EDP Finance BV

Annual Report

31 December 2011

(Page left intentionally blank)

CONTENTS

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 BV;

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 EDP Finance BV in the annual financial statements, together with a description of principal risks it faces.

Amsterdam, 8 March 2012

The Managing Directors

EDP — Energias de Portugal, S.A.

Burg, J. C. W. van.

Kamphuijs, W. H.

TMF Netherlands B.V.

REPORT OF MANAGING DIRECTORS

The Managing Directors of EDP Finance BV (hereinafter "the Company") submit the annual report and the financial statements of the Company for the year ended 31st December 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 to EDP Group. The policy of the group is to centralize financing in EDP — Energias de Portugal S.A. and the Company for group subsidiaries.

Results

During the year ended 31st December 2011, the Company recorded a profit of EUR 40,81 millions. This profit is due to the fact that the average rate of the loans granted by the Company is higher than the average cost of debt. However, the margin between the average rate of the assets and of the liabilities decreased during 2011 due to the increase of the short term market rates, combined with the fact that the weight of the variable rate is higher in the liabilities (49%), than in the assets (39%).

Major Developments

In the first semester of 2011, EDP Finance BV took advantage of some windows of opportunity in the international capital markets to issue two Eurobonds, under the EDP SA and EDP Finance BV's "Programme for the Issuance of Debt Instruments" (EMTN). On 1st February, the Company issued a five-year EUR 750 million Eurobond and on 14th February issued a three-year CHF 230 million Eurobond, with a first tranche in the amount of CHF 200 million, followed by a second tranche in the amount CHF 30 million. In order to hedge the CHF Eurobond issued, the Company entered into three interest rate swaps in the total amount of EUR 178 million (being the equivalent of CHF 230 million). In April, the Company has entered into a new Term Facility with a tenor of three years in the amount of EUR 300 million which is currently totally utilized.

Additionally, in May 2011, EDP Finance BV partially drew down the EUR 2,000 million Revolving Credit Facility, dated 3rd November 2010, which is currently drawn in the amount of EUR 400 million. On 27th June EDP Finance BV repaid the EUR 500 million Eurobond, issued on the 24th June 2010.

On 16th August, EDP Finance BV issued a one-year Eurobond under the EMTN Programme in the amount of EUR 350 million. On 6th December it repaid the EUR 150 million loan, dated 6th December 2006.

These issues allowed EDP Group to reach different markets and different investors and strengthen its liquidity position, ahead of refinancing needs for 2012 and 2013.

Supported by a Keep Well Agreement from EDP S.A. (see Note 4), EDP Finance B.V.'s treasury management is integrated in EDP Group.

Mantaining a prudent financial management policy, by the end of December 2011 the Group had total liquidity of EUR 3,981 million, of which, (i) EUR 1,731 million of cash and equivalents, (ii) EUR 1,600 million of available committed credit lines and (iii) EUR 650 million of available commercial paper fully underwriting.

On 30th December 2011, China Three Gorges Corporation ("CTG") notified EDP that it has entered into a Strategic Direct Sale Agreement with Parpública - Participações Públicas (SGPS), S.A for the acquisition of 780,633,782 ordinary shares of EDP, which correspond to 21.35% EDP's share capital and 21.35% of the respective voting rights. The imputation of a qualifying holding results from the signature of said agreement within the context of the implementation of EDP's 8th reprivatisation phase.

Subsequent Events

On 1st February 2012, Standard & Poor's Ratings Services downgraded the long-term and short-term corporate credit ratings on EDP — Energias de Portugal S.A. and EDP Finance B.V. from "BBB" to "BB+" with negative outlook, removing the ratings from CreditWatch with negative implications. This downgrade follows S&P's downgrade of the Republic of Portugal to "BB" with negative outlook, on 13th January 2012. EDP's "BB+" long term rating is one notch higher than Portugal, which is the maximum allowed under S&P's criteria for nonsovereign entities in the eurozone.

On 15th February 2012, Moody's Investors Service downgraded EDP - Energias de Portugal SA and EDP Finance BV to "Ba1" from "Baa3". Concurrently, Moody's downgraded the short-term ratings of EDP and EDP Finance to "Not-Prime" from "Prime-3". The assigned outlook on all affected ratings is negative. This downgrade follows Moodys's downgrade of the Republic of Portugal's sovereign rating to "Ba3" with a negative outlook from "Ba2" with a negative outlook, as announced on 13th February 2012. EDP's rating is two notches above the Portuguese government's rating and is in line with Moody's previously published guidance on utilities and infrastructure companies. In this guidance, Moody's establishes that such companies are unlikely to be more than one or two notches above the sovereign.

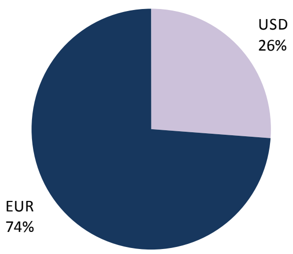
Debt

In 2011, the EDP Finance BV's (nominal) consolidated debt totalled EUR 13,955 million. When compared to December 2010, the Company's debt was nearly EUR 1,275 million higher, mostly in order to fund the EDP's group subsidiaries through intercompany loans, which increased nearly EUR 1,420 million in 2011 and also due to the EUR/USD exchange variation of EUR 115 million.

IFRS Debt - EDP Finance BV EUR millions

	Dec 2011	Dec 2010	Change
Debt - Short term	**2,095**	**1,026**	**104%**
Bonds	1,623	500	225%
Bank loans	355	150	137%
Intercompany loans	117	376	-69%
Debt - Long term	**11,900**	**11,654**	**2%**
Bonds	7,915	8,064	-2%
Bank loans	3,984	3,590	11%
Nominal debt	**13,995**	**12,680**	**10%**
Interest accrued	256	202	27%
Fair value hedge adjustments	62	-66	-194%
Debt under IFRSs	**14,313**	**12,816**	**12%**

In terms of currencies of EDP BV external debt, the USD financing contracted to fund the purchase and capex of Horizon Wind Energy (a company based in the US that develops, constructs and operates wind power electricity generating facilities) justifies the Group's USD denominated debt (26%). The Euro continues to be the main funding currency of the EDP Group (74%).



Rating

In April 2011, following the downgrades of the sovereign, Standard & Poor's ("S&P") downgraded EDP's rating to "BBB" from "A-" with negative Outlook, Fitch downgraded EDP's rating to "BBB+" from "A-" with Rating Watch negative and Moody's downgraded EDP's rating to "Baa1" from "A3" in 2010 with Review for Possible Downgrade.

In July, Moody's further downgraded EDP's rating to Baa3 with negative Outlook, mirroring the downgrade of the Republic of Portugal to Ba2 with negative Outlook.

