

**EDP FINANCE B.V.**

**Amsterdam**

**INTERIM REPORT**

**June 30, 2012**

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**EDP FINANCE B.V. Amsterdam**

**RESPONSIBILITY STATEMENT**

The Managing Directors of the Company wish to state:

1. That the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of EDP Finance B.V.;
2. That the interim report gives a true and fair view of the position as per the balance sheet date, the development during the financial period of EDP Finance B.V. in the semi-annual financial statements, together with a description of principal risks it faces.

Amsterdam, 26 July 2012

The Managing Directors:

EDP – Energias de Portugal S.A.

Burg, J.C.W. van.

Kamphuijs, W.H.

TMF Netherlands B.V.

**REPORT OF THE BOARD OF MANAGEMENT**

The Managing Directors of EDP Finance B.V. (hereinafter “the Company”) submit the interim report and the financial statements of the Company for the period ended 30 June 2012.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

**General**

The Company was incorporated under the laws of The Netherlands on 1<sup>st</sup> October 1999.

**Activities**

The principal activity of the Company is to act as a finance company to EDP Group. The policy of the group is to centralize financing in EDP – Energias de Portugal S.A. (hereinafter “EDP S.A.”) and the Company for group subsidiaries.

**Results**

During the six month period under review, ending on 30 June 2012, the Company recorded a profit 20,573 thousands of Euros (six month period ending 30 June 2011 – profit 22,644 thousands Euros). This profit is due to the fact that the average rate of the loans granted by the Company is higher than the average cost of debt.

**Major developments in the first half year of 2012**

The Company partially drew down 200 million Euros (16<sup>th</sup> May) and 600 million Euros (12<sup>th</sup> June) of the 2,000 million Euros Revolving Credit Facility. In June, a Revolving Credit Facility in the amount of 75 million Euros matured and the Company entered into a new 2 year Revolving Credit Facility in the same amount, actually draw down in the total amount.

There was a repayment of the €500M Bond which matured in June 2012.

**FUTURE DEVELOPMENTS**

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

**KEEP WELL AGREEMENT**

During the period under review, there were no changes to the keep-well agreement between EDP S.A. and the Company, signed on 14 March 2001.

**REPORT OF THE BOARD OF MANAGEMENT**

AUDIT COMMITTEE

The Company makes use of the exemption to establish its own Audit Committee, based on Article 3a of the Royal Decree of 26 July 2008 implementing article 41 of the EU Directive 2006/43/EG. The Audit Committee of the parent company, EDP S.A., will act as Audit Committee for the Company. This Committee is composed as follows:

Eduardo de Almeida Catroga: President

Vítor Fernando da Conceição Gonçalves: Vice President

António Sarmiento Gomes Mota: Member

Manuel Fernando de Macedo Alves Monteiro: Member

Maria Celeste Ferreira Lopes Cardona: Member

Amsterdam, 26 July 2012

The Managing Directors:

EDP – Energias de Portugal S.A.

Burg, J.C.W. van.

Kamphuijs, W.H

TMF Netherlands B.V.

**BALANCE SHEET AS AT 30 JUNE 2012**

(Before appropriation of result)

	<b>30.06.2012</b>	<b>31.12.2011</b>
	(Thousands of Euros)	(Thousands of Euros)
<b>Assets</b>		
Loans to and receivables from group entities	7,772,361	7,558,295
Derivative financial instruments	145,037	112,094
<b>Total Non-Current Assets</b>	<b>7,917,398</b>	<b>7,670,389</b>
Loans to and receivables from group entities	7,714,917	6,269,662
Derivative financial instruments	33,430	74,159
Debtors and other assets	588	884
Cash and cash equivalents	356,206	403,883
<b>Total Current Assets</b>	<b>8,105,141</b>	<b>6,748,588</b>
<b>Total Assets</b>	<b>16,022,539</b>	<b>14,418,977</b>
<b>Equity</b>		
Share capital	2,000	2,000
Share premium	11,980	11,980
Reserves and retained earnings	112,887	72,076
Profit for the period	20,573	40,811
<b>Total Equity</b>	<b>147,440</b>	<b>126,867</b>
<b>Liabilities</b>		
Debt securities	7,976,209	7,874,817
Loans and credit facilities from third parties	4,056,150	3,972,309
Provisions	38,518	32,481
Derivative financial instruments	40,454	54,251
<b>Total Non-Current Liabilities</b>	<b>12,111,331</b>	<b>11,933,858</b>
Debt securities	1,305,242	1,873,708
Loans and credit facilities from third parties	1,208,756	358,607
Loans from group entities	503,166	116,837
Amounts owed on purchased debt securities	747,000	-
Derivative financial instruments	-4,423	4,011
Trade and other payables	2,340	3,596
Tax payable	1,687	1,493
<b>Total Current Liabilities</b>	<b>3,763,768</b>	<b>2,358,252</b>
<b>Total Liabilities</b>	<b>15,875,099</b>	<b>14,292,110</b>
<b>Total Equity and Liabilities</b>	<b>16,022,539</b>	<b>14,418,977</b>

