

EDP FINANCE B.V.

Amsterdam

ANNUAL REPORT

2008



KPMG Audit
Document to which our report dated

28 APR 2009

A handwritten signature in blue ink, appearing to be 'J.B.' or similar, written over the date.

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CONTENTS

	<u>Page</u>
Responsibility Statement	3
Report of the Board of Management	4
Annual accounts	
Balance sheet as at 31 December 2008	6
Profit and loss account for the year ended 31 December 2008	8
Cash flow statement for the year ended 31 December 2008	9
Notes to the balance sheet and the profit and loss account	10
Other information	21
Auditors report	22



KPMG Audit
Document to which our report dated

28 APR 2009

also refers.
Initials for identification purposes
KPMG Accountants N.V.

EDP FINANCE B.V. Amsterdam

RESPONSIBILITY STATEMENT

The Board of Directors of the Company wish to state:

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

Amsterdam, 28 April 2009

The Board of Management:

EDP – Energias de Portugal S.A.

Burg, J.C.W. van.

Kamphuijs, W.H.



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28 APR 2009

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Initials for identification purposes
KPMG Accountants N.V.

REPORT OF THE BOARD OF MANAGEMENT

The Managing Directors of EDP Finance B.V. (hereinafter “the Company”) submit the annual report and the financial statements of the Company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

General

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

Activities

The principal activity of the Company is to act as a finance company. The policy of the group is to centralize financing in EDP – Energias de Portugal S.A. and the Company for group companies operating in core electricity businesses in Iberia.

Results

During the year ended 31 December 2008, the Company recorded a profit of EUR 6,228,550.

Major developments in 2008

During 2008, the Company continued its activity of funding EDP Group companies through Intercompany loans. The Company was able to provide the necessary funding to allow the EDP Group to accomplish the targeted levels of Capex whilst maintaining an adequate level of liquidity.

During 2008, the Company entered into the following financial transactions: A five-year Revolving Credit Facility of 925,000,000 Euros and two fifteen-year Euro Medium Term Notes, one of 325,000,000 GBP and the other of 160,000,000 Euros. The purpose of these transactions was to fund EDP Group activity throughout the year. These instruments allowed the Company to increase its debt maturity profile through different sources of funding as it entered into different debt markets during the year.

The Company successfully issued two Bond issues in November 2008, after the financial turmoil which started in September. This demonstrates a high appetite for the EDP brand name from investors despite the existing crisis of confidence.

The said financial turmoil in the last quarter of 2008 increased market spreads and rates to historic highs but the liquidity of the Company and the EDP Group proved robust. In addition, the funding which the Company entered into provided it with the ability to maintain stable liquidity management and results.

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28 APR 2009

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KPMG Accountants N.V.

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REPORT OF THE BOARD OF MANAGEMENT

FUTURE DEVELOPMENTS

For the year 2009 as a whole, the Board of Management expects that the activity of the Company will evolve in line with the trend already seen during 2008.

AUDIT COMMITTEE

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

Victor Fernando da Conceição Gonçalves : President

António Francisco Barroso de Sousa Gomes : Member

Manuel Fernando de Macedo Alves Monteiro : Member

Victor Domingos Seabra Franco: Member

Amsterdam, 28 April 2009

The Board of Management:

EDP – Energias de Portugal S.A.

Burg, J.C.W. van.

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KPMG Accountants N.V.

BALANCE SHEET AS AT 31 DECEMBER 2008

(Before appropriation of result)

		<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		EUR	EUR
FIXED ASSETS			
Long-term investments			
Loans to group entities	3.9	3,878,486,385	4,214,698,306
Discount Loans to group entities		<u>(5,751,805)</u>	<u>(6,592,764)</u>
		3,872,734,580	4,208,105,542
CURRENT ASSETS			
Commercial paper	3.1	3,288,400,000	1,681,300,000
Discount commercial paper	3.1	<u>(3,416,717)</u>	<u>(3,139,252)</u>
		3,284,983,283	1,678,160,748
Interest receivable	3.8	5,587,712	7,177,597
Loans to group entities	3.9	1,034,055,042	291,542,650
Discount Loans to group entities		(1,221,784)	(1,155,055)
Interest receivable from group entities		55,748,585	32,588,082
Amount due from group entities	3.3	4,391,313	3,978,531
Cash at bank	3.2	50,595,317	4,636,372
		<u>1,149,156,185</u>	<u>338,768,175</u>
		<u>8,306,874,048</u>	<u>6,225,034,465</u>



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28 APR 2009

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BALANCE SHEET AS AT 31 DECEMBER 2008

(Before appropriation of result)

