

EDP FINANCE B.V.

Amsterdam

ANNUAL REPORT

2007

CONTENTS

	<u>Page</u>
Report of the Board of Management	3
 Annual accounts	
Balance sheet as at 31 December 2007	4
Profit and loss account for the year ended 31 December 2007	6
Cash flow statement for the year ended 31 December 2007	7
Notes to the balance sheet and the profit and loss account	8
 Other information	20
Auditor's report	21

REPORT OF THE BOARD OF MANAGEMENT

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 31 December 2007.

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.

Results

During the year ended 31 December 2007, the Company recorded a profit of EUR 5,583,378.

FUTURE DEVELOPMENTS

For the year 2008 as a whole, the Board of Management expects that the activity of the Company will evolve in line with the trend already seen during 2007.

Amsterdam, 8 August 2008

The Board of Management:

EDP - Energias de Portugal S.A.

Burg, J.C.W. van (Since 16 November 2007)

Kamphuijs, W.H. (Since 16 November 2007)

EDP FINANCE B.V. Amsterdam

BALANCE SHEET AS AT 31 DECEMBER 2007

(Before appropriation of result)

		<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		EUR	EUR
FIXED ASSETS			
Long-term investments			
Loans to group entities	3.9	4,214,698,306	961,631,458
Discount Loans to group entities		<u>(6,592,764)</u>	<u>-</u>
		4,208,105,542	961,631,458
CURRENT ASSETS			
Commercial paper	3.1	1,681,300,000	2,124,400,000
Discount commercial paper	3.1	<u>(3,139,252)</u>	<u>(4,380,171)</u>
		1,678,160,748	2,120,019,829
Interest receivable	3.8	7,177,597	7,850,398
Loans to group entities	3.9	291,542,650	1,823,665,421
Discount Loans to group entities		(1,155,055)	-
Interest receivable from group entities		32,588,082	20,633,067
Amount due from group entities	3.3	3,978,531	2,265,954
Cash at bank	3.2	<u>4,636,372</u>	<u>132,209</u>
		<u>338,768,175</u>	<u>1,854,547,049</u>
		<u>6,225,034,465</u>	<u>4,936,198,336</u>

BALANCE SHEET AS AT 31 DECEMBER 2007

(Before appropriation of result)

		<u>2007</u>	<u>2006</u>
<u>SHAREHOLDER'S EQUITY AND LIABILITIES</u>		EUR	EUR
CAPITAL AND RESERVES			
Issued share capital	3.4/3.5	2,000,000	2,000,000
Accumulated results	3.5	895,726	3,211,740
Result for the financial year		<u>5,583,378</u>	<u>(2,316,014)</u>
		8,479,104	2,895,726
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Issued medium term notes	3.6	4,094,415,356	3,090,836,000
Discount issued medium term notes	3.6	(30,091,132)	(26,468,400)
Credit facilities from third parties	3.9	1,250,000,000	1,490,000,000
Deferred swap premium	3.7/3.8	<u>1,775,136</u>	<u>2,706,062</u>
		5,316,099,360	4,557,073,662
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Issued medium term notes	3.6	355,024,000	-
Discount issued medium term notes	3.6	(58,547)	-
Credit facilities from third parties	3.9	240,000,000	-
Interest payable		93,640,999	81,828,698
Loans from group entities	3.9	200,663,203	285,938,280
Interest payable to group entities		6,482,826	5,544,131
Amount due to group entities	3.3	2,990,631	1,278,054
Tax		1,142,234	1,118,506
Other creditors		<u>570,655</u>	<u>521,279</u>
		<u>900,456,001</u>	<u>376,228,948</u>
		<u>6,225,034,465</u>	<u>4,936,198,336</u>

The accompanying notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED 31 DECEMBER 2007**

