



**EDP – ENERGIAS DE PORTUGAL, S.A.**  
(incorporated with limited liability in the Portuguese Republic)

**EDP FINANCE B.V.**  
(incorporated with limited liability in The Netherlands  
and having its statutory seat in Amsterdam)

**€12,500,000,000**

*Programme for the Issuance of Debt Instruments*

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Under this EUR 12,500,000,000 Programme for the Issuance of Debt Instruments (the “Programme”), EDP – Energias de Portugal, S.A. (“EDP”) and EDP Finance B.V. (“EDP B.V.” and together with EDP, the “Issuers”) may from time to time issue instruments (the “Instruments”) as agreed between the Issuer and the relevant Dealer (as defined below).

The Instruments issued by EDP B.V. will not be guaranteed by EDP but EDP B.V. has the benefit of the Keep Well Agreement executed by EDP as more fully described herein under “Relationship of EDP B.V. with EDP”.

The maximum aggregate nominal amount of all Instruments from time to time outstanding under the Programme will not exceed EUR 12,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Instruments may be issued on a continuing basis to one or more of the Dealers party to the amended and restated Dealership Agreement dated 24 September 2010 and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “Dealer” and together the “Dealers”), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the “relevant Dealer” shall, in the case of an issue of Instruments being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Instruments.

An investment in Instruments issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”.

Application has been made to the Financial Services Authority in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the “UK Listing Authority”) for Instruments issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for such Instruments to be admitted to trading on the London Stock Exchange’s regulated market.

References in this Prospectus to Instruments being listed (and all related references) shall mean that such Instruments have been admitted to trading on the London Stock Exchange’s regulated market and have been admitted to the Official List. The London Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC (the “Markets in Financial Instruments Directive”).

Notice of the aggregate nominal amount of Instruments, interest (if any) payable in respect of Instruments, the issue price of Instruments and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Instruments”) of Instruments will be set out in a final terms supplement (the “Final Terms”) which, with respect to Instruments to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange.

The Programme provides that Instruments may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuers and the relevant Dealer. The Issuers may also issue unlisted Instruments and/or Instruments not admitted to trading on any market.

The Issuers may agree with any Dealer and the Trustee (as defined herein) that Instruments may be issued in a form not contemplated by the Terms and Conditions of the Instruments herein, in which event a supplemental Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Instruments.

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**Arranger for the Programme**

**MORGAN STANLEY**

**Dealers**

Banco BPI, S.A.	Banco Espírito Santo de Investimento, S.A.
Banco Santander Totta	Barclays Capital
BNP PARIBAS	Caixa – Banco de Investimento, S.A.
Citi	Commerzbank
Deutsche Bank	ING Commercial Banking
J.P. Morgan	Millennium Investment Banking
Mitsubishi UFJ Securities International plc	Morgan Stanley
Société Générale Corporate and Investment Banking	The Royal Bank of Scotland
UBS Investment Bank	

24 September 2010

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”).

Each Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of EDP and EDP B.V. (each of which have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Instruments are the persons named in or identifiable following the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

This Prospectus should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference (see “Documents Incorporated by Reference”) and should be read and construed on the basis that such documents are incorporated in and form part of this Prospectus.

Each Issuer has confirmed to the Dealers and Deutsche Trustee Company Limited (the “Trustee”) that this Prospectus is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Prospectus the omission of which would, in the context of the Programme or the issue of Instruments, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. Each Issuer has further confirmed to the Dealers and the Trustee that this Prospectus (together with the relevant Final Terms) contains all such information as may be required by all applicable laws, rules and regulations.

No person has been authorised by EDP, EDP B.V., any of the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Programme or any information supplied by EDP and/or EDP B.V. or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer any of the Dealers or the Trustee.

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuers in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuers in connection with the Programme.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Instruments (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Instruments should purchase any Instruments. Each investor contemplating purchasing any Instruments should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Instruments constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Instruments.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Instruments shall in any circumstances imply that the information contained herein concerning the Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme or to advise any investor in the Instruments of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Instruments.

The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see “Subscription and Sale”).

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Instruments in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Instruments may be restricted by law in certain jurisdictions. The Issuers, the Dealers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that any Instruments may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee which would permit a public offering of any Instruments outside the UK or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Instruments may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Instruments may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Instruments. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Instruments in the United States, the European Economic Area (including the United Kingdom, Portugal and The Netherlands) and Japan, see “Subscription and Sale”.