		2008	2007
<u>SHAREHOLDER'S EQUITY AND LIABILITIES</u>		EUR	EUR
CAPITAL AND RESERVES			
Issued share capital	3.4/3.5	2,000,000	2,000,000
Accumulated results	3.5	6,479,104	895,726
Result for the financial year		6,228,550	5,583,378
		<u>14,707,654</u>	<u>8,479,104</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Issued medium term notes	3.6	4,720,762,057	4,094,415,356
Discount issued medium term notes	3.6	(137,127,540)	(30,091,132)
Credit facilities from third parties	3.9	2,175,000,000	1,250,000,000
Deferred swap premium	3.7/3.8	841,659	1,775,136
		<u>6,759,476,176</u>	<u>5,316,099,360</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Issued medium term notes	3.6	22,455,000	355,024,000
Discount issued medium term notes	3.6	-	(58,547)
Credit facilities from third parties	3.9	730,000,000	240,000,000
Interest payable		105,315,492	93,640,999
Amounts owed on purchased Commercial paper	3.1	585,000,000	-
Loans from group entities	3.9	83,025,043	200,663,203
Interest payable to group entities		13,110	6,482,826
Amount due to group entities	3.3	3,403,413	2,990,631
Tax		2,907,516	1,142,234
Other creditors		570,644	570,655
		<u>1,532,690,218</u>	<u>900,456,001</u>
		<u>8,306,874,048</u>	<u>6,225,034,465</u>



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28 APR 2009

The accompanying notes form an integral part of these accounts.

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**PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED 31 DECEMBER 2008**

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Interest income commercial paper	103,811,134	88,201,138
Interest income group entities	242,210,695	148,972,621
Other interest income	8,912,232	604,046
Interest expense notes	(215,619,597)	(157,325,744)
Interest (expense)/income swap	(4,205,563)	1,528,421
Interest expense on group entities	(12,473,482)	(10,672,007)
Other interest expense	(113,687,192)	(63,647,830)
Foreign exchange differences	<u>157,472</u>	<u>14,202</u>
Net financial income (expense)	9,105,698	7,674,847
 Operating expenses	 <u>(765,529)</u>	 <u>(757,030)</u>
 RESULT BEFORE TAXATION	 8,340,169	 6,917,817
 Corporate income tax current year	 3.15 (2,111,619)	 (1,422,774)
Corporate income tax previous years	<u>-</u>	<u>88,335</u>
 RESULT AFTER TAXATION	 3.5 <u><u>6,228,550</u></u>	 <u><u>5,583,378</u></u>



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28 APR 2009

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KPMG Accountants N.V.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	year ended 2008	year ended 2007
Cash flow from operating activities		
Operating profit/(loss)	6,228,550	5,583,378
Receivables:		
Movements in CP's	(1,606,822,536)	441,859,081
Movements in discount facilities	66,729	0
Movements in interest receivable	1,589,886	672,801
Movements in loans to group entities	(742,512,392)	1,532,122,769
Movements in interest receivable from group entities	(23,160,503)	(11,955,015)
Movements in amount due from group entities	(412,782)	(1,712,577)
Current liabilities:		
Movements in facilities	490,000,000	240,000,000
Movements in interest payable	11,674,492	11,812,301
Movements in loans from group entities	(117,638,161)	(85,275,077)
Movements in interest payable to group entities	(6,469,716)	938,695
Movements in the amount owed on commercial paper	585,000,000	
Movements in amount due from group companies	412,782	1,712,577
Movements in provision for risks and charges	0	0
Movements in tax	1,765,282	23,728
Movements in other creditors	(11)	49,376
Issued medium term notes	(332,510,453)	354,965,453
Net cash flow from operating activities	(1,732,788,834)	2,490,797,490
Cash flow from investing activities	0	0
Long term investments:	335,370,962	(3,246,474,084)
Net cash flow used in investing activities	335,370,962	(3,246,474,084)
Cash flow from financing activities		
Long term debts:		
Issued medium term notes	626,346,701	1,003,579,358
Discount issued medium term notes	(107,036,408)	(3,622,732)
Facilities	925,000,000	(240,000,000)
Deferred income swap	(933,477)	(930,926)
Net cash flow from financing activities	1,443,376,817	(2,487,448,384)
Net change in cash & cash equivalents	45,958,945	3,349,106
Cash and cash equivalents in the beginning of the year	4,636,372	132,209
Cash and cash equivalents at the end of the year	50,595,317	4,636,372



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NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. GENERAL

1.1 Group affiliation and principal activities

EDP Finance B.V. ("the Company"), a corporation with limited liability, having its statutory seat in Amsterdam, The Netherlands, was incorporated under the laws of The Netherlands on 1 October 1999 with registered office at Strawinskylaan 3105, Amsterdam, the Netherlands. The ultimate parent company of EDP Finance B.V. is EDP – Energias de Portugal S.A., Lisbon, Portugal.