		<u>2007</u>	<u>2006</u>
		EUR	EUR
Interest income commercial paper		88,201,138	93,405,624
Interest income group entities		148,972,621	82,928,769
Other interest income		604,046	2,440,048
Interest expense notes		(157,325,744)	(112,091,722)
Interest income swap		1,528,421	4,960,855
Interest expense commercial paper		-	(240,086)
Interest expense on group entities		(10,672,007)	(11,293,186)
Other interest expense		(63,647,830)	(60,451,486)
Foreign exchange differences		14,202	(119,724)
Other financial results	3.3/3.12	<u>-</u>	<u>(443,924)</u>
Net financial income (expense)		7,674,847	(904,832)
Operating expenses		<u>(757,030)</u>	<u>(214,154)</u>
RESULT BEFORE TAXATION		6,917,817	(1,118,986)
Corporate income tax current year	3.15	(1,422,774)	(396,001)
Corporate income tax previous years		<u>88,335</u>	<u>(801,027)</u>
RESULT AFTER TAXATION	3.5	<u><u>5,583,378</u></u>	<u><u>(2,316,014)</u></u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	year ended 2007	year ended 2006
Cash flow from operating activities		
Operating profit/(loss)	5,583,378	(2,316,014)
Receivables:		
Movements in CP's	441,859,081	318,608,595
Movements in discount issued term notes	0	2,988,771
Movements in discount facilities	0	233,140
Movements in interest receivable	672,801	(4,911)
Movements in loans to group entities	1,532,122,769	(1,823,665,421)
Movements in interest receivable from group entities	(11,955,015)	(9,912,594)
Movements in amount due from group entities	(1,712,577)	(1,278,054)
Movements in other debtors	0	0
Current liabilities:		
Movements in facilities	240,000,000	0
Movements in interest payable	11,812,301	30,455,626
Movements in deferred income swap	0	(930,926)
Movements in loans from group entities	(85,275,077)	285,938,280
Movements in interest payable to group entities	938,695	(718,104)
Movements in amount due from group companies	1,712,577	1,278,054
Movements in tax	23,728	1,117,560
Movements in other creditors	49,377	(49,387)
Issued medium term notes	354,965,453	0
Net cash flow from operating activities	2,490,797,491	(1,198,255,385)
Cash flow from investing activities	0	1,980,000
Net cash flow used in investing activities	0	1,980,000
Cash flow from financing activities		
Long term investments:	(3,247,019,385)	1,119,447,871
Long term debts:		
Issued medium term notes	1,003,579,358	1,472,118,000
Discount issued medium term notes	(3,622,732)	(7,011,695)
Facilities	(240,000,000)	(1,115,000,000)
Discount facilities	0	210,785
Deferred income swap	(930,926)	0
Loans from group entities	0	(278,108,841)
Net cash flow from financing activities	(2,487,993,685)	1,191,656,120
Exchange differences		
Net change in cash & cash equivalents	2,803,806	(4,619,265)
Cash and cash equivalents in the beginning of the year	132,209	4,751,475
Cash and cash equivalents at the end of the year	4,636,372	132,209

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. GENERAL

1.1 Group affiliation and principal activities

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, Amsterdam, the Netherlands. The ultimate parent company of EDP Finance B.V. is EDP – Energias de Portugal S.A., Lisbon, Portugal.

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

1.2 Keep-well agreement

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 of any instrument issued by the Company.

2. ACCOUNTING POLICIES

2.1 Basis of presentation

The accompanying annual accounts have been prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles in The Netherlands. Unless indicated otherwise, assets and liabilities are stated at nominal value.

2.2 Foreign currency translation

Assets and liabilities denominated in other currencies are translated into euro at the rates of exchange prevailing on the balance sheet date. Transactions in foreign currencies have been translated at the rates of exchange prevailing on the date of the transactions. In case transactions and/or assets and liabilities are hedged, the foreign currencies are denominated at the forward contract rate. Exchange results are reflected in the profit and loss account.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The following other exchange rates have been applied as at 31 December 2007 (2006): 1 euro =

0.73335 (0.6715)	British pound (GBP)
1.47210 (1.3170)	United States dollars (USD)

2.3 Recognition of income and expenses

Revenues and expenses are accounted for in the period these items occur.

2.4 Discount and premiums on commercial papers/notes

Premiums and discounts on issued or acquired commercial papers and notes are amortized on a linear basis over the remaining life.

2.5 Cash flow statement

The cash flow statement is prepared using the indirect method.

3 NOTES ON SPECIFIC ITEMS OF THE BALANCE SHEET

3.1 Commercial paper

Commercial paper is comprised as follows:

		<u>39,447</u>	<u>39,082</u>
Nominal Amount:	EUR	1,681,300,000	2,124,400,000
Discount:	EUR	<u>(3,139,252)</u>	<u>(4,380,171)</u>
	EUR	<u><u>1,678,160,748</u></u>	<u><u>2,120,019,829</u></u>

The Company purchased eight commercial papers from EDP - Energias de Portugal S.A. ("EDP S.A."), the issuer of the commercial papers, with a nominal value of EUR 153,500,000, EUR 41,600,000, EUR 367,000,000, EUR 214,000,000, EUR 190,800,000, EUR 182,200,000, EUR 503,500,000, and EUR 28,700,000, respectively. The yield of the commercial papers varies from 3.73% to 5.79% and the maturity dates all fall due in January 2008.

