

EDP Finance B.V.

Amsterdam, The Netherlands

INTERIM REPORT

June 30, 2013

EDP FINANCE Amsterdam

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RESPONSIBILITY STATEMENT

The Managing 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 EDP Finance B.V.;
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 EDP Finance B.V. in the semi-annual financial statements, together with a description of principal risks it faces.

Amsterdam, 25 July 2013

The Managing Directors:

x

EDP – Energias de Portugal S.A.

Burg, J.C.W. van

Gortzen, M. M. L.

TMF Netherlands B.V.

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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 2013.

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 to EDP Group. The policy of the group is to centralize financing in EDP – Energias de Portugal S.A. (hereinafter “EDP S.A.”) and the Company.

Results

During the six-month period under review, ending on 30 June 2013, the Company recorded a loss of 17,189 thousands of Euros (six-month period ending 30 June 2012 – profit 20,573 thousands Euros). This loss is due to the fact that the company accounted for higher interest expenses as a result of higher interest rates on the new financings entered in 2012 and 2013, without a corresponding increase in long term loans being provided to Group companies.

Major developments in the first half year of 2013

In February, a Revolving Credit Facility in the amount of 925 million Euros was totally repaid and the Company entered into a 5 year Term Loan in the amount of 1,600 million Euros, currently drawn down in the amount of 955 million Euros.

A bilateral loan in the amount of 75 million Euros was partially repaid in February in the amount of 50 million Euros. Also in February, another bilateral loan, in the amount of 80 million Euros, was increased to 100 million Euros and renewed for two years.

As of 31st December 2012, the outstanding amount drawn on the 2,000 million Euros Revolving Credit Facility was 300 million Euros. In January, 200 million Euros were repaid. In May, the Company drew down 500 million Euros of this facility and repaid 450 million Euros of the outstanding amount in June, leading to a utilization level of 150 million Euros at the end of June.

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FUTURE DEVELOPMENTS

Given the cash flow expected to be generated by the Group as well as the available liquidity, the company expects to continue its normal course of business during the second half of the year, as in the previous years, despite the adverse market conditions and the credit crisis in the European countries.

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:

Eduardo de Almeida Catroga: President

Vítor Fernando da Conceição Gonçalves: Vice President

António Sarmento Gomes Mota: Member

Manuel Fernando de Macedo Alves Monteiro: Member

Maria Celeste Ferreira Lopes Cardona: Member

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Amsterdam, 25 July 2013

The Managing Directors:


EDP – Energias de Portugal S.A.

Burg, J.C.W. van


Gorzen, M. M.

TMF Netherlands B.V.



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COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 AND 2012

	<u>2013</u>	<u>2012</u>
	(Thousands of Euros)	(Thousands of Euros)
Interest income	324,566	320,630
Interest expenses	<u>-343,351</u>	<u>-302,162</u>
Net interest income	<u>-18,785</u>	<u>18,468</u>
Net other financial income and expenses	<u>-3,521</u>	<u>9,539</u>
Net financial income	<u>-22,306</u>	<u>28,007</u>
Other operating income / (expenses)		
Services rendered	205	349
Supplies and services	-793	-579
Provisions	<u>-</u>	<u>-6,037</u>
Profit before income tax	<u>-22,894</u>	<u>21,740</u>
Income tax expense	<u>5,705</u>	<u>-1,167</u>
Profit for the period	<u><u>-17,189</u></u>	<u><u>20,573</u></u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u><u>-17,189</u></u>	<u><u>20,573</u></u>
Profit for the period attributable to owners of the company	<u><u>-17,189</u></u>	<u><u>20,573</u></u>
Total comprehensive income for the period attributable to the owner of the company	<u><u>-17,189</u></u>	<u><u>20,573</u></u>

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013 AND 31 DECEMBER 2012

(Before appropriation of result)

	2013	2012
	(Thousands of Euros)	(Thousands of Euros)
Assets		
Loans to and receivables from group entities	7,981,043	7,959,801
Derivative financial instruments	53,106	141,930
Total Non-Current Assets	8,034,149	8,101,731
Loans to and receivables from group entities	7,572,218	7,508,470
Derivative financial instruments	39,367	77,256
Debtors and other assets	917	711
Tax receivable	6,535	-
Cash and cash equivalents	452,333	343,585
Total Current Assets	8,071,370	7,930,022
Total Assets	16,105,519	16,031,753
Equity		
Share capital	2,000	2,000
Share premium	11,980	11,980
Reserves and retained earnings	123,666	112,887
Profit for the period	-17,189	10,779
Total Equity	120,457	137,646
Liabilities		
Debt securities	7,474,450	8,750,028
Loans and credit facilities from third parties	3,039,625	3,653,295
Derivative financial instruments	67,344	41,654
Total Non-Current Liabilities	10,581,419	12,444,977
Debt securities	1,734,119	591,304
Loans and credit facilities from third parties	2,706,574	2,235,300
Loans from group entities	265,363	100,111
Amounts owed on purchased debt securities	693,000	480,000
Derivative financial instruments	2,047	7,019
Trade and other payables	2,540	1,510
Tax payable	-	33,886
Total Current Liabilities	5,403,643	3,449,130
Total Liabilities	15,985,062	15,894,107
Total Equity and Liabilities	16,105,519	16,031,753

