

Annual Report 2009

EDP Finance BV

Annual Report

31 December 2009

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EDP FINANCE BV

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EDP FINANCE BV

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

Amsterdam, 28 April 2010

The Managing Directors

EDP — Energias de Portugal, S.A.

Burg, J. C. W. van.

Kamphuijs, W. H.

EDP FINANCE BV

REPORT OF MANAGING DIRECTORS

The Managing Directors of EDP Finance BV (hereinafter "the Company") submit the annual report and the financial statements of the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

General

The Company was incorporated under the laws of The Netherlands on 1 October 1999.

Activities

The principal activity of the Company is to act as a finance company. The policy of the group is to centralize financing in EDP — Energias de Portugal S.A. and the Company for group companies operating in core electricity businesses in Iberia. The company has no personnel.

Results

During the year ended 31 December 2009, the Company recorded a profit of EUR 7.1 millions.

Major Developments

In the first semester of 2009 (February and June), EDP Finance B.V. took advantage of some windows of opportunity in the international capital markets to issue two €1,000 million Eurobonds under the EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments (MTN)". The bond issued in February has a tenor of five years and the one issued in June has a tenor of seven years and three months. These issues allowed EDP Group to extend the average life of its debt portfolio and strengthen its liquidity position, ahead of refinancing needs for 2009 and 2010. Additionally, in September, EDP issued \$1,000 million 144A/ RegS bonds, with a tenor of 10 years, under the above mentioned Programme. The proceeds of the offering were used to fund the capital expenditure requirements of EDP Renováveis and for EDP's general corporate purposes.

In March 2009, EDP SA and EDP Finance BV signed a three year revolving credit facility in the amount of 1,600 million euro. This new facility replaces the existing 1,300 million euro revolving credit facility signed in 2004 that was due to mature in July 2009, keeping the same purpose: backup credit facility. The credit line is currently undrawn. The facility was self-arranged as a Club Deal and involved 19 domestic and international banks.

Subsequent Events

On the 16th of March a new five-year 1 Billion Bond was issued to fund EDP Group activities in the normal course of the business operations of the company.

Debt

In 2009, the EDP Finance BV's (nominal) consolidated debt totalled EUR 10,763 million. When compared to December 2008, the Company's debt was nearly EUR 3,155 million higher, due to the early funding of future EDP's Group needs, through the issuance of bonds.

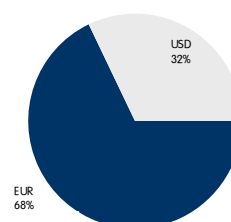
IFRS Debt - EDP Group

EUR millions

	Dec 09	Dec 2008	Change
Debt - Short term	757	835	-9%
Bonds	500	22	2126%
Bank loans	0	730	-100%
Intercompany loans	257	83	210%
Debt - Long term	10.006	6.780	48%
Bonds	6.799	4.605	48%
Bank loans	3.206	2.175	47%
Nominal debt	10.763	7.615	41%
Interest accrued	195	79	
Fair value hedge adjustments	-143	-166	
Debt under IFRSs	10.815	7.529	44%

In terms of currencies, the USD financing contracted to fund the purchase and capex of EDP Renováveis, S.A. justifies the Group's exposure to USD (32%). Euro continues to be the main funding currency of the EDP Group (68%).

Debt currency



Rating

In June 2009, Moody's downgraded the senior unsecured ratings of EDP S.A. and EDP Finance B.V. to "A3"/"Prime-2" with stable outlook from "A2"/"Prime-1" with negative outlook. On the other hand, S&P, reaffirmed, in August, its 'A-/A-2' long and short-term corporate credit ratings on EDP SA and EDP Finance BV, having, however, revised its outlook from stable to negative, reflecting increasing uncertainty about EDP's ability to deliver and maintain credit metrics in line with the ratings in the intermediate term.

	Global					
	S&P	Last update	Moody's	Last update	Fitch	Last update
EDP, S.A. and Finance BV	A-/Neg/A-2	4-8-09	A3/Stab/P2	9-6-09	A-/Stab/F2	6-2-09

EDP FINANCE BV

Expectations 2010

For 2010 we do not expect major changes in the activity.

Audit Committee

The company makes use of the exemption to establish its own Audit Committee, based on Article 3a of the Royal Decree of 26 July 2008 implementing Article 41 of the EU Directive 2006/43/EG. The Audit Committee of the parent company, EDP — Energias de Portugal, SA, will act as Audit Committee for the Company. This Committee is composed by Victor Fernando da Conceição Gonçalves (President), António Sarmento Gomes Mota: (Member) and Manuel Fernando de Macedo Alves Monteiro (Member).

Statutory provisions concerning appropriation of results

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholders in accordance with article 20 of the Articles of Association of the company. Furthermore, Dutch law prescribes that a company may take distributions to the shareholders and other persons entitled to distributable profits only to the extent that is shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law or the articles.

Proposed appropriation of results

The Managing Directors proposes to add the profit for the financial year ended 31 December 2009 in the amount of EUR 7,097,945 to the accumulated results.

Amsterdam, 28 April 2010

The Managing Directors:

EDP Energias de Portugal, S.A.

Burg, J. C. W. van.

Kamphuijs, W. H.