3.2 Cash at Bank

Cash consists of current accounts with banks. The current accounts are at the free disposal of the Company.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.3 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

EDP S.A. is the parent company of EDP Finance B.V. and has decisive control of EDP Finance B.V. During a part of the year, Equity Trust Co. N.V. was a related company by virtue of the fact that it was a Director of the Company. All services rendered by Equity Trust Co. N.V. group companies therefore qualified as related party transactions during this part of the year.

The Company has signed a keep-well agreement and a service agreement with EDP S.A (see notes 'Keep-well agreement' (1.2) and note 'Service agreement' (3.14). There was a service fee for 2007 to the amount of EUR 1,712,577. In addition, the Company purchased eight commercial papers from EDP S.A. with a total nominal value of EUR 1,681,300,000 (see note 'Commercial paper' (3.1)).

As at 31 December 2007, the Company was owed a total of EUR 987,900 (2006 : EUR 987,900) by EDP S.A.

Furthermore, the Company has concluded a management contract with for Equity Trust Co N.V. performing management services as well as administration services. The total fee for 2007 was EUR 174,296 (2006 : EUR 98,467) and is recognised in 'operating expenses'.

3.4 Issued share capital

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

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.5 Movements in capital and reserves

	<u>Issued share capital</u>	<u>Accumulated results</u>	<u>Result for the financial year</u>	<u>Total</u>
Balance as at 31 December 2006	2,000,000	3,211,740	(2,316,014)	2,895,72
Appropriation of result	-	(2,316,014)	2,316,014	
Result for the financial year	-	-	5,583,378	5,583,37
Balance as at 31 December 2007	<u>2,000,000</u>	<u>895,726</u>	<u>5,583,378</u>	<u>8,479,10</u>

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.6 Issued medium term notes

			31/12/2007	31/12/2006
	Term 0 – 5 years	Term > 5 years	Total	Total
	EUR	EUR	EUR	EUR
EUR 22,455,000 zero coupon note	22,455,000	-	22,455,000	22,455,000
Discount EUR 22,455,000 zero coupon note	(1,775,136)	-	(1,775,136)	(2,708,612)
GBP 200,000,000 fixed rate note	-	320,000,000	320,000,000	320,000,000
Discount GBP 200,000,000 fixed rate note	(1,604,116)	(1,477,613)	(3,081,729)	(3,402,377)
EUR 93,357,000 fixed rate note	-	93,357,000	93,357,000	93,357,000
EUR 500,000,000 fixed rate note (2008)	355,024,000	-	355,024,000	355,024,000
Discount EUR 500,000,000 fixed rate note (2008)	(58,547)	-	(58,547)	(329,047)
EUR 500,000,000 fixed rate note (2015)	-	500,000,000	500,000,000	500,000,000
Discount EUR 500,000,000 fixed rate note (2015)	(6,753,610)	(3,339,818)	(10,093,428)	(11,443,411)
EUR 300,000,000 fixed rate note	-	300,000,000	300,000,000	300,000,000
Discount EUR 300,000,000 fixed rate note	(583,893)	(875,201)	(1,459,094)	(1,575,808)
EUR 500,000,000 floating rate note (2010)	500,000,000	-	500,000,000	500,000,000
Discount EUR 500,000,000 floating rate note (2010)	(757,609)	-	(757,609)	(1,066,677)
EUR 500,000,000 fixed rate note (2012)	-	500,000,000	500,000,000	500,000,000
Discount EUR 500,000,000 fixed rate note (2012)	(1,378,029)	-	(1,378,029)	(1,687,746)
EUR 500,000,000 fixed rate note (2016)	-	500,000,000	500,000,000	500,000,000
Discount EUR 500,000,000 fixed rate note (2016)	(2,251,267)	(1,553,448)	(3,804,715)	(4,254,722)
USD 1,000,000,000 fixed rate note (2012)	679,301,678	-	679,301,678	-
Discount USD 1,000,000,000, fixed rate note (2012)	(3,753,583)	-	(3,753,583)	-
USD 1,000,000,000 fixed rate note (2018)	-	679,301,678	679,301,678	-
Discount USD 1,000,000,000, fixed rate note (2018)	(1,884,004)	(2,103,805)	(3,987,809)	-
	<u>1,535,980,884</u>	<u>2,883,308,793</u>	<u>4,419,289,677</u>	<u>3,064,367,600</u>

The Company issued eleven notes under the EUR 12,500,000,000 Programme for the Issuance of Debt Instruments.

