

**EDP FINANCE B.V.**

**Amsterdam**

**INTERIM REPORT**

**June 30, 2010**

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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 semi-annual financial statements, together with a description of principal risks it faces.

Amsterdam, 31 August 2010

The Board of Management:

EDP – Energias de Portugal S.A.

Burg, J.C.W. van.

Kamphuijs, W.H.

Equity Trust Co. N.V.

**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 2010.

**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 Europe, mainly in Iberia.

**Results**

During the six month period under review, ending on 30 June 2010, the Company made a profit of EUR 30,785 million (six month period ending 30 June 2009 – loss EUR 5,202 million). The profit for the period under review was mainly caused by lower than expected variable interest rates on third party debt.

**Major developments in the first half year of 2010**

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 2010 (February and March), the Company took advantage of some windows of opportunity in the international capital markets to issue three Eurobonds, under the “Programme for the Issuance of Debt Instruments (EMTN)”, two with a tenor of five years and one for a one year period. In February, the company issued a five-year USD 100 million bond and in March issued a five-year EUR 1,000 million bond. On the 24<sup>th</sup> of June EDP Finance BV issued a one-year EUR 500 million bond. The Company entered into an interest rate swap on the Eurobond issued in March. These issues were on-lent to EDP Group companies and allowed the EDP Group to extend the average life of its debt portfolio and strengthen its liquidity position.

**REPORT OF THE BOARD OF MANAGEMENT**

**FUTURE DEVELOPMENTS**

For the second semester of the year 2010, 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 2010 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.

**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 Sarmento Gomes Mota : Member

Manuel Fernando de Macedo Alves Monteiro : Member

Amsterdam, 31 August 2010

The Board of Management:

EDP – Energias de Portugal S.A.

Burg, J.C.W. van.

Kamphuijs, W.H

Equity Trust Co. N.V.

**BALANCE SHEET AS AT 30 JUNE 2010**

(Before appropriation of result)

	<b>30.06.2010</b>	<b>31.12.2009</b>
	(Thousand Euros)	(Thousand Euros)
<b>Assets</b>		
Loans and receivables to group entities	8,786,405	6,707,918
Derivative financial instruments	37,247	5,333
<b>Total Non-Current Assets</b>	<b>8,823,652</b>	<b>6,713,251</b>
Loans and receivables to group entities	4,348,815	3,641,235
Derivative financial instruments	22,194	10,823
Debtors and other assets	4,765	1,190
Cash and cash equivalents	438,004	608,231
<b>Total Current Assets</b>	<b>4,813,778</b>	<b>4,261,479</b>
<b>Total Assets</b>	<b>13,637,430</b>	<b>10,974,730</b>
<b>Equity</b>		
Share capital	2,000	2,000
Share premium	10,551	10,551
Reserves and retained earnings	10,192	3,094
Profit for the period	30,785	7,098
<b>Total Equity</b>	<b>53,528</b>	<b>22,743</b>
<b>Liabilities</b>		
Debt securities	8,387,609	6,656,199
Loans and credit facilities from third parties	3,347,271	3,206,321
Provisions	12,957	3,176
Derivative financial instruments	33,102	109,398
<b>Total Non-Current Liabilities</b>	<b>11,780,939</b>	<b>9,975,094</b>
Debt securities	776,187	694,142
Loans and credit facilities from third parties	-	770
Loans from group entities	3,312	257,309
Amounts owed on purchased debt securities	1,004,000	-
Trade and other payables	19,339	24,431
Tax payable	125	241
<b>Total Current Liabilities</b>	<b>1,802,963</b>	<b>976,893</b>
<b>Total Liabilities</b>	<b>13,583,902</b>	<b>10,951,987</b>
<b>Total Equity and Liabilities</b>	<b>13,637,430</b>	<b>10,974,730</b>

## PROFIT AND LOSS ACCOUNT ENDED 30 JUNE 2010

	<b>30.06.2010</b>	<b>30.06.2009</b>
	(Thousand Euros)	(Thousand Euros)
Interest income	257,483	165,796
Interest expenses	<u>-216,209</u>	<u>-105,813</u>
Net interest income	<u>41,274</u>	<u>59,983</u>
Net other financial income and expenses	<u>-120</u>	<u>-64,636</u>
Net financial income	<u>41,154</u>	<u>-4,653</u>
Other operating income / (expenses)		
Services rendered	357	-
Supplies and services	-528	-246
Provisions	<u>-9,781</u>	<u>-</u>
Profit before income tax	<u>31,202</u>	<u>-4,899</u>
Income tax expense	<u>-417</u>	<u>-303</u>
<b>Profit for the period</b>	<u><u>30,785</u></u>	<u><u>-5,202</u></u>