In December, following the announcement that the Republic of Portugal sold to China Three Gorges Corporation, a state-owned company of the People's Republic of China, 21,35% of EDP's share capital, Fitch affirmed EDP's rating at BBB+ with negative Outlook, removing the Rating Watch negative.

EDP's credit rating stands as at December 2011 three notches above the Republic of Portugal by Fitch, two notches by Moody's and one notch by Standard and Poor's.

December 2011			
	S&P	Moody's	Fitch
EDP SA, BV	BBB/CW-/A-2	Baa3/Neg/P3	BBB+/Neg/F2

Risk Management

Please see Note 4 of the Notes to the Financial Statements.

Expectations for 2012

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 in 2012, as in the previous years, despite the adverse market conditions and the credit crisis in the European countries.

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, SA, 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, 8 March 2012

The Managing Directors:

EDP Energias de Portugal, S.A.

Burg, J. C. W. van.

Kamphuijs, W. H.

TMF Netherlands B.V.

EDP Finance BV

Financial Statements

31 December 2011

EDP Finance, BV

Company Statement of comprehensive income
for the years ended 31 December 2011 and 2010

	Notes	2011	2010
		(Thousands of Euros)	(Thousands of Euros)
Interest income	6	648,726	578,951
Interest expenses	6	-601,692	-493,526
Net interest income		47,034	85,425
Net other financial income and expenses	7	8,085	-4,252
Net financial income		55,119	81,173
Other operating income / (expenses)			
Services rendered	8	698	643
Supplies and services	9	-1,415	-1,154
Provisions	10	-11,381	-17,925
Other operating income and expenses		-	20
Profit before income tax		43,021	62,757
Income tax expense	11	-2,210	-873
Profit for the year		40,811	61,884
Other comprehensive income		-	-
Total comprehensive income for the year		40,811	61,884
Profit for the year attributable to owners of the company		40,811	61,884
Total comprehensive income for the year attributable to the owner of the company		40,811	61,884

EDP Finance, BV

Company Statement of financial position as at 31 December 2011 and 2010
(before proposed appropriation of profit)

	Notes	2011	2010
		(Thousands of Euros)	(Thousands of Euros)
Assets			
Loans to and receivables from group entities	12	7,558,295	8,655,657
Derivative financial instruments	19	112,094	29,101
Total Non-Current Assets		7,670,389	8,684,758
Loans to and receivables from group entities	12	6,269,662	4,472,413
Derivative financial instruments	19	74,159	32,769
Debtors and other assets		884	993
Cash and cash equivalents	13	403,883	519,090
Total Current Assets		6,748,588	5,025,265
Total Assets		14,418,977	13,710,023
Equity			
Share capital	14	2,000	2,000
Share premium	14	11,980	11,597
Reserves and retained earnings	15	72,076	10,192
Profit for the year		40,811	61,884
Total Equity		126,867	85,673
Liabilities			
Debt securities	16	7,874,817	7,996,492
Loans and credit facilities from third parties	16	3,972,309	3,590,027
Provisions	10	32,481	21,101
Derivative financial instruments	19	54,251	64,493
Total Non-Current Liabilities		11,933,858	11,672,113
Debt securities	16	1,873,708	700,729
Loans and credit facilities from third parties	16	358,607	150,673
Loans from group entities	17	116,837	372,935
Amounts owed on purchased debt securities	18	-	724,000
Derivative financial instruments	19	4,011	-
Trade and other payables		3,596	3,885
Tax payable		1,493	15
Total Current Liabilities		2,358,252	1,952,237
Total Liabilities		14,292,110	13,624,350
Total Equity and Liabilities		14,418,977	13,710,023

EDP Finance, BV

Company Statement of cash flows for the years ended
31 December 2011 and 2010

(Thousands of Euros)

	Notes	Company Dec 2011	Company Dec 2010
Operating activities			
Profit for the year		40,811	61,884
Adjustments for:			
Interest income		-394	-26,856
Interest expense		58,059	29,127
Income tax expense		-1,478	6
Amortisation of discounts/premiums		10,795	1,545
Cash flows from operating activities			
Change in derivatives		-	-
Change in debtors and other assets		109	197
Change in loans and credit facilities from third parties		207,934	149,903
Change in loans from group entities		-256,098	115,626
Change in amounts owed on purchased debt securities		-724,000	724,000
Change in trade and other payables		-291	-20,544
Change in tax payable		3,688	867
Change in share premium		383	1,046
Extension of loans to group companies		-1,572,861	-3,181,424
Redemption of loans to group companies		990,150	554,088
Other changes in loans to group entities		-461,044	-696,557
Interest received		344,261	552,095
Interest paid		-299,554	-464,399
Income tax paid		-732	-1,099
Net cash flow from operating activities		-1,660,262	-2,200,495
Cash flows from financing activities			
Proceeds from issued debt securities		939,207	1,674,839
Redemption of debt securities		-500,000	-500,000
Other changes to debt securities		842,798	605,767
Proceeds of loans and credit facilities from third parties		382,282	383,706
Change in provisions		11,381	17,925
Change in derivative financial instruments		-130,613	-70,883
Net cash flow from financing activities		1,545,055	2,111,354
Changes in cash and cash equivalents		-115,207	-89,141
Cash and cash equivalents at the beginning of the year	13	519,090	608,231
Cash and cash equivalents at the end of the year (*)	13	403,883	519,090

(*) See details of "Cash and cash equivalents" in note 11 to the Financial Statements.

EDP Finance, BV

Company Statement of Changes in Equity for the years ended 31 December 2011 and 2010

(Thousands of Euros)

	Notes	Total Equity	Share capital	Share premium	Reserves and retained earnings	Profit for the period
		Attributable to shareholders of the Company				
Balance as at 1 January 2010		**22,743**	**2,000**	**10,551**	**3,094**	**7,098**
Prior year profit		-	-	-	7,098	-7,098
Comprehensive income:						
Profit for the year		61,884	-	-	-	61,884
Shareholders contribution in kind		1,046	-	1,046	-	-
Comprehensive income for the year		62,930	-	1,046	-	61,884
Balance as at 31 December 2010	14, 15	**85,673**	**2,000**	**11,597**	**10,192**	**61,884**
Prior year profit		-	-	-	61,884	-61,884
Comprehensive income:						
Profit for the year		40,811	-	-	-	40,811
Shareholders contribution in kind	14	383	-	383	-	-
Balance as at 31 December 2011	14, 15	**126,867**	**2,000**	**11,980**	**72,076**	**40,811**

1. Economic activity of EDP Finance

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, 1077 ZX Amsterdam, the Netherlands. The ultimate parent company of EDP Finance BV, is EDP - Energias de Portugal, S.A. ("EDP S.A."), Lisbon, Portugal.