Annual Report 2009

EDP Finance BV

Financial Statements

31 December 2009

EDP Finance, BV

Company Statement of comprehensive income for the years ended 31 December 2009 and 2008

	Notes	2009	2008
		(Thousand Euros)	(Thousand Euros)
Interest income	6	396.865	373.337
Interest expenses	6	<u>-388.610</u>	<u>-364.262</u>
Net interest income		<u>8.255</u>	<u>9.075</u>
Net other financial income and expenses	7	<u>1.113</u>	<u>228</u>
Net financial income		<u>9.368</u>	<u>9.303</u>
Other operating income / (expenses)			
Services rendered	8	1.190	413
Supplies and services	9	-2.495	-865
Provisions	10	<u>-320</u>	<u>-1.776</u>
Profit before income tax		<u>7.743</u>	<u>7.075</u>
Income tax expense	11	<u>-645</u>	<u>-465</u>
Profit for the period		<u>7.098</u>	<u>6.610</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>7.098</u>	<u>6.610</u>
Profit for the period attributable to owners of the company		<u>7.098</u>	<u>6.610</u>
Total comprehensive income for the period attributable to the owner of the company		<u>7.098</u>	<u>6.610</u>

EDP Finance, BV

Company Statement of financial position as at 31 December 2009 and 2008 and 1 January 2008

	Notes	31.12.2009	31.12.2008	01.01.2008
		(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Assets				
Loans and receivables to group entities	12	6.707.918	3.871.513	4.214.698
Derivative financial instruments	19	5.333	-	-
Total Non-Current Assets		6.713.251	3.871.513	4.214.698
Loans and receivables to group entities	12	3.641.235	4.373.588	2.005.431
Derivative financial instruments	19	10.823	-	-
Debtors and other assets		1.190	4.391	3.978
Cash and cash equivalents	13	608.231	50.595	4.636
Total Current Assets		4.261.479	4.428.574	2.014.045
Total Assets		10.974.730	8.300.087	6.228.743
Equity				
Share capital	14	2.000	2.000	2.000
Share premium	14	10.551	-	-
Reserves and retained earnings	15	3.094	-3.516	-3.516
Profit for the period		7.098	6.610	-
Total Equity		22.743	5.094	-1.516
Liabilities				
Debt securities	16	6.656.199	4.439.549	4.034.420
Loans and credit facilities from third parties	16	3.206.321	2.175.000	1.250.000
Provisions	10	3.176	2.856	1.080
Derivative financial instruments	19	109.398	165.524	53.260
Total Non-Current Liabilities		9.975.094	6.782.929	5.338.760
Debt securities	16	694.142	22.455	362.772
Loans and credit facilities from third parties	16	770	809.190	311.731
Loans from group entities	17	257.309	83.038	207.146
Amounts owed on purchased debt securities	18	-	585.000	-
Derivative financial instruments	19	-	4.812	3.089
Trade and other payables		24.431	7.388	6.701
Tax payable		241	181	60
Total Current Liabilities		976.893	1.512.064	891.499
Total Liabilities		10.951.987	8.294.993	6.230.259
Total Equity and Liabilities		10.974.730	8.300.087	6.228.743

EDP Finance, BV

Company Statement of cash flows for the years ended 31 December 2009 and 2008

(Thousand Euros)

	Notes	Company	
		Dec 2009	Dec 2008
Operating activities			
Profit for the year		<u>7.098</u>	<u>6.610</u>
Adjustments for:			
Interest income		-123.095	-55.656
Interest expense		187.461	90.832
Clean fair value movement - derivatives		745	1.293
Income tax expense		-830	165
Cash flows from operating activities			
Change in derivatives		-20.966	1.722
Change in debtors and other assets		3.201	-413
Change in loans and credit facilities from third parties		-808.421	497.460
Change in loans from group entities		174.272	-124.108
Change in amounts owed on purchased debt securities		-585.000	585.000
Change in trade and other payables		17.040	687
Change in tax payable		1.463	302
Change in share premium		10.551	-
Interest received		293.976	333.363
Interest paid		-253.282	-340.781
Income tax paid		-573	-346
Net cash flow from operating activities		<u>-1.096.360</u>	<u>996.130</u>
Cash flows from investing activities			
Extension of loans to group companies		-3.543.303	-1.299.514
Redemption of loans to group companies		978.728	971.701
Other changes in loans to group entities		<u>289.642</u>	<u>-1.974.866</u>
Net cash flow from investing activities		<u>-2.274.933</u>	<u>-2.302.679</u>
Cash flows from financing activities			
Proceeds from debt securities		2.766.743	570.314
Redemption of debt securities		-22.455	-355.024
Other changes to debt securities		209.870	99.471
Proceeds of loans and credit facilities from third parties		1.031.321	925.000
Change in provisions		320	1.776
Change in derivative financial instruments		<u>-56.870</u>	<u>110.971</u>
Net cash flow from financing activities		<u>3.928.929</u>	<u>1.352.508</u>
Changes in cash and cash equivalents		<u>557.636</u>	<u>45.959</u>
Cash and cash equivalents at the beginning of the year	13	<u>50.595</u>	<u>4.636</u>
Cash and cash equivalents at the end of the year (*)	13	<u>608.231</u>	<u>50.595</u>

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

EDP Finance, BV

Company Statement of Changes in Equity

(Thousand Euros)

		Attributable to shareholders of the Company				
	Notes	Total Equity	Share capital	Share premium	Reserves and retained earnings	Profit for the period
Balance as at 1 January 2008	14, 15	<u>-1.516</u>	<u>2.000</u>	<u>-</u>	<u>-3.516</u>	<u>-</u>
Comprehensive income:						
Profit for the period	15	<u>6.610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6.610</u>
Comprehensive income for the period		<u>6.610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6.610</u>
Balance as at 31 December 2008		<u>5.094</u>	<u>2.000</u>	<u>-</u>	<u>-3.516</u>	<u>6.610</u>
Prior period profit		<u>-</u>	<u>-</u>	<u>-</u>	<u>6.610</u>	<u>-6.610</u>
Comprehensive income:						
Profit for the period		<u>7.098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7.098</u>
Shareholders contribution in kind	14	<u>10.551</u>	<u>-</u>	<u>10.551</u>	<u>-</u>	<u>-</u>
Balance as at 31 December 2009		<u>22.743</u>	<u>2.000</u>	<u>10.551</u>	<u>3.094</u>	<u>7.098</u>

EDP Finance BV
Notes to the Financial Statements
for the years ended 31 December 2009 and 2008

1. Economic activity of EDP Finance

EDP Finance B.V. ("the Company"), a corporation with limited liability, having its statutory seat in Amsterdam, The Netherlands, was incorporated under the laws of The Netherlands on 1 October 1999 with registered office at Strawinskylaan 3105, 1077 ZX Amsterdam, the Netherlands. The ultimate parent company of EDP Finance BV, is EDP - Energias de Portugal, S.A. ("EDP S.A."), Lisbon, Portugal.