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

1.2 Keep-well agreement

On 14 March 2001, EDP – Energias de Portugal S.A. signed a keep-well agreement with the Company. This agreement states that for as long as the Company has outstanding instruments under an external debt Programme and in case the Company shall have insufficient funds or other liquid assets to meet its payment obligations (including in respect of any Debt Obligations) at any time, EDP – Energias de Portugal S.A. shall make available to the Company funds sufficient to enable the Company to meet such payment obligations in full as they fall due. However, the keep-well agreement is not a guarantee, direct or indirect, by EDP – Energias de Portugal S.A. of any Debt Obligations or any other debt of the Company or of any instrument issued by the Company.

2. ACCOUNTING POLICIES

2.1 Basis of presentation

The accompanying annual accounts have been prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles in The Netherlands. Unless indicated otherwise, assets and liabilities are stated at nominal value.

During the year, the Company changed the method of accounting for the recognition date of commercial paper to come into line with the accounting policies of the EDP group. From the current year onwards, the recognition date of Commercial paper is the trade date (previously the settlement date). This change in the method of accounting does not impact on the result of the Company in the current or previous years.

2.2 Foreign currency translation

Assets and liabilities denominated in other currencies are translated into euro at the rates of exchange prevailing on the balance sheet date. Transactions in foreign currencies have been translated at the rates of exchange prevailing on the date of the transactions. In case transactions

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10

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KPMG Accountants N.V.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

and/or assets and liabilities are hedged, the foreign currencies are denominated at the forward contract rate. Exchange results are reflected in the profit and loss account.

The following other exchange rates have been applied as at 31 December 2008 (2007): 1 euro =

0.9525 (0.73335)	British pound (GBP)
1.3917 (1.47210)	United States dollars (USD)

2.3 Hedge Accounting

The Company applies the cost price hedge accounting model as all derivative financial instruments are used to mitigate financial risks. Cost price hedging means that derivative financial instruments are valued at the same valuation principles as the hedged item (i.e. cost price).

2.4. Recognition of income and expenses

Revenues and expenses are accounted for in the period these items occur.

2.5 Discount and premiums on commercial papers/notes

Premiums and discounts on issued or acquired commercial papers and notes are amortized by using the effective interest rate over the remaining life.

2.6 Cash flow statement

The cash flow statement is prepared using the indirect method.

3 NOTES ON SPECIFIC ITEMS OF THE BALANCE SHEET

3.1 Commercial paper

Commercial paper is comprised as follows:

		<u>31/12/2008</u>	<u>31/12/2007</u>
Nominal Amount:	EUR	3,288,400,000	1,681,300,000
Discount:	EUR	(3,416,717)	(3,139,252)
	EUR	<u>3,284,983,283</u>	<u>1,678,160,748</u>

The Company holds ten commercial papers from EDP - Energias de Portugal S.A. ("EDP S.A."), the issuer of the commercial papers, with a nominal value of EUR 187,000,000, EUR 674,500,000, EUR 239,500,000, EUR 175,000,000, EUR 449,000,000, EUR 508,400,000, EUR 170,000,000

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28 APR 2009

11

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Initials for identification purposes
KPMG Accountants N.V.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

and EUR 300,000,000, EUR 350,000,000 and EUR 235,000,000 respectively. The yield of the commercial papers varies from 2.761% to 3.75% and the maturity dates all fall due in January 2009. The Commercial paper traded in 2008 with a settlement date in 2009 amounts to euro 585,000,000.

3.2 Cash at Bank

Cash consists of current accounts with banks. The current accounts are at the free disposal of the Company.

3.3 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

EDP S.A. is the parent company of EDP Finance B.V. and has decisive control of EDP Finance B.V.

The Company has signed a keep-well agreement and a service agreement with EDP S.A (see notes 'Keep-well agreement' (1.2) and note 'Service agreement' (3.14). There was a service fee for 2008 to the amount of EUR 412,728 (2007: EUR 1,712,577). In addition, the Company purchased ten commercial papers from EDP S.A. with a total nominal value of EUR 3,288,400,000 (see note 'Commercial paper' (3.1)).

As at 31 December 2008, the Company was owed a total of EUR 987,900 (2007 : EUR 987,900) by EDP S.A.

