

EDP FINANCE B.V.

Amsterdam

INTERIM REPORT

June 30, 2011

CONTENTS

	<u>Page</u>
Responsibility Statement	3
Report of the Board of Management	4
Interim financial statements	
Balance sheet as at 30 June 2011	6
Profit and loss account for the period ended 30 June 2011	7
Cash flow statement for the period ended 30 June 2011	8
Statement of changes in Equity	9
Notes to the balance sheet and the profit and loss account	10
Other information	11

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 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 2011

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 2011.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

General

The Company was incorporated under the laws of The Netherlands on 1st 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 2011, the Company recorded a profit 22,644 thousands of Euros (six month period ending 30 June 2010 – profit 30,785 thousands Euros). The profit for the period under review was due to the positive margin between the assets and the liabilities remuneration.

Major developments in the first half year of 2011

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 2011 (February), the Company took advantage of some windows of opportunity in the international capital markets to issue two Eurobonds, under the “Programme for the Issuance of Debt Instruments (EMTN)”, one with a tenor of three years and the other one for a five year period. On 1st February, the company issued a five-year 750 million Euros bond and on 14th February issued a three-year 230 million swiss francs bond. The Company entered into three interest rate swaps on the CHF Eurobond issued in February. In April, the Company has entered into a new Revolving Credit Facility with a tenor of three years in the amount of 300 million Euros and draw down 200 million Euros.

These issues were on-lent to EDP Group companies and allowed the EDP Group to reach different markets and strengthen its liquidity position.

REPORT OF THE BOARD OF MANAGEMENT

FUTURE DEVELOPMENTS

For the second semester of the year 2011, 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 2011 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 2011

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 2011

(Before appropriation of result)

	30.06.2011	31.12.2010
	(Thousands of Euros)	(Thousands of Euros)
Assets		
Loans to and receivables from group entities	8,511,198	8,655,657
Derivative financial instruments	28,839	29,101
Total Non-Current Assets	8,540,037	8,684,758
Loans to and receivables from group entities	5,913,508	4,472,413
Derivative financial instruments	5,616	32,769
Debtors and other assets	15,689	993
Cash and cash equivalents	31,053	519,090
Total Current Assets	5,965,866	5,025,265
Total Assets	14,505,903	13,710,023
Equity		
Share capital	2,000	2,000
Share premium	11,818	11,597
Reserves and retained earnings	72,076	10,192
Profit for the period	22,644	61,884
Total Equity	108,538	85,673
Liabilities		
Debt securities	8,213,273	7,996,492
Loans and credit facilities from third parties	4,428,348	3,590,027
Provisions	28,170	21,101
Derivative financial instruments	102,870	64,493
Total Non-Current Liabilities	12,772,661	11,672,113
Debt securities	650,726	700,729
Loans and credit facilities from third parties	228,788	150,673
Loans from group entities	232,005	372,935
Amounts owed on purchased debt securities	507,879	724,000
Trade and other payables	5,151	3,885
Tax payable	155	15
Total Current Liabilities	1,624,704	1,952,237
Total Liabilities	14,397,365	13,624,350
Total Equity and Liabilities	14,505,903	13,710,023

PROFIT AND LOSS ACCOUNT ENDED 30 JUNE 2011

	30.06.2011	30.06.2010
	(Thousands of Euros)	(Thousands of Euros)
Interest income	315,491	257,483
Interest expenses	<u>-285,047</u>	<u>-216,209</u>
Net interest income	<u>30,444</u>	<u>41,274</u>
Net other financial income and expenses	<u>142</u>	<u>-120</u>
Net financial income	<u>30,586</u>	<u>41,154</u>
Other operating income / (expenses)		
Services rendered	349	357
Supplies and services	-750	-528
Provisions	<u>-7,069</u>	<u>-9,781</u>
Profit before income tax	<u>23,116</u>	<u>31,202</u>
Income tax expense	<u>-472</u>	<u>-417</u>
Profit for the period	<u><u>22,644</u></u>	<u><u>30,785</u></u>

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2011

	30.06.2011	30.06.2010
	(Thousands of Euros)	(Thousands of Euros)
Cash flows from operating activities		
Result for the period	22,644	30,785
Adjustments for:		
Interest income	5,435	-119,080
Interest expense	-2,718	112,580
Clean fair value movement - derivatives		
Income tax expense	206	-51
Change in derivative financial instruments	-724	-43,285
Change in debtors and other assets	-149	-3,575
Change in loans and credit facilities from third parties	77,354	-770
Change in loans from group entities	-164,095	-253,997
Change in amounts owed on purchased debt securities	-217,000	1,004,000
Change in trade and other payables	1,265	-5,092
Change in tax payable	266	468
Change in share premium	222	-
Interest received	220,727	261,208
Interest paid	-216,235	-216,192
Income tax paid	-333	-533
Net cash from / (used in) operating activities	-273,136	766,466
Cash flows from investing activities		
Extension of loans to group entities	-3,013,617	-1,141,888
Redemption of loans to group entities	1,466,562	336,902
Other changes in loans to group entities	33,756	-2,123,210
Net cash used in investing activities	-1,513,299	-2,928,196
Cash flows from financing activities		
Proceeds from debt securities	929,128	1,081,493
Redemption of debt securities	-500,000	-
Other changes to debt securities	-54,860	835,575
Proceeds of loans and credit facilities from third parties	838,609	140,950
Change in provisions	7,069	9,781
Change in derivative financial instruments	78,451	-76,296
Net cash from financing activities	1,298,398	1,991,503
Net increase / (decrease) in cash and cash equivalents	-488,037	-170,227
Cash and cash equivalents at 1 January	519,090	608,231
Cash and cash equivalents at 30 June	31,053	438,004

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2011

(Thousands of Euros)

	Attributable to shareholders of the Company				Profit for the period
	Total Equity	Share capital	Share premium	Reserves and retained earnings	
Balance as at 31 December 2009	22,743	2,000	10,551	3,094	7,098
Transfer of results	-	-	-	7,098	-7,098
Result for the accounting period	30,785	-	-	-	30,785
Balance as at 30 June 2010	53,528	2,000	10,551	10,192	30,785
Shareholders contribution in kind	1,046	-	1,046	-	-
Result for the accounting period	31,099	-	-	-	31,099
Balance as at 31 December 2010	85,673	2,000	11,597	10,192	61,884
Apropriation of results	-	-	-	61,884	-61,884
Shareholders contribution in kind	221	-	221	-	-
Result for the accounting period	22,644	-	-	-	22,644
Balance as at 30 June 2011	108,538	2,000	11,818	72,076	22,644

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 2010 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 28 April 2011, the Annual General Meeting of the shareholder of the Company allocated the profit for the year 2010, being EUR 61.9 million to accumulated results.

3.3 Issued medium term notes

In the first semester of 2011 the Company issued the following Notes:

Issue date	Currency	Interest rate	Maturity	Amount (EUR ' 000)
01/02/2011	EUR	Fixed @ 5.875%	01/02/2016	750,000
14/02/2011	CHF	Fixed @ 3.5%	14/02/2014	177,911

There was a repayment of the €500M Bond which matured in June 2011.

3.4 Net financial income

During the first semester of 2011, 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

On 16th August, the company issued a one-year 350 million Euros bond, under the “Programme for the Issuance of Debt Instruments (EMTN)”.

4.2 Audit

The interim report is not audited.