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

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

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

These financial statements are of an individual company.

2. Accounting policies

a) Basis of preparation

For all periods up to and including the year ended 31 December 2008, the Company prepared its financial statements in conformity with generally accepted accounting principles in Netherlands.

These are the Company's first financial statements prepared in accordance with EU-IFRS and IFRS 1 - "First time adoption of international financial reporting standards" has been applied. An explanation of how the transition to EU-IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in the notes 22 and 23.

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

In 2009, the Company adopted the standards and interpretations with mandatory application for the years beginning in 1 January 2009. These standards are presented in note 24. When applicable, the comparative values are presented regarding the new required disclosures.

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 2009 and 2008.

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

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

The Company's Executive Board of Directors approved the financial statements (referred to as financial statements) on 28 April 2010. The financial statements are presented in Euros, which is the Company's functional currency, rounded to the nearest thousand.

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

The Company's Executive Board of Directors approved the financial statements (referred to as financial statements) on 28 April 2010. The financial statements are presented in Euros, which is the Company's functional currency, rounded to the nearest thousand.

b) Foreign currency transactions

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

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

The following exchange rate has been applied as at 31 December 2009 and 2008:

Currency		Exchange rates at Dec 2009		Exchange rates at Dec 2008		Exchange rates at 1 Jan 2008
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate	Closing rates
Dollar	USD	1,441	1,390	1,392	1,477	1,472

c) Derivative financial instruments and hedge accounting

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

The fair value of derivative financial instruments corresponds to their market value, when available, or is determined by external entities using valuation techniques.

Hedge accounting

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

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

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

Fair value hedge

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

Effectiveness

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

d) Financial assets

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

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

Impairment

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

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

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

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

e) Financial liabilities

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

f) Provisions

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

g) Recognition of costs and revenues

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

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

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

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

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

h) Financial results

Financial results include interest cost on borrowings, interest income on funds invested, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

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

i) Income tax

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

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

j) Cash and cash equivalents

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

k) Statement of cash flows

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

The Company classifies cash flows related to interest and dividends received and paid as investing and financing activities, respectively.

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. Critical accounting estimates and judgements in preparing the financial statements

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

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

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

Fair value of financial instruments

Fair values are based on listed market prices, if available, otherwise fair value is determined either by the price of similar recent transactions under market conditions or by pricing models based on net present value of estimated future cash flows techniques considering market conditions, time value, yield curves and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair values (see detailed information in note 21).

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

Impairment of financial assets measured at amortised cost

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

4. Financial-risk management policies

Financial risk management

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

On 14 March 2001, EDP - Energias de Portugal, S.A. signed a keep-well agreement with the Company. This agreement states that for as long as the Company has outstanding instruments under an external debt Programme and in case the Company shall have insufficient funds or other liquid assets to meet its payment obligations (including in respect of any Debt Obligations) at any time, EDP - Energias de Portugal S.A. shall make available to the Company funds sufficient to enable the Company to meet such payment obligations in full as they fall due. However, the keep-well agreement is not a guarantee, direct or indirect, by EDP - Energias de Portugal, S.A. of any Debt Obligations or any other debt of the Company or any instrument issued by the Company.

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

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

Exchange-rate risk management

EDP Finance BV is exposed to exchange rate risk in US Dollars (USD), British Pounds (GBP) and Japanese Yen (JPY). Currently, the exposure to EUR/USD exchange rate risk results essentially from the investments by EDP, S.A. / Group in the wind parks performed in the USA. EDP Finance BV contracted USD loans as well as foreign exchange derivative financial instruments that convert the issued debt into USD, with the objective of mitigating the exchange rate risk related to the intercompany loans granted to finance the USD assets of the EDP Group. The exchange and interest rate risks on the GBP and JPY bonds issued under the Medium Term Notes Program have 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 BV's exchange rate risk exposure resulting from foreign currency loans/borrowings, seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the Company through exchange rate derivative financial instruments and/or other hedging structures. Such instruments and structures have characteristics similar to those of the hedged asset or liability. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

Sensitivity analysis - exchange rate

Though the Company has loans to EDP Group companies and issued debt instruments in currencies other than Euro, there are no significant impacts on Equity or P&L due to changes in currency rates as the risk management policy in place aims to avoid any mismatch between assets and liabilities denominated in currencies other than Euro.

Interest rate risk management

The interest rate mismatch between assets and liabilities is monitored periodically with the objective of minimizing the financial costs and the exposure to interest rate risk from market fluctuations.

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

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

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Sensitivity analysis - Interest rates

Based on the financial instruments with exposure to interest rate risk as at 31 December 2009 and 2008, a 100 basis points change in the reference interest rates would lead to the following increases / (decreases) in equity and results of EDP Finance BV:

Dec 2009				
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Liabilities				
Cash flow effect:				
Hedged debt	-9.803	9.803	-	-
Unhedged debt	-37.162	37.162	-	-
	<u>-46.965</u>	<u>46.965</u>	<u>-</u>	<u>-</u>
Assets				
Cash flow effect:				
Unhedged debt	-1.924	1.924	-	-
	<u>-1.924</u>	<u>1.924</u>	<u>-</u>	<u>-</u>
Dec 2008				
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Liabilities				
Cash flow effect:				
Hedged debt	-7.303	7.303	-	-
Unhedged debt	-34.880	34.880	-	-
Fair value effect				
Trading derivatives (accounting perspective)	-119	122	-	-
	<u>-42.302</u>	<u>42.305</u>	<u>-</u>	<u>-</u>
Assets				
Cash flow effect:				
Unhedged debt	-10.721	10.721	-	-
	<u>-10.721</u>	<u>10.721</u>	<u>-</u>	<u>-</u>

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

Counterparty credit risk management

EDP Group's policy regarding the management of counterparty risk on financial transactions involves the analysis of the technical capacity, competitiveness, credit rating and exposure of each counterparty, so as to avoid significant concentrations of credit risk. Counterparties in derivative financial instruments are credit institutions with strong credit ratings and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are usually not required on these transactions.

