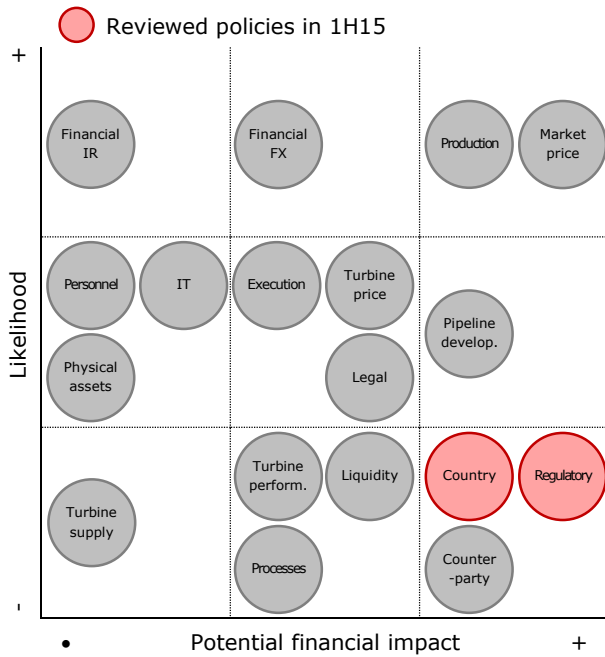
- WIND TURBINE PERFORMANCE (Technology, Availability)
  - Closure of technical warranties and medium term full – scope maintenance agreements with suppliers
  - Adequate preventive and scheduled maintenance
- PHYSICAL ASSETS
  - Insurance against physical damage and business interruption
- PERSONNEL (Turnover, Health and safety)

- Attractive remuneration packages and training
- LEGAL (Compliance, Fraud)
  - Revision of all regulations that affects EDPR activity (environmental, taxes...)
- PROCESSES
  - Control of internal procedures
- INFORMATION TECHNOLOGIES (Technical network, Corporate network)
  - Redundancy of servers and control centres of wind farms

During 1H15, EDPR updated a Global Risk Policy:

- Country Risk Policy: Country Risk policy aims to measure and monitor overall country risk and the sustainability of RES policies in existing and potential new geographies. This updated policy will be implemented during 2015.

**EDPR RISK MATRIX BY RISK GROUP**



**FOCUS ON COUNTRY RISK AT EDPR**

Country Risk is defined as the probability of occurrence of a financial loss in a given country due to macroeconomics, political/social issues, natural disasters or legislative decisions on renewable energy policies that may jeopardize the development of new RES projects or may retroactively affect profitability of existing ones.

Country Risk at EDPR is estimated by combining an overall country risk assessment with the sustainability of RES support in the analyzed country. It will be integrated in the analysis that studies a new country or when considering additional investments or asset rotations in a country where EDPR is already present.

# 03

## OUR PERFORMANCE

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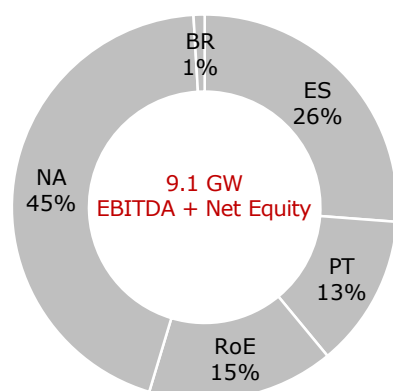
# 3.1. ECONOMIC

## 3.1.1. OPERATIONAL PERFORMANCE

In June 2015, EDPR managed a global portfolio of 9.1 GW spread over 10 countries, of which 8.3 GW are fully consolidated plus 886 MW equity consolidated.

	MW			NCF			GWh		
	1H15	1H14	Var.	1H15	1H14	Var.	1H15	1H14	Var.
Spain	2,194	2,194	-	29%	32%	-3pp	2,727	2,943	(7%)
Portugal	630	621	+8	30%	34%	-5pp	807	926	(13%)
Rest of Europe	1,413	1,357	+56	28%	26%	+2pp	1,651	1,335	+24%
<b>Europe</b>	<b>4,237</b>	<b>4,173</b>	<b>+64</b>	<b>29%</b>	<b>30%</b>	<b>-2pp</b>	<b>5,186</b>	<b>5,205</b>	<b>(0)%</b>
US	3,904	3,476	+428	33%	37%	-4pp	5,522	5,633	(2%)
Canada	30	30	-	31%	28%	+3pp	40	24	+67%
<b>North America</b>	<b>3,934</b>	<b>3,506</b>	<b>+428</b>	<b>33%</b>	<b>37%</b>	<b>-4pp</b>	<b>5,562</b>	<b>5,658</b>	<b>(2)%</b>
Brazil	84	84	-	26%	28%	-2pp	94	103	(8%)
<b>EDPR: EBITDA</b>	<b>8,254</b>	<b>7,762</b>	<b>+492</b>	<b>31%</b>	<b>34%</b>	<b>-3pp</b>	<b>10,842</b>	<b>10,965</b>	<b>(1)%</b>
ENEOP	533	483	+50						
Other equity consolidated	353	353	-						
Spain	174	174	-						
United States	179	179	-						
<b>EDPR: EBITDA + Net Equity</b>	<b>9,141</b>	<b>8,599</b>	<b>+542</b>						

### EDPR CONTINUES TO DELIVER SOLID SELECTIVE GROWTH



With a top quality portfolio present in ten countries, EDPR has a strong track record and proven capability to execute superior projects and deliver on targets. The installed asset base of 9.1 GW is not only young, on average 5.6 years, it is also mostly certified in terms of environmental and health and safety standards.

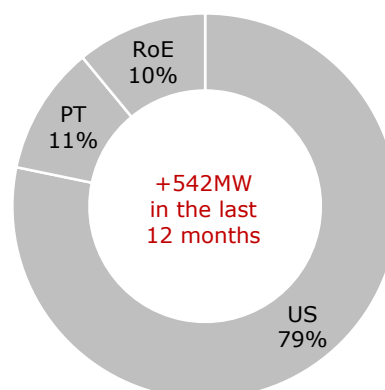
Since 2008, EDPR has doubled its installed capacity with the additions of 4.6 GW, resulting in a total installed capacity of 9,141 MW (EBITDA + Net Equity). As of 1H15, EDPR had installed 4,944 MW in Europe, 4,113 MW in North America and 84 MW in Brazil.

During 1H15 EDPR added 542 MW to its installed capacity, of which 428 MW were in North America and 114 MW in Europe.

### NEW INSTALLATIONS CONCENTRATED IN THE UNITED STATES

The largest growth in MW occurred from the completion of 428 MW in the US. In the last 12 months, 3 wind farms were completed: Headwaters in Indiana (200 MW), Rising Tree North (99 MW) and Rising Tree South (99 MW), both in California. In addition, the Lone Valley solar PV plant was completed, with 30 MW, also in California.

In Europe, 114 MW were installed. Of those, 20 MW were added in Italy, 18 MW in France, 18 MW in Poland and 58 MW in Portugal (of which 50 MW correspond to the EDPR's interest in Eólicas de Portugal, 6 MW in Alamos wind farm and 2 MW related to overpowering of an existing wind farm).



**EXPECTED CAPACITY ADDITIONS ALREADY UNDER CONSTRUCTION**

As of June 2015, EDPR had 556 MW under construction, of which 300 MW were under construction in the US comprising 2 wind farms with PPAs secured: Waverly in Kansas (200 MW) and Arbuckle in Oklahoma (100MW).