This Prospectus has been prepared on the basis that any offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Instruments. Accordingly any person making or intending to make an offer in that Relevant Member State of Instruments which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Instruments may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither of the Issuers nor any Dealer have authorised, nor do they authorise, the making of any offer of Instruments in circumstances in which an obligation arises for the Issuers or any Dealer to publish or supplement a prospectus for such offer.

All references in this document to U.S. dollars, U.S.\$ and \$ refer to United States dollars; all references to Sterling and £ refer to pounds sterling; all references to EUR, euro and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT INSTRUMENTS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF INSTRUMENTS IS MADE AND, IF BEGUN, WILL BE IN COMPLIANCE WITH ALL RELEVANT LAWS AND REGULATIONS AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF INSTRUMENTS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF INSTRUMENTS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## GENERAL DESCRIPTION OF THE PROGRAMME

The following is a brief overview only and should be read in conjunction with the rest of this document and, in relation to any Instruments, in conjunction with the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the Instruments set out herein.

Issuers:	EDP – Energias de Portugal, S.A. (“EDP”) and EDP Finance B.V. (“EDP B.V.”).
Keep Well Provider:	Instruments issued by EDP B.V. will benefit from a Keep Well Agreement provided by EDP. See “Relationship of EDP B.V. with EDP”.
Arranger:	Morgan Stanley & Co. International plc.
Dealers:	Banco BPI, S.A., Banco Espírito Santo de Investimento, S.A., Banco Comercial Português, S.A., Banco Santander Totta, S.A., Barclays Bank PLC, BNP PARIBAS, Caixa – Banco de Investimento, S.A., Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, ING Bank N.V., J.P. Morgan Securities Ltd., Mitsubishi UFJ Securities International plc, Morgan Stanley & Co. International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Instruments.
Issue and Paying Agent:	Deutsche Bank AG, London Branch.
Paying Agent:	Deutsche Bank Luxembourg S.A.
Portuguese Paying Agent:	Deutsche Bank (Portugal), S.A.
Registrar:	Deutsche Bank Luxembourg S.A.
Authorised Adviser:	Morgan Stanley & Co. International plc.
Trustee:	Deutsche Trustee Company Limited.
Initial Programme Amount:	€12,500,000,000 (and, for this purpose, any Instruments denominated in another currency shall be translated into euro at the date of the agreement to issue such Instruments using the spot rate of exchange for the purchase of such currency against payment of euro being quoted by the Issue and Paying Agent on the date on which the relevant agreement in respect of the relevant Tranche was made or such other rate as the relevant Issuer and the relevant Dealer may agree) in aggregate principal amount of Instruments outstanding at any one time. The maximum aggregate principal amount of Instruments which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under “Subscription and Sale”.
Issuance in Series:	Instruments will be issued in series (each, a “Series”). Each Series may comprise one or more tranches (“Tranches” and each, a “Tranche”) issued on different issue dates. The Instruments of each Series will all be subject to identical terms, except that the issue date, issue price and the amount of the first payment of interest may be different in respect of different Tranches. The Instruments of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Instruments of different denominations.

Form of Instruments:

Instruments may be issued in bearer form or in registered form. In respect of each Tranche of Instruments (other than Book Entry Instruments, as defined below) issued in bearer form, the relevant Issuer will deliver a temporary global Instrument (a “Temporary Global Instrument”) or (if so specified in the relevant Final Terms in respect of Instruments to which U.S. Treasury Regulation §1.163-5(c) (2)(i)(C) (the “TEFRA C Rules”) applies, a permanent global instrument (a “Permanent Global Instrument”). Each global Instrument which is not intended to be issued in new global note form (a “Classic Global Note” or “CGN”) as specified in the Relevant Final Terms will be deposited on or before the relevant issue date therefor with a depository or a common depository for Euroclear S.A./N.V. (“Euroclear Bank”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) and/or any other relevant clearing system and each global Instrument which is intended to be issued in new global note form (a “New Global Note” or “NGN”) as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear Bank and/or Clearstream, Luxembourg. Each Temporary Global Instrument will be exchangeable for a Permanent Global Instrument or, if so specified in the relevant Final Terms, for Instruments in definitive bearer form (“Definitive Instruments”) and/or (if so specified in the relevant Final Terms) registered form in accordance with its terms (“Registered Instruments”) upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury Regulations. Each Permanent Global Instrument will be exchangeable for Definitive Instruments and/or (if so specified in the relevant Final Terms) Registered Instruments in accordance with its term (see further under “Provisions Relating to the Instruments while in Global Form” below). Definitive Instruments will, if interest-bearing, either have interest coupons (“Coupons”) attached and, if appropriate, a talon (“Talon”) for further Coupons and will, if the principal thereof is repayable by instalments, have payment receipts (“Receipts”) attached. Each Instrument issued in registered form shall represent the entire holding of Registered Instruments by the same holder. A Registered Instrument may be deposited with, a common depository or common safekeeper if held under the New Safekeeping Structure (“NSS”), as the case may be, for Euroclear Bank and Clearstream, Luxembourg and registered in the name of a common nominee of Euroclear Bank and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper if held under the NSS, or registered in the name of a nominee of, and deposited with, a common depository for such other relevant clearing system and such an Instrument is referred to herein as a “Global Registered Instrument”. Instruments in registered form may not be exchanged for Instruments in bearer form.