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

The maximum credit exposure equals the amount of total assets as per 31 December 2009 and 31 December 2008 being Eur 10.9 billion respectively Eur 8.3 billion.

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 2009 and 2008, all loans granted by EDP Finance BV had as counterparties companies controlled by EDP — Energias de Portugal, S.A.

Liquidity risk management

Liquidity risk is managed by engaging and maintaining credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions allowing immediate access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing for a diversification of EDP Finance BV's short-term financing sources. The quantitative information for liquidity risk is included in Note 19.

Among the key sources of liquidity of EDP Finance BV are a medium term Revolving Credit Facility (RCF) of 1,600,000 thousand Euros and a RCF of 1,500,000 thousand USD, both with a firm underwriting commitment. As at 31 December 2009 the former was fully available and the latter was fully drawn.

5. Segment reporting

The Company determined one operating segment. The Company generates interest income by providing loans to EDP Group entities as well as derivative financial instruments concluded with banks to hedge market risks.

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

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These EDP Group companies are EDP Renováveis, S.A., EDP Sucursal en España, S.A. And HC Energia (Hidroeléctrica del Cantabrico).

6. Interest income and expenses

Interest income and expenses are analysed as follows:

	Company	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Interest income		
Loans and receivables to group entities	292.780	241.082
Loans to other entities	-	2.037
Financial investments	56.245	112.723
Derivative financial instruments	47.840	17.495
	<u>396.865</u>	<u>373.337</u>
	Company	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Interest expenses		
Bank loans	57.514	106.376
Medium term notes	286.008	215.620
Loans from group entities	2.636	13.042
Derivative financial instruments	42.452	29.224
Other		
	<u>388.610</u>	<u>364.262</u>

7. Net other financial income and expenses

Net other financial income and expenses are analysed as follows:

	Company	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Other financial income		
Derivative financial instruments - Fair value	745	1.293
Foreign exchange gains	671	-
Other	870	-
	<u>2.286</u>	<u>1.293</u>
	Company	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Other financial expenses		
Foreign exchange losses	-	752
Other	1.173	313
	<u>1.173</u>	<u>1.065</u>
Net other financial income and expenses	<u>1.113</u>	<u>228</u>

8. Services rendered

Services rendered are analysed as follows:

	Company	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Debt portfolio management	1.190	413
	<u>1.190</u>	<u>413</u>

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.

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9. Supplies and services

Supplies and services are analysed as follows:

	Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Supplies and services:		
Legal expenses	66	12
EDP, S.A. Services	1.902	413
Specialised works - Other services	435	342
Other	92	98
	<u>2.495</u>	<u>865</u>

The Company has signed a service agreement with the EDP, S.A. This service agreement states that the Company has to pay an annual fee for services that EDP, S.A. provides to the Company by arranging, managing and maintaining all debt portfolios of the Company, based on the total amount of existing debt to manage. Either party may terminate the service agreement by one month notice in writing to the other party. However, no such termination has taken place to date.

10. Provisions

Provisions are analysed as follows:

	Company Euro'000
Balance at 1 January 2008	1.080
Provisions made during the period	1.776
Balance at 1 January 2009	<u>2.856</u>
Provisions made during the period	1.400
Provisions reversed during the period	<u>-1.080</u>
Balance at 31 December 2009	<u>3.176</u>

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

11. Income tax

	Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Total income tax	645	465
Profit before income tax	<u>7.743</u>	<u>7.075</u>
Effective tax rate of the company	<u>8,3%</u>	<u>6,6%</u>

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

12. Loans to Group entities

Loans to Group entities are analysed as follows:

	Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Loans and receivables to group entities - Non current:		
EDP Renováveis, S.A.	2.131.042	-
EDP Sucursal en España, S.A.	2.814.786	2.414.784
HC Energía (Hidroeléctrica del Cantabrico)	<u>1.762.090</u>	<u>1.456.729</u>
	<u>6.707.918</u>	<u>3.871.513</u>
Loans and receivables to group entities - Current:		
EDP Energias de Portugal, S.A.	2.848.761	3.288.400
EDP Sucursal en España, S.A.	527.977	684.785
EDP Investments and Services	192.440	201.270
HC Energía (Hidroeléctrica del Cantabrico)	-	148.000
Accrued interest	<u>72.057</u>	<u>51.133</u>
	<u>3.641.235</u>	<u>4.373.588</u>
	<u>10.349.153</u>	<u>8.245.101</u>

These assets have an average maturity of 5.5 years and bear interest at an average rate of 4.1%.

