EDP Finance B.V.

Annual Report

31 December 2020

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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 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 B.V. in the annual financial statements, together with a description of principal risks it faces;

3. That the managing director's report gives a true and fair review of the development and the performance of the business of EDP Finance B.V. during the financial year to which the report relates.

Amsterdam, 24 February 2021

The Managing Directors

EDP – Energias de Portugal, S.A.

Arendsen, R.

van der Werff, M. F. C.

TMF Netherlands B.V.

REPORT OF THE MANAGING DIRECTORS

The Managing Directors of EDP Finance B.V. (hereinafter "the Company") submit the annual report and the financial statements of the Company for the year ended 31st December 2020.

<u>PRINCIPAL ACTIVITIES AND BUSINESS REVIEW</u>

General

The Company was incorporated under the laws of The Netherlands on 1st October 1999 and is a direct wholly-owned subsidiary of EDP – Energias de Portugal, S.A. ("EDP SA").

Activities

The main activity of the Company is to act as a finance company for the EDP Group ("EDP"), raising funds in the international capital and bank loan markets to finance EDP's activities and investment plan. The activity of the Company is therefore determined in accordance with the business plan and overall strategy defined for EDP, its debt maturity schedule and EDP's financial policy, including a conservative liquidity profile and centralization of the majority of fund raising at EDP SA and the Company for Group subsidiaries, as well as prevailing market conditions.

The Consolidated Financial Statements of EDP can be consulted in www.edp.com.

Overview of the Company´s Results, Solvency and Liquidity

During the year ended 31st December 2020, the Company recorded a profit of EUR 5,95 million (2019: loss of EUR 14,75 million).

The improvement in results is essentially related with the reduction on interest expenses, impacted by the maturity of long-term liabilities during the first nine months of 2020, which were replaced partially by lower yielding debt as per improved market conditions.

The Company holds a comfortable equity position, which amounts to EUR 118,5 million (2019: EUR 111,7 million). The increase results essentially from the net profit improvement in 2020, as mentioned above.

Net current assets amount to EUR 1,017 million (31 December 2019: EUR 386 million), which reflect the Company´s ability to generate enough cash to pay off all its short-term liabilities once they become due, during a 12-month period.

Furthermore, the Company holds a robust liquidity position, since the amount of available liquidity (including committed credit line facilities) covers the Company´s refinancing needs for at least 12 months, in line with EDP´s liquidity policy.

Major Developments

Several long-term liabilities have reached maturity during the financial year, with a total of USD 750 and EUR 1,050 million, with an average rate of 4.3%.

In June 2020, the company issued commercial paper in the amount of USD 225 million, out of a 5-year Commercial Paper Program.

In September 2020, EDP Finance BV issued a Seven-Year USD 850 million Green bond with a coupon of 1.710%, under the EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments" (EMTN) which includes a Keep Well agreement with EDP S.A. (see Note 5), with Use of Proceeds in line with EDP Green Bond Framework.

The financing transactions concluded in the year allowed the Company and EDP Group to reach different markets and investors, obtaining the necessary funding for current and next year's redemptions as well as to strengthen the liquidity position, ahead of refinancing needs for the following years.

Subsequent Events

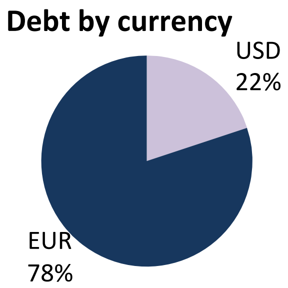
Regarding a EUR 1,500 million bond fully subscribed by EDP Finance BV, due on October 2021, EUR 500 million and EUR 750 million (including accrued interest) were early repaid by EDP SA on 19th January 2021 and 12th February 2021 respectively.

Debt

In 2020, EDP Finance B.V.'s debt totalled EUR 11,230 million. When compared to December 2019, the company's debt decreased by nearly EUR 2,327 million, mostly due to the repayment of debt that matured in 2020.

Debt - EDP Finance B.V.	EUR millions		
	Dec 2020	**Dec 2019**	**Change**
Debt - Short term	**2,418**	**3,826**	**-37%**
Bonds	1,372	1,916	-28%
Bank loans	156	845	-82%
Intercompany loans	772	807	-4%
Amounts owed on commercial paper	118	258	-54%
Debt - Long term	**8,812**	**9,731**	**-9%**
Bonds	8,638	9,292	-7%
Bank loans	174	439	-60%
Debt under IFRSs	**11,230**	**13,557**	**-17%**

In terms of currencies of EDP Finance B.V. external debt after FX-hedges, the USD financing contracted to fund the purchase and capex of EDP Renewables North America justifies the Company's USD denominated debt (22% of EDP Finance B.V. 's debt). Euro continues to be the main funding currency of the Company's debt (78%).



Rating

In October 2020, Standard & Poor's Global Ratings ("S&P") affirmed EDP S.A.´s and the Company's rating at "BBB-" with Stable Outlook. In July 2020, Moody's Investors Service ("Moody's") also affirmed the companies' rating at "Baa3" with Stable Outlook. In February 2020, Fitch Ratings ("Fitch") affirmed the companies' rating at "BBB-" and revised the Outlook to "Positive.

Risk Management

Financial risk management

EDP Finance B.V.'s business is exposed to a variety of market/financial risks which arise, essentially, from the mismatch between the loans granted to EDP Group companies and its debt portfolio, resulting in interest rate risk, foreign exchange rate risk, liquidity and counterparty risk.
The Company has an overall low risk appetite and therefore aims to minimize these market risks arising from its relevant activities, preferably through natural hedging, but also, whenever necessary/appropriate, with the use of over-the-counter derivative financial instruments. The risk appetite of the Company is in line with EDP´s and subject to regular review.

On 14 March 2001, EDP 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 SA 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 SA 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 B.V. is carried out, measured and controlled, in accordance with the general risk management principles and exposure limits established for the EDP Group companies by EDP S.A., with specific adaptations according to the characteristics of each subsidiary. Financial risk management is implemented by the Financial Department of EDP S.A., under a service agreement signed between the latter and several EDP Group Companies, among which EDP Finance B.V.

The Board of Directors of the Company is made aware of the exposure to the different risks on an ongoing basis and considers that the existing risk management policies and controls are appropriate to achieve the desired mitigation and low risk exposure.

EDP uses various metrics, both statistical and nonstatistical, including VaR, economic-value stress testing and nonstatistical risk measures such as sensitivities to variables used to value positions, to monitor and control limits.

Hedge relationships are established through instruments and structures that have critical terms similar to those of the hedged asset or liability, confirming the economic relationship between hedged item and hedging instrument. The hedge ratio is of 1:1 for all the hedging relationships to minimize hedge ineffectiveness. Therefore, the main source of ineffectiveness would be a significant deterioration of the credit risk of a counterparty.

During 2020, considering the COVID-19 pandemic and the impacts on the market to which the EDP Finance B.V. has exposure to, there was a revaluation of the risks involved, having concluded that the current financial Risk Management Policies already incorporate worst case scenarios sufficiently conservative and therefore adequate to the Company's profile, not being necessary its revision.

For a more detailed information than presented below about each type of risk being managed, please see the Risk management section of the financial statements.

Foreign Exchange rate risk management

Exchange rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in exchange rates. These can have adverse effects on the financial position of the Company. EDP Finance B.V. has very low appetite to exchange rate risk.

The Company is exposed to exchange rate risk through its debt and assets denominated in currencies other than EUR, currently US Dollars (USD) and British Pounds (GBP). EDP hedges this risk naturally by maintaining a matched position between assets and liabilities in each currency. Any residual exposure is closely monitored and hedged with over-the-counter derivative financial instruments, namely forwards and cross-currency swaps.

The Company issued USD loans and debt securities (bonds) as well as executed foreign exchange derivative financial instruments that convert the debt issued in currencies such as EUR 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 bonds issued under the Medium-Term Notes Program has also been hedged as from their issuing date, with cross-currency swaps.

Interest rate risk management

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates. EDP Finance B.V. has moderate appetite to interest-rate risk.

The Company's interest rate risk management policy aim is to reduce exposure to interest rate changes which may affect the value of its financial instruments, namely debt. EDP Finance BV mitigates this risk, preferably, through natural hedging, by maintaining an aligned fixed-floating ratio between its assets and liabilities, but also through the use of over-the-counter derivative financial instruments, such as forwards, interest rate swaps and cross-currency swaps.

As the Company provides funding to different Group Companies according to their requirements (timing, amounts and tenor) and raises funding from the market according to refinancing needs and market conditions (timing, tenor and spread wise), interest rates applied to assets and liabilities may differ. The Company tries to manage such risk by refinancing its debt under the best possible conditions the market allows, extending the average life of its debt portfolio and lending to Group companies according to arms-length principles.

Counterparty and credit risk management

The Company has a low risk appetite for counterparty and credit risk.

EDP's policy regarding the management of counterparty and credit 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 risk.

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

The Company 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 policies.

The credit risk arising from loans granted to EDP Group companies is mitigated by the control that EDP S.A. has over the management of those companies.

The Company monitors the credit risk using multiple inputs for risk assessment and for calculation of the loss allowances for financial assets, including: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poors, Moody's and Fitch; (ii) significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; (iii) Public market data, namely on probabilities of default and loss given default expectations; (iv) Internal credit risk assessments on the credit profiles of EDP Group subsidiaries; and (v) macroeconomic information (such as market interest rates or growth rates).

Liquidity risk management

The Company has a very low appetite for liquidity risk.

This risk is associated with the possibility of a default by the Company in meeting all its short-term liabilities in the committed time periods, or just being able to do so under unfavorable conditions due to difficulties in access/cost of credit and rating reduction.

PricewaterhouseCoopers Accountants N.V. For identification purposes only

Liquidity risk is managed by engaging and maintaining credit lines and financing facilities with a firm underwriting commitment, with international reliable financial institutions with high credit ratings, as well as term deposits, allowing immediate access to funds, covering refinancing needs for the next 12 to 24 months. These lines are used to complement and backup commercial paper programs, allowing for a diversification of EDP Finance B.V.´s short-term financing sources.

Capital management

EDP Finance, B.V. is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial management process of the entity.

The Company's goal in managing equity is to safeguard the capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity cost.

Internal Control System

The Company's administrative and accounting procedures used in the financial reporting and daily operations, are assessed on a regular basis and comply with the internal control system. An assessment on the appropriateness of procedures used to prepare the financial statements was performed and no material issues were identified. This internal control system is subject to an annual external audit.

Headcount

As at 31 December 2020, the Company has one employee.