In Europe 136 MW were under construction, of which 77 MW in Poland, 48 MW in France, 10 MW in Italy and 2 MW in Spain related to R&D.

In Brazil, the Baixa do Feijão project, with 120 MW and a 20-year PPA, was under construction.

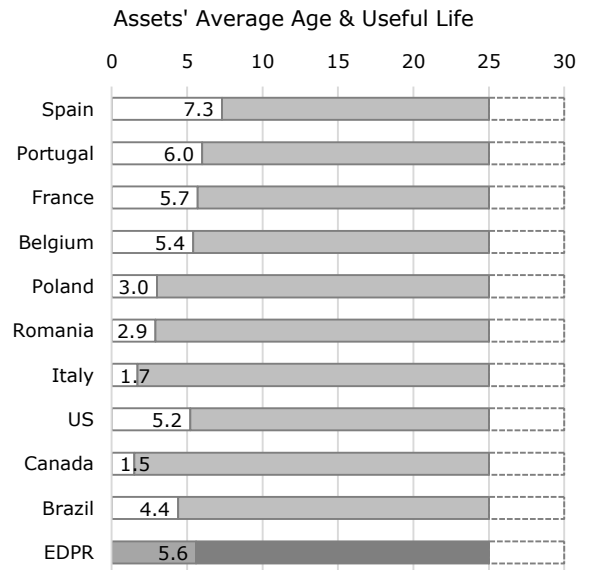
**87% OF EDPR'S INSTALLED CAPACITY IS COVERED BY ISO 14001 CERTIFICATION**

The Environmental Management System (EMS) is developed in accordance with the ISO 14001 international standard and certified by an independent certifying organization. These consensus standards are considered the world's benchmark for EMS Management Systems and is a guarantee that EDPR sites, regardless of its regulatory environment are aligned and at the same level of compliance.

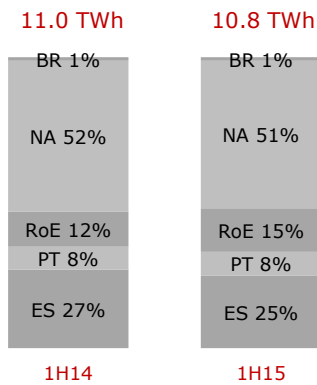
In addition to operating high quality and safe assets, EDPR also has a young portfolio with an average operating age of 5.6 years, with an estimate of at least 19.4 years of useful life remaining to be captured.

In Europe, EDPR's portfolio had an average age of 5.9 years, in North America 5.2 years and in Brazil 4.4 years

Throughout the entire process, from development to operations, EDPR maintains the highest standards in construction quality, integrity, and sustainability.



## DECREASE IN YOY GENERATION DUE TO OUTSTANDING WIND RESOURCE IN 1H14

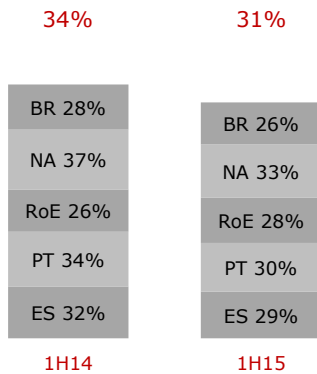


In the 1H15, EDPR delivered 10.8 TWh of clean electricity vs. 11.0 TWh in the 1H14, with the positive effect from capacity additions over the last 12 months (+0.8 TWh) was offset by the lower load factor YoY (-0.9 TWh; 31% load factor in 1H15 vs. 34% in the 1H14), due to the outstanding wind resource in the 1H14.

EDPR achieved a 31% load factor during 1H15, which represents a decrease YoY but still, maintaining its leading position within the wind sector and reflecting the intrinsic quality of the wind farms.

EDPR balanced portfolio and solid wind assessment know-how allows to maximize output even in periods with lower wind resource.

## PREMIUM PERFORMANCE AND DIVERSIFIED PORTFOLIO DELIVERS BALANCED OUTPUT



EDPR's operations in North America were the main drivers for the electricity production in 1H15, representing 51% of the total output, with the positive effect of capacity additions impacted by a lower average wind resource. EDPR achieved a 33% load factor in North America (vs. 37% in 1H14), mainly due to low wind resource in the US Central and Western regions, and with YoY comparison impacted by outstanding windy conditions in 1H14.

In Europe, EDPR's operations generated 48% of the total output, remaining unchanged YoY at 5.2 TWh, supported by the 24% growth in Rest of Europe ("RoE"), on the back of capacity additions and stronger wind resource in the period. If compared with the expected output for an average 1H, the production in Spain was 2% higher than average and in Portugal was 7% higher, however the production decreased by 7% YoY and 13% YoY respectively, due to an outstanding wind resource in 1H14.

Furthermore, operations in Europe achieved a 29% load factor (vs. 30% in 1H14) reflecting the lower wind resource YoY in Spain and Portugal, partially mitigated by the capacity additions in RoE. In Spain, EDPR achieved a load factor of 29%, lower YoY but still higher than the expected for an average 1H (+2pp above average). In Portugal, EDPR reached a load factor of 30%, lower vs. 34% in the previous period due to an outstanding load factor achieved in the 1H14. In RoE, in the 1H15, EDPR delivered a 28% load factor (vs. 26% in 1H14), benefiting from a higher wind resource in the 2Q15.

In Brazil, EDPR YoY generation decreased by 8% due to a lower wind resource, reaching a 26% load factor (vs. 28% in 1H14).

## CARBON FREE EMISSIONS

The 10.8 TWh of electricity produced has zero carbon emissions, thus contributing to the world's fight against climate change. Based on each countries' thermal emission factors, an estimate of 9.4 million tons of CO<sub>2</sub> equivalent emissions were avoided that would have otherwise been emitted by burning fossil fuels to generate the same amount of electricity in the geographies where EDPR is present.



## 3.1.2. FINANCIAL PERFORMANCE

### REVENUES TOTALLED 773 MILLION EUROS AND EBITDA SUMMED 548 MILLION EUROS

In the 1H15, Revenues totalled €773m (+11% YoY) mainly supported by a higher selling price (+€15m) and forex translation (+€62m, mostly USD) that offset the negative impact from lower volumes (-€1m).

In the period, reflecting the positive impact from the top-line, EBITDA also increased by 11% YoY to €548m (stable EBITDA margin of 71%). EBIT increased to €292m (+7% YoY), as a result of the EBITDA performance (+11% YoY) and the 15% YoY increase in depreciation and amortisation costs (including impairments and net of government grants), as a result of higher capacity in operation and forex translation.

Financial Highlights (€m)	1H15	1H14	▲
<b>Income Statement</b>			
Revenues	773	693	11%
EBITDA	548	495	11%
Net Profit (attributable to EDPR equity holders)	69	81	(14%)
<b>Cash-Flow</b>			
Operating Cash-Flow	404	431	(6%)
Net investments	11	79	(86%)
<b>Balance Sheet</b>			
Total Assets	15,354	14,316	+1,038
Property, Plant and Equipment (net)	11,533	11,013	+520
Equity	6,779	6,331	+448
Total Liabilities	8,575	7,986	+589
Net Debt	3,472	3,283	+189
Institutional Partnerships	1,175	1,067	+108

### NET PROFIT REACHED 69 MILLION EUROS

Net Financial Expenses totalled €149m in the 1H15 (+€31m vs. 1H14), being negatively impacted by the US dollar appreciation and a write-off (non-cash) of deferred costs related to the restructuring of certain Spanish and Romanian project finances, with debt replaced at a lower cost. If excluded forex impact and one-off, Net Financial expenses were stable YoY. Net interest costs decreased 1% YoY (or -14% YoY if the forex impact is excluded) on the back of lower cost of debt (4.6% in Jun-15 vs. 5.2% in Jun-14). Pre-Tax Profit amounted to €149m and income taxes totalled €37m, reflecting an effective income tax rate of 24.5%.

