

**EDP FINANCE B.V.**

**Amsterdam**

**ANNUAL REPORT**

**2006**

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**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 2006.

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.

In 2006, the Company decided to increase its capital base by increasing its issued share capital from 200 shares to 20,000 shares. The capital increase was fully paid-up. The Company increased its share capital to provide a proper base for the increase in activity and the volume of transactions during 2006.

Results


During the financial period ended 31 December 2006, the Company recorded a loss of EUR 2,316,014.


FUTURE DEVELOPMENTS

For the year 2007 as a whole, the Board of Management expects that the activity of the Company will evolve in line with the trend already seen during 2006.

Amsterdam, 8 June 2007

The Board of Management:

 EDP – Energias de Portugal S.A.

 Equity Trust Co. N.V.

**BALANCE SHEET AS AT 31 DECEMBER 2006**

(Before appropriation of result)

		<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		EUR	EUR
<b>FIXED ASSETS</b>			
Long-term investments			
Loans to group entities	3.8	961,631,458	2,081,079,329
<b>CURRENT ASSETS</b>			
Commercial paper	3.1	2,124,400,000	2,445,400,000
Discount commercial paper	3.1	(4,380,171)	(6,771,576)
		<u>2,120,019,829</u>	<u>2,438,628,424</u>
Discount issued term notes	2.4/3.5	0	2,988,771
Discount facilities		0	233,140
Interest receivable	3.7	7,850,398	7,845,487
Loans to group entities	3.8	1,823,665,421	0
Interest receivable from group entities		20,633,067	10,720,472
Amount due from group entities	3.2	2,265,954	987,900
Cash at bank	3.7	132,209	4,751,475
		<u>1,854,547,049</u>	<u>27,527,245</u>
		<u>4,936,198,336</u>	<u>4,547,234,998</u>

**BALANCE SHEET AS AT 31 DECEMBER 2006**

(Before appropriation of result)

		<u>2006</u>	<u>2005</u>
<u>SHAREHOLDER'S EQUITY AND LIABILITIES</u>		EUR	EUR
<b>CAPITAL AND RESERVES</b>			
Issued share capital	3.3/3.4	2,000,000	20,000
Accumulated results	3.4	3,211,740	306
Result for the financial year		(2,316,014)	3,211,434
		<u>2,895,726</u>	<u>3,231,740</u>
 <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Issued medium term notes	3.5	3,090,836,000	1,618,718,000
Discount issued medium term notes	3.5	(26,468,400)	(19,456,705)
Facilities	3.8	1,490,000,000	2,605,000,000
Discount facilities		0	(210,784)
Deferred income swap	3.6/3.7	2,706,062	2,706,062
Loans from group entities	3.8	-	278,108,841
		<u>4,557,073,662</u>	<u>4,484,865,414</u>
 <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Interest payable		81,828,698	51,373,072
Deferred income swap	3.6/3.7	-	930,926
Loans from group entities	3.8	285,938,280	0
Interest payable to group entities		5,544,131	6,262,235
Amount due from group entities		1,278,054	0
Tax		1,118,506	946
Other creditors	3.7	521,279	570,665
		<u>376,228,948</u>	<u>59,137,844</u>
		<u><u>4,936,198,336</u></u>	<u><u>4,547,234,998</u></u>

The accompanying notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT FOR THE YEAR  
ENDED 31 DECEMBER 2006**

		<u>2006</u>	<u>2005</u>
		EUR	EUR
Interest income commercial paper		93,405,624	70,795,087
Interest income group entities		82,928,769	41,743,206
Other interest income		2,440,048	2,271,210
Interest expense notes		(112,091,722)	(63,575,619)
Interest expense swap		4,960,855	7,591,906
Interest expense commercial paper		(240,086)	(136,130)
Interest expense on group entities		(11,293,186)	(10,206,563)
Other interest expense		(60,451,486)	(44,962,398)
Foreign exchange differences		(119,724)	53,695
Other financial results	3.2/3.11	(443,924)	(107,489)
<b>Net financial income (expense)</b>		(904,831)	3,466,906
 Operating expenses		 (214,154)	 (251,042)
 <b>RESULT BEFORE TAXATION</b>		 (1,118,985)	 3,215,864
 Corporate income tax current year	3.12	 (396,001)	 (4,036)
Corporate income tax previous years		(801,027)	(394)
 <b>RESULT AFTER TAXATION</b>		 (2,316,014)	 3,211,434