Management Board

As a general guidance for Dutch public limited companies, in accordance with art. 166, Title 4, Book 2 Dutch Civil Code, certain major companies must aim for a balanced distribution between men and women with respect to their positions on the Management Board. During 2020, the Company's Board included a woman, M.F.C.van der Werff, and, indirectly, two more women who are members of the Board of EDP S.A. and a Managing Director of the Company. Additionally, the Company appointed R. Arendsen as Board member in March 2020, after the resignation of A.G.M Nagelmaker. The Company appoints directors based on quality over gender and will continue to ensure the diversity in the Board of Management through their experience, expertise, background and qualifications in order to comply with their responsibilities and properly execute their duties keeping in mind, nevertheless, the guidance of the Dutch Civil Code in future appointments of Managing Directors.

Expectations for 2021

Given the cash flow generated by the Group as well as the available liquidity, the Company's refinancing needs are covered beyond 2021. The Company expects to continue its normal course of business in 2021, raising funding in the international loan and capital markets so as to refinance debt that matures as well as to provide the necessary funding to EDP Group companies.

Regarding the Benchmark Reform, the Company is aware and it is monitoring closely its developments, in order to assess its impact and timely take the necessary steps.

Regarding COVID-19 pandemic, given that its duration and global impacts are still unknown, EDP Finance B.V. continues to monitor the risks, seeking to anticipate and manage possible impacts not currently contemplated.

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, S.A., will act as Audit Committee for the Company. This Committee is composed as follows:

Luís Filipe Marques Amado: President

João Carvalho das Neves: Vice-President

Clementina Maria Dâmaso de Jesus Silva Barroso: Member

Maria del Carmen Rozado: Member

Maria Celeste Ferreira Lopes Cardona: Member

Amsterdam, 24 February 2021

The Managing Directors:

EDP Energias de Portugal, S.A.

Arendsen, R.

van der Werff, M. F. C.

TMF Netherlands

EDP Finance B.V.

Financial Statements

31 December 2020

EDP Finance B.V.

Company Income Statement
for the years ended 31 December 2020 and 2019

Thousand Euros	Notes	2020	2019
Interest income			
Amortized cost	7	289,145	306,609
Fair value through profit or loss	7	78,841	89,922
Interest expenses			
Amortized cost	7	-313,158	-403,446
Fair value through profit or loss	7	-37,109	-44,185
Net interest (expenses) / income		17,719	-51,100
Net other financial income and expenses	8	-8,269	33,008
Net financial (expenses) / income		9,450	-18,092
Other operating (expenses) / income			
Services rendered	9	730	-72
Supplies and services	10	-2,232	-1,450
Personnel costs		-33	-35
(Loss) / Profit before income tax		7,915	-19,649
Income tax (benefit) / expense	11	-1,962	4,900
Net (loss) / profit for the year		5,953	-14,749

The following notes form an integral part of these financial statements

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

EDP Finance B.V.

Company Statement of Other Comprehensive Income for the years ended 31 December 2020 and 2019

Thousand Euros	2020	2019
Net (loss) / profit for the year	5,953	-14,749
Items that are or may be reclassified to profit or loss		
Cost of hedging reserve	1,103	782
Tax effect from the cost of hedging reserves	-276	-195
Other comprehensive income for the year (net of income tax)	827	587
Total comprehensive income for the year	6,780	-14,162

The following notes form an integral part of these financial statements

PricewaterhouseCoopers Accountants N.V. For identification purposes only

EDP Finance B.V.

Company Statement of Financial Position as at 31 December 2020 and 2019
(before proposed appropriation of result)

Thousand Euros	Notes	2020	2019*
Assets			
Loans to and receivables from group entities	12	7,869,205	9,319,288
Derivative financial instruments	20	45,762	170,142
Deferred tax assets	13	3,536	5,476
Total Non-Current Assets		7,918,503	9,494,906
Loans to and receivables from group entities	12	2,547,644	3,635,205
Derivative financial instruments	20	58,175	105,188
Debtors and other assets		1,245	846
Tax receivable		129	3,771
Cash and cash equivalents	14	827,730	468,594
Total Current Assets		3,434,923	4,213,604
Total Assets		11,353,426	13,708,510
Equity			
Share capital	15	2,000	2,000
Share premium	15	11,980	11,980
Reserves and retained earnings	16	98,531	112,453
(Loss) / profit for the year		5,953	-14,749
Total Equity		118,464	111,684
Liabilities			
Debt securities	17	8,638,300	9,292,326
Loans and credit facilities from third parties	17	174,425	439,261
Derivative financial instruments	20	3,974	37,371
Total Non-Current Liabilities		8,816,699	9,768,958
Debt securities	17	1,371,961	1,915,545
Loans and credit facilities from third parties	17	156,249	845,165
Loans from group entities	18	771,529	806,972
Amounts owed on commercial paper	19	118,000	258,000
Derivative financial instruments	20	185	1,937
Trade and other payables		42	249
Tax payable		297	-
Total Current Liabilities		2,418,263	3,827,868
Total Liabilities		11,234,962	13,596,826
Total Equity and Liabilities		11,353,426	13,708,510

* On 1 January 2020, EDP Finance changed its accounting policy for recognizing balances related to the Group's financial system, starting to recognize the balances of assets in cash and cash equivalents. Prior to this change, the company recognized these balances in Loans to and receivables from group entities.

EDP Finance B.V.

Company Statement of Changes in Equity for the years ended 31 December 2020 and 2019

Thousand Euros	Total Equity	Share capital	Share premium	Cost of hedging reserves	Retained earnings	Result for the year
Balance as at 31 December 2018	**125,846**	**2,000**	**11,980**	**-**	**125,508**	**-13,642**
Impact of IFRS 9 adoption (hedge accounting)	-	-	-	-	-	-
Balance as at 1 January 2019	**125,846**	**2,000**	**11,980**	**-**	**125,508**	**-13,642**
Prior year result	-	-	-	-	-13,642	13,642
Comprehensive income:						
Net result for the year	-14,749	-	-	-	-	-14,749
Changes in the cost of hedging reserve net of taxes	587	-	-	587	-	-
Total comprehensive income for the year	-14,162	-	-	587	-	-14,749
Balance as at 31 December 2019	**111,684**	**2,000**	**11,980**	**587**	**111,866**	**-14,749**
Prior year result	-	-	-	-	-14,749	14,749
Comprehensive income:						
Net result for the year	5,953	-	-	-	-	5,953
Changes in the cost of hedging reserve net of taxes	827	-	-	827	-	-
Total comprehensive income for the year	6,780	-	-	827	-	5,953
Balance as at 31 December 2020	**118,464**	**2,000**	**11,980**	**1,414**	**97,117**	**5,953**

EDP Finance B.V.

Company Statement of Cash Flows for the years ended 31 December 2020 and 2019

Thousand Euros	2020	2019*
Cash flows from operating activities		
(Loss) / Profit for the year	5,953	-14,749
Adjustments for:		
Net interest income / (expenses)	-17,719	51,101
Net other financial income and expenses	77,631	-61,626
Tax (expense) / income	1,962	-4,900
	67,827	-30,174
Changes in:		
Loans to and receivables from group entities	2,737,128	727,755
Debtors and other assets	-559	1,244
Amounts owed on commercial paper	-140,000	108,000
Loans from group entities	-333,186	64,656
Trade and other payables	-48	158
	2,331,162	871,639
Interest received	294,391	264,336
Interest paid	-371,294	-430,033
Tax received	3,643	5,820
Net cash generated from / (used in) operating activities	2,257,902	711,762
Cash flows from financing activities (**)		
Proceeds from issued debt securities	729,927	600,000
Redemption of debt securities	-1,723,129	-1,753,677
Proceeds of loans and credit facilities from third parties	-907,364	487,803
Net cash flow (used in)/generated from financing activities	-1,900,566	-665,874
Net increase / (decrease) in cash and cash equivalents	357,336	45,888
Cash and cash equivalents at the beginning of the year	468,594	432,703
Effect of exchange rate fluctuations on cash and cash equivalents held	1,800	-9,997
Cash and cash equivalents at the end of the year (***)	827,730	468,594

(*) On 1 January 2020, EDP Finance changed its accounting policy for recognizing balances related to the Group's financial system, starting to recognize the balances of assets in cash and cash equivalents. Prior to this change, the company recognized these balances in Loans to and receivables from group entities.

(**) See changes in Debt securities and Loans and credit facilities from third parties arising from financing activities, including cash and non-cash changes, in note 17 to the Financial Statements.

(***) See details of "Cash and cash equivalents" in note 14 to the Financial Statements.

COVID 19 - Macroeconomic, Operational and Accounting Impact

In late 2019, in the Chinese city of Wuhan, a virus, SARS-COV-2, that can cause a serious respiratory infection like pneumonia was first identified in humans. During the year 2020, the disease caused by the virus, the COVID-19, was classified by the World Health Organization (WHO) as a pandemic. COVID-19 has forced the world to change its habits and is having several social, economic, operational, accounting and public health impacts.

Macroeconomic Impact

The current global crisis with the COVID-19 pandemic incorporates significant risks to the economy and society, remaining an uncertainty regarding the duration of the epidemic crisis and its long term economic impacts.

In global macroeconomic terms, COVID-19 has impacted the EDP Group's activity in its various geographies and areas of the value chain. However, a prudent strategy to hedge energy and financial market risks, the maintenance of robust liquidity levels as well as an active management of suppliers and critical supplies, have allowed to significantly mitigate the impacts of this crisis.

EDP Group's energy business has been impacted by the drop-in demand associated with the lockdown, as well as by a strong decline in pool prices in the various geographies due to the falling prices in fuel (gas, brent, coal, CO2), partly already felt a few months before the COVID-19 crisis in Europe. The price risk hedging strategy, with very high levels of fixed-price coverage has allowed to contain the impacts of the fall in pool prices in the generation business in the several geographies of EDP Group and specially in the Iberian market. The decrease in business consumption had an impact on the commercialization business, however it is partially offset by an increase in residential consumption. The energy distribution businesses in Iberia have very little impact from the drop-in consumption. With the progressive end of the "lockdown", there was a general improvement in consumption levels and prices, however still below pre-crisis levels, with uncertainty about the potential effects of a 2nd wave and the duration of the economic recovery.

In terms of exposure to credit risk, for EDP Group, there was an increase in commercial debt, which in the meantime has fallen after peak with regulatory measures to protect the economy (credit default). However, the uncertainties associated with a 2nd wave and duration of the economic recovery still incorporate some risks, especially in the sectors of activity most affected by the crisis. Even so, the existence of a very diverse portfolio of customers and standard debt recovery policies and processes allows to mitigate these impacts.