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

The Company's objective is to raise funds in the debt capital market and bank loan market to fund EDP Group activities and investment plan. EDP Finance BV borrows funds from both markets and lends the funds to several EDP Group companies. The financing of EDP Group activities is determined in accordance to the business plan approved for EDP Group, considering the existing market conditions and the Group objective to maintain a stable credit rating.

The company is managed prudently, taking into consideration the need to comply with its obligations and to fulfill the requirement of maintaining a positive Tangible Net Worth as agreed on the Keep well agreement with EDP, S.A. (see paragraph in note 4).

These financial statements are of an individual company.

2. Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and with the applicable sections of Part 9 of Book 2 of the Netherlands Civil Code.

The accompanying financial statements of the Company reflect the results of the Company's operations and the financial position for the years ended 31 December 2011 and 2010.

The entity prepares its financial statements, except for the cash flow information, using the accrual basis of accounting, modified by the application of the fair value accounting to derivative financial instruments. Assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the hedged risk. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

Accounting policies have been applied consistently in all periods presented in the financial statements.

The Company's Managing Directors approved the financial statements (referred to as financial statements) on 8 March 2011. The financial statements are presented in Euros, which is the Company's functional currency, rounded to the nearest thousand.

The preparation of financial statements in conformity with EU-IFRS requires the Company to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are presented in note 3 (Critical accounting estimates and judgments in preparing the financial statements).

b) Foreign currency transactions

Foreign currency transactions are translated at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into Euros at the exchange rates at the statement of financial position date. These exchange differences arising on translation are recognised in the statement of comprehensive income.

Foreign currency non-monetary assets and liabilities accounted for at historical cost are translated using the exchange rates at the dates of the transactions. Foreign currency non-monetary assets and liabilities stated at fair value are translated into Euros at the exchange rates at the dates the fair value was determined.

The following exchange rate has been applied as at 31 December 2011 and 2010:

Currency		Exchange rates at Dec 2011		Exchange rates at Dec 2010	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.294	1.392	1.336	1.326
Pound Sterling	GBP	0.835	0.868	0.861	0.858
Swiss Franc	CHF	1.216	1.233	1.250	1.380
Japanese Yen	JPY	100.200	110.971	108.650	116.229

c) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised on the trade date at fair value. Subsequently, the fair value of derivative financial instruments is remeasured on a regular basis, with the gains or losses on remeasurement recognised directly in the statement of comprehensive income. Recognition, in the statement of comprehensive income, of the resulting gains and losses on remeasurement of hedging derivatives depends on the nature of the risk being hedged and of the hedge model used.

The fair value of derivative financial instruments corresponds to their market value as provided by an exchange, or is determined by using net present value techniques.

Hedge accounting

The Company uses financial instruments to hedge interest rate risk and exchange rate risk resulting from its financing activities. Derivatives not qualified for hedge accounting under IAS 39 are accounted for as trading instruments.

Hedging derivatives are recorded at fair value, with the gains and losses recognised in accordance with the hedge accounting model applied by the Company. An hedge relationship exists when:

(i) At the inception of the hedge there is formal documentation of the hedge;
(ii) The hedge is expected to be highly effective;
(iii) The effectiveness of the hedge can be reliably measured;
(iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period;
(v) The forecast transaction being hedged must be highly probable and must be exposed to changes in cash flows that could ultimately affect profit or loss.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged assets and liabilities or group of hedged assets and liabilities that are attributable to the hedged risk. When the hedging relationship ceases to comply with the requirements for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged are amortised over the residual period to maturity.

Effectiveness

For a hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Company performs prospective tests at the inception date of the hedge and in each statement of financial position date, to demonstrate the effectiveness at each statement of financial position date, showing that any adjustments to the fair value of the hedged item attributable to the risk being hedged are offset by adjustments to the fair value of the hedging instrument. Any ineffectiveness is recognised in the statement of comprehensive income on the moment it occurs.

d) Financial assets

Financial assets are initially recognised at fair value plus transaction costs. Subsequently these assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) the Company has transferred substantially all risks and rewards of ownership or (iii) although retaining some, but not substantially all the risks and rewards of ownership, the Company has transferred control over the assets.

Impairment

At each statement of financial position date an assessment is performed as to whether there is objective evidence of impairment, namely those resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets, and every time it can be reliably measured.

If there is objective evidence of impairment, the recoverable amount of the financial asset is determined, and the impairment loss is recognised in the statement of comprehensive income. The recoverable amount is the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the asset original effective interest rate.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) in the case of listed securities, a significant or prolonged decline in the listed price of the security, and (ii) in the case of unlisted securities, when that event (or events) has an impact on the estimated amount of the future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed to the statement of comprehensive income up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised.

e) Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to liquidate capital and/or interests, through delivering cash or other financial assets, independently of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method.

f) Provisions

Provisions are recognised when: (i) the Company has a present legal or constructive obligation, (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

g) Recognition of costs and revenues

Interest income and expense are recognized in the statement of comprehensive income using the effective interest rate method. The effective interest rate include all fees and points paid or received that are an integral part of the effective interest rate. This includes transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities.

Interest income and interest expense presented in the statement of comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortized cost;
- Interest cost on borrowings;
- The effective portion of fair value changes in qualifying hedging derivatives.

Costs and revenues are recognised in the year to which they refer regardless of when paid or received, in accordance with the accrual concept. Differences between amounts received and paid and the corresponding revenue and costs are recognised under other assets or other liabilities, in conformity.

Differences between estimated and actual amounts are recorded in subsequent periods.

h) Net other financial income and expenses

Financial results include foreign exchange gains and losses, realised gains and losses, when applicable.

Interest is recognised in the statement of comprehensive income on an accrual basis.

i) Income tax

Income tax recognised in the statement of comprehensive income includes current tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the tax expected to be paid on the taxable income for the period, using tax rates enacted at the statement of financial position date and taxable income as calculated by applying the tax advanced pricing agreement.

j) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include balances with maturity of less than three months from the statement of financial position date, including cash and deposits in banks.

k) Statement of cash flows

The Statement of cash flows is presented under the indirect method, by which gross cash flows from operating and financing activities are disclosed.

l) Determination of operating segments

The Company determined one operating segment based on the information that is internally provided to the management and the chief operating descision maker.

3. Critical accounting estimates and judgements in preparing the financial statements

IFRS require the use of judgement and the making of estimates in the decision process about certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. The actual effects may differ from these estimates and judgements, namely in relation to the effect of actual costs and income.