All in all, Net Profit in the 1H15 summed €69m (-14% YoY). Non-controlling interests in the period totalled €43m, increasing by €5m YoY on the back of non-controlling interests sold to EFG Hermes (Oct-14), Northleaf (Nov-14), DIF III (Mar-15) and Fiera Axiom (financial closing in Apr-15) as part of the execution of the asset rotation strategy, and CTG (May-15; Brazil) in the context of EDP institutional partnership.

### ROBUST ASSET ROTATION PROGRAM EXECUTION ABOVE 70% OF TARGET FOR 2014-17 PERIOD

In the 1H15, two Asset Rotation transactions reached financial closing in a total of €339m. EDPR has executed more than 70% of its cumulative asset rotation target of €0.7bn for 2014-17.

### STRONG CASH-FLOW OF 404 MILLION EUROS

In the 1H15, Operating Cash-Flow reached €404m (vs. €431m in 1H14), higher than the net investments in the period (€11m) and the change in accounts payable to PP&E suppliers (€345m). In the 1H15, EDPR cashed-in \$160m from institutional tax equity financing structures. As of Jun-15, Net Debt summed €3.5bn (+€190m vs. Dec-14), mainly explained by negative impact of forex translation (€110m).

**Note:** EDPR started implementing IFRIC 21 in the 1H15. Pursuant to IFRIC 21, an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For example, in the US, Spain and France, the obligating event for property taxes is ownership of the property on the day of the year for which the tax is imposed (typically at the beginning of the natural year). Prior to the adoption of IFRIC 21, EDPR recorded all property taxes rateably over the relevant tax year. In the 1H14 and 1H15, IFRIC 21 had an EBITDA impact of €11.9 and €15.6, respectively. The adoption of IFRIC 21 has therefore impact on interim results and is neutral on yearly results. The 2014 data presented in this document was restated for comparison purposes.

## INCOME STATEMENT

### SOLID TOP LINE PERFORMANCE DESPITE REGULATORY CHANGES

In the 1H15, EDPR revenues increased by €79m to €773m, with the negative impact from lower volumes (-€1m YoY) more than compensated by the higher average selling price (+€15m YoY), and benefiting from forex appreciation (+€62m YoY). In the period, Other operating income totalled €16m (+€1m vs. 1H14) and Operating Costs (Opex) increased by €27m YoY, mainly on the back of forex translation. If adjusted by the forex impact, Operating Costs increased 4% YoY (or €8m). Opex per Avg. MW increased 6% YoY to €30k, and decreased 3% YoY if adjusted by forex translation. Opex per MWh increased by 14% to €22, penalized by the lower YoY output. Excluding levies and write-offs, Opex per Avg. MW was €22k (+4% YoY) and Opex per MWh €16 (+13% YoY), impacted by lower output in the period vs. 1H14.

In detail, Supplies and services (including O&M activities) and Personnel costs altogether increased by 11% YoY. Other operating costs (including taxes and rents to public authorities and the 7% tax over electricity sales generated in Spain) increased by 16% to €70m, mainly on the back of property taxes related to new wind farms.

In the 1H15, EBITDA totalled €548m (71% EBITDA margin, unchanged vs. 1H14) and unitary EBTIDA per average MW in operation increased by 4% to €68k, benefitting from top line positive evolution.

Operating income (EBIT) increased 7% YoY to €292m, reflecting EBITDA performance and the 15% higher depreciation and amortisation costs (including impairments and net of government grants), on the back of capacity additions in the period and forex translation.

At the financial level, Net Financial Expenses increased by 27% YoY, mainly impacted by YoY US dollar appreciation (stable YoY if excluded forex impact and one-off). Net interest costs decreased 1% YoY (or -14% YoY if excluded forex impact) on the back of a lower cost of debt (4.6% in Jun-15 vs. 5.2% in Jun-14). Institutional Partnership costs in the 1H15 were €9m higher vs. 1H14, reflecting mainly forex translation and new tax equity deals, while capitalized expenses decreased by €3m (or -22% YoY). Forex differences and derivatives had a negative impact (-€2m). Other financial expenses totalled €21m, including €8m in the 2Q15 mostly from the write-down (non-cash) of deferred costs accounted in balance sheet due to certain project finance restructuring, with debt replaced at lower cost (positive impact from 3Q15).

In the 1H15, Share of profits of associates totalled €6m (-€5m YoY), mainly reflecting EDPR's interest in ENEOP (€7m vs. €10m in the 1H14, due to lower wind resource in the period), and the performance of associate companies in Spain and in the US.

In the period, Pre-Tax profit decreased by 10% YoY, to €149m, with income taxes totalling €37m and reflecting an effective income tax rate of 24%. Non-controlling interests amounted to €43m, increasing by €5m YoY on the back of non-controlling interests sold to EFG Hermes (Oct-14), Northleaf (Nov-14), DIF III (Mar-15) and Fiera Axiom (financial closing in Apr-15) as part of the execution of the asset rotation strategy, and CTG (May-15; Brazil) in the context of EDP institutional partnership.

All in all, Net Profit decreased to €69m (-€11m YoY).

<b>Consolidated Income Statement (€m)</b>	<b>1H15</b>	<b>1H14</b>	<b>▲</b>
<b>Revenues</b>	<b>772.9</b>	<b>693.5</b>	<b>+11%</b>
Other operating Income	15.9	15.2	+5%
<b>Operating Costs</b>	<b>(241.3)</b>	<b>(214.1)</b>	<b>+13%</b>
Supplies and services	(132.7)	(120.5)	+10%
Personnel costs	(39.1)	(33.9)	+15%
Other operating costs	(69.5)	(59.7)	+16%
<b>EBITDA</b>	<b>547.5</b>	<b>494.6</b>	<b>+11%</b>
EBITDA/Net Revenues	71%	71%	(0.5pp)
Provisions	0.1	-	-
Depreciation and amortisation	(266.7)	(231.3)	+15%
Amortization of government grants	11.4	9.1	+25%
<b>EBIT</b>	<b>292.3</b>	<b>272.5</b>	<b>+7%</b>
Financial Income / (expenses)	(148.9)	(117.5)	+27%
Share of profits of associates	6.0	11.0	(46%)
<b>Pre-tax profit</b>	<b>149.4</b>	<b>166.0</b>	<b>(10%)</b>
Income taxes	(36.6)	(47.3)	(23%)
<b>Profit of the period</b>	<b>112.8</b>	<b>118.7</b>	<b>(5%)</b>
- attributable to:			
<b>Net Profit (Equity holders of EDPR)</b>	<b>69.4</b>	<b>80.6</b>	<b>(14%)</b>
Non-controlling interests	43.4	38.1	+14%



## BALANCE SHEET

### TOTAL EQUITY INCREASES BY 448 MILLION EUROS

Total Equity of 6.8 billion euros increased by 448 million euros when compared to year-end 2014, of which 360 million euros are attributable to non-controlling interests mostly arising from the new asset rotation transactions held in the period.