Book Entry Instruments will be issued in dematerialised book-entry form (*forma escritural*), and can either be *nominativas* (in which case Interbolsa, at the request of the Issuer, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Holders and transmit such information to the Issuer) or *ao portador* (in which case Interbolsa cannot inform the Issuer of the identity of the Holders) as further described under “Book Entry Instruments held through Interbolsa” (“Book Entry Instruments”). Book Entry Instruments may only be transferred in accordance with the Portuguese laws and regulations applicable from time to time, notably the procedures established by the Portuguese Securities Code and the regulations issued by the Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission, the

“CMVM”) and Interbolsa. EDP B.V. will not issue Book Entry Instruments.

Currencies:	Instruments may be denominated in euro, U.S. dollars, Yen or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Book Entry Instruments may only be denominated in such currencies as Interbolsa may from time to time accept (for the time being such currencies are euro, U.S. dollars, Canadian dollars, Sterling, Japanese yen and Swiss francs). Payments in respect of Instruments may, subject to compliance as aforesaid, be made in, and/or linked to, any currency or currencies other than the currency in which such Instruments are denominated.
Status of the Instruments:	The Instruments will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer from time to time outstanding.
Issue Price:	Instruments may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.
Maturities:	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Book Entry Instruments shall not be issued with a maturity of less than one year.
Redemption:	Instruments may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms.
Early Redemption:	Early redemption will be permitted for taxation reasons as mentioned in “Terms and Conditions of the Instruments – Early Redemption for Taxation Reasons”, but will otherwise be permitted only to the extent specified in the relevant Final Terms.
Instruments having a maturity of less than one year:	Instruments issued by EDP, B.V. having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent.
Interest:	Instruments may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.
Denominations:	Instruments will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and to a minimum denomination of €50,000 per Instrument (or, if the Instruments are issued in a currency other than euro, the equivalent amount in such currency) where the Instruments are admitted to trading on a regulated market within the European Economic Area (the “EEA”) or offered to the public in the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive. So long as the Instruments are represented by the Temporary Global Instrument or Permanent Global Instrument and the relevant clearing system(s) so permit, the Instruments shall be tradeable only in principal amounts of €50,000 and integral multiples of €1,000 in excess thereof. In the

case of Instruments not admitted to trading on a regulated market within the EEA or offered to the public in the EEA, the minimum denomination of €50,000 specified above shall not apply.

- Negative Pledge: The Instruments will have the benefit of a negative pledge as described in Condition 4.
- Taxation: Payments in respect of Instruments will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands (where the Issuer is EDP B.V.) and Portugal (where the Issuer is EDP) or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, (subject to customary exceptions described in Condition 8) such additional amounts will be paid as will result in the holders of Instruments or Coupons receiving such amounts as they would have received in respect of such Instruments or Coupons had no such withholding or deduction been required.
- Governing Law: The Instruments and all related contractual documentation and any non-contractual obligations arising out of or in connection with the Instruments and all related contractual documentation will be governed by, and construed in accordance with, English law save that, with respect to Book Entry Instruments only, the form (*forma de representação*) and transfer of the Instruments, creation of security over the Instruments and the Interbolsa procedures for the exercise of rights under the Book Entry Instruments are governed by, and shall be construed in accordance with, Portuguese law.
- Listing and admission to trading: Application has been made to the UK Listing Authority for Instruments issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Instruments to be admitted to trading on the London Stock Exchange's regulated market.
- Instruments may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Instruments which are neither listed nor admitted to trading on any market may also be issued.
- Terms and Conditions: Final Terms will be prepared in respect of each Series or Tranche of Instruments, as the case may be, a copy of which will, in the case of Instruments to be admitted to the Official List and admitted to trading on the London Stock Exchange's regulated market be delivered to the London Stock Exchange on or before the date of issue of such Instruments. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Instruments" as supplemented, modified or replaced by the relevant Final Terms.
- Clearing Systems: Save for Book Entry Instruments, Euroclear Bank, Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Final Terms or as may otherwise be approved by the relevant Issuer, the Issue and Paying Agent and the Trustee.
- In the case of Book Entry Instruments, the clearing system operated at Interbolsa.
- Ratings: Instruments issued under the Programme may be rated or unrated. Unless otherwise specified in the applicable Final Terms, rated Instruments to be issued under the Programme will be rated A3 in