The main accounting estimates and judgements used in applying the accounting policies are discussed in this note in order to improve the understanding of how their application affects the Company's reported results and disclosures. A broader description of the accounting policies employed by the Company is disclosed in note 2 to this Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Finance, the Company's reported results could differ if a different treatment was chosen. The Company believes that the choices made are appropriate and that the financial statements present fairly, in all material respects, the Company's financial position and results. The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Fair value of financial instruments

Fair values are based on listed market prices, if available, otherwise fair value is determined either by the price of similar recent transactions under market conditions or by pricing models based on net present value of estimated future cash flows techniques considering market conditions, time value, yield curves and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair values (see detailed information in note 22).

Consequently, the use of different methodologies or different assumptions or judgements in applying a particular model, could have produced different financial results from those reported.

Impairment of financial assets measured at amortised cost

Impairment of financial assets measured at amortised cost is considered as a annual accounting estimate (see note 2 d)).

4. Financial-risk management policies

Financial risk management

EDP Finance BV's business is exposed to a variety of financial risks, including the effect of changes in foreign exchange and interest rates. The company's exposure to financial risks arises essentially from the loans granted to EDP Group companies and from its debt portfolio, resulting in interest rate, exchange rate, liquidity and counterparty risk exposures.

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 any instrument issued by the Company.

The management of the financial risks of EDP Finance BV is carried out in accordance with the general risk management principles and exposure limits established for the EDP Group companies by EDP — Energias de Portugal, S.A., with specific adaptations according to the characteristics of each subsidiary. Financial risk management policies are implemented by the Financial Department of EDP — Energias de Portugal, S.A, under a service agreement signed between the latter and several EDP Group Companies, among which EDP Finance BV. Under the service agreement, and in exchange for an annual fee, EDP — Energias de Portugal S.A. is responsible for providing financial management services such as negotiating and contracting funding and derivatives instruments, providing treasury management services, coordinating the rating attribution and updating process and generally supporting the relationship with the banking system.

The unpredictability of the financial markets is analysed on an on-going basis in accordance with the EDP Group's risk management policy. Derivative financial instruments are used to minimise potential adverse effects, resulting from interest rate and/or foreign exchange rate risks on EDP Group's financial performance as further described below.

Exchange-rate risk management

EDP Finance BV is exposed to exchange rate risk through its debt denominated in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY) and Suiss Francs (CHF). The Group's objective is to mantain a matched position between assets and liabilities in each currency. Any residual exposure is closely monitored. Currently, the exposure to EUR/USD exchange rate risk results essentially from the investments by the EDP Group in the USA through its subsidiary Horizon Wind Energy, LLC. EDP Finance BV issued USD loans as well as foreign exchange derivative financial instruments that convert the issued debt into USD, with the objective of mitigating the exchange rate risk related to the intercompany loans granted to finance the USD assets of the EDP Group. The exchange rate risk on the GBP, JPY and CHF bonds issued under the Medium Term Notes Program have been hedged to EUR as from their issuing date.

Under the aforementioned service agreement, the Financial Department of EDP — Energias de Portugal, S.A. manages EDP Finance BV´s exchange rate risk exposure resulting from foreign currency funding, seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the Company through exchange rate derivative financial instruments and/or other hedging structures. Such instruments and structures have characteristics similar to those of the hedged asset or liability. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

Sensitivity analysis - exchange rate

Though the Company has loans to EDP Group companies and issued debt instruments in currencies other than Euro, the impacts on Equity or P&L due to changes in currency rates are not significant as the risk management policy in place aims to avoid material mismatches between assets and liabilities denominated in currencies other than Euro.

Interest rate risk management

The aim of interest rate risk management policy is to reduce the financial charges and to reduce exposure to interest rate risk from market fluctuations through the settlement of derivative financial instruments.

In the floating rate financing context, EDP Finance BV uses, when appropriate, interest rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans. Long-term loans contracted at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to reduce interest cost. In addition to these operations, to mitigate exposure of debt cash flows to market rate flucutations, structured caps and floors are contracted, as necessary.

All hedging operations are undertaken on liabilities of EDP Finance BV's debt portfolio and mainly involve perfect hedges, resulting in a high level of correlation between the changes in the fair value of the hedging instrument and the changes in fair value of the interest rate risk or future cash flows.

Sensitivity analysis - Interest rates

Based on the financial instruments with exposure to interest rate risk as at 31 December 2011 and 2010, a 100 basis points change in the reference interest rates would lead to the following increases / (decreases) in equity and results of EDP Finance BV:

	Dec 2011			
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Liabilities				
Cash flow effect:				
Hedged debt	-19,082	19,082	-	-
Unhedged debt	-48,835	48,835	-	-
	-67,917	67,917	-	-
Assets				
Cash flow effect:				
Unhedged debt	53,522	-53,522	-	-
	53,522	-53,522	-	-

	Dec 2010			
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Liabilities				
Cash flow effect:				
Hedged debt	-19,803	19,803	-	-
Unhedged debt	-45,206	45,206	-	-
	-65,009	65,009	-	-
Assets				
Cash flow effect:				
Unhedged debt	1,663	-1,663	-	-
	1,663	-1,663	-	-

This analysis assumes that all other variables, namely exchange rates and credit risk, remain unchanged.

Counterparty credit risk management

EDP Group's policy regarding the management of counterparty risk on financial transactions involves the analysis of the technical capacity, competitiveness, credit rating and exposure of each counterparty, so as to avoid significant concentrations of credit risk.

Counterparties in derivative financial instruments are credit institutions with strong credit ratings and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are usually not required on these transactions.

EDP Finance BV documents its financial operations in accordance with international standards. Therefore, derivative financial instruments are contracted under ISDA Master Agreements, facilitating the transfer of the instruments in the market and ensuring compliance and consistency with EDP Group´s policies.

The credit risk arising from loans granted to EDP Group companies is mitigated by the control that EDP — Energias de Portugal, S.A. has over the management of those companies. As at 31 December 2011 and 2010, all loans granted by EDP Finance BV had as counterparties companies controlled by EDP — Energias de Portugal, S.A. As per 31 December 2011 and 31 December 2010 no impairment triggers were identified with respect to loans issued to group companies.

The maximum credit exposure equals the amount of total assets as per 31 December 2011 and 31 December 2010 being Eur 14.4 billion and Eur 13.7 billion, respectively.

Liquidity risk management

Liquidity risk is managed by engaging and maintaining credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions allowing immediate access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing for a diversification of EDP Finance BV´s short-term financing sources. The quantitative information for liquidity risk is included in Note 20.

Among the key sources of liquidity of EDP Finance BV are a medium term Revolving Credit Facility (RCF) of 2,000,000 thousand Euros and a RCF of 1,500,000 thousand USD, both with a firm underwriting commitment. As at 31 December 2011 the former was partially available (1,600,000 thousand Euros) and the latter was fully drawn.