Given that there has been no significant impact on either EDP Group's business or exposure to credit risk, as a consequence of hedging and mitigating measures, EDP Finance B.V. has not been significantly impacted, nor does it foresees in the future.

Regarding the financial markets, there was a very significant increase in the volatility of exchange and interest rates, in addition to a sharp drop in the appreciation of the capital markets, however partially recovered after March minimums.

EDP Group, including EDP Finance B.V., has been strengthening its financial position and is taking the appropriate mitigation measures from the first signs, making it better prepared to absorb the potential impacts that may result from this pandemic. The issue of the 750 million Euro Hybrid Green Bond and the repurchase of a Hybrid Bond in the same amount in January, the securitization of tariff deficit in the amount of 825 million Euro in March, the issue of a 750 million Euro bond loan Euros in April, the titularization of tariff deficit in the amount of 273 million Euro in July, the issue of the 850 million American Dolars Green Bond in September and the securitization of tariff deficit in the amount of 271 million Euros in December, as well as the sale of the hydro powerplants portfolio in Portugal in the amount of 2.2 billion Euros, in December, reinforce the Group's liquidity position.

Operational Impact

The rapid and effective implementation of EDP Finance B.V.'s business continuity plan allowed the continuity of operations during the period of lockdown, without any impact.

Accounting Impact

To assess possible accounting impacts arising from COVID-19, EDP Finance B.V. reassessed the estimates it considers relevant and which may have been impacted by this context. As of 31 December 2020, despite the current scenario of uncertainty, no accounting impacts have been necessary. Namely, the main assessments were:

i) Regarding credit risk, EDP Finance B.V. carried out an analysis of the assumptions used in determining the expected credit losses and their confrontation with the best information available to date, such as the evolution of the EDP Group's exposure as at 31 December 2020. Given that there has been no significant impact on either EDP Group's business or exposure to credit risk, the Company considers that there has been no significant increase in credit risk.

ii) Regarding assets measured at fair value, EDP Finance B.V. did not consider necessary to make changes to the valuation methods applied due to the context of the pandemic. Therefore, the Company continues without any financial instruments categorized as “Level 3” (that is, valued based on inputs that are not based on observable market information).

iii) Regarding derivatives designated as hedging instruments in hedge accounting, the Company has not identified significant situations that have resulted in the discontinuation of hedge accounting or in the recognition of an increase in inefficiency in existing hedging relationships.

1. ECONOMIC ACTIVITY OF EDP FINANCE B.V.

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 Herikerbergweg 130, 1101 CM Amsterdam, The Netherlands (EDP Finance B.V. is registered in the Dutch Chamber of Commerce under the number 34121496). The ultimate parent company of EDP Finance B.V. is EDP - Energias de Portugal, S.A. ("EDP S.A."), Lisbon, Portugal, which is also its ultimate controlling party.

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 (EDP) activities and investment plan. EDP Finance B.V. borrows funds from both markets and lends the funds to several EDP Group Companies. The financing of EDP Group activities is determined in accordance with the business plan approved for EDP, its debt maturity schedule and its conservative liquidity profile, considering the existing market conditions and the Group's strategic lines. The Financial Statements of EDP Group can be consulted in www.edp.com.

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 5).

As at 31 December 2020 and 2019, the Company has one employee, working in The Netherlands.

The financial statements only comprise the separate financial statements of the Company.

2. SIGNIFICANT 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 Dutch Civil Code. The Company's Managing Directors approved the financial statements (referred to as financial statements) on 24 February 2021.

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 2020 and 2019.

As described in note 3, the Company adopted in the preparation of the financial statements as at 31 December 2020, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2019. The accounting policies used by the Company in preparing the financial statements described in this note were adopted in accordance.

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 4 (Critical accounting estimates and judgments in preparing the financial statements).

The financial statements have been prepared on a going concern basis.

Accounting policies have been applied consistently in all years presented in the financial statements, except for the following change..

Change of Accounting Policy

On 1 January 2020, EDP Finance B.V. changed its accounting policy for recognizing balances related to the EDP Group's financial system, starting to recognize the balances of assets in cash and cash equivalents. The change reflects the understanding of the Company that such balances, in substance, fulfill the definition of Cash and cash equivalents. Prior to this change, the company recognized these balances in Loans to and receivables from group entities.

With reference to 31 December 2019, the effect of this change implied:
(i) In the Statement of Financial Position, the reclassification of a balance, from the caption of Loans to and receivables from group entities to the caption of Cash and cash equivalents, in the amount of 305,753 thousand Euros; and
(ii) In Statement of Cash Flows, a change of 305,753 thousand Euros in Loans from group entities.

Based on this change, the related accounting policy has been updated - e) Cash and cash equivalents.

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 income statement.

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 rates have been applied as at 31 December 2020 and 2019:

Currency		2020 Closing rates	2019 Closing rates
Dollar	USD	1.227	1.123
Pound Sterling	GBP	0.899	0.851

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, and changes therein are generally recognised in profit or loss. Recognition, in profit or loss, of the resulting gains and losses on remeasurement of derivatives depends on the nature of the risk being hedged and of the hedge model used.

Derivative financial instruments are derecognised at settlement date or by an early termination agreement.

Hedge accounting

The Company uses financial instruments to hedge interest rate risk and exchange rate risk resulting from its financing activities. Derivatives not qualifying for hedge accounting under IFRS 9 are accounted for as held for trading, despite being contracted for economic hedge purposes.

Therefore, as per the economical hedge purpose for all derivatives, these are accounted as current or as non-current according to their remaining maturity, respectively under or over one year.

Hedging derivatives are recorded at fair value. Gains and losses arising from changes in fair value are recognised in accordance with the hedge accounting model applied by the Company. Hedge relationship exists when:

(i) The hedging relationships only consist of hedging instruments and hedged items that are eligible as per IFRS 9;
(ii) At the inception of the hedge there is formal documentation of the hedging relationship and the Company's risk management objective and strategy for the hedge;
(iii) There is an economic relationship between the hedged item and the hedging instrument;
(iv) The effect of credit risk does not dominate the value changes that result from that economic relationship; and
(v) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss, 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. For cross currency interest rate swaps, the currency basis spreads are excluded from the hedge designation, but considered as a hedging cost in other comprehensive income, in Cost of hedging reserve.

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 of the hedged item.

Cash flow hedge

Changes in the fair value of derivatives qualified as cash flow hedges are recognised in the Cash flow hedge reserve.

The cumulative gains or losses recognised in Cash flow hedge reserve are reclassified to the income statement when the hedged item affects the income statement.

When a hedging relation of a future transaction is discontinued, the changes in the fair value of derivatives recognised in reserves remain recognised in reserves until the future hedged transaction occurs. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Effectiveness

For a hedge relationship to be classified as such, in accordance with IFRS 9, its effectiveness must be demonstrated. Therefore, the Company performs prospective tests at the inception date and at each balance sheet date, in order to demonstrate its effectiveness, 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 income statement when it occurs.

Offsetting

All derivative transactions entered into with external counterparties are under an ISDA agreement. EDP Finance B.V. has not applied any offsetting in its balance sheet as at reporting date.

d) Other financial assets

IFRS 9 introduced a model for the classification of financial assets based on the business model for managing the financial assets ("business model test") and their contractual cash flow characteristics ("SPPI test").

EDP Finance B.V. classifies its financial assets, at initial recognition, in accordance with the aforementioned requirements introduced by IFRS 9, on the following categories:

Thousand Euros	Notes	Dec 2020	Dec 2019
Assets			
Financial assets at amortised cost			
Loans to and receivables from group entities	12	10,416,849	12,954,493
Debtors and other assets		1,245	846
Cash and cash equivalents	14	827,730	468,594
Financial assets at fair value through profit or loss (FVTPL)			
Derivative financial instruments	20	103,937	275,330
Liabilities			
Financial assets at amortised cost			
Debt securities	17	7,816,980	8,229,387
Loans and credit facilities from third parties	17	330,674	1,284,426
Loans from group entities	18	771,529	806,972
Amounts owed on commercial paper	19	118,000	258,000
Trade and other payables		42	249
Financial assets at fair value through profit or loss (FVTPL)			
Debt securities	17	2,193,281	2,978,484
Derivative financial instruments	20	4,159	39,308

Financial assets at amortised cost

A financial asset is measured at amortised cost if: (i) it is held within a business model whose objective is to hold assets in order to collect its contractual cash flows; and (ii) the contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognised at fair value and subsequently measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

All of the Company's Loans and Debt Securities are measured at amortised cost, since all are held to collect the contractual cash flows, which represent solely payments of principal and interest and thus they meet the criteria for amortised cost measurement under IFRS 9.

Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is measured at fair value through other comprehensive income if: (i) the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the asset's contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognised and subsequently measured at fair value, with the changes in the carrying amount booked in other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria to be classified under the previously referred categories, are classified at fair value through profit or loss, deemed to be a residual category under IFRS 9.

Regardless of the business model assessment, EDP Finance B.V. can elect to classify a financial asset at fair value through profit or loss if doing so reduces or eliminates a measurement or recognition inconsistency ("accounting mismatch").

Changes in the business model assessment over time

Changes of the business model are not likely to occur. In case a change occurs, financial assets will be reclassified subsequent to their initial recognition.

Recognition and derecognition of financial assets

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell these financial assets.

Financial assets are derecognised when: (i) the contractual rights to receive their future cash flows have expired, (ii) the Company has transferred substantially the 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

IFRS 9 established an impairment model based on the expected credit losses (ECL). Thus, a loss event will no longer need to occur before the recognition of an impairment allowance. This model is the basis for the recognition of impairment losses on held financial assets that are measured at amortised cost or at fair value through other comprehensive income (which includes cash and cash equivalents, trade receivables, loans and debt securities).

The impairment methodology applied depends on whether there has been a significant increase in credit risk. If the credit risk on a financial asset does not increase significantly since its initial recognition, EDP Finance B.V. measures the loss allowance for that financial asset at an amount equal to 12-month expected credit losses. If the credit risk increases significantly since its initial recognition, EDP Finance B.V. measures the loss allowance for that financial asset at an amount equal to lifetime expected credit losses.

Regardless of the above, a significant increase in credit risk is presumed if there is an objective evidence that the financial asset is impaired, including if there is observable data that comes to the attention of the holder of the asset about the following loss events, among others: significant financial difficulty of the issuer or obligor; restructuring of an amount due to the Company in terms that it would not consider otherwise; a breach of contract, such as a default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

As soon as the loss event occurs, the impairment allowance would be allocated directly to the financial asset affected, which provides the same accounting treatment, from that point, including the treatment of interest revenue. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent year, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in profit or loss, if the decrease can be related objectively to an event occurring after the impairment loss was recognised.