3.4 Issued share capital

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

3.5 Movements in capital and reserves

	Issued share capital	Accumulated results	Result for the financial year	Total
Balance as at 31 December 2007	2,000,000	895,726	5,583,378	8,479,104
Appropriation of result	-	5,583,378	(5,583,378)	-
Result for the financial year	-	-	6,228,550	6,228,550
Balance as at 31 December 2008	2,000,000	6,479,104	6,228,550	14,707,654

KPMG Audit
Document to which our report dated

28 APR 2009

12

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Initials for identification purposes
KPMG Accountants N.V.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.6 Issued medium term notes

			31/12/2008	31/12/2007
	Term 0 – 5 years	Term > 5 years	Total	Total
	EUR	EUR	EUR	EUR
EUR 22,455,000 zero coupon note (2009)	22,455,000	-	22,455,000	22,455,000
Discount EUR 22,455,000 zero coupon note	(841,659)	-	(841,659)	(1,775,136)
GBP 200,000,000 fixed rate note (2017)	-	320,000,000	320,000,000	320,000,000
Discount GBP 200,000,000 fixed rate note	(1,604,116)	(1,156,087)	(2,760,203)	(3,081,729)
EUR 93,357,000 fixed rate note (2022)	-	93,357,000	93,357,000	93,357,000
EUR 500,000,000 fixed rate note (2008)	-	-	-	355,024,000
Discount EUR 500,000,000 fixed rate note	-	-	-	(58,547)
EUR 500,000,000 fixed rate note (2015)	-	500,000,000	500,000,000	500,000,000
Discount EUR 500,000,000 fixed rate note	(6,753,610)	(1,986,138)	(8,739,748)	(10,093,428)
EUR 300,000,000 fixed rate note (2020)	-	300,000,000	300,000,000	300,000,000
Discount EUR 300,000,000 fixed rate note	(583,893)	(758,166)	(1,342,059)	(1,459,094)
EUR 500,000,000 floating rate note (2010)	500,000,000	-	500,000,000	500,000,000
Discount EUR 500,000,000 floating rate note	(447,697)	-	(447,697)	(757,609)
EUR 500,000,000 fixed rate note (2012)	500,000,000	-	500,000,000	500,000,000
Discount EUR 500,000,000 fixed rate note	(1,067,464)	-	(1,067,464)	(1,378,029)
EUR 500,000,000 fixed rate note (2016)	-	500,000,000	500,000,000	500,000,000
Discount EUR 500,000,000 fixed rate note	(2,251,267)	(1,102,209)	(3,353,476)	(3,804,715)
USD 1,000,000,000 fixed rate note (2012)	718,545,664	-	718,545,664	679,301,678
Discount USD 1,000,000,000, fixed rate note	(3,161,947)	-	(3,161,947)	(3,753,583)
USD 1,000,000,000 fixed rate note (2018)	-	718,545,664	718,545,664	679,301,678
Discount USD 1,000,000,000, fixed rate note	(1,963,464)	(1,862,018)	(3,825,481)	(3,987,809)
GBP 325,000,000 fixed rate note (2024)	-	410,313,730	410,313,730	-
Discount GBP 325,000,000 fixed rate note	(950,483)	(1,903,295)	(2,853,778)	-
EUR 160,000,000 Zero coupon note (2023)	-	160,000,000	160,000,000	-
Discount EUR 160,000,000 zero coupon note	(36,578,544)	(72,155,484)	(108,734,028)	-
	<u>1,684,796,520</u>	<u>2,921,292,997</u>	<u>4,606,089,517</u>	<u>4,419,289,677</u>

As per 31 December 2008, the Company recognized ten notes under the EUR 12,500,000,000 Programme for the Issuance of Debt Instruments with the total amount of EUR 4,627,405,057.

All bond issues are listed on the London Stock Exchange apart from two Private Placements, the twenty two million four hundred and fifty five thousand Euro zero coupon note and the ninety-three million three hundred and fifty-seven thousand Euro note.

The twenty two million four hundred and fifty five thousand Euro zero coupon note was issued at a price of 66.80% on 26 November 2001 and matures at 27 November 2009.



KPMG Audit
Document to which our report dated

28 APR 2009

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Initials for identification purposes
KPMG Accountants N.V.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The two hundred million Sterling note bears a fixed interest of 6.625% per annum. This note was issued at a price of 98.936% on 9 August 2002 and matures at 9 August 2017.

The ninety-three million three hundred fifty-seven thousand Euro note bears a fixed interest of 6.37861% per annum. This note was issued at a par on 23 December 2002 and matures at 23 December 2022.

The five hundred million Euro note (02) bore a fixed interest of 5.00% per annum. This note was issued at a price of 99.924% on 16 December 2002 and matured at 20 March 2008. An exchange was issued in June 2005 which reduced the number of outstanding notes to EUR 355,024,000.