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

	Company	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Loans and receivables to group entities		
Up to 1 year	3.641.235	4.373.588
From 1 to 5 years	2.312.610	1.838.546
More than 5 years	4.395.308	2.032.967
	<u>10.349.153</u>	<u>8.245.101</u>

Future debt and borrowings payments and interest for type of loan and currency are analysed as follows:

	2010	2011	2012	2013	2014	Following	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	years	Euro'000
						Euro'000	
Loans and receivables to group entities:							
Euro	3.641.235	67.114	67.114	197.114	1.287.114	1.874.995	7.134.685
US Dollar	-	-	694.155	-	-	2.520.313	3.214.468
	<u>3.641.235</u>	<u>67.114</u>	<u>761.269</u>	<u>197.114</u>	<u>1.287.114</u>	<u>4.395.308</u>	<u>10.349.153</u>

13. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Bank deposits:		
- Current deposits	925	2.595
- Term deposits	607.306	48.000
	<u>608.231</u>	<u>50.595</u>

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

14. Share capital and share premium

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

Share capital and Share premium are analysed as follows:

	Company	
	Share capital	Share premium
	Euro'000	Euro'000
Balance as at 31 December 2008	2.000	-
Movements during the year	-	10.551
Balance as at 31 December 2009	<u>2.000</u>	<u>10.551</u>

On 12 March 2009, the shareholders provided a contribution in kind in the amount of 10,551 thousand Euros.

15. Reserves and retained earnings

This caption is analysed as follows:

	Company	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Accumulated results	3.094	-3.516
	<u>3.094</u>	<u>-3.516</u>

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

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

This caption is analysed as follows:

	Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Debt securities and Loans and credit facilities from third parties - Non Current		
Debt securities	6.799.136	4.605.073
Fair value of the issued debt hedged risk	-142.937	-165.524
	<u>6.656.199</u>	<u>4.439.549</u>
Loans and credit facilities from third parties	<u>3.206.321</u>	<u>2.175.000</u>
	<u>9.862.520</u>	<u>6.614.549</u>
Debt securities and Loans and credit facilities from third parties - Current		
Debt securities	499.861	22.455
Accrued interest	194.281	-
	<u>694.142</u>	<u>22.455</u>
Loans and credit facilities from third parties	-	730.000
Accrued interest	770	79.190
	<u>770</u>	<u>809.190</u>
	<u>694.912</u>	<u>831.645</u>
Total	<u>10.557.432</u>	<u>7.446.194</u>

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

Date issued	Interest rate	Type of hedge	Conditions / Redemption	Nominal amount Euro'000
09-08-2002 (i)	Fixed rate GBP 6.625%	Fair Value	Aug-17	320.000
Dec-02	Fixed rate EUR (iii)	n.a.	Dec-22	93.357
Jun-05	Fixed rate EUR 3.75%	n.a.	Jun-15	500.000
Jun-05	Fixed rate EUR 4.125%	n.a.	Jun-20	300.000
Jun-06	Euribor 3 months + 0.15%	n.a.	Jun-10	500.000
Jun-06	Fixed rate EUR 4.25%	n.a.	Jun-12	500.000
Jun-06	Fixed rate EUR 4.625%	n.a.	Jun-16	500.000
Nov-07	Fixed rate USD 5.375 %	n.a.	Nov-12	694.155
Nov-07	Fixed rate USD 6.00 %	n.a.	Feb-18	694.155
04-11-2008 (i)	Fixed rate GBP 8.625%	Fair Value	Jan-24	410.314
Nov-08	Zero coupon (iii)	n.a.	Nov-23	160.000
18-02-2009 (ii)	Fixed rate EUR 5.5%	Fair Value	Feb-14	1.000.000
17-06-2009 (i)	Fixed rate JPY (iii)	Fair Value	Jun-19	75.098
Jun-09	Fixed rate EUR 4.75%	n.a.	Sep-16	1.000.000
Sep-09	Fixed rate USD 4.90 %	n.a.	Oct-19	694.155

(i) These issues by EDP Finance BV have associated interest rate swaps and/or currency swaps.

(ii) Part of this loan has associated interest rate swaps.

(iii) These issues correspond to private placements.

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

	Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Debt securities:		
Up to 1 year	694.142	22.455
From 1 to 5 years	2.159.942	1.703.832
More than 5 years	<u>4.496.257</u>	<u>2.735.717</u>
	<u>7.350.341</u>	<u>4.462.004</u>
Loans and credit facilities from third parties:		
Up to 1 year	770	809.190
From 1 to 5 years	3.206.321	2.175.000
More than 5 years	-	-
	<u>3.207.091</u>	<u>2.984.190</u>
	<u>10.557.432</u>	<u>7.446.194</u>

Future payments of principal and interests are detailed in note 19.

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

	2010 Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	Following years Euro'000	Total Euro'000
Debt securities							
Euro	694.142	-	500.000	-	965.787	3.035.359	5.195.288
US Dollar	-	-	694.155	-	-	1.460.898	2.155.053
	<u>694.142</u>	<u>-</u>	<u>1.194.155</u>	<u>-</u>	<u>965.787</u>	<u>4.496.257</u>	<u>7.350.341</u>
Loans and credit facilities from third parties:							
Euro	-	150.000	-	2.025.000	-	-	2.175.000
US Dollar	770	-	-	-	1.031.321	-	1.032.091
	<u>770</u>	<u>150.000</u>	<u>-</u>	<u>2.025.000</u>	<u>1.031.321</u>	<u>-</u>	<u>3.207.091</u>
	<u>694.912</u>	<u>150.000</u>	<u>1.194.155</u>	<u>2.025.000</u>	<u>1.997.108</u>	<u>4.496.257</u>	<u>10.557.432</u>

17. Loans from Group entities

Loans from Group entities are analysed as follows:

	Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Loans from Group entities - Current:		
EDP Renováveis, S.A.	257.309	83.038
	<u>257.309</u>	<u>83.038</u>

18. Amounts owed on purchased debt securities

As at 31 December 2008 this caption includes debt securities with a trade date in 2008 and with a settlement date in 2009 with an amount of 585,000 thousand Euros.

19. Derivative financial instruments

In accordance with IAS 39, EDP Finance BV classifies derivative financial instruments as fair value hedges of a recognised asset or liability (Fair value hedge) or as cash flow hedges of recognised liabilities and highly probable future transactions (Cash flow hedge).