Credit risk on other receivables has no significant financing component, so the loss allowance is measured at initial recognition and throughout the life of the receivable, by the simplified approach, at an amount equal to lifetime ECL, which is not significant. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no significant impairment loss was identified.

EDP Finance B.V. assesses the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. On making its assessment, the Company has to make assumptions about risk of default and expected loss rates, which requires judgement. The inputs used for risk assessment and for calculation of the loss allowances for financial assets include: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poor, Moody's and Fitch; (ii) significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; (iii) Public market data, namely on probabilities of default and loss given default expectations; (iv) Internal credit risk assessments on the credit profiles of EDP Group subsidiaries; and (v) macroeconomic information (such as market interest rates or growth rates). There were no significant changes in the assumptions or methodology applied in the assessment of expected credit losses, compared with the prior year.

e) Cash and cash equivalents

Cash and cash equivalents include balances with a maturity of less than three months from the date of acquisition, including cash and deposits at banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

EDP Finance B.V. classifies as Cash and cash equivalents the current account balances with EDP Group companies formalized through current accounts (EDP Group's financial system).

f) Other 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 to extinguish the contractual obligation, regardless 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. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

g) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest rate method. The effective interest rate includes all fees and premium or discount 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 Income statement include:

- Interest on financial assets and financial liabilities measured at amortised cost; and
- Interest on hedging derivatives.

Interest is recognised in profit and loss on an accrual basis.

Costs and revenues are recognised in the year to which they relate regardless of when paid or received, in accordance with the accrual basis. Differences between amounts received and paid and the corresponding revenue and costs are recognised under the correspondent caption of financial assets or financial liabilities.

h) Net other financial income and expenses

Financial results include foreign exchange gains and losses, realised gains and losses, unrealised gains and losses from changes in the fair value of derivatives (including accrued interest of trading derivatives) and changes in the fair value of the hedged items (including the ineffective portion).

i) Other operating income and expenses

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

j) Income tax

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

Deferred taxes arising from the revaluation of cash flow hedge derivatives and of cost of hedging recognised in equity are recognised in the income statement in the year the results that originated the deferred taxes are recognised.

Current tax is the tax expected to be paid on the taxable income for the year, using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the balance sheet liability method, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, using the tax rates enacted or substantively enacted at the balance sheet date for each jurisdiction and that are expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not be reversed in the future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

EDP Finance, B.V. offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:
(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

When accounting for interest and penalties related to income taxes, EDP Finance, B.V. considers whether a particular amount payable or receivable is, in its nature, an income tax and, if so, applies IAS 12 to this amount. Otherwise, IAS 37 is applied.

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 decision maker.

3. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

Standards, amendments and interpretations issued effective for the Company

The amendments to standards already issued and effective and that the EDP Finance, B.V. applied in the preparation of its financial statements, can be analysed as follows:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

  The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) have been issued by International Accounting Standards Board (IASB) in September 2019 and endorsed by the EU on 15 January 2020, and became effective as of 1 January 2020 and must be applied retrospectively.

  The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments for IFRS 9 include a number of reliefs that apply to all hedging relationships of interest rate risk that are affected by interest rate benchmark reform. The reliefs are intended to be narrow in their effect. Accordingly, entities will cease to apply the relief when the earlier of the following occurs: (i) uncertainty regarding timing and amount of the resulting cash flows is no longer present; or (ii) hedging relationship terminates.

EDP Finance B.V. adopted, retroactively, the requirements of IBOR Reform to the existing hedging relationships on 1 January 2020 and to those that were subsequently designated, and that are directly affected. In particular, a hedge relationship is considered to be directly affected if the respective reform creates uncertainty regarding: - The reference interest rate designated in a hedge relationship to hedge a given risk; or - The term or amount of the flows associated with the reference interest rate of the hedged item or the hedged instrument. The reform will impact fair value measurement, the effects of hedge accounting and the net financial results when the alternative rates are defined. As of 31 December 2020, no changes were made to the contracts with respect to IBOR Reform. The Company is monitoring the contractual relationships affected by IBOR Reform in order to minimize the uncertainty regarding the applicable interest rates and the timing of the flows associated with the reference interest rate. As of this date, no significant impacts are expected.

The new standards that have been issued and that are already effective and that EDP Finance, B.V. has applied to its financial statements, with no significant impact are the following:

- IAS 1 (Amended) and IAS 8 (Amended) - Definition of material;
- IFRS 3 (Amended) - Definition of a business;
- Amendments to References to the Conceptual Framework in IFRS; and
- IFRS 16 (Amended) - Covid 19 - Related Rent Concessions.

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

The standards, amendments and interpretations issued but not yet effective for the Company (whose effective application date has not yet occurred or, despite their effective dates of application, they have not yet been endorsed by the EU) with no estimated significant impact are the following:

- IFRS 17 - Insurance Contracts;
- IAS 1 (Amended) - Classification of Liabilities as Current or Non-current;
- IFRS 3 (Amended) - Reference to the Conceptual Framework;
- IAS 16 (Amended) - Proceeds before Intended Use;
- IAS 37 (Amended) - Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvement Project (2018-2020);
- IFRS 4 (Amended) - Deferral of effective dates to apply two optional solutions (temporary exemption from IFRS 9 and overlay approach); and
- Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform (Phase 2).

4. 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. Actual results may differ from these estimates.

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 these Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Finance B.V., 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 aspects, 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 an accounting estimate (see note 2 d)).

For 2020 and 2019, no impairment loss was recognised.

5. FINANCIAL-RISK MANAGEMENT POLICIES

Financial risk management

EDP Finance B.V.'s business is exposed to a variety of market/financial risks which arise, essentially, from the mismatch between the loans granted to EDP Group companies and its debt portfolio, resulting in interest rate risk, foreign exchange rate risk, liquidity, counterparty and credit risk.

The Company has an overall low risk appetite and therefore aims to minimize these market risks arising from its relevant activities, preferably through natural hedging, but also, whenever necessary/appropriate, with the use of over-the-counter derivative financial instruments. The risk appetite of the Company is in line with the EDP Group's risk appetite and subject to regular review.

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 B.V. is carried out, measured and controlled, 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 is 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 B.V.

The Board of Directors of the Company is made aware of the exposure to the different risks on an ongoing basis and considers that the existing risk management policies and controls are appropriate to achieve the desired mitigation and low risk exposure.

The hedge relationships are established through instruments and structures that have critical terms similar to those of the hedged asset or liability, confirming the economic relationship between hedged item and hedging instrument. The hedge ratio is of 1:1 for all the hedging relationships to minimize hedge ineffectiveness. Therefore, the main source of ineffectiveness is a significant deterioration of the credit risk of a counterparty.

During 2020, considering the COVID-19 pandemic and the impacts on the markets, namely on interest and foreign exchange rates to which the EDP Finance B.V. has exposure to, there was a revaluation of the risks involved, having concluded that the current Financial Risk Management Policies already incorporate worst case scenarios sufficiently conservative and therefore adequate to the Company's profile, not being necessary its revision. However, given that the pandemic duration and global impacts are still unknown, the EDP Finance B.V. continues to monitor the risks, seeking to anticipate and manage possible impacts not currently contemplated.

Foreign exchange rate risk management

EDP Finance B.V. has very low appetite to exchange-rate risk. The Company is exposed to exchange rate risk through its debt and assets denominated in currencies other than Euro (EUR), currently US Dollars (USD) and British Pounds (GBP). The Group's objective is to maintain a matched position between assets and liabilities in each currency in order to mitigate balance sheet exposure to foreign exchange rate risks. Any residual exposure is closely monitored and hedged with derivatives instruments, hence not generating relevant net exchange gains nor losses. The amounts recorded in the P&L on exchange gains or losses are off-set by exchange gains or losses recorded in other P&L captions due to the different natures of the items denominated in foreign currencies. Currently, the exposure to EUR/USD exchange rate risk results essentially from the USD debt issued to hedge the EDP Group investments in the USA. EDP Finance B.V. issued USD loans and debt securities (bonds) as well as executed foreign exchange derivative financial instruments that convert the debt issued in currencies such as EUR 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 bond issued under the Medium-Term Notes Program has also been hedged as from their issuing date.

Under the aforementioned service agreement, the Financial Department of EDP – Energias de Portugal, S.A. manages EDP Finance B.V.´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. The operations are revalued and monitored throughout their lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is duly assessed.

Sensitivity analysis - exchange rate

Though the Company has loans to EDP Group companies and issues debt instruments in currencies other than Euro, the impact on Equity or P&L due to changes in currency rates is 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

EDP Finance B.V. has moderate appetite to interest-rate risk. The Company's interest rate risk management policy aim is to reduce exposure to interest rate changes which may affect the value of financial instruments, namely debt. EDP Finance BV mitigates this risk, preferably, through natural hedging, by maintaining an aligned fixed-floating ratio between its assets and liabilities, but also through the use of over-the-counter derivative financial instruments, such as forwards, interest rate swaps and cross-currency swaps.

Long-term loans contracted at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments.

All hedging operations are undertaken on liabilities of EDP Finance B.V'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 the fair value of the hedged item attributable to the risk being hedged.

As the Company provides funding to different Group Companies according to their requirements (timing, amounts and tenor) and raises funding from the market according to refinancing needs and market conditions (timing, tenor and spread wise), interest rates applied to assets and liabilities may differ. The Company tries to manage such risk by refinancing its debt under the best possible conditions the market allows, extending the average life of its debt portfolio and lending to Group companies according to arms-length principles.

Sensitivity analysis - Interest rates

Based on the financial instruments with exposure to interest rate risk as at 31 December 2020 and 2019, a 50 basis points change in the reference interest rates would lead to the following increases / (decreases), gross from tax, in equity and results of EDP Finance B.V.:

	Dec 2020			
	Results		Equity	
Thousand Euros	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Assets				
Cash flow effect:				
Unhedged loans	8,705	-8,705	-	-
	8,705	-8,705	-	-
Liabilities				
Cash flow effect:				
Hedged debt	-10,052	10,052	-	-
Unhedged debt	-775	775	-	-
	-10,827	10,827	-	-

	Dec 2019			
	Results		Equity	
Thousand Euros	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Assets				
Cash flow effect:				
Unhedged loans	25,877	-25,877	-	-
	25,877	-25,877	-	-
Liabilities				
Cash flow effect:				
Hedged debt	-12,302	12,302	-	-
Unhedged debt	-6,458	6,458	-	-
	-18,760	18,760	-	-
Fair value effect:				
Trading derivatives (accounting perspective)	-244	206	-	-
	-244	206	-	-
	-19,004	18,966	-	-

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

Counterparty credit risk management

The Company has a low risk appetite for counterparty risk. 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, external to EDP Group, 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 not required on these transactions.