5. Segment reporting

The Company determined one operating segment. The Company generates interest income by providing loans to EDP Group entities as well as through derivative financial instruments concluded with banks to hedge market risks. The loans are provided to EDP Group companies in Spain and the United States of America.

These EDP Group companies are EDP Renováveis, S.A., EDP Sucursal en España, S.A., HC Energia (Hidroelectrica del Cantabrico), EDP Investments and Services and Millennium Energy S.L.

6. Interest income and expenses

Interest income and expenses are analysed as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Interest income		
Loans and receivables to group entities	472,419	444,585
Derivative financial instruments	90,208	90,650
Commercial Paper	74,759	35,656
Other interest income	11,340	8,060
	648,726	578,951

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Interest expenses		
Bank loans	73,409	31,831
Medium term notes	458,747	403,323
Loans from group entities	3,266	755
Derivative financial instruments	66,270	57,617
	601,692	493,526

7. Net other financial income and expenses

Net other financial income and expenses are analysed as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Other financial income		
Derivative financial instruments - Trading	18,629	-
Foreign exchange gains	6,730	-
Other	4	1
	25,363	1

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Other financial expenses		
Derivative financial instruments - Trading	17 152	-
Foreign exchange losses	-	2,644
Other	126	1,609
	17,278	4,253
Net other financial income and expenses	8,085	-4,252

8. Services rendered

Services rendered are analysed as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Debt portfolio management	698	643
	698	643

The Company is remunerated for arranging, managing and maintaining the debt portfolios of EDP Group companies. 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.

9. Supplies and services

Supplies and services are analysed as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Supplies and services:		
Legal expenses	44	125
EDP, S.A. Services	697	643
Specialised works - Consulting services	479	59
Specialised works - Other services	178	327
Other	17	-
	1,415	1,154

The Company has signed a service agreement with the EDP, S.A. This service agreement states that the Company has to pay an annual fee for services that EDP, S.A. 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. 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.

10. Provisions

Provisions are analysed as follows:

	Company Euro'000
Balance at 1 January 2010	3,176
Provisions made during the period	19,701
Provisions reversed during the period	-1,776
Balance at 1 January 2011	21,101
Provisions made during the period	11,380
Provisions reversed during the period	-
Balance at 31 December 2011	32,481

This provision reflects probable tax contingencies resulting from the commercial activities of EDP Finance BV.

11. Income tax

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Total income tax	2,210	873
Profit before income tax	43,021	62,757
Effective tax rate of the company	5.1%	1.4%

EDP Finance BV settled a tax advanced pricing agreement with the Dutch Tax authorities that determines the taxable amount of the company under certain requirements and assumptions.

EDP Finance BV settled a tax advanced pricing agreement ("APA") with the Dutch tax authorities that determines the taxable amount of the Company under certain requirements and assumptions. This APA explains the difference between the Dutch statutory tax rate of 25% and the effective tax rate in the table above.

12. Loans to Group entities

Loans to Group entities are analysed as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Loans to and receivables from group entities - Non current:		
EDP Renováveis, S.A.	2,986,433	2,799,548
EDP Sucursal en España, S.A.	2,437,075	3,207,856
HC Energia (Hidroelectrica del Cantabrico)	1,921,236	2,648,253
Millennium Energy S.L.	213,551	-
	7,558,295	8,655,657
Loans to receivables from group entities - Current:		
EDP Energias de Portugal, S.A.	5,207,187	4,162,065
EDP Sucursal en España, S.A.	851,430	67,114
EDP Investments and Services	133,959	166,329
Accrued interest	77,086	76,905
	6,269,662	4,472,413
	13,827,957	13,128,070

These assets have an average maturity of 4 years and bear interest at an average rate of 4.0%.

Loans to and receivables from group entities by maturity, are analysed as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Loans to and receivables from group entities		
Up to 1 year	6,269,662	4,472,413
From 1 to 5 years	1,853,936	3,163,540
More than 5 years	5,704,359	5,492,117
	13,827,957	13,128,070

The maturity of debt and borrowings split in different currencies, are analysed as follows:

	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	2016 Euro'000	Following years Euro'000	Total Euro'000
Loans to and receivables from group entities:							
Euro	5,449,947	197,114	1,138,101	265,511	521,665	2,553,949	10,126,287
US Dollar	819,715	-	-	-	-	2,881,955	3,701,670
	6,269,662	197,114	1,138,101	265,511	521,665	5,435,904	13,827,957

Loans to group entities are not collateralized.

13. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Bank deposits:		
- Current deposits	1,669	1,169
- Term deposits	402,214	517,921
	403,883	519,090

Cash and cash equivalents are free disposable to be used by the company.

14. Share capital and share premium

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.

Share capital and Share premium are analysed as follows:

	Company	
	Share capital Euro'000	Share premium Euro'000
Balance as at 31 December 2010	2,000	11,597
Movements during the year	-	383
Balance as at 31 December 2011	2,000	11,980

In 2011, the shareholders provided a contribution in kind in the amount of 383 thousands of Euros.

15. Reserves and retained earnings

This caption is analysed as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Accumulated results	72,076	10,192
	72,076	10,192

The share premium and reserves are fully attributable to EDP - Energias de Portugal, S.A.

16. Debt securities and Loans and credit facilities from third parties

This caption is analysed as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Debt securities and Loans and credit facilities from third parties - Non Current		
Debt securities	7,812,904	8,066,450
Fair value of the issued debt hedged risk	61,913	-69,958
	7,874,817	7,996,492
Loans and credit facilities from third parties	3,972,309	3,590,027
	11,847,126	11,586,519
Debt securities and Loans and credit facilities from third parties - Current		
Debt securities	1,621,314	499,697
Accrued interest	252,394	201,032
	1,873,708	700,729
Loans and credit facilities from third parties	354,666	150,000
Accrued interest	3,941	673
	358,607	150,673
	2,232,315	851,402
Total	14 079 441	12 437 921

Debt securities issued under the Euro Medium Term Notes program were as follows:

Date issued	Interest rate	Type of hedge	Conditions / Redemption	Nominal amount Euro'000
Aug-02	Fixed rate GBP 6.625% (i)	Fair Value	Aug/17	320,000
Dec/02	Fixed rate EUR (iii)	n.a.	Dec/22	93,357
Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000
Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000
Jun/06	Fixed rate EUR 4.25%	n.a.	Jun/12	500,000
Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000
Nov/07	Fixed rate USD 5.375 %	n.a.	Nov/12	772,857
Nov/07	Fixed rate USD 6.00 %	n.a.	Feb/18	772,857
Nov/08	Fixed rate GBP 8.625% (i)	Fair Value	Jan/24	410,314
Nov/08	Zero coupon (iii)	n.a.	Nov/23	160,000
Feb/09	Fixed rate EUR 5.5% (ii)	Fair Value	Feb/14	1,000,000
Jun/09	Fixed rate JPY (i), (iii)	Fair Value	Jun/19	80,817
Jun/09	Fixed rate EUR 4.75%	n.a.	Sep/16	1,000,000
Sep/09	Fixed rate USD 4.90 %	n.a.	Oct/19	772,857
Feb/10	Floating rate (iii)	n.a.	Feb/15	77,247
Mar/10	Fixed rate EUR 3.25% (i)	Fair Value	Mar/15	1,000,000
Feb/11	Fixed rate EUR 5.875%	n.a.	Feb/16	750,000
Feb/11	Fixed rate CHF 3.5% (i)	Fair Value	Feb/14	177,911
Aug/11	Floating rate (iii)	n.a.	Aug/12	350,000

(i) These issues by EDP Finance BV have associated interest rate swaps and/or currency swaps.
(ii) Part of this loan has associated interest rate swaps.
(iii) These issues correspond to private placements.

Debt securities and Loans and credit facilities from third parties by maturity, are analysed as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Debt securities:		
Up to 1 year	1,873,708	700,729
From 1 to 5 years	5,030,015	3,834,591
More than 5 years	2,844,802	4,161,901
	9,748,525	8,697,221
Loans and credit facilities from third parties:		
Up to 1 year	358,607	150,673
From 1 to 5 years	3,972,309	3,590,027
	4,330,916	3,740,700
	14,079,441	12,437,921

Future payments of principal and interests are detailed in note 20.

The remaining maturity of debt securities and loans and credit facilities from third parties and interest for type of loan and currency are analysed as follows:

	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	2016 Euro'000	Following years Euro'000	Total Euro'000
Debt securities							
Euro (i)	1,065,978	-	1,221,111	1,493,138	2,238,480	1,228,201	7,246,908
US Dollar (ii)	807,730	-	-	77,286	-	1,616,601	2,501,617
	1,873,708	-	1,221,111	1,570,424	2,238,480	2,844,802	9,748,525
Loans and credit facilities from third parties							
Euro	358,569	2,124,829	298,291	390,767	-	-	3,172,456
US Dollar	38	-	1,158,422	-	-	-	1,158,460
	358,607	2,124,829	1,456,713	390,767	-	-	4,330,916
	2,232,315	2,124,829	2,677,824	1,961,191	2,238,480	2,844,802	14,079,441

(i) These issues include CHF and GBP bonds that were converted into EUR cross currency swaps
(ii) These issues include a JPY bond that was converted into USD cross currency swaps

17. Loans from Group entities

Loans from Group entities are analysed as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Loans from Group entities - Current:		
EDP Renováveis, S.A.	1	182,740
EDP Sucursal en España, S.A.	116,836	190,195
	116,837	372,935

18. Amounts owed on purchased debt securities

As at 31 December 2010 this caption included purchased debt securities of 724,000 which was settled on January 3rd 2011.

19. Derivative financial instruments

In accordance with IAS 39, EDP Finance BV classifies derivative financial instruments as fair value hedges of a recognised asset or liability (Fair value hedge).

In 2011 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
	Assets Euro'000	Liabilities Euro'000	Up to 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	Total Euro'000
Fair value hedges						
Interest rate swaps	54,261	-	-	1,000,000	-	1,000,000
Cross currency interest rate swaps	111,204	-52,173	-	177,911	830,113	1,008,024
Derivatives held for trading						
Interest rate swaps	20,788	-6,089	-	500,000	-	500,000
	186,253	-58,262		1,677,911	830,113	2,508,024

In 2010 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
	Assets Euro'000	Liabilities Euro'000	Up to 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	Total Euro'000
Fair value hedges						
Interest rate swaps	48,668	-	-	1,250,000	-	1,250,000
Cross currency interest rate swaps	13,202	-64,493	-	-	805,411	805,411
	61,870	-64,493	-	1,250,000	805,411	2,055,411

The company enters into interest rate swaps and Cross Currency Interest rate swaps to hedge its exposures to changes in the fair values of its issued fixed rate Euro and Non Euro loans to changes in market interest rates. These swaps are matched to specific issuances of fixed rate loans.

The changes in the fair value of hedging instruments and the hedged risks are analysed as follows:

			2011		2010	
			Changes in fair value		Changes in fair value	
Type of hedge	Hedging instrument	Hedged risk	Instrument Euro'000	Risk Euro'000	Instrument Euro'000	Risk Euro'000
- Fair value	Interest rate swap	Interest rate	26,064	-26,064	11,043	-11,043
- Fair value	Cross currency interest rate swaps	Interest and exchange rate	105,807	-105,807	61,935	-61,935
			131,871	-131,871	72,978	-72,978

The gains and losses on the financial instruments portfolio booked in the statement of comprehensive income in 2011 and 2010 are as follows:

	Company	
	Dec 2011 Euro'000	Dec 2010 Euro'000
Derivatives held for trading	1.477	-
Fair value hedges		
- Derivatives	131.871	72.978
- Hedged liabilities	-131.871	-72.978
	1.477	-

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2011 are as follows:

	Company			
	Notional EUR'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	1.500.000	EUR	[3,98% - 2,34%]	[5,5% - 3,25%]
Currency interest rate				
CIRS (currency interest rate swaps)	730.313	EUR / GBP	[5,54% - 3,26%]	[8,63% - 6,63%]
CIRS (currency interest rate swaps)	99.800	USD / JPY	6,80%	3,11%
CIRS (currency interest rate swaps)	177.911	EUR / CHF	[4,20% - 4,18%]	3,51%

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2010 were as follows:

	Company			
	Notional EUR'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	1.250.000	EUR	[3.57% - 1.90%]	[5.50% - 3.25%]
Currency interest rate				
CIRS (currency interest rate swaps)	730.313	EUR / GBP	[4.88% - 2.53%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	78.259	USD / JPY	6.80%	3.11%

20. Commitments

The contractualised commitments relating to short and medium/long term financial debt and respective interest are disclosed, as at 31 December 2011 and 2010, by maturity, as follows:

	Dec 2011				
		Contractual Commitments outstanding by maturity			
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	16.327.351	2.590.995	5.556.225	4.795.683	3.384.448
	16.327.351	2.590.995	5.556.225	4.795.683	3.384.448

	Dec 2010				
		Contractual Commitments outstanding by maturity			
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	15.452.501	1.477.759	2.041.582	6.823.688	5.109.472
	15.452.501	1.477.759	2.041.582	6.823.688	5.109.472

The short and long term debt corresponds to the balance of borrowings and related interest, contracted by the EDP Finance BV with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based on interest rates in force at the year-end.