Total liabilities increased by 589 million euros, mainly driven by financial debt (+537 million euros), however compensated by a similar increase in cash and cash equivalents (+535 million euros).

With total liabilities of 8.6 billion euros, the debt-to-equity ratio of EDPR stood at 126% by the end of 1H15, remaining unchanged when compared to year-end 2014. Liabilities were mainly composed of financial debt (52%), liabilities related to institutional partnerships in the US (14%) and accounts payable (21%).

Liabilities to tax equity partnerships in the US stood at 1,175 million euros, including +143 million euros of new tax equity proceeds received in the first half of 2015. Deferred revenues related to institutional partnerships primarily represent the non-economic liability associated to the tax credits already realized by the institutional investor, arising from accelerated tax depreciation, and yet to be recognized as income by EDPR throughout the remaining useful lifetime of the respective assets.

Deferred tax liabilities reflect the liabilities arising from temporary differences between the accounting and the tax basis of assets and liabilities. Accounts payables include trade suppliers, PP&E suppliers, deferred income related to investment grants received and derivative financial instruments.

As total assets totalled 15.4 billion euros in 1H15, the equity ratio of EDPR reached 44%, remaining unchanged when compared to 2014. Assets were 75% composed of net PP&E - property, plant and equipment, reflecting the cumulative net invested capital in renewable energy generation assets.

Total net PP&E increased 520 million to 11.5 billion euros changed to reflecting the new additions during the first half and the forex translation (mainly as the result of a US Dollar appreciation).

Net intangible assets mainly include 1.5 billion euros from goodwill registered in the books, mostly related to acquisitions in the US and Spain, while accounts receivable are mainly related to loans to related parties, trade receivables, guarantees and tax receivables.

Statement of Financial Position (€m)	1H15	FY14	▲
<b>Assets</b>			
Property, plant and equipment, net	11,533	11,013	520
Intangible assets and goodwill, net	1,481	1,405	76
Financial investments, net	392	376	16
Deferred tax assets	45	46	(1)
Inventories	22	21	1
Accounts receivable – trade, net	170	146	(24)
Accounts receivable – other, net	746	859	(113)
Financial assets at fair value through profit and loss	-	-	-
Collateral deposits	61	81	(20)
Cash and cash equivalents	904	369	535
<b>Total Assets</b>	<b>15,354</b>	<b>14,316</b>	<b>1,038</b>
<b>Equity</b>			
Share capital + share premium	4,914	4,914	-
Reserves and retained earnings	887	742	145
Net profit (equity holders of EDPR)	69	126	(57)
Non-controlling interests	909	549	360
<b>Total Equity</b>	<b>6,779</b>	<b>6,331</b>	<b>448</b>
<b>Liabilities</b>			
Financial debt	4,439	3,902	537
Institutional partnerships	1,175	1,067	108
Provisions	107	99	7
Deferred tax liabilities	265	270	(5)
Deferred revenues from institutional partnerships	774	735	39
Accounts payable – net	1,815	1,912	(96)
<b>Total Liabilities</b>	<b>8,575</b>	<b>7,986</b>	<b>589</b>
<b>Total Equity and Liabilities</b>	<b>15,354</b>	<b>14,316</b>	<b>1,038</b>

## CASH FLOW STATEMENT

### STRONG OPERATING CASH FLOW

In the 1H15, EDPR generated an Operating Cash-Flow of €404m (-6% YoY), with the positive effect from EBITDA performance (+11% YoY) impacted by changes in working capital and non-cash items.

The key items that explain 1H15 cash-flow evolution are the following:

- Funds from operations, resulting from EBITDA after net interest expenses, share of profits of associates and current taxes, increased 13% YoY to €423m;
- Operating Cash-Flow, which is the EBITDA net of income tax and adjusted by non-cash items and net of changes in working capital, decreased to €404m. In the period, non-cash items increased by €20m on the back of new institutional partnerships in the US and forex translation, while changes in working capital totalled -€22m, mainly explained by impacts from Spanish regulatory changes;
- Capital expenditures with capacity additions, ongoing construction and development works totalled €322m (+€198m YoY). Other net investing activities amounted to €373m (+€232m YoY), mostly reflecting the invoice payments to equipment suppliers related to investments made in previous period and the investment done in Brazil following the 45% acquisition of EDPR Brasil (settlement of a first tranche of €25m in 1H15).
- In the 1H15, EDPR received €395m from the sale of non-controlling interests. On the back of its asset rotation strategy, in the 1H15, occurred the financial closing of the sale to DIF III of a minority interest in an operating solar PV power plant in the US (1Q15; \$30m). In addition, was effective the settlement of Fiera Axium transaction (3Q14; \$348m). With both transactions, EDPR received a net amount of €316m, considering agreed transaction values (€339m), less cash owed from the signing to the settlement date and net of transactions costs. In the period, also occurred the financial closing of the sale of minority interests in Brazilian assets to CTG (€79m), in the context of the institutional partnership with EDP.
- Proceeds from new institutional tax equity financing structure totalled €139m, including the last tranche of a structure signed in the 4Q14 (\$43m) and the 99 MW Rising Tree South wind farm (Jun-15; \$117m). Payments to institutional partnerships totalled €103m vs. €27m in 1H14, reflecting new tax equity structures signed in the US over the last 12 months.
- Total net dividends and other capital distributions paid to minorities amounted to €91m. Forex & Other had a negative impact increasing Net Debt by €153m, mainly explained by the impact of US dollar appreciation and other forex translation (+€110m in the 1H15).

All in all, in the 1H15, Net Debt increased by €190m vs. Dec-14 to €3,472m.

Cash Flow (€m)	1H15	1H14	▲
<b>EBITDA</b>	<b>548</b>	<b>495</b>	<b>+11%</b>
Current Income Tax	(33)	(32)	+6%
Net interest costs	(97)	(100)	(3%)
Share of profits of associates	6	11	(46%)
<b>FFO (Funds from operations)</b>	<b>423</b>	<b>374</b>	<b>+13%</b>
Net interest costs	97	100	(3%)
Income from associated companies	(6)	(11)	(46%)
Non-cash items adjustments	(88)	(68)	+29%
Changes in working capital	(22)	37	(160%)
<b>Operating Cash Flow</b>	<b>404</b>	<b>431</b>	<b>(6%)</b>
Capex	(322)	(124)	+160%
Financial Investments	(28)	(4)	+648%
Changes in working capital related to PP&E suppliers	(345)	(147)	+134%
Government Grants	-	11	-
<b>Net Operating Cash Flow</b>	<b>(291)</b>	<b>167</b>	<b>(274%)</b>
Sale of non-controlling interests and shareholders' loans	395	38	+945%
Proceeds from institutional partnerships	139	-	-
Payments to institutional partnerships	(103)	(27)	+280%
Net interest costs (post capitalisation)	(87)	(87)	+0%
Dividends (paid)/received and other capital distributions	(91)	(70)	+29%
Forex & Other	(153)	(116)	+32%
<b>Decrease / (Increase) in Net Debt</b>	<b>(190)</b>	<b>(95)</b>	<b>99%</b>

## FINANCIAL DEBT

### LONG-TERM AND FIXED RATE DEBT PROFILE

In Jun-15, EDPR's total Financial Debt was €4.4bn, €557m higher vs. Dec-14. Net Debt increased by €190m vs. Dec-14, reflecting the positive impact from the Asset Rotation proceeds, and on the other hand the impact from US dollar appreciation and other forex translation (+€110m) and the investments done in the period.