All bond issues are listed on the London Stock Exchange apart from two Private Placements, the twenty two million four hundred and fifty thousand Euro zero coupon note and the ninety-three million three hundred and fifty-seven thousand Euro note.

The twenty two million four hundred and fifty five thousand Euro zero coupon note was issued at a price of 66.80% on 26 November 2001 and matures at 27 November 2009. The discount is linear amortised over the lifetime of the note.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The two hundred million Sterling note bears a fixed interest of 6.625% per annum. This note was issued at a price of 98.936% on 9 August 2002 and matures at 9 August 2017.

The ninety-three million three hundred fifty-seven thousand Euro note bears a fixed interest of 6.37861% per annum. This note was issued at a par on 23 December 2002 and matures at 23 December 2022.

The five hundred million Euro note (02) bears a fixed interest of 5.00% per annum. This note was issued at a price of 99.924% on 16 December 2002 and matures at 20 March 2008. An exchange was issued in June 2005 which reduced the number of outstanding notes to EUR 355,024,000.

The five hundred million Euro note (05) bears a fixed interest of 3.75% per annum. This note was issued at a price of 99.346% on 22 June 2005 and matures at 22 June 2015. EUR 144,976,000 of these notes were issued in exchange for the five hundred million Euro note (02).

The three hundred million Euro note bears a fixed interest of 4.125% per annum. This note was issued at a price of 99.791% on 29 June 2005 and matures at 29 June 2020.

The five hundred million Euro floating rate note bears interest at three month Euribor + 0.15%. This note was issued at a price of 99.885% on 12 June 2006 and matures on 14 June 2010.

The two five hundred million Euro notes issued during the year bear interest at 4.25% and 4.625% respectively. The 4.25% fixed rate note was issued at a price of 99.803% on 12 June 2006 and matures on 12 June 2012 and the 4.625% fixed rate note was issued at a price of 99.349% on 12 June 2006 and matures on 13 June 2016.

The two one billion USD notes issued during the year bear interest at 5.375% and 6.000% respectively. The 5.375% fixed rate note was issued at a price of 99.779% on 2 November 2007 and matures on 2 November 2012 and the 6.000% fixed rate note was issued at a price of 99.854% on 2 November 2007 and matures on 2 February 2018.

3.7 Deferred swap premium

The deferred swap premium amount relates to the upfront payment received from the swap counter party based on the amortizing zero coupon swap contract. See also 'financial instruments' (3.7).

3.8 Financial instruments

Financial instruments are used to reduce interest rate and foreign currency risks. Financial instruments are not used for speculative purposes. Foreign currency instruments are used to reduce the foreign currency risk arising on financing in foreign currencies. Interest instruments are used to adjust the fixed part of the financing to a floating profile. In 2001 the Company entered into an amortizing zero coupon swap contract.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As at 31 December 2007, the interest receivable on the foreign currency instruments was EUR 7,177,597 (2006 : EUR 7,850,398).

The amortizing zero coupon swap contract has an effective date of 26 November 2001 and a termination date of 27 November 2009. At the effective date the Company received an upfront payment of the swap counter party relating to fixed amounts over the period of the swap contract. In return, semi annually the Company has to pay semi annually 6 month Euribor plus a spread of 0.53% over the notional amount of the underlying to the swap counter party.

The cross-currency interest swap contract that hedges the GBP exposure within the GBP 200 million fixed rate note has an effective date of 9 August 2002 and a termination date of 9 August 2017. Semi annually, the Company has to pay 6 month Euribor plus a spread of 1.38% over the notional amount of the underlying to the swap counter party. Initially, the Company and the swap counter party exchanged the nominal amounts, which are reversed at the end of the swap contract.