**PROFIT AND LOSS ACCOUNT ENDED 30 JUNE 2012**

	<b>30.06.2012</b>	<b>30.06.2011</b>
	(Thousands of Euros)	(Thousands of Euros)
Interest income	320,630	315,491
Interest expenses	<u>-302,162</u>	<u>-285,047</u>
Net interest income	<u>18,468</u>	<u>30,444</u>
Net other financial income and expenses	<u>9,539</u>	<u>142</u>
Net financial income	<u>28,007</u>	<u>30,586</u>
Other operating income / (expenses)		
Services rendered	349	349
Supplies and services	-579	-750
Provisions	<u>-6,037</u>	<u>-7,069</u>
Profit before income tax	<u>21,740</u>	<u>23,116</u>
Income tax expense	<u>-1,167</u>	<u>-472</u>
<b>Profit for the period</b>	<u><u>20,573</u></u>	<u><u>22,644</u></u>

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2012**

	<u>30.06.2012</u>	<u>30.06.2011</u>
	(Thousands of Euros)	(Thousands of Euros)
<b>Operating activities</b>		
Profit for the period	20,573	22,644
Adjustments for:		
Interest income	-93,833	5,435
Interest expense	-83,250	-2,718
Income tax expense	-194	206
Amortisation of discounts/premiums	10,141	-
<b>Cash flows from operating activities</b>		
Change in derivatives	-	-724
Change in debtors and other assets	296	-149
Change in loans and credit facilities from third parties	-74,852	77,354
Change in loans from group entities	386,330	-164,095
Change in amounts owed on purchased debt securities	747,000	-217,000
Change in trade and other payables	-1,256	1,265
Change in tax payable	1,360	266
Change in share premium	-	222
Extension of loans to group companies	-1,286,000	-3,013,617
Redemption of loans to group companies	-	1,466,562
Other changes in loans to group entities	-420,916	33,756
Interest received	141,429	220,727
Interest paid	-341,278	-216,235
Income tax paid	-973	-333
<b>Net cash flow from operating activities</b>	<u>-995,423</u>	<u>-1,786,435</u>
<b>Cash flows from financing activities</b>		
Proceeds from issued debt securities	0	929,128
Redemption of debt securities	-500,000	-500,000
Other changes to debt securities	447,314	-54,860
Proceeds of loans and credit facilities from third parties	1,008,842	838,609
Change in provisions	6,036	7,069
Change in derivative financial instruments	-14,446	78,451
<b>Net cash from financing activities</b>	<u>947,746</u>	<u>1,298,398</u>
<b>Changes in cash and cash equivalents</b>	-47,677	-488,037
Cash and cash equivalents at 1 January	<u>403,883</u>	<u>519,090</u>
<b>Cash and cash equivalents at 30 June</b>	<u>356,206</u>	<u>31,053</u>



## STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2012

(Thousands of Euros)

	Attributable to shareholders of the Company				
	Total Equity	Share capital	Share premium	Reserves and retained earnings	Profit for the period
Balance as at 31 December 2010	<u>85,673</u>	<u>2,000</u>	<u>11,597</u>	<u>10,192</u>	<u>61,884</u>
Apropriation of results	-	-	-	61,884	-61,884
Shareholders contribution in kind	221	-	221	-	-
Result for the accounting period	<u>22,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,644</u>
Balance as at 30 June 2011	<u>108,538</u>	<u>2,000</u>	<u>11,818</u>	<u>72,076</u>	<u>22,644</u>
Shareholders contribution in kind	162	-	162	-	-
Result for the accounting period	<u>18,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,167</u>
Balance as at 31 December 2011	<u>126,867</u>	<u>2,000</u>	<u>11,980</u>	<u>72,076</u>	<u>40,811</u>
Apropriation of results	-	-	-	40,811	-40,811
Shareholders contribution in kind	-	-	-	-	-
Result for the accounting period	<u>20,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,573</u>
Balance as at 30 June 2012	<u>147,440</u>	<u>2,000</u>	<u>11,980</u>	<u>112,887</u>	<u>20,573</u>

**NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

1. GENERAL

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

2. ACCOUNTING POLICIES

The financial information presented in this Interim Report was prepared under the same accounting principles as in the 2011 Annual Report.

3. NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

3.1 Issued share capital

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

3.2 Undistributed results

On 5 July 2012, the Annual General Meeting of the shareholder of the Company allocated the profit for the year 2011, being 40.8 million Euros to accumulated results.

3.3 Issued medium term notes

In the first semester of 2012 the Company did not issued any note .

There was a repayment of 500 million Euros Bond which matured in June 2012.

3.4 Net financial income

During the first semester of 2012, the Company's net financial income was positive. This profit is due to the fact that the average rate of the loans granted by the Company is higher than the average cost of debt.

The foreign exchange result is caused by open positions on USD.

**NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**4. OTHER INFORMATION**

**4.1 Post balance sheet events**

There are no subsequent events to mention in the first semester of 2012.

**4.2 Audit**

The interim report is not audited.