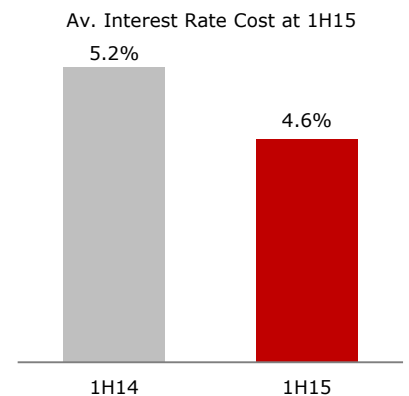
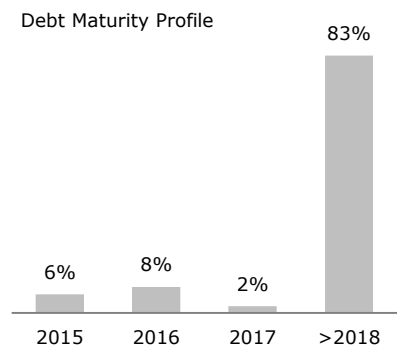
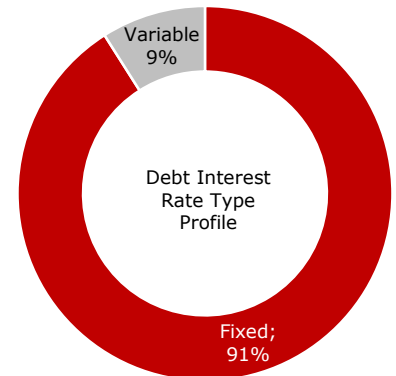
In the 1H15, EDPR closed two project finance transactions: in Brazil for wind farms under construction with total capacity of 120 MW, in a total amount of R\$306m; and in Belgium for a wind farm in operation with 14 MW, in a total amount of €16m. In addition, EDPR restructured two project finances with onwards positive impact of €3m (pre-tax in a full-year basis).

In Jun-15, 83% of EDPR's financial debt was funded through long-term loans with EDP Group – EDPR's principal shareholder – while loans with financial institutions represented 17% vs. 23% in the 1Q15, reflecting project finance restructuring.

As of Jun-15, 48% of EDPR's financial debt was Euro denominated, 43% was funded in US dollars, related to the company's investment in the US, and the remaining was mostly related with project finance structures in Polish Zloty and Brazilian Real.

EDPR continues to follow a long-term fixed rate funding strategy, matching the Operating Cash-Flow profile with its financial costs and therefore mitigating interest rate risk. Accordingly, as of Jun-15, 91% of EDPR's financial debt had a fixed interest rate and 83% matures in 2018 and beyond.

As of Jun-15, the average interest rate was 4.6%, lower vs. 5.2% in Dec-14, and reflecting EDPR re-negotiations of part of its long-term debt arrangements with EDP. In the 1H15, debt renegotiations with EDP totalled €1.2bn and have a positive impact of €26m (pre-tax in a full-year basis).



Financial Debt (€m)	1H15	FY14	▲
Nominal Financial Debt + Accrued interests	4,439	3,902	+537
Collateral deposits associated with Debt	(61)	(81)	+20
<b>Total Financial Debt</b>	<b>4,378</b>	<b>3,821</b>	<b>+557</b>
Cash and Equivalents	904	369	+536
Loans to EDP Group related companies and cash pooling	2	170	(168)
Financial assets held for trading	-	-	-
<b>Cash &amp; Equivalents</b>	<b>906</b>	<b>538</b>	<b>+367</b>
<b>Net Debt</b>	<b>3,472</b>	<b>3,283</b>	<b>+190</b>

### INSTITUTIONAL PARTNERSHIPS

Liabilities referred to Institutional Partnerships increased to €1,175m (vs. €1,067m in Dec-14), as a result of new institutional tax equity financing proceeds during the period (\$117m) and reduced by the benefits captured by the tax equity partners.

## 3.2. ENVIRONMENT

### 3.2.1. ECOLOGICAL FOOTPRINT

EDPR is a leading company in renewable energy. We produce clean and green energy, energy without emissions. Our strategy towards the environment is based on four pillars: the generation of CO<sub>2</sub>-free and water-free energy, minimization of environmental impacts during the life-cycle of our wind farms, respect for the biodiversity and a culture of responsibility and recycling.

Even though we are in a clean energy business, we go beyond our commitment with the environment by fostering a corporate culture in which initiatives and activities are consistent with environmental responsibility. Therefore we are committed to minimize the environmental impact of our operations and measure the footprint from our administrative activities and plants electricity consumption. Despite this low impact we encourage reducing these emissions by improving our practices. EDPR's small footprint regarding CO<sub>2</sub> emissions and water is due to administrative activities and plants electricity consumption.



#### ZERO EMISSIONS

- Zero carbon emissions
- Avoided 9.4 million tons of CO<sub>2</sub> emission



#### WATER FREE

- Virtually no water used in electricity generation
- 0.45 litres of consumed water per MWh



#### LOW WASTE GENERATION

- 23 kilograms of hazardous wastes per GWh
- 98% of hazardous wastes recovered



#### OVERALL POSITIVE IMPACT IN BIODIVERSITY

EDPR...

- Co-exists peacefully and abundantly with most wildlife
- Mitigates climate change; being a zero-emission company is the best way to protect biodiversity
- Respects biodiversity in all phases of the plant's life-cycle
- Seeks a positive biodiversity balance, defining initiatives to prevent, correct and compensate identified risks

## 3.2.2. BIODIVERSITY

In the long term, EDPR aims to contribute to an overall positive balance to the world's objective of reducing biodiversity loss due to human activity, one of today's greatest challenge.

In an effort to seek a positive balance in biodiversity, numerous initiatives were performed in 1H15:

### Red Kite Recovery program

EDPR signed a 3-year collaboration agreement with the Castile and León Natural Heritage Foundation that will entail a contribution of 204,600 euros. The goal of this agreement is to develop and launch a program of activities for the conservation of the red kite (*Milvus milvus*), such as:

- Radio tracking of several specimens of red kite;
- Actions aimed at recovering and improving the species' habitats;
- Design and construction of new dunghills;
- Repair and restoration of existing dunghills;
- Development of awareness-raising and environmental education activities for the local population and groups that have an effect on the conservation of these species.

### Wildlife anti-drowning devices installation

Aware of this problem, in 1H15, EDPR financed the installation of anti-drowning devices for wildlife in the pond that is used for fire suppression located at the Coll de Garganta wind farm (Tarragona, Spain).

The works consisted in the construction of an outer and inner ramp that can facilitate the egress of wildlife. With this measure EDPR will be contributing to prevent the death by drowning of small animals falling into the pond. Many of EDPR's wind farms are located in forest areas that have ponds that are used for firefighting. These ponds can turn dangerous for small animals that approach them searching for water, with the associated risk of them falling in accidentally and most likely dying by drowning as they become trapped in the ponds without any chance to climb out.



### 3.2.3. ENVIRONMENTAL MANAGEMENT

EDPR is strongly committed to contribute to the protection of the environment and biodiversity through a proactive environmental management of its wind farms in operation, as is stated in our Environmental and Biodiversity policies (detailed information available at [www.edpr.com](http://www.edpr.com)).