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2010**

	<b>30/06/2010</b>	<b>30/06/2009</b>
	(Thousand Euros)	(Thousand Euros)
<b>Cash flows from operating activities</b>		
Profit for the period	30,785	-5,202
Adjustments for:		
Interest income	-119,080	-65,073
Interest expense	112,580	83,738
Clean fair value movement - derivatives		
Income tax expense	-51	126
Change in derivative financial instruments	-43,285	-18,774
Change in debtors and other assets	-3,575	4,071
Change in loans and credit facilities from third parties	-770	-809,191
Change in loans from group entities	-253,997	-77,914
Change in amounts owed on purchased debt securities	1,004,000	-585,000
Change in trade and other payables	-5,092	-7,337
Change in tax payable	468	177
Change in share premium	-	10,551
Interest received	261,208	210,395
Interest paid	-216,192	-200,523
Income tax paid	-533	-357
<b>Net cash from / (used in) operating activities</b>	<b>766,466</b>	<b>-1,460,312</b>
<b>Cash flows from investing activities</b>		
Extension of loans to group entities	-1,141,888	-1,461,881
Redemption of loans to group entities	336,902	945,172
Other changes in loans to group entities	-2,123,210	-312,433
<b>Net cash used in investing activities</b>	<b>-2,928,195</b>	<b>-829,142</b>
<b>Cash flows from financing activities</b>		
Proceeds from debt securities	1,081,493	1,233,985
Redemption of debt securities	-	-
Other changes to debt securities	835,575	1,188,080
Proceeds of loans and credit facilities from third parties	140,950	-12,911
Change in provisions	9,781	-129
Change in derivative financial instruments	-76,296	-165,144
<b>Net cash from financing activities</b>	<b>1,991,503</b>	<b>2,243,880</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>-170,227</b>	<b>-45,575</b>
Cash and cash equivalents at 1 January	608,231	50,595
<b>Cash and cash equivalents at 30 June</b>	<b>438,004</b>	<b>5,020</b>



**STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2010**

	Issued share capital	Share Premium reserve	Retained earnings	Result for the financial period	Total
Balance as at 31 December 2008	2,000	-	(3,516)	6,610	5,094
Appropriation of results	-		6,610	(6,610)	-
Issue of premium reserve		10,551			10,551
Result for the accounting period				(5,202)	(5,202)
Balance as at 30 June 2009	<u>2,000</u>	<u>10,551</u>	<u>3,094</u>	<u>(5,202)</u>	<u>10,443</u>
Appropriation of results				-	-
Result for the accounting period				12,300	12,300
Balance as at 31 December 2009	<u>2,000</u>	<u>10,551</u>	<u>3,094</u>	<u>7,098</u>	<u>22,743</u>
Transfer of results			7,098	(7,098)	(7,098)
Result for the accounting period				30,785	30,785
Balance as at 30 June 2010	<u>2,000</u>	<u>10,551</u>	<u>10,192</u>	<u>30,785</u>	<u>53,528</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 2009 Annual Report.

**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 Undistributed results**

On 29 June 2010, the Annual General Meeting of the shareholder of the Company allocated the profit for the year 2009, being EUR 7.1 million to retained earnings.

**3.3 Issued medium term notes**

In the first semester of 2010 the Company issued the following Notes:

<b>Issue date</b>	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount (EUR ' 000)</b>
11/02/2010	USD	Floating*	11/02/2015	81,493
16/03/2010	EUR	Fixed @ 3.25%	16/03/2015	1,000,000
24/06/2010	EUR	Floating*	24/06/2011	500,000

\* Private Placements

No notes were redeemed or repurchased during the first semester of 2010.

**3.4 Net financial income**

During the first semester of 2010, the Company's net financial income was positive. This profit resulted mainly from favourable interest rates on third party debt.

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

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

**4. OTHER INFORMATION**

**4.1 Post balance sheet events**

No events have occurred since 30 June 2010 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.

**4.2 Audit**

The interim report is not audited.