21. Related parties

Main shareholders and shares held by company officers

EDP - Energias de Portugal, S.A. holds 100% of EDP Finance, BV's share capital.

Other Related Parties

TMF Netherlands BV fulfills administrative services to the Company and provides two statutory directors to the Company.

Remuneration of directors

The charges regarding remuneration of directors and former directors amounts to Euro 10,948 (2010: Euro 5,800).

Balances and transactions with related parties

As at 31 December 2011, the **outstanding receivables** with related parties are analysed as follows:

	Receivables Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	5,207,187	5,207,187
EDP Sucursal en España, S.A.	3,322,254	3,322,254
EDP Renováveis, S.A.	2,988,864	2,988,864
HC Energia (Hidroelectrica del Cantabrico)	1,957,645	1,957,645
Millennium Energy S.L.	216,303	216,303
EDP Investments and Services	136,588	136,588
	13,828,841	13,828,841

As at 31 December 2010, the **outstanding receivables** with related parties are analysed as follows:

	Receivables Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	4,162,065	4,162,065
EDP Sucursal en España, S.A.	3,307,329	3,307,329
EDP Renováveis, S.A.	2,800,357	2,800,357
HC Energia (Hidroelectrica del Cantabrico)	2,690,509	2,690,509
EDP Investments and Services	168,594	168,594
	13,128,854	13,128,854

As at 31 December 2011, the **outstanding payables** with related parties are analysed as follows:

	Payables Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	349	349
EDP Sucursal en España, S.A.	116,836	116,836
EDP Renováveis, S.A.	1	1
	117,186	117,186

As at 31 December 2010, the **outstanding payables** with related parties are analysed as follows:

	Payables Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	725,833	725,833
EDP Sucursal en España, S.A.	190,195	190,195
EDP Renováveis, S.A.	182,740	182,740
	1,098,768	1,098,768

Income and **expenses** related to transactions with related parties as at 31 December 2011, are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Other Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	79,489	-697	78,792
EDP Sucursal en España, S.A.	173,978	-	173,978
EDP Renováveis, S.A.	152,017	-	152,017
HC Energia (Hidroelectrica del Cantabrico)	137,055	683	137,738
Millennium Energy S.L.	2,752	-	2,752
EDP Investments and Services	3,351	14	3,365
	548,642	-	548,642

Income related to transactions with related parties as at 31 December 2010, are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Other Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	47,722	643	48,365
EDP Sucursal en España, S.A.	183,459	-	183,459
EDP Renováveis, S.A.	139,252	-	139,252
HC Energia (Hidroelectrica del Cantabrico)	117,651	559	118,210
EDP Investments and Services	3,467	84	3,551
	491,551	1,286	492,837

22. Fair value of financial assets and liabilities

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through internal models, which are based on cash flow discounting techniques and option valuation models or through quotations supplied by third parties. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors, including credit risk.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg and Reuters). The credit risk factor in the data is based on the credit spread of similar companies in the market.

As at 31 December 2011 and 2010, the following table presents the interest rate curves of the major currencies to which the Company is exposed used for cash flow discount (in addition to the rates listed below, the company adjusts discount rates for credit risk):

	31 December 2011		31 December 2010	
	Currency		Currency	
	EUR	USD	EUR	USD
3 months	1.36%	0.58%	1.01%	0.30%
6 months	1.62%	0.81%	1.23%	0.46%
1 year	1.95%	1.13%	1.51%	0.78%
2 years	1.31%	0.73%	1.56%	0.79%
3 years	1.36%	0.82%	1.89%	1.26%
4 years	1.54%	1.01%	2.20%	1.74%
5 years	1.72%	1.23%	2.49%	2.17%
6 years	1.91%	1.45%	2.74%	2.53%
7 years	2.07%	1.64%	2.93%	2.83%
8 years	2.19%	1.80%	3.09%	3.06%
9 years	2.29%	1.93%	3.21%	3.25%
10 years	2.38%	2.03%	3.32%	3.41%

Fair value of assets and liabilities as at 31 December 2011 and 31 December 2010 is analysed as follows:

	Dec 2011			Dec 2010		
	Carrying amount Euro'000	Fair value Euro'000	Difference Euro'000	Carrying amount Euro'000	Fair value Euro'000	Difference Euro'000
Financial assets						
Loans and receivables to group entities	13,827,958	12,357,250	-1,470,708	13,128,070	13,012,450	-115,620
Derivative financial instruments	186,252	186,252	-	61,870	61,870	-
Cash and cash equivalents (assets)	403,883	403,883	-	519,090	519,090	-
	14,418,093	12,947,385	-1,470,708	13,709,030	13,593,410	-115,620
Financial liabilities						
Debt securities	9,748,525	8,306,170	-1,442,355	8,697,221	8,509,272	-187,949
Loans and credit facilities from third parties	4,330,916	3,751,594	-579,322	3,740,700	3,498,735	-241,965
Loans from group entities	116,837	116,837	-	372,935	372,935	-
Derivative financial instruments	58,262	58,262	-	64,493	64,493	-
	14,254,539	12,232,862	-2,021,677	12,875,349	12,445,435	-429,914

The market value of the medium/long term loans is calculated based on the discounted cash flows at market interest rates at the date of the statement of financial position, increased by the best estimate, at the same date, of market conditions applicable to the Company's debt, based on its average term. Regarding short term debt (current account), the market value does not differ substantially from the book value.

According to IFRS 7, EDP Finance BV established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 — Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 — Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 — Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

The fair value of EDP Finance BV financial assets and liabilities, in 2010 and 2011, is included in Level 2, described above.

23. Subsequent events

Standard & Poor's downgrades EDP to "BB+" with negative outlook

On 1st February 2012, Standard & Poor's Ratings Services downgraded the long-term and short-term corporate credit ratings on EDP — Energias de Portugal S.A. and EDP Finance B.V. from "BBB" to "BB+" with negative outlook, removing the ratings from CreditWatch with negative implications. This downgrade follows S&P's downgrade of the Republic of Portugal to "BB" with negative outlook, on 13th January 2012. EDP's "BB+" long term rating is one notch higher than Portugal, which is the maximum allowed under S&P's criteria for nonsovereign entities in the eurozone.