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STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2013 AND 31 DECEMBER 2012

(Thousands of Euros)

	Attributable to shareholders of the Company				
	Total Equity	Share capital	Share premium	Reserves and retained earnings	Profit for the period
Balance as at 31 December 2011	126,867	2,000	11,980	72,076	40,811
Apropriation of results	-	-	-	40,811	-40,811
Result for the accounting period	20,573	-	-	-	20,573
Balance as at 30 June 2012	147,440	2,000	11,980	112,887	20,573
Result for the accounting period	-9,794	-	-	-	-9,794
Balance as at 31 December 2012	137,646	2,000	11,980	112,887	10,779
Apropriation of results	-	-	-	10,779	-10,779
Result for the accounting period	-17,189	-	-	-	-17,189
Balance as at 30 June 2013	120,457	2,000	11,980	123,666	-17,189

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STATEMENT OF CASH FLOWS AS AT 30 JUNE 2013 AND 2012

	<u>2013</u>	<u>2012</u>
	(Thousands of Euros)	(Thousands of Euros)
Operating activities		
Profit /(Loss) for the period	-17,189	20,573
Adjustments for:		
Net interest income	18,786	-18,467
Income tax expense	-5,706	1,167
Amortisation of discounts/premiums	15,956	10,141
Changes in:		
Change in derivative financial instruments	147,431	-14,445
Change in debtors and other assets	-205	295
Change in loans from group entities	165,251	386,330
Change in amounts owed on purchased debt securities	213,000	747,000
Change in trade and other payables	1,031	-1,256
Change in tax payable	-1,370	-268
Change in provisions	-	6,036
Change in share premium	-	-
Change to debt securities	169,503	364,063
Change in loans and credit facilities from third parties	7,604	33,990
Changes in loans to group entities	-211,665	-344,118
Extension of loans to group entities	-3,353,282	-1,437,834
Redemption of loans to group entities	3,283,150	-
Interest received	179,974	141,429
Interest paid	-318,223	-341,278
Income tax paid	-33,344	-705
Net cash flow from operating activities	<u>260,702</u>	<u>-447,347</u>
Financing activities		
Proceeds from issued debt securities	-	-
Redemption of debt securities	-	-500,000
Proceeds of loans and credit facilities from third parties	1,055,000	975,000
Redemption of loans and credit facilities from third parties	-1,205,000	-75,000
Net cash from financing activities	<u>-150,000</u>	<u>400,000</u>
Changes in cash and cash equivalents	<u>110,702</u>	<u>-47,347</u>
Effect of exchange rate fluctuations on cash held	-1,954	-330
Cash and cash equivalents at the beginning of the period	<u>343,585</u>	<u>403,883</u>
Cash and cash equivalents at the end of the period	<u><u>452,333</u></u>	<u><u>356,206</u></u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

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 2012 Annual Report.

3. ISSUED SHARE CAPITAL

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

4. UNDISTRIBUTED RESULTS

In the beginning of May, the Annual General Meeting of the shareholder of the Company allocated the profit for the year 2012, being 10.779 million Euros to accumulated results.

5. ISSUED MEDIUM TERM NOTES

In the first semester of 2013 the Company did not issue any notes.

6. NET FINACIAL INCOME

During the first semester of 2013, the Company's net financial income was negative. This loss is due to the fact that the company accounted for higher interest expenses as a result of higher interest rates on the new financings entered in 2012 and 2013, without a corresponding increase in long term loans being provided to Group companies.

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OTHER INFORMATION

SUBSEQUENT EVENTS

On the 4th July 2013, EDP Finance BV subscribed for 30,000 Floating Rate Notes with a nominal value of 100,000 Euros in a total amount of 3,000 million Euros issued by EDP SA for 5 years, replacing the same amount of commercial paper between the two companies.

AUDIT

The interim report is not audited.