In 2009 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
	Assets Euro'000	Liabilities Euro'000	Up 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	Total Euro'000
Fair value hedges						
Interest rate swaps	15.622	-	-	250.000	-	250.000
Cross currency interest rate swaps	534	-109.398	-	-	805.411	805.411
	<u>16.156</u>	<u>-109.398</u>	<u>-</u>	<u>250.000</u>	<u>805.411</u>	<u>1.055.411</u>

In 2008 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
	Assets Euro'000	Liabilities Euro'000	Up 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	Total Euro'000
Fair value hedges						
Cross currency interest rate swaps	-	-169.374	-	-	730.313	730.313
	-	-169.374	-	-	730.313	730.313
Interest rate swaps	-	-962	22.455	-	-	22.455
	-	-962	22.455	-	-	22.455
	-	-170.336	22.455	-	730.313	752.768

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

The valuation of cash flow hedges is based on external entities. These entities use market information and generally accepted future cash flow discount techniques.

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

Type of hedge	Hedging instrument	Hedged risk	2009		2008	
			Changes in fair value		Changes in fair value	
			Instrument Euro'000	Risk Euro'000	Instrument Euro'000	Risk Euro'000
- Fair value	Interest rate swap	Interest rate	317	-317	-	-
- Fair value	Cross currency interest rate swaps	Interest and exchange rate	22.270	-22.270	-52.141	52.141
			<u>22.587</u>	<u>-22.587</u>	<u>-52.141</u>	<u>52.141</u>

The gains and losses on the financial instruments portfolio booked in the statement of comprehensive income in 2009 and 2008 are as follows:

	Company	
	31 Dec 2009 Euro'000	31 Dec 2008 Euro'000
Derivatives held for trading	745	1.293
Fair value hedges		
- Derivatives	22.587	-52.141
- Hedged liabilities	<u>-22.587</u>	<u>52.141</u>
	<u>745</u>	<u>1.293</u>

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2009 are as follows:

	Company			
	Notional EUR'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	250.000	EUR	3.24%	5.5%
Currency interest rate				
CIRS (currency interest rate swaps)	730.313	EUR / GBP	[4.74% - 2.51%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	75.098	USD / JPY	6.84%	3.11%

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2008 were as follows:

	Company			
	Notional EUR'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	22.455	EUR	5.49%	5.17%
Currency interest rate				
CIRS (currency interest rate swaps)	730.313	EUR / GBP	[8.67% - 6.55%]	[8.63% - 6.63%]

20. Commitments

The contractualised commitments relating to short and medium/long term financial debt and respective interest are disclosed, as at 31 December 2009 and 2008, by maturity, as follows:

	Dec 2009				
	Capital outstanding by maturity				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	13.653.141	1.143.002	2.105.198	4.692.948	5.711.993
	<u>13.653.141</u>	<u>1.143.002</u>	<u>2.105.198</u>	<u>4.692.948</u>	<u>5.711.993</u>

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	Dec 2008				
	Capital outstanding by maturity				
Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000	
Short and long term financial debt (including interest)	10.012.582	1.166.291	1.250.729	3.755.458	3.840.104
	10.012.582	1.166.291	1.250.729	3.755.458	3.840.104

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

21. Related parties

Main shareholders and shares held by company officers

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

Remuneration of directors

The charges regarding remuneration of directors and former directors amounts to Euro 5,800 (2008: Euro 5,800).

Balances and transactions with parent company

The transactions with parent company were made on terms equivalent to those that prevail in arm's length transactions.

As at 31 December 2009, the **outstanding receivables** over EDP - Energias de Portugal, S.A. (parent company) are analysed as follows:

	Loans Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	2.848.761	2.848.761
	<u>2.848.761</u>	<u>2.848.761</u>

As at 31 December 2008, the **outstanding receivables** over EDP - Energias de Portugal, S.A. (parent company) are analysed as follows:

	Loans Euro'000	Other Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	3.288.400	276	3.288.676
	<u>3.288.400</u>	<u>276</u>	<u>3.288.676</u>

As at 31 December 2009, the **outstanding payables** from EDP - Energias de Portugal, S.A. (parent company) are analysed as follows:

	Other Payables Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	1.190	1.190
	<u>1.190</u>	<u>1.190</u>

As at 31 December 2008, the **outstanding payables** from EDP - Energias de Portugal, S.A. (parent company) are analysed as follows:

	Other Payables Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	588.403	588.403
	<u>588.403</u>	<u>588.403</u>

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Expenses related to transactions with EDP - Energias de Portugal, S.A. as at 31 December 2009, are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Other Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	6 761	1.190	7.951
	<u>6.761</u>	<u>1.190</u>	<u>7.951</u>

Expenses related to transactions with EDP - Energias de Portugal, S.A. as at 31 December 2008, are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Other Euro'000	Total Euro'000
EDP - Energias de Portugal, S.A.	4 288	413	4.701
	<u>4.288</u>	<u>413</u>	<u>4.701</u>

22. Fair value of financial assets and liabilities

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

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg and Reuters).

As at 31 December 2009 and 2008, the following table presents the interest rate curves of the major currencies to which the Company is exposed used for cash flow discount:

	31 December 2009		31 December 2008	
	Currency		Currency	
	EUR	USD	EUR	USD
3 months	0,70%	0,25%	2,89%	1,43%
6 months	0,99%	0,43%	2,97%	1,75%
1 year	1,25%	0,98%	3,05%	2,00%
2 years	1,89%	1,42%	2,68%	1,48%
3 years	2,25%	2,06%	2,96%	1,75%
4 years	2,56%	2,58%	3,12%	1,95%
5 years	2,80%	2,98%	3,25%	2,13%
6 years	3,03%	3,29%	3,37%	2,25%
7 years	3,22%	3,54%	3,48%	2,31%
8 years	3,36%	3,70%	3,56%	2,44%
9 years	3,49%	3,85%	3,67%	2,50%
10 years	3,58%	3,97%	3,74%	2,56%