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.9 Credit facilities and intercompany loans

	Original currency	Countervalue per 31/12/2007	Start date	Maturity date	Average interest		31/12/2006	Average interest		
Loans to group entities:										
Greater than one year										
EDP S.A. Branch	USD	994,290,000	EUR	679,301,678	05/11/2007	02/11/2012	5.3750%	EUR	-	-
EDP S.A. Branch	USD	994,040,000	EUR	679,301,678	05/11/2007	02/02/2018	6.0000%	EUR	-	-
EDP S.A. Branch	EUR	478,000,000	EUR	478,000,000	14/12/2007	31/12/2021	4.7810%	EUR	-	-
EDP S.A. Branch	EUR	413,261,215	EUR	413,261,215	14/12/2007	31/12/2027	5.4560%	EUR	-	-
EDP S.A. Branch	EUR	233,040,811	EUR	225,272,784	14/12/2007	30/06/2022	4.8122%	EUR	-	-
EDP S.A. Branch	EUR	289,843,712	EUR	289,843,712	14/12/2007	30/06/2022	5.0070%	EUR	-	-
EDP S.A. Branch	EUR	347,742,933	EUR	154,848,551	14/12/2007	30/06/2023	5.5653%	EUR	-	-
EDP S.A. Branch	EUR	585,219,717	EUR	304,868,688	14/12/2007	30/06/2023	5.1479%	EUR	-	-
HidroEléctrica del Cantabrio	EUR	400,000,000	EUR	400,000,000	09/07/2007	11/07/2011	5.2750%	EUR	-	-
HidroEléctrica del Cantabrio	EUR	590,000,000	EUR	590,000,000	21/02/2005	11/07/2011	5.2670%	EUR	-	-
Nuevas Energías de Occidente	EUR	611,161	EUR	-	10/07/2006	10/07/2016	5.6110%	EUR	611,161	4.7550%
Nuevas Energías de Occidente	EUR	39,806,802	EUR	-	10/07/2006	10/07/2018	4.8980%	EUR	39,806,802	4.5222%
Nuevas Energías de Occidente	EUR	65,276,308	EUR	-	14/07/2006	14/07/2018	4.8980%	EUR	65,276,308	4.5222%
Nuevas Energías de Occidente	EUR	48,500,000	EUR	-	26/05/2006	30/12/2018	4.7302%	EUR	48,500,000	4.7302%
Nuevas Energías de Occidente	EUR	9,000,000	EUR	-	29/12/2006	30/12/2018	4.9260%	EUR	9,000,000	4.9260%
Nuevas Energías de Occidente	EUR	1,250,000	EUR	-	29/12/2006	30/12/2018	4.9260%	EUR	1,250,000	4.9260%
Nuevas Energías de Occidente	EUR	25,800,000	EUR	-	01/06/2006	31/12/2018	4.7231%	EUR	25,800,000	4.7231%
Nuevas Energías de Occidente	EUR	6,983,080	EUR	-	10/07/2006	10/07/2014	4.7160%	EUR	6,983,080	4.6695%
Nuevas Energías de Occidente	EUR	15,531,509	EUR	-	26/05/2006	30/06/2021	4.7302%	EUR	15,531,509	4.7302%
Nuevas Energías de Occidente	EUR	1,976,000	EUR	-	19/12/2006	30/06/2021	4.7302%	EUR	1,976,000	4.7302%
Nuevas Energías de Occidente	EUR	20,000,000	EUR	-	14/12/2006	30/06/2021	4.7810%	EUR	20,000,000	4.7810%
Nuevas Energías de Occidente	EUR	3,432,900	EUR	-	10/11/2006	10/11/2021	4.7400%	EUR	3,432,900	4.7400%
Nuevas Energías de Occidente	EUR	2,000,000	EUR	-	10/11/2006	10/11/2021	4.7400%	EUR	2,000,000	4.7400%
Nuevas Energías de Occidente	EUR	4,716,798	EUR	-	17/11/2006	17/11/2021	4.7425%	EUR	4,716,798	4.7425%
Nuevas Energías de Occidente	EUR	27,973,987	EUR	-	27/11/2006	31/12/2021	4.7302%	EUR	27,973,987	4.7302%
Nuevas Energías de Occidente	EUR	15,000,000	EUR	-	14/12/2006	31/12/2021	4.7302%	EUR	15,000,000	4.7302%
Nuevas Energías de Occidente	EUR	563,000,000	EUR	-	14/12/2006	31/12/2021	4.7810%	EUR	563,000,000	4.7810%
Nuevas Energías de Occidente	EUR	42,060,422	EUR	-	20/12/2006	30/06/2022	4.8480%	EUR	42,060,422	4.8480%
Nuevas Energías de Occidente	EUR	68,712,491	EUR	-	20/12/2006	30/06/2022	4.8480%	EUR	68,712,491	4.8480%
									4,214,698,306	961,631,457
Less than one year										
EDP Investment & Serv. Ltd	USD	59,790,000	EUR	-	29/01/2004	15/07/2007	5.6269%	EUR	45,398,638	4.9888%
EDP Investment & Serv. Ltd	EUR	212,770,724	EUR	208,542,650	15/01/2006	30/04/2008	4.8060%	EUR	212,770,724	3.1610%
Nuevas Energías de Occidente	EUR	8,350,000	EUR	-	04/12/2006	04/01/2007	4.0740%	EUR	8,350,000	4.0740%
Nuevas Energías de Occidente	EUR	1,820,000	EUR	-	10/07/2006	10/01/2007	4.0695%	EUR	1,820,000	4.0695%
Nuevas Energías de Occidente	EUR	415,012	EUR	-	03/08/2006	05/02/2007	3.8350%	EUR	415,012	3.8350%
Nuevas Energías de Occidente	EUR	1,100,000	EUR	-	03/08/2006	05/02/2007	3.8350%	EUR	1,100,000	3.8350%
Nuevas Energías de Occidente	EUR	1,803,036	EUR	-	04/09/2006	05/03/2007	3.9450%	EUR	1,803,036	3.9450%
Nuevas Energías de Occidente	EUR	10,000,000	EUR	-	06/03/2006	06/03/2007	3.9700%	EUR	10,000,000	3.9700%
Nuevas Energías de Occidente	EUR	1,962,689	EUR	-	11/09/2006	12/03/2007	4.0020%	EUR	1,962,689	4.0020%
Nuevas Energías de Occidente	EUR	1,324,096	EUR	-	15/09/2006	15/03/2007	4.0340%	EUR	1,324,096	4.0340%
Nuevas Energías de Occidente	EUR	5,000,000	EUR	-	20/10/2006	20/04/2007	4.1460%	EUR	5,000,000	4.1460%
Nuevas Energías de Occidente	EUR	673,376	EUR	-	23/10/2006	23/04/2007	4.1470%	EUR	673,376	4.1470%
Nuevas Energías de Occidente	EUR	12,892,676	EUR	-	17/05/2006	17/05/2007	4.7425%	EUR	12,892,676	4.7425%
Nuevas Energías de Occidente	EUR	3,268,025	EUR	-	17/11/2006	16/11/2007	4.7425%	EUR	3,268,025	4.7425%
Nuevas Energías de Occidente	EUR	366,887,148	EUR	-	14/12/2006	14/12/2007	4.7000%	EUR	366,887,148	4.7000%
HidroEléctrica del Cantabrio	EUR	50,000,000	EUR	-	23/12/2004	09/07/2007	4.2560%	EUR	50,000,000	4.0640%
HidroEléctrica del Cantabrio	EUR	325,000,000	EUR	-	05/01/2005	09/07/2007	4.1930%	EUR	325,000,000	3.9880%
HidroEléctrica del Cantabrio	EUR	75,000,000	EUR	-	10/01/2005	09/07/2007	4.1890%	EUR	75,000,000	3.8140%
HidroEléctrica del Cantabrio	EUR	590,000,000	EUR	-	21/02/2005	09/07/2007	4.6610%	EUR	590,000,000	3.9840%
HidroEléctrica del Cantabrio	EUR	110,000,000	EUR	38,000,000	29/12/2006	03/01/2008	5.0760%	EUR	110,000,000	4.0720%
HidroEléctrica del Cantabrio	EUR	55,000,000	EUR	-	28/12/2007	03/01/2008	4.8770%	EUR	-	-
									291,342,650	1,823,665,421