## CASH FLOW STATEMENT

	year ended 2006	year ended 2005
<b>Cash flow from operating activities</b>		
<b>Operating profit/loss</b>	<b>(2,316,014)</b>	<b>3,211,434</b>
<b>Receivables:</b>		
Movements in C/P's	318,608,595	(1,006,600,304)
Movements in discount issued term notes	2,988,771	(1,356,237)
Movements in discount facilities	233,140	51,809
Movements in interest receivable	(4,911)	(366,411)
Movements in loans to group entities	(1,823,665,421)	6,659,479
Movements in interest receivable from group entities	(9,912,594)	(7,887,100)
Movements in amount due from group entities	(1,278,054)	(275,731)
Movements in other debtors	0	0
<b>Current liabilities:</b>		
Movements in facilities	0	0
Movements in interest payable	30,455,626	18,408,348
Movements in deferred income swap	(930,926)	0
Movements in loans from group entities	285,938,280	(6,659,479)
Movements in interest payable to group entities	(718,164)	3,545,695
Movements in amount due from group companies	1,278,054	0
Movements in tax	1,117,560	0
Movements in other creditors	(49,387)	536,203
<b>Net cash flow from operating activities</b>	<b>(1,198,255,385)</b>	<b>(990,732,294)</b>
<b>Cash flow from investing activities</b>	<b>1,980,000</b>	
<b>Net cash flow used in investing activities</b>	<b>1,980,000</b>	
<b>Cash flow from financing activities</b>		
<b>Long term investments:</b>		
	1,119,447,871	(1,643,161,041)
<b>Long term debts:</b>		
Issued medium term notes	1,472,118,000	655,024,000
Discount issued medium term notes	(7,011,695)	(11,252,318)
Facilities	(1,115,000,000)	1,970,000,000
Discount facilities	210,785	331,790
Deferred income swap	(0)	(930,926)
Loans from group entities	(278,108,841)	25,190,553
<b>Net cash flow from financing activities</b>	<b>1,191,656,120</b>	<b>995,202,058</b>
<b>Exchange differences</b>		
<b>Net change in cash &amp; cash equivalents</b>	<b>(4,619,265)</b>	<b>4,469,764</b>
<b>Cash and cash equivalents in the beginning of the year</b>	<b>4,751,475</b>	<b>281,711</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>132,209</b>	<b>4,751,475</b>

## 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 Company considers EDP – Energias de Portugal S.A., Lisbon, Portugal, to be its ultimate parent company.

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 the 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 2006 (2005): 1 euro

0.6715 (0.6853)	British pound (GBP)
159.63 (138.90)	Japanese yen (JPY)
1.3170 (1.1797)	United States dollars (USD)

### 2.3 Recognition of income

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. Cash consists of current accounts with banks.

## 3 NOTES ON SPECIFIC ITEMS OF THE BALANCE SHEET

### 3.1 Commercial paper

Commercial paper is comprised as follows:

		<u>December 31, 2006</u>
Nominal Amount:	EUR	2,124,400,000
Discount:	EUR	<u>(4,380,171)</u>
	EUR	2,120,019,829

The Company purchased nine commercial papers from EDP - Energias de Portugal S.A. ("EDP S.A."), the issuer of the commercial papers, with a nominal value of EUR 298,300,000, EUR 166,000,000, EUR 187,000,000, EUR 205,200,000, EUR 297,000,000, EUR 503,500,000, EUR 48,400,000, EUR 299,000,000, and EUR 120,000,000 respectively. The yield of the commercial papers varies from 3.75% to 6.37% and the maturity dates all fall due in January 2007.

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

3.2 Related parties

EDP S.A. is the parent company of EDP Finance B.V. and has decisive control of EDP Finance B.V. Equity Trust Co N.V. is a related party as well by virtue of the fact that it can exercise significant influence on the business and financial policies.

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' (3.11)). There was a service fee for 2006 to the amount of EUR 1,278,054. In addition, the Company purchased nine commercial papers from EDP S.A. with a total nominal value of EUR 2,124,400,000 (see note 'Commercial paper' (3.1)).

As at 31 December 2006, the Company was owed a total of EUR 987,900 (2005 : EUR 987,900) by EDP S.A.

Furthermore, the Company has concluded a management contract with Equity Trust Co N.V. for performing management services as well as administration services. The total fee for 2006 was EUR 98,467 (2005 : EUR 74,211) and recognised in 'operating expenses'.

