

**EDP FINANCE B.V.**

**Amsterdam**

**INTERIM REPORT**

**June 30, 2009**

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**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 interim report gives a true and fair view of the position as per the balance sheet date, the development during the financial period of the Issuer in the annual financial statements, together with a description of principal risks it faces.

Amsterdam, 7 August 2009

The Board of Management:

EDP – Energias de Portugal S.A.

Burg, J.C.W. van.

Kamphuijs, W.H.

Equity Trust Co. N.V. (since 1 July 2009)

## REPORT OF THE BOARD OF MANAGEMENT

The Managing Directors of EDP Finance B.V. (hereinafter “the Company”) submit the interim report and the financial statements of the Company for the period ended 30 June 2009.

### 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. (hereinafter “EDP S.A.”) and the Company for group companies operating in core electricity businesses in Iberia.

#### Results

During the six month period under review, ending on 30 June 2009, the Company sustained a loss of EUR 5,067,275 (six month period ending 30 June 2008 - profit EUR 4,462,861). The loss for the period under review was mainly caused by the decrease in the one month EURIBOR rate earned on the CP programme of EDP S.A.

#### Major developments in the first half year of 2009

During the period under review, 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.

In the first semester of 2009 (February and June), the Company took advantage of some windows of opportunity in the international capital markets to issue two EUR 1,000 million Eurobonds, under EDP S.A. and the Company’s “Programme for the Issuance of Debt Instruments (MTN)”. The bond issued in February has a tenor of five years and the one issued in June has a tenor of seven years and three months. These issues were lent on to EDP Group companies and allowed the EDP Group to extend the average life of its debt portfolio and strengthen its liquidity position, ahead of refinancing needs for 2009 and 2010.

## **REPORT OF THE BOARD OF MANAGEMENT**

In March 2009, EDP S.A. and the Company signed a three year revolving credit facility in the amount of EUR 1,600 million. This new facility supersedes the previous EUR 1,300 million revolving credit facility signed in 2004 that was due to mature in July 2009 whilst keeping the same purpose, that of a backup credit line. The credit line is currently undrawn. This new facility was self-arranged as a Club Deal and involved 19 domestic and international banks.

In June 2009, the Company issued a ten years fixed rate note of JPY 10,000,000,000 and entered into a cross interest rate swap contract in order to hedge the FX exposure.

In June 2009, Moody's downgraded the senior unsecured ratings of EDP S.A. and the Company to "A3"/"Prime-2" with stable outlook from "A2"/"Prime-1" with negative outlook.

On August 4, 2009, S&P revised its outlook of EDP S.A. and the Company to negative from stable. At the same time, the 'A-' long-term and 'A-2' short-term corporate credit ratings were affirmed.

In March 2009, as part of a group restructuring, EDP S.A. contributed share premium in the Company in the amount of EUR 10,550,895. Further, the Annual General Meeting of the shareholder of the Company, held on August 6, 2009 allocated the profit for the year 2008, being EUR 6,228,550, to retained earnings.

### FUTURE DEVELOPMENTS

For the second semester of the year 2009, the Board of Management expects that the balance sheet of the Company will evolve in line with the trend already seen during the first half of the year.

It is expected that the Company will end the year of 2009 with a positive result. This objective will be achieved without increasing the Company's risk exposure.

### KEEP WELL AGREEMENT

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

**REPORT OF THE BOARD OF MANAGEMENT**

AUDIT COMMITTEE

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

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, 7 August 2009

The Board of Management:

EDP – Energias de Portugal S.A.

Burg, J.C.W. van.

Kamphuijs, W.H

Equity Trust Co. N.V. (since 1 July 2009)

**BALANCE SHEET AS AT 30 JUNE 2009**

(Before appropriation of result)

	Notes	30.06.09	31.12.08
<u>ASSETS</u>		EUR	EUR
<b>FIXED ASSETS</b>			
<b>Long-term investments</b>			
Loans to group entities		5,086,714,629	3,878,486,385
Discount Loans to Group entities		(5,061,984)	(5,751,805)
		<u>5,081,652,645</u>	<u>3,872,734,580</u>
<b>CURRENT ASSETS</b>			
Commercial paper		3,462,500,000	3,288,400,000
Discount commercial paper		(3,209,627)	(3,416,717)
		<u>3,459,290,373</u>	<u>3,284,983,283</u>
Derivatives		114,378,073	-
Interest receivable		14,077,957	5,587,712
Loans to group entities		320,472,544	1,034,055,042
Discount Loans to Group entities		(1,203,026)	(1,221,784)
Interest receivable from group entities		68,003,116	55,748,585
Amount due from group entities		1,025,147	4,391,313
Cash at bank		5,020,696	50,595,317
		<u>521,774,507</u>	<u>1,149,156,185</u>
		<u>9,062,717,525</u>	<u>8,306,874,048</u>