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	Original currency		Countervalue per 31/12/2007	Start date	Maturity date	Average interest		31/12/2006	Average interest	
Credit facilities from third parties:										
Greater than one year										
Societe Generale	EUR	150,000,000	EUR	150,000,000	06/12/2006	06/12/2011	4.9350%	EUR	150,000,000	3.8610%
Deutsche Bank	EUR	590,000,000	EUR	590,000,000	24/11/2006	06/11/2013	4.6260%	EUR	590,000,000	3.8750%
Deutsche Bank	EUR	510,000,000	EUR	510,000,000	23/11/2006	06/11/2013	4.6260%	EUR	510,000,000	3.7540%
Royal Bank of Scotland	EUR	240,000,000	EUR	-	29/07/2005	26/07/2008	4.6380%	EUR	240,000,000	3.9040%
				1,250,000,000					1,490,000,000	
Less than one year										
Royal Bank of Scotland	EUR	240,000,000	EUR	240,000,000	29/07/2005	26/07/2008	4.6380%	EUR	-	-
				240,000,000					-	-
Loans from group entities:										
Less than one year										
EDP Energias de Portugal SA	EUR	6,032,000	EUR	-	23/01/2006	23/01/2007	3.8040%	EUR	6,032,000	3.8040%
EDP Energias de Portugal SA	EUR	11,192,000	EUR	-	27/01/2006	29/01/2007	3.8140%	EUR	11,192,000	3.8140%
EDP Energias de Portugal SA	EUR	16,085,400	EUR	-	30/01/2006	30/01/2007	3.8200%	EUR	16,085,400	3.8200%
EDP Energias de Portugal SA	USD	59,790,000	EUR	-	29/01/2004	15/07/2007	5.7769%	EUR	45,398,633	6.0094%
EDP Energias de Portugal SA	EUR	207,230,247	EUR	200,663,203	15/01/2006	30/04/2008	4.8060%	EUR	207,230,247	3.7820%
				200,663,203					285,938,280	