The operation stage of wind farms, with a useful life of 25 years, stands as the core of our business. According to this, we are conscious of the importance of proper management of environmental matters in our facilities in operation, which is assured through the Environmental Management System (EMS).

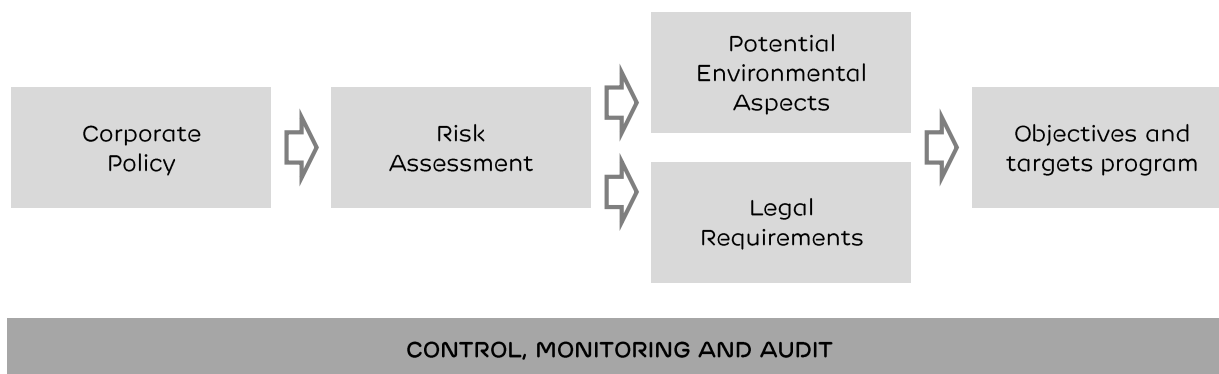
#### WHAT IS THE EMS?

EDPR's Environmental Management System (EMS) is a framework that helps the company achieve its environmental goals through consistent control of its operations, applicable to operations and maintenance phase of wind farms and solar PV plants, with the aim of improving its environmental performance.

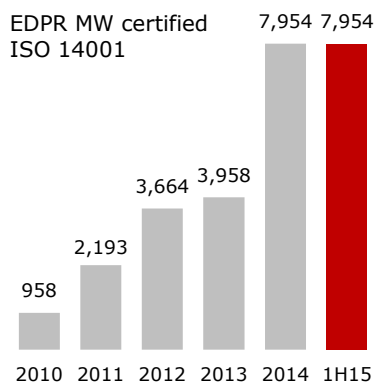
The system ensures focus on relevant environmental aspects, compliance with legal requirements while setting environmental objectives and targets to improve our environmental performance at country and platform levels.

#### HOW DOES THE EMS PROCESS WORK?

The implementation efforts of EDPR EMS started in 2008. All this is sustained by a continual improvement of the environmental performance mind-set and a qualified team aligned with the environmental strategy of the company. Both, our environment specialists and the network of external partners working with us, stand out for their extensive professional experience and knowledge of the environmental field.



#### HOW IS THE EMS CERTIFIED?



The EMS is developed in accordance with the ISO 14001 international standard and certified by an independent certifying organization. These consensus standards are considered the world's benchmark for EMS Management Systems and is a guarantee that EDPR sites, regardless of its regulatory environment are aligned and at the same level of compliance.

In 2014, EDPR accomplished its target to have its EMS certified ISO 14001 in all its wind farms in the US operating by then, adding 3.655 certified MW to its portfolio of almost 100% European sites in operations certified in 2014 in Europe. In the period 1H15, **87% of EDPR's 9.1 GW installed capacity is covered by ISO 14001 certification**, including 7,649 EBITDA MW and 305 Equity MW.

## 3.3. STAKEHOLDERS

### 3.3.1. EMPLOYEES

To attract, develop and retain talent is a main goal of EDPR's Human Resources strategy. At EDPR, our people are very important and we, as a responsible employer, want to retain them by offering quality employment that can be balanced with personal life. Despite a difficult macroeconomic environment, our employee base increased by nine percent over last year to reach 973. New employees have the opportunity to join a company with a strong work culture that emphasizes team work within a diverse environment represented by 24 nationalities.

We strive to offer our workforce with opportunities to develop professionally and to assume new roles to reach the company's goals. Our employees are distributed globally as 21% of our employees work at EDPR Holding, 45% within the European Platform, 32% within the North American Platform and 3% in Brazil. All are encouraged to take advantage of the functional and geographic mobility opportunities so they can assume more responsibilities.

#### HIRING

As part of the employee recruiting strategy, EDPR is committed to hiring the brightest people and seeks potential employees attending top universities and business schools. We have carried out different initiatives to enhance employer branding by participating in different Employer forums and hosting visits from top-tier universities. EDPR offers an internship program aimed at giving young professionals work experience and potentially identifying future employees with growth potential who can contribute to the future development of the business.

EDPR hires talented individuals who are passionate about the industry and share our vision and purpose. When hiring, the company takes into account not only the specific job skills for a certain position but also the behavioural skills, which are at the base of the organisational culture. As a company devoted to sustainability, EDPR aims to combine career goals with company values.

- Team Oriented Environment: EDPR promotes an environment based on team building.

- Career Development: EDPR recognizes the importance of career development, helps employees acquire knowledge to master the business, and rewards employees for their innovation, hard work and performance.
- Diversity: EDPR has a diverse team, with employees from a wide range of backgrounds and cultures.
- Sustainability: EDPR aims to encourage environmental, economic and social stewardship by its employees.

At EDPR, we hire top talent ensuring a non-discriminatory selection processes. This is confirmed in the Code of Ethics which contains specific clauses of non-discrimination and equal opportunities in line with the company's culture of diversity.

In 1H15, EDPR hired 102 employees, 40% of which are women. In addition, EDPR offered 67 long term internships and 15 summer internships.

#### INTEGRATION

EDPR has a strong company culture, and wants new hires to be able to understand this culture and quickly adopt it in their day-to-day activities. To encourage this, new hires are involved in a number of workshops and team building activities aimed at improving integration and gaining a better understanding of the company.

Our Welcome Day, a three day event for new hires, allows new employees to obtain basic knowledge of the

company, our business, and depending on the employee's profile, a visit to one of the wind farms or the remote control dispatch centre. In 2013, EDPR introduced a new integration tool called the Induction Plan. This integration tool consists in, new hires spending a few days at the corporate headquarters and are guided by colleagues from different areas to learn key aspects of their job and gain a better understanding of their work and how it contributes to the mission of EDPR.

#### SAFE ENVIRONMENT

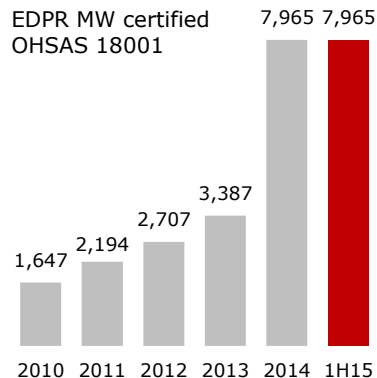
Guaranteeing a healthy and safe work environment for our employees and contractors is fundamental in all aspects of the business. EDPR's Health and Safety policy, available on our website, reflects the company's commitment to the prevention of occupational risks associated with our activities.

To support our strategy on health and safety, we have implemented proper management systems. These systems are adapted to each country, with specific standards and procedures based on the regulation and best practices.