3.3 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.

3.4 Movements in capital and reserves

	Issued share capital	Accumulated results	Result for the financial year	Total
Balance as at 31 December 2005	20,000	306	3,211,434	3,231,740
Additions during the year	1,980,000	-	-	1,980,000
Appropriation of result	-	3,211,434	(3,211,434)	-
Result for the financial year	-	-	(2,316,014)	(2,316,014)
Balance as at 31 December 2006	<u>2,000,000</u>	<u>3,211,740</u>	<u>(2,316,014)</u>	<u>2,895,726</u>

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

## 3.5 Issued medium term notes

			31/12/2006	31/12/2005
	Term 0 – 5 years	Term > 5 years	Total	Total
	EUR	EUR	EUR	EUR
JPY 3,000,000,000 fixed rate note	-	-	-	27,882,000
EUR 22,455,000 zero coupon note	22,455,000	-	22,455,000	22,455,000
Discount EUR 22,455,000 zero coupon note	(2,708,612)	-	(2,708,612)	(3,636,988)
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)	(1,798,261)	(3,402,377)	(3,723,024)
EUR 93,357,000 fixed rate note	-	93,357,000	93,357,000	93,357,000
EUR 500,000,000 fixed rate note (2002)	355,024,000	-	355,024,000	355,024,000
Discount EUR 500,000,000 fixed rate note (2002)	(329,047)	-	(329,047)	(599,547)
EUR 500,000,000 fixed rate note (2005)	-	500,000,000	500,000,000	500,000,000
Discount EUR 500,000,000 fixed rate note (2005)	(6,753,610)	(4,689,801)	(11,443,411)	(12,793,393)
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)	(991,915)	(1,575,808)	(1,692,523)
EUR 500,000,000 floating rate note (2010)	500,000,000	-	500,000,000	-
Discount EUR 500,000,000 floating rate note (2010)	(1,066,677)	-	(1,066,677)	-
EUR 500,000,000 fixed rate note (2012)	-	500,000,000	500,000,000	-
Discount EUR 500,000,000 fixed rate note (2012)	(1,549,434)	(138,312)	(1,687,746)	-
EUR 500,000,000 fixed rate note (2016)	-	500,000,000	500,000,000	-
Discount EUR 500,000,000 fixed rate note (2016)	(2,251,267)	(2,003,455)	(4,254,722)	-
	860,632,344	2,203,735,256	3,064,367,600	1,596,272,525

The Company issued nine notes under the EUR 7,000,000,000 Programme for the Issuance of Debt Instruments.

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.

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.

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

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.

### 3.6 Deferred income swap

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

### 3.7 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.

As at 31 December 2006, the interest receivable on the foreign currency instruments was EUR 7,850,398 (2005 : EUR 7,845,487).

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, semiannually the Company has to pay 6 month Euribor plus a spread of 0.53% over the notional amount of the underlying to the swap counter party.

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

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. Semiannually, 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