EDP Finance B.V. 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'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 2020 and 2019, all loans granted by EDP Finance B.V. had as counterparties companies controlled by EDP – Energias de Portugal, S.A. None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically. EDP – Energias de Portugal, S.A. is rated BBB-/Baa3/BBB- by S&P (since August 2017 and affirmed in October 2020)/Moody´s (since February 2015 and affirmed in July 2020)/Fitch (since August 2012 and affirmed in February 2020, with revised outlook to positive), reflecting a low credit risk.

The Company monitors the credit risk using multiple inputs for risk assessment and for calculation of the loss allowances for financial assets, including: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poor, Moody's and Fitch; (ii) significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; (iii) Public market data, namely on probabilities of default and loss given default expectations; (iv) Internal credit risk assessments on the credit profiles of EDP Group subsidiaries; and (v) macroeconomic information (such as market interest rates or growth rates). Since the application of IFRS 9, and the forward-looking approach, according to the assessment performed by Company has not identified any significant losses.

The maximum credit exposure equals the amount of total assets deducted by tax receivable as per 31 December 2020 and 31 December 2019 being 11.4 billion Euros and 13.0 billion Euros, respectively.

Liquidity risk management

The Company has a very low appetite for liquidity risk. Liquidity risk is managed by engaging and maintaining credit lines and financing facilities with a firm underwriting commitment with international financial institutions with sound credit ratings, as well as term deposits, allowing immediate access to funds and covering refinancing needs for the next 12 to 24 months. These lines are used to complement and backup commercial paper programmes, allowing for a diversification of EDP Finance B.V.´s short-term financing sources (see notes 14 and 17). Considering the COVID-19 pandemic, the Group assessed the potential impacts on additional liquidity needs, having concluded that the current Liquidity Risk Management Policy remains adequate.

The table below shows the contractual undiscounted cash flows and the estimated interests due, computed using the rates available at 31 December 2020:

Thousand Euros	2021	2022	2023	2024	2025	Following years	Total
Debt securities	1,371,961	1,201,366	1,324,911	2,210,709	1,373,253	2,528,061	10,010,261
Loans and credit facilities from third parties	156,249	-	-	-4,877	179,302	-	330,674
Interest Payments	134,884	165,359	147,728	77,481	47,128	41,040	613,620
	1,663,094	1,366,725	1,472,639	2,283,313	1,599,683	2,569,101	10,954,555

The table below shows the contractual undiscounted cash flows and the estimated interests due, computed using the rates available at 31 December 2019:

Thousand Euros	2020	2021	2022	2023	2024	Following years	Total
Debt securities	1,915,545	1,264,395	1,200,137	1,314,028	2,307,904	3,205,862	11,207,871
Loans and credit facilities from third parties	845,165	-	-	-	439,261	-	1,284,426
Interest Payments	520,291	24,530	150,003	124,283	45,375	29,438	893,920
	3,281,001	1,288,925	1,350,140	1,438,311	2,792,540	3,235,300	13,386,217

Capital management

EDP Finance, B.V. is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial management process of the entity.

The company's goal in managing equity is to safeguard the capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity cost.

6. OPERATING SEGMENT REPORT

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 Portugal and Spain. Income by geographic market is presented in note 7.

These EDP Group companies are EDP - Energias de Portugal, S.A. (group parent company), EDP Renováveis, S.A., EDP Renováveis Servicios Financieros, S.L., EDP, S.A. Sucursal en España, EDP Servicios Financieros (España), S.A., EDP International Investments and Services, S.L. and EDP España, S.A.U.

7. INTEREST INCOME AND EXPENSES

Interest income and expenses are analysed as follows:

Thousand Euros	Dec 2020	Dec 2019
Interest income		
Amortized cost		
Loans to and receivables from group entities	288,907	305,773
Interest income from term deposits (Note 14)	238	836
Fair value through profit or loss		
Derivative financial instruments	78,841	89,922
	367,986	396,531
Interest expenses		
Amortized cost		
Bank loans	9,264	14,541
Medium term notes	301,913	386,850
Commercial Paper	1,981	2,055
Fair value through profit or loss		
Derivative financial instruments	37,109	44,185
	350,267	447,631

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Loans to and receivables from group entities, by geographic market, is analysed as follows:

Thousand Euros	Dec 2020	Dec 2019
Portugal	192,246	193,910
Spain	96,661	111,863
	288,907	305,773

8. NET OTHER FINANCIAL INCOME AND EXPENSES

Net other financial income and expenses are analysed as follows:

Thousand Euros	Dec 2020	Dec 2019
Other financial income		
Derivative financial instruments - Trading	80,387	150,737
Hedge ineffectiveness (see note 20)	1,280	5,461
	81,667	156,198
Other financial expenses		
Derivative financial instruments - Trading	74,665	3,273
Foreign exchange losses	15,244	119,879
Other	27	38
	89,936	123,190
	-8,269	33,008

As mentioned in note 5, the amounts recorded in the P&L on foreign exchange gains or losses are partially off-set by the exchange gains or losses recorded in other P&L lines within the caption presented in the table above, due to the different natures of the items denominated in foreign currencies, mainly by the mark-to-market of the derivatives. The remaining amount results from the net interest of new cross currency interest rate swaps with Group companies entered by the Company.

9. SERVICES RENDERED

Services rendered are analysed as follows:

Thousand Euros	Dec 2020	Dec 2019
Debt portfolio management	730	-72
	730	-72

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.

In 2020 this caption included the fees for the year (609 thousand Euros) and the adjustment of the previous year's estimated fees (121 thousand Euros). In 2019 this caption included the fees for the year (488 thousand Euros) and the adjustment of the previous year's estimated fees (-560 thousand Euros).

10. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

Thousand Euros	Dec 2020	Dec 2019
EDP, S.A. Services	1,116	150
Specialised works - Consulting services	420	630
Specialised works - Legal services	342	369
Other	354	301
	2,232	1,450

The Company has signed a service agreement with 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.

11. INCOME TAX (BENEFIT) / EXPENSE

This caption is analysed as follows:

Thousand Euros	Dec 2020	Dec 2019
Tax (benefit) / expense	1,962	-4,900
Profit / (Loss) before income tax	7,915	-19,649
Effective tax rate of the Company	25%	25%

The effective corporate income tax rate of EDP Finance B.V. corresponds to the Dutch statutory tax rate of 25%.

Considering the approval of the Dutch budget law for tax year 2021 and the plans for the years thereafter, the company has estimated the deferred tax assets and liabilities (as applicable), by applying the tax rates according to the expected years of recoverability.

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For identification purposes only

The major components of tax (benefit) / expense are the following:

Thousand Euros	Dec 2020	Dec 2019
Current tax (benefit) / expense in the year	1,962	-4,900
	1,962	-4,900

12. LOANS TO AND RECEIVABLES FROM GROUP ENTITIES

Loans to and receivables from Group entities are analysed as follows:

Thousand Euros	Dec 2020	Dec 2019*
Non-Current:		
EDP Energias de Portugal, S.A.	5,450,000	7,400,000
EDP Renováveis Servicios Financieros, S.L.	2,108,294	1,306,252
EDP Renováveis, S.A.	302,677	592,064
EDP International Investments and Services, S.L.	8,234	20,972
	7,869,205	9,319,288
Current:		
EDP Energias de Portugal, S.A.	2,089,873	3,335,974
EDP, S.A. Sucursal en España	-	66,297
EDP Servicios Financieros (España), S.A.	-	133,000
EDP Renováveis, S.A.	117,591	-
EDP Renováveis Servicios Financieros, S.L.	269,501	-
EDP International Investments and Services, S.L.	12,738	29,836
Accrued interest	57,941	70,098
	2,547,644	3,635,205
	10,416,849	12,954,493

* Includes the reclassification arising from the change in accounting policy as described in note 2a).

Regarding a 1,000 million Euros bond issued by EDP Energias de Portugal, S.A., and fully subscribed by EDP Finance B.V., maturing in July 2025, 450 million Euros were early repaid in December 2020.

The financial assets disclosed in this caption are measured at amortised cost.

As at 31 December 2020, these assets have an average maturity of 3.29 years (31 December 2019: 3.05 years) and bear interest at an average rate of 1.9% (31 December 2019: 1.76%).

For 31 December 2020, the maturity of loans to group entities split in different currencies, is analysed as follows:

Thousand Euros	2021	2022	2023	2024	2025	Following years	Total
Loans to and receivables from group entities:							
Euro	2,129,980	908,234	2,995,546	-	550,000	1,000,000	7,583,760
US Dollar	417,664	-	529,704	424,728	202,829	1,258,164	2,833,089
	2,547,644	908,234	3,525,250	424,728	752,829	2,258,164	10,416,849

For 31 December 2019, the maturity of loans to group entities split in different currencies, are analysed as follows:

Thousand Euros	2020	2021	2022	2023	2024	Following years	Total
Loans to and receivables from group entities:							
Euro	3,602,299	1,512,738	908,234	2,989,853	-	2,000,000	11,013,124
US Dollar	32,906	-	-	1,444,528	463,935	-	1,941,369
	3,635,205	1,512,738	908,234	4,434,381	463,935	2,000,000	12,954,493

Loans to group entities are not collateralised.

The Company has not and has not been asked to grant any payment holidays on their loans to group companies.

13. DEFERRED TAX ASSETS

The deferred tax assets of 3,536 thousand Euros (31 December 2019: 5,476 thousand Euros) refers to the tax losses that can be deducted from the taxable income assessed in the following years.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousand Euros	Dec 2020	Dec 2019*
Bank deposits:		
Current deposits	631,305	162,841
Current accounts	196,425	305,753
	827,730	468,594

* Includes the reclassification arising from the change in accounting policy as described in note 2a).

Cash and cash equivalents are freely disposable to be used by the Company. The interest received for the current or term deposits amounts to 238 thousand Euros (31 December 2019: 836 thousand Euros) (see note 7).

15. 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.

During 2020 and 2019, no movements occurred in Share capital and Share premium.

16. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousand Euros	**Dec 2020**	**Dec 2019**
Cost of hedging reserve	1,414	587
Retained earnings	97,117	111,866
	98,531	112,453

These amounts represent the accumulated results before the appropriation of results for the year.

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 its 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.