The Management System is being certified OHSAS 18001:2007. During 2014, EDPR achieved an important milestone with the implementation of the Environmental Management System in the United States. With the implementation, almost 87% of EDPR's capacity is now OHSAS 18011 certified.

During 1H15, EDPR registered an injury rate of 4.2 and a severity rate of 133. The decrease in the injury rate is mainly driven by more worked hours with less accidents. Also, the severity rate decreased due to less worked hours with less absence days.

Overall, the trend improves. During the year, greater focus on communicating the policies and the realization of benefits from OHSAS certification, achieved during 2014, will help to drive improvements in the ratios.



**BENEFITS AND WORK LIFE BALANCE**

EDPR is committed to offer a competitive compensation and benefits package to recognize the work and talent of our employees. The compensation policy addresses the needs of local markets and provides flexibility to adapt to the specifics of each region. In addition to a fixed base compensation, there is a variable component that depends on a performance evaluation measured against the company's performance, area and individual KPIs.

Our performance based compensation is an important tool to promote a greater focus from our employees on not only the company's objectives but personal and team objectives as well. In order to be competitive in the marketplace and recruit the best talent, EDPR reviews and benchmarks itself against local markets in order to offer the most attractive benefits packages.

At EDPR, we understand the importance of maintaining a balance between work and personal commitments. This understanding has led to an increase of employees' satisfaction, while boosting productivity, and morale.

EDPR has work-life balance programs and aims to constantly improve and provide the most suitable benefits to employees. Often specific benefits are only

applicable to certain countries in which EDPR is present.

As an example of normalizing key benefits across the countries, EDPR employees in the United States and non-Iberian European countries can now enjoy extended time off when they get married. Additionally, employees in the United States can now enjoy their birthday as paid leave. Moreover EDPR also has a Kindergarten Allowance that applies to all employees with children aged between 1 and 3 years old. In the first semester of 2015, 64 children from Europe have benefited from this initiative, with a total outlay of 22,660 EUR paid.

However, there are also benefits that are being applied to specific countries where the company is present. An example of this benefits is the activity designated by Children at Work Day. This activity is an educational program promoting opportunities for children to participate in career exploration at an early age (between 7 and 12 years old) through craft projects, games, presentations of different departments, video conference with Portugal and Poland and lunch. This year, in Madrid, the event hosted 12 children and, in Seville, 19 children.

**DEVELOPMENT & TRAINING**

€730 thousand invested in training      12 hours of training per employee      €774 in training per employee

\*Calculated with Average Headcount

**POTENTIAL APPRAISAL**

Assessing the potential of our talented pool of employees is a fundamental tool in people management. The purpose of the annual Potential Appraisal is to prepare employees to achieve his/her top potential development based on a set of strategic skills. All of EDPR's employees, regardless of their professional category, are evaluated yearly to determine their development potential by providing the most suitable training. EDPR creates tailored development plan to address specific needs. The

potential assessment process is independent from performance appraisal and is based on a 360 degree evaluation model which considers feedback from oneself, peers, subordinates and the manager. During 1H15, in order to reinforce communication and transparency, EDPR carried out meetings, led by the executive team and directors, with employees explaining the 2015 Transversal area objectives that apply to each platform, so that the 2015 KPI's can be properly defined.

**TRAINING PLAN**

Each year a customized Training Plan is created based on the results of the potential performance assessment. The plan provides a framework for managing training within the company, in close alignment with the business strategy. When defining our strategy for the future, we strive to align current and future demands of the organization with our employees' capabilities while fulfilling their professional

development expectations and supporting their continuous improvement. EDPR is committed to offer employees an attractive career plan, as well as advanced education and training opportunities.

In 1H15, the number of training hours increased to 11,115, representing 12 hours of training per employee. Almost 70% of our employees received training during 1H15.



On February, the last session of the High Potential Program (HIPO), the Business Game, was held. The attendees, put into practice various competencies trained throughout the sessions, being the participants' feedback positive. Moreover, on April 2015, the second edition of Executive Development Program was launched, with 35 employees from all over Europe and Brazil. The participants have been identified by the HR through the potential appraisal, and ratified by their Directors and Executive Committee. As it happened last year, the prestigious IE Business School will be in charge of the Program, this time in alliance with Financial Times. The main

#### PROMOTIONS & MOBILITY

All our employees are covered by our performance evaluation system that collects information from several data sources to evaluate employee performance.

In the context of fostering workers' growth through diversity of experience, EDPR encourages professional mobility. To support the global growth strategy,

#### COMMUNICATION

EDPR is committed to provide employees with the best workplace experience. To help determine key drivers of employee satisfaction, EDPR ran a survey in 2013 to collect, analyse and act upon the results. After holding workshops to further discuss the results, an Action Plan was created to improve satisfaction during 2014 and 2015. The plan was primarily focused on improving communication within the company. It is important to have open lines of communications with employees so in order to improve the channels, different measures were implemented:

- Meetings with the CEO: During these meetings, employees are given the opportunity to share their point of view of the business from their positions and learn about the strategy of the company and how this relates to their day-to-day tasks. This is a great opportunity for employees to better understand their impact on the business. Almost 85% of our employees already had the chance to meet the CEO.
- Meetings with HR: EDPR is keen on connecting with employees. HR regularly holds organized meetings with a small group of employees to discuss important issues via an open forum. Almost 85% of the employees have participated.
- HR Monthly: EDPR employees receive a monthly newsletter with human resources related news. The publication includes upcoming events, training and volunteering opportunities, social benefits,

goal of this advanced program is to offer a broader vision of our company, as well as, to develop skills and management capabilities that will enable participants to develop their professional challenges.

Furthermore, in the same month, a group of 10 employees from O&M and Dispatch Centre from Portugal had training about High and Medium voltage substations, which was included in the 2015 Training Plan. The training took place on Montenegro Substation and, on May, the second group of employees had the same training plan.

mobility is of utmost importance as a powerful tool to share EDPR culture and best practices with new markets where we plan to enter.

During 1H15, 42 employees had functional or geographical mobility including 2 new expatriates. At the moment, EDPR has a total of 19 expats.

information on new hires, ongoing recruitments, and is an important tool to share the social initiatives with the employees.

In addition to open communication channels established for employees, satisfaction surveys are conducted every two years to gather opinions and gain an understanding of the motivation and satisfaction level of employees. The participation rate in the last survey reached 95% with a satisfaction score of 77%.

On March, EDPR Poland was granted with the second position in the category of Companies with less than 50 employees. In addition, on April 2015, Great Place to Work ( GPTW ) celebrated the awards ceremony for the top 50 companies that comprise the Best Workplaces in Spain for 2015. For the four consecutive year EDPR is the only company in the energy sector that integrates this exclusive list, reaching the eight position within the category of companies between 250 and 500 employees.

EDPR's ability to attract, develop, and retain talent is a testament to its commitment to excelling in all areas. It's no wonder that EDPR continues to be among the 50 best companies to work for as determined by the Great Place to Work rankings. A motivated workforce aligned with the company's strategy is one of the key drivers behind our ability to deliver on results during 2015.

## 3.3.2. LOCAL COMMUNITIES

EDPR is well aware of the impact that our activity has in the local communities where we develop our sites and how we can maximize those potential benefits for the company and the inhabitants of the surrounding areas through an open communication with our stakeholders.