## 3.8 Credit facilities and intercompany loans

							31/12/2006		
	Original currency		Countervalue per 31/12/2006		Start date	Maturity date	Interest		31/12/2005
<b>Loans to group entities:</b>									
FDP Investment and Services Ltd	USD	59,790,000	EUR	45,398,638	29/01/2004	15/07/2007	4.9888%	EUR	280,428,655
FDP Investment and Services Ltd	EUR	212,770,724	EUR	212,770,724	15/01/2006	15/07/2007	3.1610%	EUR	-
				<u>258,169,362</u>					<u>280,428,655</u>
Nuevas Energías de Occidente	EUR	8,350,000	EUR	8,350,000	04/12/2006	04/01/2007	4.0740%	EUR	-
Nuevas Energías de Occidente	EUR	1,820,000	EUR	1,820,000	10/07/2006	10/01/2007	4.0695%	EUR	-
Nuevas Energías de Occidente	EUR	415,012	EUR	415,012	03/08/2006	05/02/2007	3.8350%	EUR	-
Nuevas Energías de Occidente	EUR	1,100,000	EUR	1,100,000	03/08/2006	05/02/2007	3.8350%	EUR	-
Nuevas Energías de Occidente	EUR	1,803,036	EUR	1,803,036	04/09/2006	05/03/2007	3.9450%	EUR	-
Nuevas Energías de Occidente	EUR	10,000,000	EUR	10,000,000	06/03/2006	06/03/2007	3.9700%	EUR	-
Nuevas Energías de Occidente	EUR	1,962,689	EUR	1,962,689	11/09/2006	12/03/2007	4.0020%	EUR	-
Nuevas Energías de Occidente	EUR	1,324,096	EUR	1,324,096	15/09/2006	15/03/2007	4.0340%	EUR	-
Nuevas Energías de Occidente	EUR	5,000,000	EUR	5,000,000	20/10/2006	20/04/2007	4.1460%	EUR	-
Nuevas Energías de Occidente	EUR	673,376	EUR	673,376	23/10/2006	23/04/2007	4.1470%	EUR	-
Nuevas Energías de Occidente	EUR	12,892,676	EUR	12,892,676	17/05/2006	17/05/2007	4.7425%	EUR	-
Nuevas Energías de Occidente	EUR	3,268,025	EUR	3,268,025	17/11/2006	16/11/2007	4.7425%	EUR	-
Nuevas Energías de Occidente	EUR	366,887,148	EUR	366,887,148	14/12/2006	14/12/2007	4.7000%	EUR	-
Nuevas Energías de Occidente	EUR	611,161	EUR	611,161	10/07/2006	10/07/2016	4.7550%	EUR	-
Nuevas Energías de Occidente	EUR	39,806,802	EUR	39,806,802	10/07/2006	10/07/2018	4.5222%	EUR	-
Nuevas Energías de Occidente	EUR	65,276,308	EUR	65,276,308	14/07/2006	14/07/2018	4.5222%	EUR	-
Nuevas Energías de Occidente	EUR	48,500,000	EUR	48,500,000	26/05/2006	30/12/2018	4.7302%	EUR	-
Nuevas Energías de Occidente	EUR	9,000,000	EUR	9,000,000	29/12/2006	30/12/2018	4.9260%	EUR	-
Nuevas Energías de Occidente	EUR	1,250,000	EUR	1,250,000	29/12/2006	30/12/2018	4.9260%	EUR	-
Nuevas Energías de Occidente	EUR	25,800,000	EUR	25,800,000	01/06/2006	31/12/2018	4.7221%	EUR	-
Nuevas Energías de Occidente	EUR	6,983,080	EUR	6,983,080	10/07/2006	10/07/2019	4.0695%	EUR	-
Nuevas Energías de Occidente	EUR	15,531,509	EUR	15,531,509	26/05/2006	30/06/2021	4.7302%	EUR	-
Nuevas Energías de Occidente	EUR	1,976,000	EUR	1,976,000	19/12/2006	30/06/2021	4.7302%	EUR	-
Nuevas Energías de Occidente	EUR	20,000,000	EUR	20,000,000	14/12/2006	30/06/2021	4.7810%	EUR	-
Nuevas Energías de Occidente	EUR	3,432,900	EUR	3,432,900	10/11/2006	10/11/2021	4.7400%	EUR	-
Nuevas Energías de Occidente	EUR	2,000,000	EUR	2,000,000	10/11/2006	10/11/2021	4.7400%	EUR	-
Nuevas Energías de Occidente	EUR	4,716,798	EUR	4,716,798	17/11/2006	17/11/2021	4.7425%	EUR	-
Nuevas Energías de Occidente	EUR	27,973,987	EUR	27,973,987	27/11/2006	31/12/2021	4.7302%	EUR	-
Nuevas Energías de Occidente	EUR	15,000,000	EUR	15,000,000	14/12/2006	31/12/2021	4.7302%	EUR	-
Nuevas Energías de Occidente	EUR	563,000,000	EUR	563,000,000	14/12/2005	31/12/2021	4.7810%	EUR	560,650,674
Nuevas Energías de Occidente	EUR	42,060,422	EUR	42,060,422	20/12/2006	30/06/2022	4.8480%	EUR	-
Nuevas Energías de Occidente	EUR	68,712,491	EUR	68,712,491	20/12/2006	30/06/2022	4.8480%	EUR	-
				<u>1,377,127,517</u>					<u>560,650,674</u>
Hidroeléctrica del Cantabrico	EUR	200,000,000	EUR	-	04/01/2005	15/12/2006	-	EUR	200,000,000
Hidroeléctrica del Cantabrico	EUR	110,000,000	EUR	110,000,000	29/12/2006	29/03/2007	4.0720%	EUR	-
Hidroeléctrica del Cantabrico	EUR	50,000,000	EUR	50,000,000	23/12/2004	09/07/2007	4.0640%	EUR	50,000,000
Hidroeléctrica del Cantabrico	EUR	325,000,000	EUR	325,000,000	05/01/2005	09/07/2007	3.9880%	EUR	325,000,000
Hidroeléctrica del Cantabrico	EUR	75,000,000	EUR	75,000,000	10/01/2005	09/07/2007	3.8140%	EUR	75,000,000
Hidroeléctrica del Cantabrico	EUR	590,000,000	EUR	590,000,000	21/02/2005	09/07/2007	3.9640%	EUR	590,000,000
				<u>1,150,000,000</u>					<u>1,240,000,000</u>
				<u>2,785,296,879</u>					<u>2,081,079,329</u>