The five hundred million Euro note (05) bears a fixed interest of 3.75% per annum. This note was issued at a price of 99.346% on 22 June 2005 and matures at 22 June 2015. EUR 144,976,000 of these notes were issued in exchange for the five hundred million Euro note (02).

The three hundred million Euro note bears a fixed interest of 4.125% per annum. This note was issued at a price of 99.791% on 29 June 2005 and matures at 29 June 2020.

The five hundred million Euro floating rate note bears interest at three month Euribor + 0.15%. This note was issued at a price of 99.885% on 12 June 2006 and matures on 14 June 2010.

The two five hundred million Euro notes issued in 2007 bear interest at 4.25% and 4.625% respectively. The 4.25% fixed rate note was issued at a price of 99.803% on 12 June 2006 and matures on 12 June 2012 and the 4.625% fixed rate note was issued at a price of 99.349% on 12 June 2006 and matures on 13 June 2016.

The two one billion USD notes issued in 2007 bear interest at 5.375% and 6.000% respectively. The 5.375% fixed rate note was issued at a price of 99.779% on 2 November 2007 and matures on 2 November 2012 and the 6.000% fixed rate note was issued at a price of 99.854% on 2 November 2007 and matures on 2 February 2018.

The three hundred twenty-five million sterling note issued during the year bears interest at 8.625%. The note was issued at a price of 99.605% on 4 November 2008 and matures on 4 January 2024.

The one hundred sixty million Euro Zero coupon note issued during the year at the price of 31.53% on 12 November 2008 and matures on 12 November 2023.

3.7 Deferred swap premium

The deferred swap premium amount relates to the upfront payment received from the swap counter party based on the amortizing zero coupon swap contract. See also 'financial instruments' (3.8).

3.8 Financial instruments

Financial instruments are used to reduce interest rate and foreign currency risks. Financial instruments are not used for speculative purposes. Foreign currency instruments are used to reduce

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KPMG Audit
Document to which our report dated

28 APR 2009

also refers.
Initials for identification purposes
KPMG Accountants N.V.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

the foreign currency risk arising on financing in foreign currencies. Interest instruments are used to adjust the fixed part of the financing to a floating profile.

In 2001 the Company entered into an amortizing zero coupon swap contract to hedge the interest on the twenty two million four hundred and fifty thousand Euro zero coupon note.

The amortizing zero coupon swap contract has an effective date of 26 November 2001 and a termination date of 27 November 2009. At the effective date the Company received an upfront payment of the swap counter party relating to fixed amounts over the period of the swap contract. In return, the Company has to pay semi annually 6 month Euribor plus a spread of 0.53% over the notional amount of the underlying to the swap counter party.

Furthermore the Company owns a cross-currency interest swap contract that hedges the GBP exposure within the GBP 200 million fixed rate note. The Swap, like the loan, has an effective date of 9 August 2002 and a termination date of 9 August 2017. Semi annually, the Company has to pay 6 month Euribor plus a spread of 1.38% over the notional amount of GBP 200 million, being the underlying to the swap counter party. Initially, the Company and the swap counter party exchanged the nominal amounts, which are reversed at the end of the swap contract.

During the year, the Company negotiated a second cross-currency interest swap contract that hedges the GBP exposure within the GBP 325 million fixed rate note. The effective date is the same as for the loan, being 4 November 2008 and the termination date is 4 January 2024. Each quarter, the Company has to pay 3 month Euribor plus a spread of 3.99% over the national amount of GBP 325 million underlying to the swap counter party. Initially, the company and the swap counter party exchanged the nominal amounts, which are reversed at the end of the swap contract.

As at 31 December 2008, the interest receivable on the foreign currency instruments was EUR 5,587,712 (2007 : EUR 7,177,597).



KPMG Audit
Document to which our report dated

28 APR 2009

also refers.
Initials for identification purposes
KPMG Accountants N.V.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.9 Credit facilities and intercompany loans