3.10 Interest rate risk

The interest rate policy of the EDP Group focuses on reducing financial costs and reducing the risk of market fluctuations through interest rate swaps and collar structures, diminishing the exposure to variable interest rates. This analysis is made regularly and the EDP Group adjusts the interest rate exposure of its debt portfolio to market conditions.

The table below shows the book value and fair value of the various assets and liabilities of the Company.

	31-Dec-07		31-Dec-06	
	Book value	Fair value	Book value	Fair value
Loans to group companies	4,542,237,346	4,711,366,242	2,808,195,900	2,806,768,679
Commercial paper	1,678,160,748	1,678,160,748	2,127,870,227	2,127,870,227
Derivatives with positive fair value	-	-	-	-
Cash at bank	4,636,372	4,636,397	132,209	132,209
Total assets	<u>6,225,034,466</u>	<u>6,394,163,387</u>	<u>4,936,198,336</u>	<u>4,934,771,115</u>
Equity	8,479,104	33,906,681	2,895,726	37,558,931
Issued medium term notes	4,512,930,676	4,603,530,874	3,146,196,298	3,075,869,813
Facilities	1,490,000,000	1,492,494,380	1,490,000,000	1,501,085,435
Loans from group entities	210,136,660	207,220,152	292,760,465	291,587,240
Derivatives with negative fair value	1,775,136	55,298,410	2,706,062	27,029,911
Other	1,712,890	1,712,890	1,639,785	1,639,785
Total liabilities	<u>6,225,034,466</u>	<u>6,394,163,387</u>	<u>4,936,198,336</u>	<u>4,934,771,115</u>

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The table below shows the interest sensitive maturity of the various assets and liabilities of the Company.

31-Dec-07						
	Total	<3 months	< 6 months	<5 years	<10 years	>10 jr
Loans to group companies	4,542,237,321	102,611,875	232,565,110	2,218,236,065	612,828,264	1,375,996,0
Commercial paper	1,678,160,748	1,678,160,748	0	0	0	
Derivatives with positive fair value	4,636,397	4,636,397	0	0	0	
Cash at bank	0	0	0	0	0	
Total assets	6,225,034,466	1,785,409,020	232,565,110	2,218,236,065	612,828,264	1,375,996,0
Equity	8,479,104	8,479,104	0	0	0	
Issued medium term notes	4,512,930,676	379,630,122	60,642,129	1,701,133,408	1,303,020,127	1,068,504,8
Facilities	1,490,000,000	0	240,000,000	150,000,000	1,100,000,000	
Loans from group entities	210,136,660	0	210,136,660	0	0	
Derivatives with negative fair value	1,775,136	0	0	1,775,136	0	
Other	1,712,890	1,712,890	0	0	0	
Total liabilities	6,225,034,466	389,822,116	510,778,789	1,852,908,544	2,403,020,127	1,068,504,8
31-Dec-06						
	Total	<3 months	< 6 months	<5 years	<10 years	>10 jr
Loans to group companies	2,808,195,900	1,247,174,715	994,743,477	0	566,277,708	
Commercial paper	2,127,870,227	2,127,870,227	0	0	0	
Derivatives with positive fair value	0	0	22,455,000	(22,455,000)	0	
Cash at bank	132,209	132,209	0	0	0	
Total assets	4,936,198,336	3,375,177,151	1,017,198,477	(22,455,000)	566,277,708	
Equity	2,895,726	2,895,726	0	0	0	
Issued medium term notes	3,146,196,298	55,360,298	0	877,479,000	1,500,000,000	713,357,0
Facilities	1,490,000,000	1,490,000,000	0	0	0	
Loans from group entities	292,760,465	292,760,465	0	0	0	
Derivatives with negative fair value	2,706,062	0	322,706,062	0	0	(320,000,0
Other	1,639,785	1,639,785	0	0	0	
Total liabilities	4,936,198,336	1,842,656,274	322,706,062	877,479,000	1,500,000,000	393,357,0