respect of Instruments with a maturity of more than one year by Moody's Investors Service Limited ("Moody's"), A in respect of Instruments with a maturity of more than one year by Fitch Ratings Ltd. ("Fitch") and A- in respect of Instruments with a maturity of more than one year by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies Inc. ("Standard & Poor's"). Where an issue of Instruments is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material in the United States of America, Portugal, The Netherlands, the United Kingdom, the EEA and Japan see "Subscription and Sale".

## RISK FACTORS

*Each of the Issuers believes that the following factors may affect its ability to fulfil its obligations under the Instruments. These factors are contingencies which may or may not occur and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with the Instruments are also described below.*

*The Issuers believe that the factors described below represent the principal risks inherent in investing in the Instruments, but the Issuers may be unable to pay interest, principal or other amounts on or in connection with any Instruments for other reasons and the Issuers do not represent that the statements below regarding the risks of holding any Instruments are exhaustive. Accordingly, the factors detailed in this section should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including the documents incorporated by reference herein) and reach their own views prior to making an investment decision.*

*References in this section to EDP are to EDP and its group of companies.*

### RISKS RELATED TO EDP'S BUSINESS

**EDP's operating results are highly affected by laws and regulations implemented by multiple public entities in the various jurisdictions in which it operates.**

EDP's operations include the generation, distribution and supply of electricity (including the development, construction, licensing and operation of power plants and distribution grids) and transmission, distribution and supply of natural gas in several jurisdictions pursuant to concessions, licences and other legal or regulatory permits, as applicable, granted by the governments, municipalities and regulatory entities in such jurisdictions. EDP's most extensive operations are in Portugal, Spain, Brazil and the United States. The laws and regulations affecting EDP's activities in these countries may vary by jurisdiction and may be subject to modifications, including those unilaterally imposed by regulators and legislative authorities or as a result of judicial or administrative proceedings or actions, that may make such laws and regulations more restrictive or in other ways less favourable to EDP. Furthermore, additional laws and regulations may be implemented, including those enacted as a result of actions filed by third parties or lobbying by special interest groups. Changes to these laws and regulations, or the enactment of additional laws and regulations, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

The development and profitability of renewable energy projects is significantly dependent on policies and regulatory frameworks that support such development. Member States of the European Union, including the European countries in which EDP operates or has pipeline projects, and many states in the United States and the U.S. federal government, have adopted policies and measures that actively support renewable energy projects. Support for renewable energy sources has been strong in recent years and EDP has benefited from such support in the past. Both the European Union and various U.S. federal and state bodies have regularly reaffirmed their desire to continue and strengthen such support. However, EDP cannot guarantee that such support, policies or regulatory frameworks will be maintained. Changes to these could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's business is also affected by other general laws and regulations in the various jurisdictions in which it operates, including those regarding taxes, levies and other charges, which may be amended from time to time. EDP cannot guarantee that current laws and regulations will not be rapidly or significantly modified in the future, whether in response to public pressure or initiated by regulatory, judicial or legislative authorities. Any such modifications could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

Concessions, licences and permits might, in some cases, be granted for certain periods of time and might be subject to early termination under specified circumstances, including failure to comply with the terms of the relevant concession, licence or permit. Upon termination of a concession or the expiration of a licence or permit, the fixed assets associated with such concessions, licences or permits, in general, revert to the government or municipality, which granted the relevant concession, licence or permit. Under these circumstances, although specified compensatory amounts might be payable to EDP with respect to these assets, such amounts may not be due and payable or, if due and payable, may not be sufficient to compensate EDP for its actual or anticipated loss and the loss of any of these assets may adversely affect EDP's business, financial condition, prospects and results of operations. Moreover, the expiration or termination of concessions, licences or permits might limit

EDP's ability to renew such concessions, licenses or permits and/or to further conduct its business in an entire jurisdiction and, consequently, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's businesses are subject to and constrained by environmental, health and safety laws and regulations.**

EDP's businesses are subject to numerous environmental regulations that could have a material adverse effect on its business, financial condition, prospects or results of operations. These include national, regional and local laws and regulations of the different countries in which EDP operates, as well as supra-national laws, particularly EU regulations and directives and international environmental agreements. More restrictive or less favourable regulations, or the stricter interpretation of current regulations, such as an obligation to modify existing power plants and associated facilities or the implementation of additional inspection, monitoring, clean up or remediation procedures, could lead to changes in EDP's operating conditions that might require additional capital expenditures, increase its operating costs or otherwise hinder the development of its business. Environmental regulations affecting EDP's business primarily relate to air emissions, water pollution, waste disposal and electromagnetic fields.