	Original currency	Countervalue per 31/12/2008	Start date	Maturity date	Average interest		31/12/2007	Average interest
Loans to group entities:								
Greater than one year								
EDP S.A. Branch	USD 994,290,000	EUR 718,545,664	05/11/2007	02/11/2012	5.3750%	EUR	679,301,678	5.3750%
EDP S.A. Branch	USD 994,040,000	EUR 718,545,664	05/11/2007	02/02/2018	6.0000%	EUR	679,301,678	6.0000%
EDP S.A. Branch	EUR 478,000,000	EUR 206,060,356	14/12/2007	31/12/2021	4.7810%	EUR	478,000,000	4.7810%
EDP S.A. Branch	EUR 413,261,215	EUR 299,014,697	14/12/2007	31/12/2027	5.4560%	EUR	413,261,215	5.4560%
EDP S.A. Branch	EUR 233,040,811	EUR 209,736,730	14/12/2007	30/06/2022	4.8122%	EUR	225,272,784	4.8122%
EDP S.A. Branch	EUR 289,843,712	EUR 269,854,490	14/12/2007	30/06/2022	5.0070%	EUR	289,843,712	5.0070%
HidroElectica del Cantabrico	EUR 400,000,000	EUR 400,000,000	09/07/2007	11/07/2011	5.4250%	EUR	400,000,000	5.2750%
HidroElectica del Cantabrico	EUR 590,000,000	EUR 590,000,000	21/02/2005	11/07/2011	5.4090%	EUR	590,000,000	5.2670%
HidroElectica del Cantabrico	EUR 260,000,000	EUR 260,000,000	24/04/2008	24/04/2018	5.8655%	EUR	-	-
HidroElectica del Cantabrico	EUR 278,165,000	EUR 76,728,784	20/10/2008	20/10/2018	6.2705%	EUR	-	-
HidroElectica del Cantabrico	EUR 130,000,000	EUR 130,000,000	22/12/2008	23/12/2013	5.5330%	EUR	-	-
EDP S.A. Branch	EUR 347,742,933	-	14/12/2007	30/06/2023	-	EUR	154,848,551	5.5653%
EDP S.A. Branch	EUR 585,219,717	-	14/12/2007	30/06/2023	-	EUR	304,868,688	5.1479%
		<u>3,878,486,385</u>					<u>4,214,698,306</u>	
Less than one year								
EDP Investment and Services Ltd.	EUR 212,770,724	EUR 201,269,900	15/01/2006	30/04/2008	5.6269%	EUR	208,542,650	4.8060%
HidroElectica del Cantabrico	EUR 65,000,000	EUR 65,000,000	28/12/2007	03/01/2008	5.0050%	EUR	-	-
HidroElectica del Cantabrico	EUR 83,000,000	EUR 83,000,000	03/01/2008	01/12/2008	5.0890%	EUR	-	-
EDP S.A. Branch	EUR 528,214,686	EUR 528,214,686	28/11/2008	28/01/2009	3.9210%	EUR	-	-
EDP S.A. Branch	EUR 61,712,213	EUR 61,712,213	30/12/2008	30/06/2009	3.1110%	EUR	-	-
EDP S.A. Branch	EUR 34,939,266	EUR 34,939,266	31/12/2008	30/06/2009	3.0870%	EUR	-	-
EDP S.A. Branch	EUR 265,856,544	EUR 26,585,644	15/12/2008	28/01/2009	3.3310%	EUR	-	-
EDP S.A. Branch	EUR 33,333,333	EUR 33,333,333	08/12/2008	28/01/2009	3.6770%	EUR	-	-
HidroElectica del Cantabrico	EUR 110,000,000	EUR -	29/10/2006	03/01/2008	-	EUR	28,000,000	5.0760%
HidroElectica del Cantabrico	EUR 55,000,000	EUR -	28/12/2007	03/01/2008	-	EUR	55,000,000	4.8770%
		<u>1,034,055,042</u>					<u>291,542,650</u>	
	Original currency	Countervalue per 31/12/2008	Start date	Maturity date	Average interest		31/12/2007	Average interest
Credit facilities from third parties:								
Greater than one year								
Societe Generale	EUR 150,000,000	EUR 150,000,000	06/12/2006	06/12/2011	4.9340%	EUR	150,000,000	4.9350%
Deutsche Bank	EUR 590,000,000	EUR 590,000,000	24/11/2006	06/11/2013	4.4970%	EUR	590,000,000	4.6260%
Deutsche Bank	EUR 510,000,000	EUR 510,000,000	23/11/2006	06/11/2013	4.4970%	EUR	510,000,000	4.6260%
Deutsche Bank	EUR 925,000,000	EUR 925,000,000	08/05/2008	29/04/2013	5.2400%	EUR	-	-
		<u>2,175,000,000</u>					<u>1,250,000,000</u>	
Less than one year								
SMBC	EUR 1,300,000,000	EUR 730,000,000	20/03/2008	27/07/2009	4.3080%	-	-	-
Royal Bank of Scotland	EUR 240,000,000	EUR -	29/07/2005	26/07/2008	-	EUR	240,000,000	4.6380%
		<u>730,000,000</u>					<u>240,000,000</u>	
Loans from group entities:								
Less than one year								
EDP Renovaveis	EUR 53,000,000	EUR 53,025,043	22/12/2008	05/01/2009	2.4864%	-	-	-
EDP Renovaveis	EUR 30,000,000	EUR 30,000,000	31/12/2008	05/01/2009	1.8500%	-	-	-
		<u>83,025,043</u>					<u>2,006,663,203</u>	



KPMG Audit
Document to which our report dated

28 APR 2009

also refers:
Initials for identification purposes
KPMG Accountants N.V.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.10 Fair Value information

The table below shows the book value and fair value of the various assets and liabilities of the Company. The fair value per 31 December 2008 and per 31 December 2007 is based on the flat swap yield as per the end of the year, not including the widening of the Company's own credit spread.