The Managing Directors propose to add the profit for the financial year ended 31 December 2020 of 5,953 thousand Euros to the retained earnings.

17. DEBT SECURITIES AND LOANS AND CREDIT FACILITIES FROM THIRD PARTIES

This caption is analysed as follows:

Thousand Euros	**Dec 2020**	**Dec 2019**
Non-Current:		
Debt securities	8,583,754	9,237,781
Fair value of the issued debt hedged risk	54,546	54,545
	8,638,300	9,292,326
Loans and credit facilities from third parties	174,425	439,261
	8,812,725	9,731,587
Current:		
Debt securities	1,211,061	1,716,311
Fair value of the issued debt hedged risk	-	7,534
Accrued interest	160,900	191,700
	1,371,961	1,915,545
Loans and credit facilities from third parties	155,000	841,289
Accrued interest	1,249	3,876
	156,249	845,165
	1,528,210	2,760,710
	10,340,935	12,492,297

EDP Finance B.V. has various credit facilities it uses for liquidity management, all with firm underwriting commitment, namely (i) 75 million Euros, maturing in 2021 and totally available as at 31 December 2020; (ii) 3,300 million Euros, of which 3,295 million Euros mature in 2024 while the remaining amount matures in 2023, totally available as at 31 December 2020; and (iii) 2,240 million Euros, of which 2,095 million Euros mature in 2025 while the remaining amount matures in 2023, which is totally available as at 31 December 2020.

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

Date issued	Interest rate	Type of hedge	Type of instrument	Conditions/ Redemption	Nominal amount Euro'000	ISIN
Dec/02	Fixed rate EUR (ii)	n.a.	n.a.	Dec/22	93,357	XS0160258280
Nov/08	Fixed rate GBP 8.625% (i)	Fair Value	CIRS	Jan/24	410,314	XS0397015537
Nov/08	Zero coupon (ii)	n.a.	n.a.	Nov/23	160,000	XS0399353506
Nov/13	Fixed rate EUR 4.125%	n.a.	n.a.	Jan/21	600,000	XS0995380580
Jan/14	Fixed rate USD 5.25%	n.a.	n.a.	Jan/21	667,616	XS1014868779
Sep/14	Fixed rate EUR 2.625% (i)	Fair Value	IRS	Jan/22	1,000,000	XS1111324700
Apr/15	Fixed rate EUR 2.00% (i)	Fair Value	IRS	Apr/25	750,000	XS1222590488
Mar/16	Fixed rate EUR 2.375%	n.a.	n.a.	Mar/23	600,000	XS1385395121
Aug/16	Fixed rate EUR 1.125%	n.a.	n.a.	Feb/24	1,000,000	XS1471646965
Jan/17	Fixed rate EUR 1.875%	n.a.	n.a.	Sep/23	600,000	XS1558083652
Jun/17	Fixed rate USD 3.625%	n.a.	n.a.	Jul/24	890,155	XS1638075488
Nov/17	Fixed rate EUR 1.50%	n.a.	n.a.	Nov/27	500,000	XS1721051495
Jun/18	Fixed rate EUR 1.625%	n.a.	n.a.	Jan/26	750,000	XS1846632104
Oct/18	Fixed rate EUR 1.875%	n.a.	n.a.	Oct/25	600,000	XS1893621026
Sep/19	Fixed rate EUR 0.375%	n.a.	n.a.	Sep/26	600,000	XS2053052895
Sep/20	Fixed rate USD 1.710%	n.a.	n.a.	Jan/28	692,690	XS2233217558

(i) These issues by EDP Finance B.V. have associated interest rate swaps and/or currency swaps.
(ii) These issues correspond to private placements.

At 31 December 2020 all securities outstanding are listed either in the London Stock Exchange or in the Irish Stock Exchange.

In September 2020, under its "Debt Issuance Program (MTN)", EDP issued a green bond of 850 million US Dollars maturing in January 2028.

For 31 December 2020, the remaining maturity of debt securities and loans and credit facilities from third parties (including accrued interest and fair value of the issued debt hedged risk), by currency, is as follows:

Thousand Euros	2021	2022	2023	2024	2025	Following years	Total
Debt securities							
Euro (i)	729,125	1,201,366	1,324,911	1,399,825	1,373,253	1,838,316	7,866,796
US Dollar	642,836	-	-	810,884	-	689,745	2,143,465
	1,371,961	1,201,366	1,324,911	2,210,709	1,373,253	2,528,061	10,010,261
Loans and credit facilities from third parties:							
Euro (ii)	156,195	-	-	-4,877	-3,696	-	147,622
US Dollar	54	-	-	-	182,998	-	183,052
	156,249	-	-	-4,877	179,302	-	330,674
	1,528,210	1,201,366	1,324,911	2,205,832	1,552,555	2,528,061	10,340,935

For 31 December 2019, the remaining maturity of debt securities and loans and credit facilities from third parties (including accrued interest and fair value of the issued debt hedged risk), by currency, is as follows:

Thousand Euros	2020	2021	2022	2023	2024	Following years	Total
Debt securities							
Euro (i)	1,204,138	598,551	1,200,137	1,314,028	1,423,265	3,205,862	8,945,981
US Dollar	711,407	665,844	-	-	884,639	-	2,261,890
	1,915,545	1,264,395	1,200,137	1,314,028	2,307,904	3,205,862	11,207,871
Loans and credit facilities from third parties:							
Euro	619,936	-	-	-	439,261	-	1,059,197
US Dollar	225,229	-	-	-	-	-	225,229
	845,165	-	-	-	439,261	-	1,284,426
	2,760,710	1,264,395	1,200,137	1,314,028	2,747,165	3,205,862	12,492,297

(i) These issues include a GBP bond that was converted into EUR through cross currency swaps.
(ii) Negative amounts include the deferred discount and origination fees of celebrated RCF.

For 31 December 2020, the changes in Debt securities and Loans and credit facilities from third parties (excluding accrued interest) arising from financing activities, including cash (see Statement of Cash Flows) and non-cash changes, are as follows:

Thousand Euros	Dec 2019	Cash Flows	Foreign exchange movement	Fair value changes	Deferred discount	Dec 2020
Debt securities	11,016,171	-993,202	-183,993	-19,218	29,603	9,849,361
Loans and credit facilities from third parties	1,280,550	-907,364	-46,620	-	2,859	329,425
	12,296,721	**-1,900,566**	**-230,613**	**-19,218**	**32,462**	**10,178,786**

For 31 December 2019, the changes in Debt securities and Loans and credit facilities from third parties (excluding accrued interest) arising from financing activities, including cash (see Statement of Cash Flows) and non-cash changes, are as follows:

Thousand Euros	Dec 2018	Cash Flows	Foreign exchange movement	Fair value changes	Deferred discount	Dec 2019
Debt securities	12,021,853	-1,153,677	123,248	-3,507	28,254	11,016,171
Loans and credit facilities from third parties	781,030	487,803	9,222	-	2,495	1,280,550
	12,802,883	**-665,874**	**132,470**	**-3,507**	**30,749**	**12,296,721**

18. LOANS FROM GROUP ENTITIES

This caption is analysed as follows:

Thousand Euros	Dec 2020	Dec 2019
Current:		
EDP Servicios Financieros (España), S.A.	764,194	799,851
Other	7,335	7,121
	771,529	806,972

Loans from Group entities refers mainly to the current account with EDP Servicios Financieros (España), S.A. remunerated on an arm's length term.

The financial liabilities disclosed in this caption are measured at amortised cost.

For 31 December 2020, the changes in Loans from group entities are as follows:

Thousand Euros	Dec 2019	Additions	Repayments	Foreign Exchange Differences	Dec 2020
EDP Servicios Financieros (España), S.A.	799,851	3,766,747	-3,802,404	-	764,194
Other	7,121	20,288	-20,055	-19	7,335
	806,972	**3,787,035**	**-3,822,459**	**-19**	**771,529**

For 31 December 2019, the changes in Loans from group entities are as follows:

Thousand Euros	Dec 2018	Additions	Repayments	Foreign Exchange Differences	Dec 2019
EDP Servicios Financieros (España), S.A.	566,212	3,043,181	-2,809,864	322	799,851
Other	5,240	21,532	-19,646	-5	7,121
	571,452	**3,064,713**	**-2,829,510**	**317**	**806,972**

19. AMOUNTS OWED ON COMMERCIAL PAPER

As at 31 December 2020, this caption refers to a trade of commercial paper of 118,000 thousand Euros which was settled on January 5th 2021 (31 December 2019: trade of commercial paper of 258,000 thousand Euros which was settled on January 2nd 2020).

20. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with IFRS 9, EDP Finance B.V. classifies derivative financial instruments as fair value hedges of recognised assets or liabilities (Fair value hedge) and as cash flow hedges of recognised liabilities and highly probable future transactions (Cash flow hedge). Derivatives that do not qualify for hedge accounting are recorded under derivatives held for trading.

In 2020 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
Thousand Euros	Assets	Liabilities	Up to 1 year	From 1 to 5 years	Over 5 Years	Total
Fair value hedges						
Interest rate swaps	70,516	-	-	1,600,000	-	1,600,000
Cross currency interest rate swaps	27,320	-3,974	-	410,314	-	410,314
Derivatives held for trading						
Foreign exchange forwards	6,101	-185	1,321,448	-	-	1,321,448
	103,937	-4,159	1,321,448	2,010,314	-	3,331,762

During 2020, the derivatives that did not qualify for hedge accounting, and therefore recorded under derivatives held for trading were early terminated.

In 2019 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
Thousand Euros	Assets	Liabilities	Up to 1 year	From 1 to 5 years	Over 5 Years	Total
Fair value hedges						
Interest rate swaps	86,161	-	500,000	1,000,000	600,000	2,100,000
Cross currency interest rate swaps	50,213	-	-	410,314	-	410,314
Derivatives held for trading						
Cross currency interest rate swaps	129,697	-39,308	520,895	1,837,381	317,398	2,675,674
Foreign exchange forwards	9,259	-	1,355,286	-	-	1,355,286
	275,330	-39,308	2,376,181	3,247,695	917,398	6,541,274

In 2020, the undiscounted cash flow of the derivative financial instruments, per maturity, is as follows:

Thousand Euros	2021	2022	2023	2024	Following years	Total
Fair value hedges						
Interest rate swaps	20,754	29,271	7,332	7,338	5,732	70,427
Cross currency interest rate swaps	15,959	15,953	15,953	-26,728	-	21,137
Derivatives held for trading						
Foreign exchange forwards	5,916	-	-	-	-	5,916
	42,629	45,224	23,285	-19,390	5,732	97,480

In 2019, the undiscounted cash flow of the derivative financial instruments, per maturity, is as follows:

Thousand Euros	2020	2021	2022	2023	Following years	Total
Fair value hedges						
Interest rate swaps	30,334	17,868	27,379	6,105	11,228	92,914
Cross currency interest rate swaps	17,487	17,569	17,527	17,527	740	70,850
Derivatives held for trading						
Cross currency interest rate swaps	57,656	31,283	79,379	-16,729	-64,898	86,691
Foreign exchange forwards	9,259	-	-	-	-	9,259
	114,736	66,720	124,285	6,903	-52,930	259,714

The Company enters into interest rate and cross currency interest rate swaps classified as held for trading to economically hedge exposures to changes in the fair value of its fixed rate debt as well as foreign exchange exposures from debt denominated in other currencies. In addition, the Company contracts fx forwards classified as held for trading to economically hedge net exposures in foreign currencies.