Fair value of assets and liabilities as at 31 December 2009 and 31 December 2008 is analysed as follows:

	Company Dec 2009			Company Dec 2008		
	Carrying amount Euro'000	Fair value Euro'000	Difference Euro'000	Carrying amount Euro'000	Fair value Euro'000	Difference Euro'000
Financial assets						
Loans and receivables to group entities	10.349.153	10.155.152	-194.001	8.245.101	8.224.992	-20.109
Derivative financial instruments	16.156	16.156	-	-	-	-
Cash and cash equivalents (assets)	608.231	608.231	-	50.595	50.595	-
	<u>10.973.540</u>	<u>10.779.539</u>	<u>-194.001</u>	<u>8.295.696</u>	<u>8.275.587</u>	<u>-20.109</u>
Financial liabilities						
Debt securities	7.350.341	7.799.965	449.624	4.462.004	4.541.611	79.607
Loans and credit facilities from third parties	3.207.091	3.131.191	-75.900	2.984.190	2.748.105	-236.085
Loans from group entities	257.309	257.309	-	83.038	83.038	-
Derivative financial instruments	109.398	109.398	-	170.336	170.336	-
	<u>10.924.139</u>	<u>11.297.863</u>	<u>373.724</u>	<u>7.699.568</u>	<u>7.543.090</u>	<u>-156.478</u>

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

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

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

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

23. Transition and implementation of International Financial Reporting Standards

EU-IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body.

The accounting policies described in note 2 were used in the preparation of the financial statements as at and for the year ended 31 December 2009, the financial information for the year ended 31 December 2008, as well as the preparation of the opening statement of financial position in accordance with IFRS as at 1 January 2008.

In the preparation of the opening statement of financial position as at 1 January 2008 in accordance with IFRS and for the comparative financial information for the year ended 31 December 2008, the Company has restated amounts previously reported in accordance with generally accepted accounting principles in Netherlands.

The transition to IFRS did not impact the statement of cash flows of the company.

The explanation of how the transition to IFRS affected the Company's reported financial position as at 1 January and 31 December 2008, the reconciliation of equity and the effect on the profit for the year ended 31 December 2008, is presented below:

		31 December 2008		1 January 2008
		Equity	Profit	Equity
		Euro'000	Euro'000	Euro'000
In accordance with Dutch GAAP				
Equity		14.708	6.229	8.479
Transition adjustments				
Derivative financial instruments	(a)	-745	1.293	-2.038
Debt securities	(b)	-8.740	-783	-7.957
Taxation		-129	-129	-
IFRS adjustments		<u>-9.614</u>	<u>381</u>	<u>-9.995</u>
In accordance with IFRS		<u>5.094</u>	<u>6.610</u>	<u>-1.516</u>

(a) Derivative financial instruments

Under previous GAAP, EDP Finance BV accounted for derivative financial instruments using the cost price hedge model. Based on this model the derivative follows the valuation principle of the hedged item. So of this was amortised cost, the derivative (i.e. to be paid / received interest) was also recognised at amortised cost at the date of financial position.

EDP Finance BV, in accordance with IAS 39, recognises the fair value of the derivative financial instruments held by the company.

(b) Debt securities

Under prior GAAP EDP Finance used a mix of effective interest rate and linear accrual methods.

EDP Finance BV, in accordance with IAS 39, recognise the financial liabilities (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method. Therefore, the changes in the carrying value of debt securities regarding the application of the effective interest rate method for the loans portfolio, were recognised against reserves as a transition adjustment. This adjustment in equity primarily relates to the correction of incorrect effective interest rate calculation of a specific loan. The effect on the 2008 statement of comprehensive income amounted to 110 thousand Euros.

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24. Reconciliation of statement of financial position and Profit and Loss Account according to Dutch GAAP and to IFRS as at 31 December 2008

Statement of financial position	31 December 2008			1 December 2008		
	Dutch GAAP Euro'000	Transition adjustments Euro'000	IFRS Euro'000	Dutch GAAP Euro'000	Transition adjustments Euro'000	IFRS Euro'000
Assets						
Loans to group entities	3.871.513	-	3.871.513	4.214.698	-	4.214.698
Total Non-Current Assets	3.871.513	-	3.871.513	4.214.698	-	4.214.698
Loans to group entities	4.373.588	-	4.373.588	2.005.431	-	2.005.431
Derivative financial instruments	10.202	-10.202	-	7.177	-7.177	-
Debtors and other assets	4.391	-	4.391	3.979	-1	3.978
Cash and cash equivalents	50.595	-	50.595	4.636	-	4.636
Total Current Assets	4.438.776	-10.202	4.428.574	2.021.223	-7.178	2.014.045
Total Assets	8.310.289	-10.202	8.300.087	6.235.921	-7.178	6.228.743
Equity						
Share capital	2.000	-	2.000	2.000	-	2.000
Share premium	-	-	-	-	-	-
Reserves and retained earnings	6.479	-9.995	-3.516	6.479	-9.995	-3.516
Profit for the year	6.229	381	6.610	-	-	-
Total Equity	14.708	-9.614	5.094	8.479	-9.995	-1.516
Liabilities						
Debt securities	4.596.333	-156.784	4.439.549	4.079.721	-45.301	4.034.420
Loans and credit facilities from third parties	2.175.000	-	2.175.000	1.250.000	-	1.250.000
Provisions	1.647	1.209	2.856	-	1.080	1.080
Derivative financial instruments	-	165.524	165.524	-	53.260	53.260
Total Non-Current Liabilities	6.772.980	9.949	6.782.929	5.329.721	9.039	5.338.760
Debt securities	22.455	-	22.455	362.772	-	362.772
Loans and credit facilities from third parties	809.190	-	809.190	311.731	-	311.731
Loans from group entities	83.038	-	83.038	207.146	-	207.146
Amounts owed on purchased debt securities	585.000	-	585.000	-	-	-
Derivative financial instruments	14.269	-9.457	4.812	8.229	-5.140	3.089
Trade and other payables	7.388	-	7.388	6.701	-	6.701
Tax payable	1.261	-1.080	181	1.142	-1.082	60
Total Current Liabilities	1.522.601	-10.537	1.512.064	897.721	-6.222	891.499
Total Liabilities	8.295.581	-588	8.294.993	6.227.442	2.817	6.230.259
Total Equity and Liabilities	8.310.289	-10.202	8.300.087	6.235.921	-7.178	6.228.743