EDP's thermal electricity generation operations, particularly coal-based power plants, are significantly affected/ regulated by legislation aimed at reducing CO<sub>2</sub> emissions. Currently, installations located within the European Union receive from Member States an initial free allocation of CO<sub>2</sub> allowances (European Union Allowances (EUAs)). EDP expects to receive, in the 2008-2012 period, free allowances from the Portuguese and Spanish governments amounting to approximately 77 metric tons of CO<sub>2</sub> equivalent. This volume of EUAs, with the purchase of additional allowances and other carbon credits such as Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs), are expected to cover EDP's emissions fully for this period. From 2013 onwards, emissions allowances for the power sector are expected to be 100 per cent auctioned. EDP's thermal plants in Portugal which are subject to CMEC legislation have the right to allocate costs with CO<sub>2</sub> emissions into the system tariff until the termination of the original Power Purchasing Agreement (PPA) concerning each plant, which will be at the end of 2017 in the case of the EDP's main coal-based power plant at Sines.

Although EDP's past and planned future investments in new generation facilities assume that there will be no CO<sub>2</sub> free allowances from 2013 onwards and that such allowances will be even more restricted over time, EDP continues to operate according to its current CO<sub>2</sub> risk management practices and to the existing legislation and regulations regarding these emissions. There can be no assurance that EDP will manage its CO<sub>2</sub> emissions within the applicable allowances nor that there will be no changes in current laws, regulations and targets which might adversely affect EDP's business, financial conditions, prospects and results of operations.

Apart from CO<sub>2</sub>, the major waste products of electricity generation using fossil fuels are sulphur dioxide, nitrogen oxide, and particulate matter, such as dust and ash. A primary focus of the environmental regulations applicable to EDP's business is to reduce these emissions, and EDP may have to incur significant costs to comply with environmental regulations which require the implementation of preventative or remediation measures. Environmental regulation may include emission limits, cap-and-trade mechanisms, taxes or remediation measures, among others, and may determine EDP's policies in ways that affect its business decisions and strategy, notably discouraging the use of certain fuels.

The EU Large Combustion Plant (LCP) Directive (the "LCP Directive") regulates industrial pollution and aims to reduce emissions of acidifying pollutants, particles, and ozone precursors. The LCP Directive entered into force on 27 November 2001 and it replaced the old Directive on large combustion plants (Directive 88/609/EEC as amended by Directive 94/66/EC). The LCP Directive encourages the combined generation of heat and power and sets specific emission limit values for the use of biomass as fuel. It also includes certain gas turbines in its scope in order to regulate NOX emissions, and has set limits for sulphur dioxide, nitrogen oxide and dust in effect since 1 January 2008. The main strategy adopted by EDP to comply with the LCP Directive and with applicable national law (notably with Decree-Law 178/2003, of 5 August which transposes into national law the said Directive) involved installing desulphurisation and denitrification systems in its most efficient coal plants.

After a two year review process, the European Commission adopted on 21 December 2007 a proposal for a Directive on industrial emissions to minimise pollution from various industrial sources throughout the European Union (the "IPPC" Directive). The Proposal recasts seven existing Directives related to industrial emissions into a single clear and coherent legislative instrument. The recast includes the then-existing Directive on integrated pollution prevention and control, the Large Combustion Plants Directive, the Waste Incineration Directive, the Solvents Emissions Directive and three Directives on Titanium Dioxide.

The new IPPC Directive was recently codified (Directive 2008/1/EC of the European Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control) and entered into force on 18 February 2008. Decree-Law 173/2008, of 26 August, transposes the IPPC Directive into national law requiring EDP (and other market participants) to make additional investments in its thermal power plants or to reduce the operation of such thermal power plants, which could have a material adverse effect on EDP's business operations, financial condition, prospects and results of operations.

Environmental and licensing regulations affecting EDP's wind and hydro power generation primarily relate to the impact on fauna and natural resources, the maintenance of safe distances from existing structures and dwellings, and water pollution and waste disposal in connection with operating activities.