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

							31/12/2006		31/12/2005	
	Original currency		Countervalue per 31/12/2006		Start date	Maturity date	Interest			
<b>Loans from group entities:</b>										
EDP Energias de Portugal S.A.	EUR	6,032,000	EUR	6,032,000	23/01/2006	23/01/2007	3.8040%	EUR	-	
EDP Energias de Portugal S.A.	EUR	11,192,000	EUR	11,192,000	27/01/2006	29/01/2007	3.8140%	EUR	-	
EDP Energias de Portugal S.A.	EUR	16,085,400	EUR	16,085,400	30/01/2006	30/01/2007	3.8200%	EUR	-	
EDP Energias de Portugal S.A.	USD	59,790,000	EUR	45,398,633	29/01/2004	15/07/2007	6.0094%	EUR	278,108,841	
EDP Energias de Portugal S.A.	EUR	207,230,247	EUR	207,230,247	15/01/2006	15/07/2007	3.7820%	EUR	-	
				<u>285,938,280</u>					<u>278,108,841</u>	
<b>Credit facilities from third parties:</b>										
Bank of Tokyo Mitsubishi	EUR	-	EUR	-	06/12/2002	27/11/2007	-	EUR	450,000,000	
Citibank	EUR	-	EUR	-	23/12/2004	23/12/2006	-	EUR	185,000,000	
Citibank	EUR	-	EUR	-	04/01/2005	23/12/2006	-	EUR	200,000,000	
Citibank	EUR	-	EUR	-	05/01/2005	23/12/2006	-	EUR	325,000,000	
Citibank	EUR	-	EUR	-	10/01/2005	23/12/2006	-	EUR	50,000,000	
Citibank	EUR	-	EUR	-	21/02/2005	23/12/2006	-	EUR	590,000,000	
Royal Bank of Scotland	EUR	240,000,000	EUR	240,000,000	29/07/2005	26/07/2008	3.9040%	EUR	240,000,000	
Banco Santander Totta	EUR	-	EUR	-	14/12/2005	14/12/2006	-	EUR	565,000,000	
Societe Generale	EUR	150,000,000	EUR	150,000,000	06/12/2006	06/12/2011	3.8610%	EUR	-	
Deutsche Bank	EUR	590,000,000	EUR	590,000,000	24/11/2006	06/11/2013	3.8750%	EUR	-	
Deutsche Bank	EUR	510,000,000	EUR	510,000,000	23/11/2006	06/11/2013	3.7540%	EUR	-	
				<u>1,490,000,000</u>					<u>2,605,000,000</u>	