The fair value of derivative financial instruments is based on quotes indicated by external entities, which are compared in each date of report to fair values available in common financial information platforms. Therefore, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as level 2 (see note 22) and no changes of level were made during the year. These entities use generally accepted discounted cash flow techniques and data from public markets.

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

			Thousand Euros			
			2020		2019	
			Changes in fair value		Changes in fair value	
Type of hedge	**Hedging instrument**	**Hedged risk**	**Instrument**	**Risk**	**Instrument**	**Risk**
Fair value	Interest rate swap	Interest rate	-11,341	14,014	-1,356	1,338
Fair value	Cross currency interest rate swaps	Interest and exchange rate	-25,406	25,116	23,024	-16,763
			-36,747	39,130	21,668	-15,425

Considering that hedging derivative financial instruments are contracted with a high correlation of critical terms, namely in the same currency and at the same indexes, the hedge ratio between the hedging instruments and the hedged instruments is 1:1.

As at 31 December 2020 and 2019, the following market inputs were considered for the fair value calculation:

Instrument	**Market input**
Cross currency interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M; and exchange rates: EUR/GBP and EUR/USD.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M.
Foreign exchange forwards	Fair value indexed to the following exchange rate: EUR/USD.

The changes in the fair value reserve related to cost of hedging in 2020 and 2019 (with no recycling through P&L) were as follows:

Thousand Euros	**Dec 2020**	**Dec 2019**
Balance at the beginning of the year	782	-
Fair value changes	1,103	782
Balance at the end of the year	1,885	782

The gains and losses on the financial instruments portfolio booked in the profit and loss in 2020 and 2019 are as follows:

Thousand Euros	**Dec 2020**	**Dec 2019**
Derivatives held for trading	5,722	147,464
Fair value hedges:		
Derivatives	-37,850	20,886
Hedged liabilities	39,130	-15,425
	7,002	152,925

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2020 are as follows:

Thousand Euros	**Notional Thousand Euros**	**Currency**	**EDP Pays**	**EDP Receives**
Interest rate contracts				
Interest rate swaps (i)	1,600,000	EUR	[1.41% - -0.50%]	[2.63% - 0.45%]
Currency interest rate				
CIRS (currency interest rate swaps) (ii)	410,314	EUR / GBP	3.59%	8.63%

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2019 were as follows:

	Notional Thousand Euros	**Currency**	**EDP Pays**	**EDP Receives**
Interest rate contracts				
Interest rate swaps (i)	2,100,000	EUR	[2.80% - -0.35%]	[4.88% - 0.45%]
Currency interest rate				
CIRS (currency interest rate swaps) (ii)	410,314	EUR / GBP	3.67%	8.63%
CIRS (currency interest rate swaps) (iii)	2,675,674	EUR / USD	[3.68% - -0.38%]	[2.30% - -0.54%]

(i) EDP Finance BV pays floating rate and receives fixed rate;
(ii) EDP Finance BV pays floating rate and receives fixed rate;
(iii) EDP Finance BV pays and receives floating rate.

21. RELATED PARTIES

Main shareholders and shares held by company officers

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

Other Related Parties

TMF Netherlands B.V. fulfils administrative services to the Company and provides three statutory directors to the Company. Those three statutory directors consist of two natural persons and TMF Netherlands B.V.

Remuneration of directors

The charges regarding remuneration of directors that were engaged during the relevant period amount to 14,708 Euros (2019: 21,754 Euros) and refer only to the yearly management fees due on that period, with no other long term benefits nor outstanding balances as at 31 December 2020 and 2019.

Other management services

The charges regarding Other management services amount to 349,427 Euros (2019: 343,996 Euros) with no outstanding balances as at 31 December 2020 and 2019. The Other management services are consulting services provided by TMF Netherlands B.V.

Balances and transactions with related parties

As at 31 December 2020, the outstanding assets with related parties are analysed as follows:

Thousand Euros	Loans Granted	Derivatives	Other assets *	Total
EDP - Energias de Portugal, S.A.	7,567,073	69,493	-	7,636,566
EDP Renováveis Servicios Financieros, S.L.	2,400,939	-	-	2,400,939
EDP, S.A. Sucursal en España	-	-	-67	-67
EDP Servicios Financieros (España), S.A.	-	558	197,230	197,788
EDP Renováveis, S.A.	427,695	-	596	428,291
Other	21,142	-	-92	21,050
	10,416,849	70,051	197,667	10,684,567

* Other assets related to EDP Servicios Financieros (España), S.A. are mainly balances related to the Group's financial system (see note 2 e)).

As at 31 December 2019, the outstanding assets with related parties are analysed as follows:

Thousand Euros	Loans Granted	Derivatives	Other assets	Total
EDP - Energias de Portugal, S.A.	10,770,755	87,816	-	10,858,571
EDP Renováveis Servicios Financieros, S.L.	1,328,795	-	-	1,328,795
EDP, S.A. Sucursal en España	66,314	-	68	66,382
EDP Servicios Financieros (España), S.A.	440,566	1,743	545	442,854
EDP Renováveis, S.A.	602,428	129,156	332	731,916
Other	51,388	-	-102	51,286
	13,260,246	218,715	843	13,479,804

The changes in Loans Granted are analysed as follows:

Thousand Euros	Loans Granted 2020	Loans Granted 2019
Balance at beginning of the year	13,260,246	13,276,160
Loans advanced	1,407,037	700,365
Loan repayments received	-4,054,281	-755,441
Interest charged	217,276	238,823
Interest received	-229,434	-231,317
Foreign exchange	-183,995	31,656
Balance at the end of year	10,416,849	13,260,246

As at 31 December 2020, the outstanding liabilities with related parties are analysed as follows:

Thousand Euros	Loans Obtained	Derivatives	Other liabilities	Total
EDP - Energias de Portugal, S.A.	156,711	147	118,011	274,869
EDP Servicios Financieros (España), S.A.	764,194	-	-	764,194
Other	7,335	-	-	7,335
	928,240	147	118,011	1,046,398

In December 2018, EDP S.A. concluded a "Tender Offer" targeting EDP Finance B.V.'s "2.6250% NOTES DUE APRIL 15, 2019", "4.1250% NOTES DUE JUNE 29, 2020", "4.8750% NOTES DUE SEPTEMBER 14, 2020" and "4.125% NOTES DUE JANUARY 20, 2021", limited to a total value of 500,000 thousand Euros. As a result of the offer, EDP S.A. acquired 98,909 thousand Euros of the "2.6250% NOTES DUE APRIL 15, 2019", 66,628 thousand Euros of the "4.1250% NOTES DUE JUNE 29, 2020", 287,778 thousand Euros of the "4.8750% NOTES DUE SEPTEMBER 14, 2020" and 46,783 thousand Euros of the "4.125% NOTES DUE JANUARY 20, 2021". As at 31 December 2020, this operation totalled 48,612 thousand Euros in EDP Finance B.V. liabilities.

In November 2020, EDP S.A. acquired 53,357 thousand Euros of a 93,357 thousand Euros private bond placement, issued by EDP Finance B.V. in 2002 and due on 23 December 2022. As at 31 December 2020, this operation totalled 108,099 thousand Euros in EDP Finance B.V liabilities (a nominal amount of 53,357 thousand Euros and accumulated interests of 54,742 thousand Euros).

As at 31 December 2019, the outstanding liabilities with related parties are analysed as follows:

Thousand Euros	Loans Obtained	Derivatives	Other liabilities	Total
EDP - Energias de Portugal, S.A.	560,140	39,308	258,161	857,609
EDP Servicios Financieros (España), S.A.	799,851	-	-	799,851
Other	7,121	-	-	7,121
	1,367,112	39,308	258,161	1,664,581

Income and expenses related to transactions with related parties as at 31 December 2020, are as follows:

Thousand Euros	Interest on Intra-Group Financial Mov.	Other	Total
EDP - Energias de Portugal, S.A.	170,626	-1,116	169,510
EDP Renováveis Servicios Financieros, S.L.	64,488	-	64,488
EDP Servicios Financieros (España), S.A.	16,799	261	17,060
EDP, S.A. Sucursal en España	3,128	-136	2,992
EDP Renováveis, S.A.	38,048	596	38,644
Other	1,140	9	1,149
	294,229	-386	293,843

Income and expenses related to transactions with related parties as at 31 December 2019, are as follows:

Thousand Euros	Interest on Intra-Group Financial Mov.	Other	Total
EDP - Energias de Portugal, S.A.	186,904	-150	186,754
EDP Renováveis Servicios Financieros, S.L.	61,872	-	61,872
EDP Servicios Financieros (España), S.A.	38,492	189	38,681
EDP, S.A. Sucursal en España	4,991	-349	4,642
EDP Renováveis, S.A.	137,328	106	137,434
Other	1,497	-18	1,479
	431,084	-222	430,862

Other includes the expenses related with the service agreement with EDP, S.A (see note 10) as well as the services rendered to EDP Group companies (see note 9).

In the normal course of its activity, EDP Finance B.V. performs business transactions and operations with its related parties based on normal market conditions.

EDP – Energias de Portugal, S.A. and the Company entered into a Keep Well agreement on March 14, 2001 which remains applicable, details of which are provided in note 5.

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 quotations supplied by third parties or through internal models, which are based on cash flow discounting techniques and option valuation models. 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). The credit risk factor in the data is based on the credit spread of similar companies in the market.