Changes in health and safety regulations may affect the design of industrial equipment in the future or the manner in which EDP's power plants are constructed, including in ways that adversely affect their operational performance or EDP's profitability, which could have a material adverse effect on its business, financial condition, prospects or results of operations.

EDP has incurred, and will continue to incur, regular capital and operating expenditures and other costs in complying with safety and environmental laws and regulations in the jurisdictions in which it operates. Although EDP does not currently anticipate any significant capital expenditures in connection with environmental regulations outside of the ordinary course of business, EDP can provide no assurance that such significant capital expenditures will not be incurred or required in the future. Additionally, EDP may incur costs outside of the ordinary course of business to compensate for any environmental or other harm caused by its facilities or to repair damages resulting from any accident or act of sabotage. The operational performance and profitability of EDP's businesses and operations may also be adversely affected by changes in health and safety regulations in the future. The occurrence of any of these events could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

In certain jurisdictions, EDP may be under a legal or contractual obligation to dismantle its facilities and restore the related site to a specified standard at the end of its operating term. In some cases, EDP is required to provide collateral for these obligations. EDP generally includes a provision in its accounts for dismantling costs based on its estimates of the costs, but there is no guarantee that this will reflect the real costs incurred. Therefore, any significant increase in or unanticipated dismantling costs could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's cash flow is subject to possible changes in the amounts and timings of recovery of regulatory receivables from the electricity systems.**

EDP has annually recognised an amount of regulatory receivables in its balance sheet that is related to its regulated business activities, namely to electricity distribution and generation activities in Portugal, and to integrated electricity activities in Spain. EDP's electricity distribution activities in Brazil are also subject to regulatory receivables that, however, are not recognised for accounting purposes under IFRS. These regulatory receivables are to be recovered/returned to the electricity system within a pre-determined time period. As of June 2010, the net amount of regulatory receivables and payables recognised on EDP's balance sheet to be recovered from the Portuguese and Spanish electricity systems amounts to a regulatory receivable of €872 million, which includes the tariff adjustments and the annual revision mechanism under the CMEC.

With respect to distribution activities in Portugal and Brazil, as well as the generation activities in Spain, a tariff deficit/surplus is generated whenever market conditions are different from the regulator's assumptions when setting electricity tariffs for a certain year. This amount of tariff deficit/surplus is to be received/returned from/to the electricity system within a defined time period that is set by the relevant regulator. In the past, significant amounts of regulatory receivables were generated, mostly in Portugal and Spain, meaning that revenues collected through electricity final tariffs were not sufficient to cover electricity system costs. EDP was able to sell a significant part of its credits for these amounts without recourse, particularly in Portugal, while the remaining is still to be received. There is no assurance that in the future, new amounts of regulatory receivables will not be generated or that final amounts received will not be different from the amounts initially expected, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

Regarding EDP's Portuguese electricity generation activity, power plants are operated in the market but subject to the CMEC legislation, which was designed, following the early termination of the corresponding PPAs on 1 July 2007, to ensure parity between the revenues expected in a market regime based on the initial compensation value (calculated by reference to amounts expected to be received under the PPAs) and the revenues obtained in the market. The CMEC payment is subject to an annual revision during the first ten years of

implementation, which is expected to involve financial compensation between EDP and the electricity system to be received in the year after, ensuring that the company is compensated in order to receive what would have been received or paid if the power plants were still operating under PPAs. The annual revision procedure only applies until a maximum global compensation amount defined by law is reached. Finally, and although the “true-up” system of the CMEC allows for recovery in the year following a year in which there was a failure of collections, the operation of the CMEC in a given year may also be affected by significant decreases in the level of contracted power or by extensive failure of the electricity system to collect tariffs from consumers. Failure to recover any amounts under the CMEC could have a material adverse effect on EDP’s business, financial condition, prospects or results of operations.