## 3.9 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-06		31-Dec-05	
	Book value	Fair value	Book value	Fair value
Loans to group companies	2,808,195,900	2,806,768,679	2,092,787,701	2,092,787,701
Commercial paper	2,127,870,227	2,127,870,227	2,449,695,822	2,449,695,822
Derivatives with positive fair value	-	-	-	-
Cash at bank	132,209	132,209	4,751,475	4,751,475
<b>Total assets</b>	<u>4,936,198,336</u>	<u>4,934,771,115</u>	<u>4,547,234,998</u>	<u>4,547,234,998</u>
Equity	2,895,726	37,558,931	3,231,740	141,287,778
Issued medium term notes	3,146,196,298	3,075,869,813	1,650,634,367	1,760,303,367
Facilities	1,490,000,000	1,501,085,435	2,604,789,216	2,618,568,322
Loans from group entities	292,760,465	291,587,240	278,735,076	278,735,076
Derivatives with negative fair value	2,706,062	27,029,911	3,636,988	24,708,400
Other	1,639,785	1,639,785	6,207,611	6,207,611
<b>Total liabilities</b>	<u>4,936,198,336</u>	<u>4,934,771,115</u>	<u>4,547,234,998</u>	<u>4,547,234,998</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-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	0
Commercial paper	2,127,870,227	2,127,870,227	0	0	0	0
Derivatives with positive fair value	0	0	22,455,000	(22,455,000)	0	0
Cash at bank	132,209	132,209	0	0	0	0
<b>Total assets</b>	<b>4,936,198,336</b>	<b>3,375,177,151</b>	<b>1,017,198,477</b>	<b>(22,455,000)</b>	<b>566,277,708</b>	<b>0</b>
Equity	2,895,726	2,895,726	0	0	0	0
Issued medium term notes	3,146,196,298	55,360,298	0	877,479,000	1,500,000,000	713,357,000
Facilities	1,490,000,000	1,490,000,000	0	0	0	0
Loans from group entities	292,760,465	292,760,465	0	0	0	0
Derivatives with negative fair value	2,706,062	0	322,706,062	0	0	(320,000,000)
Other	1,639,785	1,639,785	0	0	0	0
<b>Total liabilities</b>	<b>4,936,198,336</b>	<b>1,842,656,274</b>	<b>322,706,062</b>	<b>877,479,000</b>	<b>1,500,000,000</b>	<b>393,357,000</b>
31-Dec-05						
	Total	<3 months	< 6 months	<5 years	<10 years	>10 jr
Loans to group companies	2,092,787,701	0	0	2,092,787,701	0	0
Commercial paper	2,449,695,822	2,449,695,822	0	0	0	0
Derivatives with positive fair value	0	0	22,455,000	(22,455,000)	0	0
Cash at bank	4,751,475	4,751,475	0	0	0	0
<b>Total assets</b>	<b>4,547,234,998</b>	<b>2,454,447,297</b>	<b>22,455,000</b>	<b>2,070,332,701</b>	<b>0</b>	<b>0</b>
Equity	3,231,740	3,231,740	0	0	0	0
Issued medium term notes	1,650,634,367	0	0	446,544,688	493,960,217	710,129,462
Facilities	2,604,789,216	0	0	2,604,789,216	0	0
Loans from group entities	278,735,076	0	0	278,735,076	0	0
Derivatives with negative fair value	3,636,988	0	323,636,988	0	0	(320,000,000)
Other	6,207,611	6,207,611	0	0	0	0
<b>Total liabilities</b>	<b>4,547,234,998</b>	<b>9,439,351</b>	<b>323,636,988</b>	<b>3,330,068,980</b>	<b>493,960,217</b>	<b>390,129,462</b>



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

### 3.10 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 completely hedged.

### 3.11 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 2,120,019,829 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 1,150,000,000 is granted to Hidroelétrica 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 loans in the total amount of USD 59,790,000 and EUR 212,770,724 were 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 US dollar denominated bonds and shares issued by a Brazilian subsidiary 61% indirectly owned by the EDP Group. EDP Investments & Services Ltd. is not rated.

### 3.12 Directors

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

2006	2005 Directors and former directors
EUR 3,681	EUR 3,681 Equity Trust Co. N.V.

### 3.13 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 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.

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

3.14 Taxation

Up until 2005, tax on result for both annual account purposes as tax purposes was calculated by applying the 10% cost-plus method, taking into account tax losses carry forward from the date of incorporation.

In 2006, the taxation of the Company has been the subject of lengthy discussions with the Dutch Tax Authorities. These said discussions are not yet concluded but the most likely outcome is that the 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.


4 OTHER NOTES

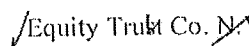
4.1 Employees

The Company does not employ any staff other than the directors and incurred no salary and related social security expenses or pension costs in 2006.

Amsterdam, 8 June 2007

The Board of Management:

 EDP – Energias de Portugal S.A.

 Equity Trust Co. N.V.

## 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 deduct the loss for the financial year ended 31 December, 2006 in the amount of EUR 2,316,014 from the accumulated results.

### Post balance sheet events

No events have occurred since 31 December 2006 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 opinion

The auditor's opinion is set out on the following page.

To: The Management of EDP Finance B.V.

## **Auditor's report**

### **Report on the financial statements**

We have audited the accompanying financial statements for the year ended 2006 of EDP Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2006, the profit and loss account 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 management board 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.

In our opinion, the financial statements give a true and fair view of the financial position of EDP Finance as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Pursuant to the legal requirement under 2:393 sub 5 part e 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.

KPMG ACCOUNTANTS N.V.

Hilary Whitford