Therefore, we establish a relationship of trust and collaboration with the communities where we have presence from the very initial stages of our projects, organizing informative sessions, we hold open dialogs with these communities, to explain the benefits of wind and solar energy. We also organize volunteering activities to promote a sustainable development of the society. This is a means to communicate some of EDPR's core values to the local community.

### FUNDACIÓN EDP

Fundación EDP's mission is to strengthen the commitment of the EDP Group in Spain, with special emphasis on those social, cultural, environmental and educational areas related to research that spearheads global sustainable development.

As such, Fundación EDP has promoted during 2015 a whole series of initiatives in Spain, funded by EDPR:

In the educational area EDPR has implemented, for the first time, the initiative "Tu Energía", to explain primary education students the importance of renewable energy and the differences with fossil energy sources, in the regions of Zaragoza, Huesca y Teruel.

In the social area EDPR, together with Fundación EDP, has supported several initiatives, some developed internally such as the volunteering programmes or the interrelation with the community activities, and many others developed by third parties. Details of the activities can be obtained in the web page of Fundación EDP ([www.fundacionedp.es](http://www.fundacionedp.es)).

In addition, in 2014, EDPR devoted more than 0.5 million euros to support the activities of Fundación EDP. In 1H15, EDPR kept supporting Fundación EDP activities, including the new social programme called "EDP Solidaria 2015", that contributes to improve the quality of life and the integration of social disadvantaged people. Furthermore, EDPR expects to devote, in 2015, 0.5 million euros to support the activities of Fundación EDP.

EDPR devotes time and resources to local communities in all countries in which it operates. Therefore, and in line with EDP Foundation's strategy, its activities are focused on three pillars: education, social and environment. EDPR has several modalities of collaboration with communities, initiatives that only involve the company, others in which it does it along with their employees and others in which are EDPR employees who dedicate their resources or time to these activities. Thereby, EDPR shows that is a company concerned about one of its key stakeholders, both at organizational and individual level.

### SOLIDARITY ACTION

In 2015, through the Solidary Action, many employees worked during the month of May with different NGOs to provide food and products of first necessity to vulnerable people subject to social exclusion.

- Food Bank – Seville: 5 volunteers collaborated with this NGO after their campaign Spring Kilo 2015. This Association distributes free food to different organizations as Comedor de Torreblanca, entity that receives the kilos of our campaign Kilos of Solidarity.
- Fundación Luz Casanova – Madrid: 14 volunteers collaborated in the daily tasks of the social dining. This non-profit Organization works for personal development and social integration of homeless, women & children victims of domestic violence.
- Food Bank – Asturias: 4 volunteers collaborated in the daily tasks of this NGO as the classification of non-perishable food or the distribution of products to different social organization. This food bank supplies more than 250 social entities.

### Kilos Global Solidarity Campaign

Kilos Global Solidarity Campaign is an EDPR initiative that aims to collect food and products of first necessity. Food and products donated by EDPR employees are collected in each office and then distributed to local NGOs. This initiative was developed in Spain, Romania, the UK, Italy, Poland, Portugal, France, Canada and in the United States where more than 1.200 kilos were collected.

### NOS FLORESTA VOLUNTEERING ACTIVITY

On June 2015, the employees, family members, partners and suppliers came together to be part of the Environmental Volunteering Activity, that took place in Romania and U.K. The Romanian team collaborated with the NGO Asociatia Zero CO2 and, 20 people were involved in planting trees in the central Bucharest park of Palatul Copiilor. The U.K. team helped The Marine Conservation Society Beachwatch, a national beach cleaning and litter surveying program.



## 3.4. OTHER REPORTING TOPICS

### 3.4.1. Financial Derivatives

In line with EDPR's general risk policy and strategy EDPR uses financial derivative instruments and enters in hedging positions and transactions with the sole intent to protect against those risks and, as a consequence, mitigate fluctuations of its earnings and/or changes in its equity. The type of derivative instruments contracted and their respective fair values are described in detail as part of the note 35 to the attached Condensed Consolidated Financial Statements.

### 3.4.2. Treasury Stocks

At the Annual Shareholders' meeting of 2010, the Board of Directors was authorized, during a term of five years from the date of the General Shareholders Meeting, for the derivative acquisition and sale of own shares by the Company and/or other affiliate companies, to the maximum limit established by the Law and in accordance with its terms. EDPR has not executed any acquisition and consequently any trade of its own shares.

### 3.4.3. Research & Development (R&D)

Besides the commercial activities, EDP Renováveis supports EDP Inovação (EDPI) in developing different projects with the objective of improving the competitiveness of the whole group. These projects are mainly focused on solar, offshore wind and other technologies. This agreement with EDPI reinforces the long term commitment of EDPR to support R&D activities in areas related with its business.

### 3.4.4. Subsequent Events

**EDPR established new institutional partnership structure for 99 MW in the US, Jul-1<sup>st</sup>**

On July 1<sup>st</sup>, EDPR secured \$117 million of institutional equity financing from MUFG Union Bank N.A. and another leading institutional investor, in exchange for an interest in the 99 MW Rising Tree South wind project, located in the State of California. The project will sell its output through a 20-year Power Purchase Agreement ("PPA"). Under the agreement, the financing was completed following the conclusion of the project's construction (second quarter of 2015). The institutional partnership structure established enables an efficient utilization of the tax benefits generated by the project improving the project's economics.

**EDPR informs about wind offshore projects in the UK, Jul-21<sup>st</sup>**

On July 21<sup>st</sup>, EDP Renováveis S.A. announced that has reached agreements with Repsol Nuevas Energías S.A. by which, under the terms of the contracts, EDPR agreed to buy from Repsol 33% equity interest in Moray offshore project, and to sell to Repsol 49% equity interest in Inch Cape offshore project. With the conclusion of these transactions EDPR will fully own the Moray offshore project, while Repsol will fully own the Inch Cape offshore project. Both projects are located in the UK and the completion of these transactions are subject to approval by The Crown Estate and other customary regulatory approvals.

In January 2010, Moray Offshore Renewable Limited ("MORL") was awarded the right, under a farm leasing programme conducted by The Crown Estate, to develop offshore wind energy in Zone 1 of the Third Offshore Wind Licensing Round ("UK Round 3") and in March 2014 was granted consent, by the Scottish government, for 1,116 MW offshore wind development.

These transactions are expected not to have material impact on EDPR's consolidated financial statements.

# Disclaimer

This report has been prepared by EDP Renováveis, S.A. to support the 1H2015 financial and operational performances. EDP Renováveis does not assume any responsibility for this report if it is used for different purposes.

Neither the Company - including any of its subsidiaries, any company of EDP Renováveis Group and any of the companies in which they have a shareholding -, nor their advisors or representatives assume any responsibility whatsoever, including negligence or any other concept, in relation with the damages or losses that may be derived from the use of the present document.

Any information regarding the performance of EDP Renováveis share price cannot be used as a guide for future performance.

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The present document does not constitute an offer or invitation to acquire, subscribe, sell or exchange shares or securities.

The 1H2015 management report contains forward-looking information and statements about the Company. Although EDP Renováveis is confident these expectations are reasonable, they are subject to several risks and uncertainties that are not predictable or quantifiable in advance. Therefore, future results and developments may differ from these forward-looking statements. Given this, forward-looking statements are not guarantees of future performance.

The forward-looking information and statements herein contained are based on the information available at the date of the present document. Except when required by applicable law, the Company does not assume any obligation to publicly update or revise said forward-looking information or statements.