**The profitability of EDP’s hydro power plants is affected by variable river flows at the sites of its operations, which are dependent on weather conditions.**

As of June 2010, hydro power plants represented approximately one third of EDP’s total installed capacity of electricity generation, amounting to 6,739 MWs out of a total 20,802 MWs. During the development phase and prior to the construction of any hydro power plant, EDP conducts a study to evaluate the potential river flows at the proposed site, which may vary as a result of seasonal fluctuations in river currents and, over the long term, as a result of more general climate changes and shifts. EDP bases its core assumptions and investment decisions on the findings of these studies. The expected levels of electricity generation output from EDP’s hydro power plants in operation, under construction and under development are based essentially on historical averages of river flows at the site of each power plant, which are highly dependent on weather conditions, particularly rain, which varies substantially across the different locations of the power plants, seasons and years. Moreover, the upstream use of river flows for other purposes, restrictions imposed by legislation or the impact of climate change may also result in a reduction in the water flow available for electricity generation purposes. EDP cannot guarantee that actual weather conditions at a project site will conform to the assumptions that were made during the project development phase on the basis of such studies and, therefore, it cannot guarantee that its hydro power plants will be able to meet their anticipated generation levels. Failure by EDP’s hydro power plants to meet the anticipated generation levels could have a material adverse effect on EDP’s business, financial condition, prospects or results of operations.

As of June 2010, 61 per cent. of EDP’s total installed capacity from hydro power plants, totalling 4,094 MWs, corresponded to plants operated in Portugal and subject to the CMEC legislation. Under the CMEC legislation, the profitability of these plants is not impacted by the volatility in river flows at those plants until either June 2017 or any earlier applicable date corresponding to the original termination date of a particular plant’s PPA. Until any of such dates, positive or negative differences in the actual hydraulicity levels at these plants when compared to the levels established in 2007 by the CMEC initial assumptions will lead to payments made to or by all Portuguese electricity consumers through the use of the electricity system tariff. After these dates, these plants will be fully operated in the liberalised market, in which it is expected that in line with what has happened historically in the Iberian Peninsula, hydro power plants should obtain higher revenues per MWh in dry periods and lower revenues per MWh in humid periods, reducing volatility in operating revenues resulting from annual volatility in river flows. As of June 2010, 26 per cent. of EDP’s total installed capacity of hydro power plants, totalling 1,734 MWs, corresponded to hydro plants in Brazil, mostly under PPAs. In Brazil, the hydraulicity risk is shared up to a specified level by all the hydro plants in the country, but the profitability of the plants can be affected in the event of a long dry period generalised in the regions with higher contribution to the country’s hydro power production.

**The profitability of EDP’s wind power plants is affected by variable wind speeds at the sites of its operations, which are dependent on weather conditions.**

As of June 2010, wind power plants represented 27 per cent. of EDP’s installed capacity of electricity generation, amounting to 5,665 MWs of installed capacity. The expected levels of electricity generation output from EDP’s wind power plants in operation, under construction and under development are based on historical averages of wind speeds at the power plants’ sites, which are highly dependent on weather conditions, particularly wind levels, which vary materially across the different locations of the power plants, seasons and years. Variations in wind conditions at wind farm sites occur as a result of daily, monthly and seasonal fluctuations in wind currents and, over the longer term, as a result of more general climate changes and shifts. Because turbines will only operate when wind speeds fall within certain specific ranges that vary by turbine type and manufacturer, if wind speeds fall outside or towards the lower end of these ranges, energy output at EDP’s wind farms declines. During the development phase and prior to the construction of any wind power plant, EDP conducts studies to evaluate the potential wind speeds of the site. EDP bases its core assumptions and investment

decisions on the findings of these studies. EDP cannot guarantee that observed weather conditions at a project site will conform to the assumptions that were made during the project development phase on the basis of such studies and, therefore, EDP cannot guarantee that its wind power plants will be able to meet their anticipated production levels. In Portugal and France, marginal prices of wind power are inversely related to total annual generation levels, which partly limits, but does not eliminate, the impact of less favourable wind conditions on EDP's profitability. Variations and/or decreases of electricity generation output from EDP's wind power plants, or the inability of EDP to generate electricity in its wind power plants due to the lack of wind, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**The profitability of EDP's thermal power plants and gas supply activities is dependent on the reliability of EDP's access to fossil fuels, namely coal and natural gas, in the appropriate quantities, at the appropriate times and under competitive pricing conditions.**

EDP's thermal power plants in operation and under construction need to have ready access to fossil fuels, particularly coal and natural gas, in order to generate electricity. Although EDP has in place long-term purchase agreements for fossil fuels and corresponding transportation agreements, EDP cannot be certain that there will be no disruptions in its supply of fossil fuels. The adequacy of this supply also depends on shipping and transportation services involving a variety of third parties. In the event of a failure in the supply chain of fossil fuels, EDP may not be able to generate electricity in some or all of its thermal power plants, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's thermal power plants in Portugal operating under the CMEC, and Pecém coal plant under construction in Brazil which will operate under a long-term PPA, are all able to pass through their fossil fuel costs, in accordance, respectively, with the CMEC rules and the terms of the PPA. However, the profitability of these plants could be reduced if actual levels of availability are below contracted levels due to a shortage of fossil fuels. EDP's ordinary regime thermal power plants in the Iberian Peninsula's liberalised market, which are not subject to CMEC legislation or to PPAs, are fully exposed to changes in fossil fuel costs and, therefore, variations of the fossil fuel costs could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