**BALANCE SHEET AS AT 30 JUNE 2009**

(Before appropriation of result)

		<b>30.06.09</b>	<b>31.12.08</b>
<b><u>SHAREHOLDER'S EQUITY AND LIABILITIES</u></b>		<b>EUR</b>	<b>EUR</b>
<b>CAPITAL AND RESERVES</b>			
Issued share capital	3.1	2,000,000	2,000,000
Share premium reserve	3.2	10,550,895	-
Accumulated results	3.3	12,707,654	6,479,104
Result for the financial year		(5,067,275)	6,228,550
		<u>20,191,274</u>	<u>14,707,654</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Issued medium term notes	3.4	6,387,060,898	4,535,762,057 *
Discount issued medium term notes		(144,971,634)	(137,127,540)
Facilities		2,175,000,000	2,175,000,000
Discount facilities		(12,911,162)	-
Deferred income swap		<u>380,022</u>	<u>841,659</u>
		<u>8,404,558,124</u>	<u>6,574,476,176</u>
<b>CREDITORS: AMOUNTS FALLING DUE</b>			
Derivatives		-	185,000,000 *
Issued medium term notes		522,455,000	22,455,000
Discount issued medium term notes		-	-
Credit facilities from third parties		-	730,000,000
Interest payable		109,510,322	105,315,492
Amounts owed on purchased Commercial paper		-	585,000,000
Loans from group entities		-	83,025,043
Interest payable to group entities		-	13,110
Amount due to group entities		5,124,097	3,403,413
Tax		828,057	2,907,516
Other creditors		<u>50,651</u>	<u>570,644</u>
		<u>637,968,127</u>	<u>1,717,690,218</u>
		<u>9,062,717,525</u>	<u>8,306,874,048</u>

\* Adjusted for comparison reasons

The accompanying notes form an integral part of these accounts



**PROFIT AND LOSS ACCOUNT ENDED 30 JUNE 2009**

	Notes	<u>30.06.09</u>	<u>30.06.08</u>
		EUR	
Interest income commercial paper		29,777,560	45,013,649
Interest income group entities		124,137,667	122,397,267
Other interest income		253,029	1,322,340
Interest expense notes		(137,070,858)	(104,550,206)
Interest expense swap		3,275,915	(1,061,553)
Interest expense on group entities		-	-
Other interest expense		(27,412,980)	(56,682,632)
Foreign exchange differences	3.5	622,160	14,045
Other financial results		21,116	-
<b>Net financial income (expense)</b>	3.5	<u>(6,396,389)</u>	<u>6,452,910</u>
Operating expenses		<u>(405,322)</u>	<u>(462,492)</u>
<b>RESULT BEFORE TAXATION</b>		(6,801,711)	5,990,418
Corporate income tax current year		1,734,436	(1,527,557)
Corporate income tax previous years		-	-
<b>RESULT AFTER TAXATION</b>		<u><u>(5,067,275)</u></u>	<u><u>4,462,861</u></u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2009**

	30/06/2009	30/06/2008
Cash flow from operating activities		
<b>Operating profit/(loss)</b>	<b>(5,067,275)</b>	<b>4,462,861</b>
<b>Receivables:</b>		
Movements in CP's	(174,307,090)	(815,531,476)
Movements in discount facilities	(18,758)	(1,155,055)
Movements in interest receivable	(8,490,245)	(7,782,946)
Movements in loans to group entities	713,582,497	(57,727,250)
Movements in interest receivable from group entities	(12,254,531)	(17,919,155)
Movements in amount due from group entities	3,366,166	(0)
Movements in derivatives	(299,378,073)	(67,500,000)
<b>Current liabilities:</b>		
Movements in facilities	(730,000,000)	0
Movements in interest payable	4,194,831	(16,523,086)
Movements in loans from group entities	(83,025,043)	349,336,797
Movements in interest payable to group entities	(13,110)	(5,048,265)
Movements in the amount owed on commercial paper	(585,000,000)	0
Movements in amount due from group companies	1,720,684	0
Movements in provision for risks and charges	0	0
Movements in tax	(2,079,459)	1,181,220
Movements in other creditors	(519,993)	(3)
Issued medium term notes	500,000,000	(354,965,453)
<b>Net cash flow from operating activities</b>	<b>(677,289,399)</b>	<b>(989,171,811)</b>
Cash flow from investing activities	10,550,895	0
Long term investments:	(1,208,918,065)	643,825,127
<b>Net cash flow used in investing activities</b>	<b>(1,198,367,170)</b>	<b>643,825,127</b>
Cash flow from financing activities		
<b>Long term debts:</b>		
Issued medium term notes	1,851,298,841	(157,389,832)
Discount issued medium term notes	(7,844,094)	2,930,786
Facilities	0	925,000,000
Discount facilities	(12,911,162)	0
Deferred income swap	(461,637)	(464,188)
<b>Net cash flow from financing activities</b>	<b>1,830,081,948</b>	<b>770,076,764</b>
Net change in cash & cash equivalents	(45,574,621)	424,730,080
Cash and cash equivalents in the beginning of the financial period	50,595,317	4,636,372
<b>Cash and cash equivalents at the end of financial period</b>	<b>5,020,696</b>	<b>429,366,452</b>

## STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2009

	Issued share capital	Share Premium reserve	Retained earnings	Undistributed results	Result for the financial period	Total
Balance as at 31 December 2007	2,000,000	-	895,726		5,583,378	8,479,104
Appropriation of results	-		5,583,378		(5,583,378)	
Result for the accounting period					4,462,861	4,462,861
Balance as at 30 June 2008	<u>2,000,000</u>	<u>-</u>	<u>6,479,104</u>	<u>-</u>	<u>4,462,861</u>	<u>12,941,965</u>
Appropriation of results			-		-	-
Result for the accounting period					1,765,689	1,765,689
Balance as at 31 December 2008	<u>2,000,000</u>	<u>-</u>	<u>6,479,104</u>	<u>-</u>	<u>6,228,550</u>	<u>14,707,654</u>
Transfer of results				6,228,550	(6,228,550)	
Result for the accounting period					(5,067,275)	(5,067,275)
Issue of premium reserve		10,550,895				10,550,895
Balance as at 30 June 2009	<u>2,000,000</u>	<u>10,550,895</u>	<u>6,479,104</u>	<u>6,228,550</u>	<u>(5,067,275)</u>	<u>20,191,274</u>

## NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### 1. GENERAL

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

### 2. ACCOUNTING POLICIES

The financial information presented in this Interim Report was prepared under the same accounting principles as in the 2008 Annual Report except for assets and liabilities denominated in currencies other than euro which are hedged. These positions are converted into euro's at the rate of exchange prevailing on the balance sheet date, instead of the forward rate. This change was put through to better align the accounting policy to Dutch GAAP. It does not affect earnings or equity, but solely impacts the presentation of these positions in the balance sheet.

### 3. NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

#### 3.1 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.

#### 3.2 Share premium reserve

In March 2009, as part of a group restructuring, EDP S.A. contributed share premium in the Company in the amount of EUR 10.6 million.

#### 3.3 Undistributed results

On 6 August 2009, the Annual General Meeting of the shareholder of the Company allocated the profit for the year 2008, being EUR 6.2 million to retained earnings.

#### 3.4 Issued medium term notes

In the first semester of 2009 the Company issued the following Notes:

Issue date	Currency	Interest rate	Maturity	Amount ( EUR ' 000)
18/02/2009	EUR	Fixed @ 5.5%	18/02/2014	1,000,000
17/06/2009	JPY	Fixed	18/06/2019	73,795
25/06/2009	EUR	Fixed @ 5.5%	26/09/2016	1,000,000

No notes were redeemed or repurchased during the first semester of 2009.

## NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### 3.5 Net financial income

During the first semester of 2009, the Company's net financial income was negative. This loss was mainly caused by the one month EURIBOR rate on the CP programme of EDP S.A., while funding costs were not significantly affected by interest rate changes.

The foreign exchange result is caused by open positions on USD and GBP.

## 4. OTHER INFORMATION

### 4.1 Post balance sheet events

No events have occurred since 30 June 2009 that would make the present financial position substantially different from that shown in the balance sheet at the balance sheet date, or which would require an adjustment to or disclosure in the annual accounts.

On August 4, 2009, S&P revised its outlook of EDP S.A. and the Company to negative from stable. At the same time, the 'A-' long-term and 'A-2' short-term corporate credit ratings were affirmed.

### 4.2 Auditor's report

The auditor's report is presented on the following page.

To: the management of EDP Finance B.V.

## AUDITOR'S REPORT

### *Report on the interim financial statements*

We have audited the accompanying interim financial statements, presented on pages 7 till 13, for the period ended 30 June 2009 of EDP Finance B.V., Amsterdam, which comprise the balance sheet as at 30 June 2009, the profit and loss account, the cash flow statement and the statement of changes in equity for the period then ended and the notes.

### Management's responsibility

Management is responsible for the preparation and fair presentation of the interim financial statements and for the preparation of the management board 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 interim 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 interim 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 interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim 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 interim 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 interim financial statements.

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

### Opinion

In our opinion, the interim financial statements give a true and fair view of the financial position of EDP Finance B.V. as at 30 June 2009, and of its result for the period then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Amstelveen, 7 August 2009

KPMG Accountants N.V.

E. Bleekrode RA