Moody's Drowngrades EDP to "Ba1" with negative outlook

On 15th February 2012, Moody's Investors Service downgraded EDP - Energias de Portugal SA and EDP Finance BV to "Ba1" from "Baa3". Concurrently, Moody's downgraded the short-term ratings of EDP and EDP Finance to "Not-Prime" from "Prime-3". The assigned outlook on all affected ratings is negative. This downgrade follows Moodys's downgrade of the Republic of Portugal's sovereign rating to "Ba3" with a negative outlook from "Ba2" with a negative outlook, as announced on 13th February 2012. EDP's rating is two notches above the Portuguese government's rating and is in line with Moody's previously published guidance on utilities and infrastructure companies. In this guidance, Moody's establishes that such companies are unlikely to be more than one or two notches above the sovereign.

24. Recent accounting standards and interpretations issued

The new standards and interpretations that have been issued and are already effective and the Company has applied on its financial statements can be analysed as follows:

IFRIC 19 - Extinguishing financial liabilities with equity instruments

The International Accounting Standard Board (IASB), issued in November 2009, the IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments, with effective date of mandatory application for the exercises beginning after 30 June 2010, being early adoption allowed.

This interpretation clarifies how an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

This interpretation cannot be applied if:
- the creditor is also a direct or indirect shareholder and is acting in its capacity as direct or indirect shareholder;
- the creditor and the entity are controlled by the same party or parties before and after the transaction, and the substance of the transaction includes an equity distribution from, or contribution to the entity;
- extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability.

This interpretation clarifies:
- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability;
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished ;
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the equity's profit or losses for the year.

No significant impact in the Company resulted from the adoption of this change.

Standards, amendments and interpretations issued but not yet effective for the Company

IFRS 7 (Amendment) - Financial instruments: Disclosures for transfer transactions of financial assets

The International Accounting Standards Board (IASB), issued in October 2010, the IFRS 7 (Amendment) - Financial instruments: Disclosures for transfer transactions of financial assets, with effective application date to years started after 1 July 2011, early adoption being allowed.

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets.

The adoption of this amendment will only have impact on the financial statements disclosures.

IFRS 7 (Amendment) - Financial instruments: Disclosures for offsetting of financial assets and financial liabilities

The International Accounting Standards Board (IASB), issued in December 2011, the IFRS 7 (Amendment) - Financial instruments: Disclosures for offsetting of financial assets and financial liabilities, with effective application date to years started after 1 January 2013, early adoption being allowed. This amendment was not endorsed by the European Union.

The amendment will require disclosures to include information that will allow the evaluation of the effect or potencial effect of netting arrangements, including rihts of set-off associated with recognition of financial assets anf financial liabilities on the financial position of the company.

The adoption of this amendment will only have impact on the financial statements disclosures.

IFRS 9 - Financial instruments

The International Accounting Standards Board (IASB) issued in November 2009, IFRS 9 - Financial instruments part I: Classification and measurement, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption. This standard has not yet been endorsed by the European Union.

This standard is included in phase I of the IASB's comprehensive project to replace IAS 39 and relates to issues of classification and measurement of financial assets. The main issues considered are as follows:

- The financial assets can be classified in two categories: at amortised cost or at fair value. This decision will be made upon the initial recognition of the financial assets. Its classification depends on how the entity presents these financial assets and the contractual cash flows associated to each financial asset in the business;

- Debt instruments model can be measured at amortised cost when the contractual cash-flows represent only principal and interest payments, which means that it contains only basic loan features, and for which an entity holds the asset to collect the contractual cash flows. All the other debt instruments are recognised at fair value;

- Equity instruments issued by third parties are recognised at fair value with subsequent changes recognised in the profit and loss. However an entity could irrevocably elect equity instruments at initial recognition for which fair value changes and the realised gain or loss are recognised in fair value reserves. Gains and losses recognised in fair value reserves can not be recycled to profit and loss. This is a discretionary decision, and does not imply that all the equity instruments should be treated on this basis. The dividends received are recognised as income for the year.

The Company is evaluating the impact of adopting this standard after endorsment by the EU.

IFRS 13 - Fair value measurement

The International Accounting Standards Board (IASB), issued in May 2011, the IFRS 13 - Fair value measurement, with effective application date to years started after 1 January 2013, early adoption being allowed. This standard has not been yet endorsed by the European Union.

This standard defines fair value, provides a guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. However, does not include requirements on when fair value measurement is required and it prescribes how fair value is to be measured if another standard requires it.

No significant impact in the Company resulted from the adoption of this standard is expected.

IAS 1 (Amendment) - Presentation of items of other comprehensive income

The International Accounting Standards Board (IASB), issued in June 2011, the IAS 1 (Amendment) - Presentation of items of other comprehensive income, with effective application date to years started after 1 July 2012, early adoption being allowed. This amendment has not been yet endorsed by the European Union.

The amendment requires the following issues:
- Option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements;
- Items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss;
- Tax on items of other comprehensive income is required to be allocated on the same basis.

No significant impact in the Company resulted from the adoption of this standard is expected.

IAS 27 (Amendment) - Separate financial statements

The International Accounting Standards Board (IASB), issued in May 2011, the IAS 27 (Amendment) - Separate financial statements, with effective application date to years started after 1 January 2013, early adoption being allowed. This amendment has not been yet endorsed by the European Union.

The amendement resulted from the project of the Board on consolidation. A new IFRS, IFRS 10 - Consolidated financial statements, addressed the principle of control and requirements relating to the preparation of consolidated financial statments. As a result, IAS 27 now contais requirements relating only to separate financial statments.

No significant impact in the Company resulted from the adoption of this standard is expected.

IAS 32 (Amendment) - Offsetting financial assets ans financial liabilities

The International Accounting Standards Board (IASB), issued in December 2011, the IAS 32 (Amendment) - Offsetting financial assets ans financial liabilities, with effective application date to years started after 1 January 2014, early adoption being allowed. This amendment has not been yet endorsed by the European Union.

The amendment clarifies: (i) criterion that an entity "currently has a legally enforceable right to set off the recognised amounts"; and (ii) criterion that na entity "intends to

No significant impact in the Company resulted from the adoption of this standard is expected.

Amsterdam, 8 March 2012

The Managing Directors

EDP — Energias de Portugal, S.A.

Burg, J. C. W. van.

Kamphuijs, W. H.

TMF Netherlands B.V.

EDP FINANCE BV

OTHER INFORMATION

Statutory provisions concerning 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 take distributions to the shareholders and other persons entitled to distributable profits only to the extent that is 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 Managing Directors proposes to add the profit for the financial year ended 31 December 2011 in the amount of EUR 40,811,383.35 to the accumulated results.

Independent auditor’s report

To the general meeting of shareholders of EDP Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of EDP Finance B.V., Amsterdam, which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management’s responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report, in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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.

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 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 08 March 2012

KPMG ACCOUNTANTS N.V.

E. Bleekrode RA