	31-Dec-08		31-Dec-07	
	Book value	Fair value	Book value	Fair value
Loans to group companies	4,971,295,448	5,454,253,321	4,542,237,346	4,711,366,242
Commercial paper	3,284,983,283	3,284,983,283	1,678,160,748	1,678,160,748
Cash at bank	50,595,317	50,595,317	4,636,372	4,636,397
Total assets	8,306,874,048	8,789,831,921	6,225,034,466	6,394,163,387
Equity	14,707,654	51,503,922	8,479,104	33,906,681
Issued medium term notes	4,711,405,009	5,247,717,870	4,512,930,676	4,603,530,874
Facilities	2,905,000,000	2,917,075,207	1,490,000,000	1,492,494,380
Loans from group entities	86,441,566	83,032,218	210,136,660	207,220,152
Derivatives with negative fair value	841,659	97,975,456	1,775,136	55,298,410
Other	588,478,160	588,478,160	1,712,890	1,712,890
Total liabilities	8,306,874,048	8,789,831,921	6,225,034,466	6,394,163,387



KPMG Audit
Document to which our report dated

28 APR 2009

also refers.
Initials for identification purposes
KPMG Accountants N.V.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.11 Liquidity risk

31-Dec-08							
	Total	<3 months	< 6 months	<1 year	<5 years	<10 years	>10 years
Loans to group companies	4,971,295,448	779,659,855	358,101,634	0	1,835,392,576	1,013,475,110	984,666,273
Commercial paper	3,284,983,283	3,284,983,283	0	0	0	0	0
Cash at bank	50,595,317	50,595,317	0	0	0	0	0
Total assets	8,306,874,048	4,115,238,455	358,101,634	0	1,835,392,576	1,013,475,110	984,666,273
Equity	14,707,654	14,707,656	0	0	0	0	0
Issued medium term notes	4,711,405,009	14,885,926	78,142,266	21,613,341	1,726,155,855	2,019,866,755	850,740,864
Facilities	2,905,000,000	0	0	730,000,000	1,075,000,000	1,100,000,000	0
Loans from group entities	86,441,566	86,441,566	0	0	0	0	0
fair value	0	0	0	0	0	0	0
Other	589,319,819	588,478,160	0	0	841,659	0	0
Total liabilities	8,306,874,048	704,513,308	78,142,266	751,613,341	2,801,997,514	3,119,866,755	850,740,864
31-Dec-07							
	Total	<3 months	< 6 months	<1 year	<5 years	<10 years	>10 years
Loans to group companies	4,542,237,321	102,611,875	232,565,110	0	2,218,236,065	612,828,264	1,375,996,007
Commercial paper	1,678,160,748	1,678,160,748	0	0	0	0	0
fair value	4,636,397	4,636,397	0	0	0	0	0
Cash at bank	0	0	0	0	0	0	0
Total assets	6,225,034,466	1,785,409,020	232,565,110	0	2,218,236,065	612,828,264	1,375,996,007
Equity	8,479,104	8,479,104	0	0	0	0	0
Issued medium term notes	4,512,930,676	379,630,122	60,642,129	0	1,701,133,408	1,303,020,127	1,068,504,890
Facilities	1,490,000,000	0	240,000,000	0	150,000,000	1,100,000,000	0
Loans from group entities	210,136,660	0	210,136,660	0	0	0	0
fair value	0	0	0	0	0	0	0
Other	3,488,026	1,712,890	0	0	1,775,136	0	0
Total liabilities	6,225,034,466	389,822,116	510,778,789	0	1,852,908,544	2,403,020,127	1,068,504,890

The table below shows the contractual maturity of the various assets and liabilities of the Company.

3.12 Interest rate risk

The interest rate policy of the EDP Group focuses on reducing financial costs and reducing the risk of market fluctuations through interest rate swaps and collar structures, diminishing the exposure to variable interest rates. This analysis is made regularly and the EDP Group adjusts the interest rate exposure of its debt portfolio to market conditions.