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.11 Currency risk

Though the Company has loans to Group companies and issued debt instruments in currencies other than euro, the currency risk of the Company is almost completely hedged.

3.12 Credit risk

The Company is of the opinion that it is justified to maintain the following substantial assets at cost.

The Commercial Papers in the total amount of EUR 1,678,160,748 have been issued by EDP SA, which has a credit rating of A2 by Moody's and A by S&P.

The intercompany loan in the amount of EUR 1,073,000,000 is granted to HidroElectrica del Cantabrico, S.A. This company is part of the EDP group and 95.7% directly owned by EDP SA and has a credit rating of A- by Fitch and A3 by Moody's. The intercompany loan in the total amount of and EUR 208,542,650 was granted to EDP Investments & Services Ltd. EDP Investments & Services Ltd. is an EDP group company, 100% indirectly owned by EDP SA. The purpose of these loans is to fund this company's investment in shares issued by a Brazilian subsidiary 61% indirectly owned by the EDP Group. EDP Investments & Services Ltd. is not rated. The intercompany loans in the amount of EUR 3,224,698,306 were granted to EDP SA Branch in Spain.

3.13 Directors

Until 16 November 2007, Equity Trust Co. N.V. served as a Director of the Company. On 16 November 2007, Equity Trust Co. N.V. stepped down and the Company appointed Mr. J.C.W. van Burg and Mr. W.H. Kamphuijs as Directors.

The table below shows the charges regarding remuneration of directors and former directors:

<u>2007</u>	<u>2006 Directors and former directors</u>
EUR 3,681	EUR 3,681 Equity Trust Co. N.V., Burg, J.C.W. van. and Kamphuijs, W.H.

3.14 Service agreement

EDP SA has signed a service agreement with the Company. This service agreement states that EDP SA is remunerated by receiving an annual fee for services it 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. Nevertheless, the Company is also remunerated for providing the same service to

EDP FINANCE B.V. Amsterdam

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

other EDP Group companies, by funding their activities and managing their debt. 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.

3.15 Taxation

In 2007, the Company has successfully negotiated with the Dutch Tax Authorities an Advanced Pricing Agreement so that the minimum tax base of the Company will be three basis points on amounts lent on plus an arm's length return on the equity portion at risk, less the operating expenses of the Company.

Due to the fact that the Company was not able to anticipate on the terms of this Advanced Pricing Agreement, the tax expense was not calculated under this agreement. Instead, the general tax principles in the Netherlands were used.

4 OTHER NOTES

4.1 Employees

The Company does not employ any staff and incurred no salary and related social security expenses or pension costs in 2007.

Amsterdam, 8 August 2008

The Board of Management:

EDP Energias de Portugal S.A.

Burg, J.C.W. van. (Since 16 November 2007)

Kamphuijs, W.H. (Since 16 November 2007)

OTHER INFORMATION

Statutory provisions concerning the 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 make 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.

Proposed appropriation of result

The Board of Management proposes to add the profit for the financial year ended 31 December, 2007 in the amount of EUR 5,583,378 to the accumulated results.

Post balance sheet events

No events have occurred since 31 December 2007 that would make the present financial position substantially different from that shown in the balance sheet at the balance sheet date, or which would require an adjustment to or disclosure in the annual accounts.

"AUDITOR'S REPORT"

To: The Shareholders of EDP Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2007 of EDP Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2007, the profit and loss account and cash flow statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Director's report, both 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 2007 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under 2:393 sub 5 part 3 of the Netherlands Civil Code, we report, to the extent of our competence, that the Director's report is consistent with the financial statements as required by 2:393 sub 4 of the Netherlands Civil Code.

Amstelveen, 8 August 2008

KPMG ACCOUNTANTS N.V.

H. Bleekrode RA