Fair value of assets and liabilities as at 31 December 2020 and 31 December 2019 is analysed as follows:

	Dec 2020			Dec 2019*		
Thousand Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Loans to and receivables from group entities	10,416,849	10,901,936	485,087	12,954,493	13,395,527	441,034
Derivative financial instruments	103,937	103,937	-	275,330	275,330	-
Cash and cash equivalents (assets)	827,730	827,730	-	468,594	468,594	-
	11,348,516	11,833,603	485,087	13,698,417	14,139,451	441,034
Financial liabilities						
Debt securities	10,010,261	10,369,291	359,030	11,207,871	11,810,883	603,012
Loans and credit facilities from third parties	330,674	330,674	-	1,284,426	1,291,539	7,113
Loans from group entities	771,529	771,529	-	806,972	806,972	-
Amounts owed on purchased debt securities	118,000	118,000	-	258,000	258,000	-
Derivative financial instruments	4,159	4,159	-	39,308	39,308	-
	11,234,623	11,593,653	359,030	13,596,577	14,206,702	610,125

* Includes the reclassification arising from the change in accounting policy as described in note 2a).

The market value of the medium/long term financial debt, when no listed market prices are available, 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. Regarding short term debt (current account), the market value does not differ substantially from the book value.

According to IFRS 13, EDP Finance B.V. 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 market for assets and liabilities;
- Level 2 – Fair value based on market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly; and
- Level 3 – Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

In 2019, the fair value of EDP Finance B.V.'s financial assets and liabilities is included in Level 2, described above.

In 2020, EDP Finance B.V.'s changed from an income to a markets approach and therefore the debt securities as included in the table above are classified as Level 1. The other financial assets and liabilities are included in Level 2.

The Company does not transfer financial assets nor liabilities between categories.

23. SUBSEQUENT EVENTS

Regarding a EUR 1,500 million bond fully subscribed by EDP Finance BV, due on October 2021, EUR 500 million and EUR 750 million (including accrued interest) were early repaid by EDP SA on 19th January 2021 and 12th February 2021 respectively.

24. AUDIT AND NON-AUDIT FEES

Fees and expenses incurred for professional services are rendered as follows (VAT excluded):

Thousand Euros	Dec 2020	Dec 2019
Audit and statutory audit of accounts:		
- PricewaterhouseCoopers Accountants N.V.	130	130
Other audit procedures	-	-
Tax services	-	-
Other non-audit services	5	-
Total	**135**	**130**

PricewaterhouseCoopers Accountants N.V. has audited the financial statements of EDP Finance B.V. for 2020 and 2019. These fees relate to the audit of the 2020 and 2019 financial statements, regardless of whether the work was performed during the financial year.

The non-audit services performed by PricewaterhouseCoopers Accountants N.V. are related to procedures performed in connection with the issuance of a debt prospectus. These non-audit services are permitted under the current regulations.

Amsterdam, 24 February 2021

The Managing Directors

EDP – Energias de Portugal, S.A.

Arendsen, R.

van der Werff, M. F. C.

TMF Netherlands B.V.

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

OTHER INFORMATION

1. Statutory Information

1.1 Proposed appropriation of result

In accordance with Article 20 – Profits, of the Articles of Association of the Company, the result for the year is at the disposal of the General Meeting of Shareholders. Dutch law stipulates that distributions may only be made to the extent the Company's equity is in excess of the reserves it is required to maintain by law and its Articles of Association. Moreover, no distributions may be made if the Management Board is of the opinion that, by such distribution, the Company will not be able to fulfil its financial obligations in the foreseeable future.

The Managing Directors propose to add the profit for the financial year ended 31 December 2020 of 5,953 thousand Euros to retained earnings. Such proposal shall be deliberated at the General Meeting of Shareholders.

1.2 Independent Auditor's opinion

The independent auditor's report is included on the next page.

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Independent auditor's report

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

Report on the financial statements 2020

Our opinion

In our opinion, the financial statements of EDP Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020, 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 (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of EDP Finance B.V., Amsterdam.

The financial statements comprise:

- the company statement of financial position as at 31 December 2020;
- the following statements for 2020: the company income statement, the company statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

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Independence

We are independent of EDP Finance B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

The Company's main activity is the financing of group companies, through bond offerings on the international capital markets. The Company has derivative financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the managing directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 4 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the measurement of expected credit losses, valuation of the loans to group companies and derivative valuation, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of the loans issued and hedge accounting as key audit matter because of the importance of existence for users of the financial statements and the detailed requirements for hedge accounting.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the managing directors that may represent a risk of material misstatement due to fraud.

Due to Covid-19 measures we were not able to perform our audit procedures on location but virtually through electronic way of working. This way of working made it more challenging for us to perform audit procedures and to gather sufficient and appropriate audit evidence. To overcome this we, when planning our audit, have taken this into account as part of our risk assessment and we have planned and executed additional audit procedures where considered necessary. We therefore believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

We ensured that the audit team included the appropriate skills and competences, which are needed for the audit of a finance company. We therefore included specialists in the areas of valuation and accounting in our team.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €113,500,000 (2019: €137,000,000). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the stakeholders. Inherent to the nature of the Company's business, the amounts in the statement of financial position are large in proportion to the income statement line items services rendered, supplies and services, personnel costs and income tax (benefit) / expense. Based on qualitative considerations we performed audit procedures on those income statement line items, applying a benchmark of 10% of the total of those expenses.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the managing directors that we would report to them misstatements identified during our audit above €5,675,000 (2019: €6,850,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the managing directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year there have been no changes in key audit matters.

Key audit matter	***How our audit addressed the matter***
Measurement of expected credit losses *Note 12* We considered the valuation of the loans to group companies, as disclosed in note 12 to the financial statements for a total amount of €10,416,849,000, to be a key audit matter. This is due to the size of the loan portfolio and relevant impairment rules.	We performed the following procedures to test the managing directors' assessment of the expected credit loss to support the valuation of the loans to EDP S.A. group companies: • With respect to the ECL calculation, we determined that the loans qualify as stage 1 loans by assessing the actual performance of the loans (i.e. no significant deterioration of credit risk).

Key audit matter	*How our audit addressed the matter*
The managing directors have determined that all loans to group companies are categorised as stage 1 loans, hence only a 12-month expected credit loss ('ECL') has been recognised. As stated in the note '*COVID 19 - Macroeconomic, Operational and Accounting Impact*' to the financial statements, the managing directors of the Company have assessed that the impact of Covid-19 has been limited on the Company, due to the sector in which the group operates (energy and utilities sector). As disclosed in note 12 to the financial statements, the Company has not and has not been asked to grant any payment holidays on their loans to group companies. The impairment rules in IFRS 9 are complex and require judgement to calculate the ECL. Amongst other things, this applies to choices and judgements made in the impairment methodology, including the determination of the point in time probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD'). These calculations also take into account forward-looking information of macro-economic factors considering multiple scenarios. The managing directors monitor the need for changes in the methods, significant assumptions or the data used in making the accounting estimate by monitoring key performance indicators that may indicate unexpected or inconsistent performance. Mainly with respect to the PD and LGD used in the determination of the expected credit losses, the managing directors have applied significant judgement given the low default character of the entity's loan portfolio. As a result, there is limited internal historical data to support and back-test the PD and LGD. In the absence of internal historical losses and default information, the managing directors used data from external data source providers in determining the ECL.	• We evaluated the financial position of the counterparties of loans to group companies by assessing observable data from rating agencies, the latest available financial information and other publicly available data in order to assess if there are no adverse conditions present suggesting to classify the loans as stage 2 or stage 3 loans. We have assessed and challenged the managing directors' position on the impact of the COVID-19 on the financial position of the counterparties of the loans to group companies as part of our procedures. • For the expected credit loss, we assessed that the impairment methodology and model applied by the entity were in accordance with the requirements of IFRS 9. We assessed that the forward-looking information used by the client as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of EDP Finance B.V. We have assessed and challenged the managing directors' position on the impact of the COVID-19 on the forward-looking information as part of our procedures. • We assessed for a sample of financial instruments that the PD and LGD and the assumptions applied by the managing directors, are appropriate and were based upon data from external data source providers including indicators for potential management bias. We have recalculated the impairment recorded in the financial statements. We found the managing directors' assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

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Existence of the loans to group companies *Note 12* We considered the existence of the loans to group companies, as disclosed in note 12 to the financial statements for a total amount of €10,416,849,000, to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.	We performed the following procedures to support the existence of the loans to EDP S.A.group companies: • We confirmed the existence of the loans with the counterparties on a sample basis. • We performed a substantive analytical procedure on the relationship between the interest expenses versus interest income, taken into consideration the applicable spread. • We compared interest receipts with bank statements Based on the procedures as set out above, we found no material differences.
Derivative valuation *Note 20* We considered the fair value of the derivatives portfolio of €103,937,000 positive and €4,159,000 negative as disclosed in note 20 to the financial statements and used in the Company's hedge effectiveness testing to be a key audit matter. This is due to the nature of the portfolio that includes longer-dated interest rate swaps and cross-currency interest rate swaps. The managing directors monitor the need for changes in the methods, significant assumptions or the data used in making the accounting estimate by monitoring key performance indicators that may indicate unexpected or inconsistent performance.	We performed the following procedures to support the valuation of derivatives: • We reconciled the interest rate curves and other market data with independent sources. • We assessed whether the settings used in the models are in line with market practice. • We also tested the mathematical accuracy of the models used and reconciled the outcome of the valuation system with the general ledger. We found the managing directors' assumptions used in the valuation of derivatives to be reasonable and appropriate compared to market data and the chosen models to be in line with market practice. Based on the procedures as set out above we found no material differences.
Hedge accounting *Note 20* We considered the application of hedge accounting to be a key audit matter. Refer to note 20 to the financial statements. This is because of the detailed formal and technical requirements that are relevant to the application of hedge accounting and because inappropriate application of these requirements can lead to a material effect on the financial statements.	We performed the following procedures to support the appropriateness of the application of hedge accounting: • We tested on a sample basis whether the hedge documentation and hedge effectiveness testing as prepared by the managing directors met the requirements of *IFRS 9 Financial Instruments*, and whether the hedge effectiveness test was mathematically correct. • We reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements. Based on the procedures as set out above we found the application of hedge accounting to be appropriate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the managing directors; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The managing directors are responsible for the preparation of the other information, including the report of the managing directors and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of EDP Finance B.V. following the passing of a resolution by the shareholders at the annual meeting held on 1 June 2017. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of four years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 24 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the managing directors

The managing directors are responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the managing directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the managing directors are responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the managing directors should prepare the financial statements using the going concern basis of accounting unless the managing directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The managing directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 24 February 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by V.S. van der Reijden RA

Appendix to our auditor's report on the financial statements 2020 of EDP Finance B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing directors.
- Concluding on the appropriateness of the managing directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the managing directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the managing directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the managing directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.