KPMG

KPMG Audit
Document to which our report dated

28 APR 2009 18

also refers.
Initials for identification purposes
KPMG Accountants N.V.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.13 Currency risk

Though the Company has loans to Group companies and issued debt instruments in currencies other than euro, the currency risk of the Company is almost completely hedged.

3.14 Credit risk

EDP SA and EDP BV have a credit rating of A2 by Moody's and A by S&P.

The Commercial Paper acquired by EDP Finance BV in the total amount of EUR 3,284,903,283 have been issued by EDP SA.

The intercompany loan in the amount of EUR 1,604,728,784 is granted to HidroElectrica del Cantabrico, S.A. This company is part of the EDP group and 95.7% directly owned by EDP SA and has a credit rating of A- by Fitch and A3 by Moody's. The intercompany loan in the total amount of and EUR 201,269,900 was granted to EDP Investments & Services Ltd. EDP Investments & Services Ltd. is an EDP group company, 100% indirectly owned by EDP SA. The purpose of this loan is to fund this company's investment in shares issued by a Brazilian subsidiary 61% indirectly owned by the EDP Group. EDP Investments & Services Ltd. is not rated. The intercompany loans in the amount of EUR 3,106,542,743 were granted to EDP SA Branch in Spain. The EDP SA Branch is an integral part of EDP S.A.

3.15 Directors

The company has three directors and no supervisory director. The table below shows the charges regarding remuneration of directors and former directors:

Remuneration of directors:

<u>2008</u>	<u>2007 Directors</u>
EUR 5,800	EUR 3,681 Burg, J.C.W. van and Kamphuijs, W.H.

3.16 Service agreement

EDP SA has signed a service agreement with the Company. This service agreement states that EDP SA is remunerated by receiving an annual fee for services it provides to the Company by arranging, managing and maintaining all debt portfolios of the Company, based on the total amount of existing debt to manage. Furthermore, the Company is also remunerated for providing the same service to other EDP Group companies, by funding their activities and managing their debt. Either party may terminate the service agreement by one month notice in writing to the other party. However, no such termination has taken place to date.

KPMG Audit
Document to which our report dated

28 APR 2009

19

also refers.
Initials for identification purposes
KPMG Accountants N.V.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.17 Taxation

In 2007, the Company successfully negotiated with the Dutch Tax Authorities an Advanced Pricing Agreement so that the minimum tax base of the Company will be three basis points on amounts lent on plus an arm's length return on the equity portion at risk, less the operating expenses of the Company.

For the time being, for the commercial accounts, the Company calculates tax expense using the general tax principles in the Netherlands.

4 OTHER NOTES

4.1 Employees

The Company does not employ any staff and incurred no salary and related social security expenses or pension costs in 2008.

Amsterdam, 28 April 2009



KPMG Audit
Document to which our report dated

28 APR 2009

also refers.
Initials for identification purposes
KPMG Accountants N.V.

OTHER INFORMATION

Statutory provisions concerning the appropriation of results

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered. Retained earnings are at the disposal of the shareholders in accordance with article 20 of the Articles of Association of the company. Furthermore, Dutch law prescribes that a company may make distributions to the shareholders and other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law or the articles.

Proposed appropriation of result

The Board of Management proposes to add the profit for the financial year ended 31 December, 2008 in the amount of EUR 6,228,550 to the accumulated results.

Post balance sheet events

On the 18 February 2009, the Company issued a bond in the amount of EUR 1.000.000.000 under the EMTN Programme, maturing in 2014. The funds raised were used to repay other debt in the normal course of the business operations of the Company.

On the 4 March 2009, in order to ensure the Company's capability to fund its activities, a new three-year 1.6 Billion Revolving Credit Facility was negotiated to replace the existing 1.3 Billion Revolving Credit Facility that is due to mature in July 2009.



KPMG Audit
Document to which our report dated

28 APR 2009

also refers,
Initials for identification purposes
KPMG Accountants N.V.

"AUDITORS REPORT"

To: the shareholders EDP Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2008 of EDP Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2008, the profit and loss account and the cash flow statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Director's report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



KPMG Audit
Document to which our report dated

28 APR 2009

also refers.
Initials for identification purposes
KPMG Accountants N.V.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of EDP Finance B.V. as at 31 December 2008 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Director's report is consistent with the financial statements as required by 2:393 sub 4 of the Netherlands Civil Code.

Amstelveen, 28 April 2009

KPMG ACCOUNTANTS N.V.

E. Bleekrode RA



KPMG Audit
Document to which our report dated

28 APR 2009

also refers.
Initials for identification purposes
KPMG Accountants N.V.