Statement of comprehensive income	31 December 2008		
	Dutch GAAP Euro'000	adjustments Euro'000	IFRS Euro'000
Interest income	373.337	-	373.337
Interest expenses	-363.479	-783	-364.262
Net other financial income and expenses	-1.065	1.293	228
Net financial income	8.793	510	9.303
Other operating income / (expenses)			
Services rendered	413	-	413
Supplies and services	-865	-	-865
Provisions	-1.647	-129	-1.776
Profit before income tax	6.694	381	7.075
Income tax expense	-465	-	-465
Profit for the year	6.229	381	6.610
Total comprehensive income for the period	6.229	381	6.610

25. Subsequent events

EDP Finance BV issues a new bond

On the 16th of March 2010 a new five-year 1 Billion Bond was issued to fund EDP Group activities in the normal course of the business operations of the company.

26. Recent accounting standards and interpretations issued

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

IAS 1 (Amended) — Presentation of Financial Statements

The International Accounting Standards Board (IASB) issued in September 2007, the amended IAS 1 - Presentation of Financial Statements, with effective date of mandatory application of 1 January 2009, being allowed its early adoption.

The changes regarding the current text of IAS 1 are as follows:

- The presentation of the financial position statement (statement of financial position) is required for current and comparative period. According to amended IAS 1, the financial position statement should also be presented for the beginning of the comparative period, when an entity restates the comparatives following a change in an accounting policy, an error adjustment or a reclassification of an item in the financial statements. In these cases, three statements of the financial position would be presented, compared to the two already required.

- Following the changes required by this standard, the users of the financial statements will be able to distinguish, in an easier way, the variations in the equity of the Company on transactions with shareholders, as shareholders (ex. dividends, transactions with treasury stocks) and transactions with third parties, that are summarised in the comprehensive statement of comprehensive income.

Given the nature of these changes (disclosures), no significant impact resulted from this amendment.

IFRS 7 (Amended) — Financial Instruments: Disclosures

The International Accounting Standards Board (IASB) issued in March 2009 the amended IFRS 7 — Financial Instruments: Disclosures, with effective date of mandatory application of 1 January 2009.

This amendment to IFRS 7 requires the disclosure of additional information related to fair value measurement, namely that these amounts should be presented in three hierarchical levels defined in the standard and related to liquidity risk.

Given the nature of these changes (disclosures) the impact in the Company financial statements was exclusively related to disclosure.

Annual Improvement Project

In May 2008, the IASB published the Annual Improvement Project that implied changes to the standards in force. The effective date of the referred changes depends on the specific standard, although the majority is mandatory for the Company in 2009, as follows:

- Changes to IAS 1 - Financial Statements presentation, which is applicable from 1 January 2009. The change clarifies that only some financial instruments classified as trading instruments are an example of current assets and liabilities.

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

- Changes to the IAS 39 - Financial Instruments: Recognition and Measurement, applicable from 1 January 2009. These changes include mainly (i) the clarification that it is possible to perform transfers from and to the category of fair value through profit and loss regarding derivatives, whenever these start or end an hedge relationship in cash-flows hedge models or net investment in an associate or subsidiary, (ii) the change to the definition of financial instruments at fair value through profit and loss in what relates to the trading portfolio, determining that in the case of financial instrument portfolios jointly managed and for which there is evidence of a recent and real model of short-term profit taking, these should be classified as trading on initial recognition; (iii) the change to the documentation requirements and the effectiveness tests of the hedge relationship for the operational segments defined under the scope of IFRS 8 - Operating Segments; and (iv) the clarification that the measurement of a financial liability at amortised cost, after the interruption of the respective fair value hedge relationship, should be performed based on the new effective rate calculated at the interruption date.

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

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

IAS 39 (Amended) - Financial Instruments: Recognition and measurement — Eligible hedged items

The International Accounting Standards Board (IASB) issued an amendment to IAS 39 - Financial Instruments: Recognition and measurement — Eligible hedged items, which is of mandatory application from 1 July 2009.

This change clarifies the application of the existing principles that determine what risks or which cash-flows are eligible for inclusion on a hedged operation.

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

IFRS 9 - Financial Instruments

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

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

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

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

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

The Company is evaluating the impact of adopting this standard.

Amsterdam, 28 April 2010

The Managing Directors

Burg, J. C. W. van.

Kamphuijs, W. H.

EDP FINANCE BV

OTHER INFORMATION

Statutory provisions concerning appropriation of results

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholders in accordance with article 20 of the Articles of Association of the company. Furthermore, Dutch law prescribes that a company may take distributions to the shareholders and other persons entitled to distributable profits only to the extent that is shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law or the articles.

Proposed appropriation of result

The Managing Directors proposes to add the profit for the financial year ended 31 December 2009 in the amount of EUR 7,097,945 to the accumulated results.

Post balance sheet events

On 16 March 2010 a new five-year 1 Billion Bond was issued to fund EDP Group activities in the normal course of the business operations of the company.

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

AUDITOR'S REPORT

Report on the financial statements

We have audited the financial statements 2009 of EDP Finance B.V., Amsterdam, which comprise the statement of financial position as at 31 December 2009, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of EDP Finance B.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 28 April 2010

KPMG ACCOUNTANTS N.V.

E. Bleekrode RA