The gas that EDP buys for use in its liberalised CCGTs or to be supplied to its gas customers in Portugal and Spain, is currently furnished primarily through long-term contracts with Galp, Eni, Sonatrach, Gas Natural and Atlantic LNG, under which the gas is delivered both through LNG terminals (principally originating in Nigeria) and international pipelines (mainly originating in Algeria). The supply chain of gas to the Iberian Peninsula through foreign countries involves gas production and treatment, transport through international pipelines and by ship, and processing in liquefaction terminals. This supply chain is subject to political and technical risks. Although these risks are often addressed in force majeure clauses in supply, transit and shipping contracts that may, to a certain extent, mitigate contractual risk by shifting it to the end-user market, contractual provisions do not mitigate margin risk associated with loss of profits. In addition, any capacity, access or operational restrictions imposed by the transmission system operator on the use of LNG terminals, international grid connections or domestic grid connections may impair normal supply and sales activities; these circumstances involve additional contractual risks that could lead to a reduction in profits. EDP's long-term gas procurement contracts have prices indexed largely to benchmark oil price related indexes in Europe and the Middle East. Under the terms of these gas contracts, EDP commits to purchasing a minimum amount of gas for a certain period of time through "take-or-pay clauses". As a result, under certain circumstances, EDP may have to purchase more gas than it needs to operate its CCGTs or supply its gas customers. Disruptions in the supply chain of natural gas and/or the enforcement of "take-or-pay clauses" could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP purchases coal in international spot and forward markets taking into consideration the expected short- and medium-term utilisation rates of its coal power plants in the Iberian Peninsula. In recent years, Colombia and South Africa have been EDP's main source of coal. EDP also has a long-term coal supply contract with Hunosa, a mining company with coal mines in northern Spain.

EDP's Aboño thermal plant in Spain and a neighbouring steel plant have a large-volume supply contract for blast furnace gas with relatively favourable terms compared to current market prices, which significantly reduces EDP's generation costs at that plant. Nevertheless, the volume of blast furnace gas available for EDP to purchase depends on the steel plant's production levels, which can change significantly. Any gas shortage for the Aboño plant is replaced by coal purchases, and therefore changes in coal spot or forward prices could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's profitability may be affected by significant changes in energy demand in each of the countries where it operates.**

EDP's profitability from the distribution of electricity and natural gas in Portugal is less dependent on consumption levels, but is rather dependent on fixed parameters set by ERSE for the regulatory period for electricity and on specific return levels defined for the applicable 40-year concession period for gas (starting 1 January 2008). Profitability of power plants subject to PPAs and the CMEC system are also not materially affected by changes in demand during the life of the CMEC system. However, significant changes in demand for electricity and natural gas in the markets where EDP operates may have an impact on the profitability of EDP's other business activities. EDP's investment decisions take into consideration the company's expectations regarding the evolution of demand for electricity and natural gas, which may be significantly affected by the economic conditions of the countries in which EDP sells and distributes electricity and natural gas, but also by a number of other factors including regulation, tariff levels, environmental and climate conditions and competition. Significant changes in any of these variables may affect levels of per capita energy consumption, which could vary substantially from the company's expectations, and could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's electricity generation plants in operation and under development may be subject to increasing competition in their respective markets or regions.**

In the Iberian Peninsula, electricity generation is subject to licensing by the competent authorities, which is carried out in a competitive environment. Consequently, new electricity generation power plants may be licensed to EDP's competitors in the markets where it operates, affecting the profitability of its liberalised market power plants in operation, under construction or under development. Furthermore, EDP may be unsuccessful in obtaining licences for the construction or operation of new power plants, and it could therefore be unable to increase or maintain its generation capacity or market share.

EDP's electricity generation capacity in the Iberian Peninsula has grown significantly in recent years, particularly through the construction of a new CCGT and new wind power plants. In addition, there are still a significant number of already licensed CCGT and wind power projects that are currently under construction or under development in the region. The decline in electricity and gas demand in 2009 in the Iberian Peninsula, together with the increase of installed capacity described above, may lead to a situation of overcapacity in Spain, and to a lesser extent in Portugal, for an indeterminate period of time.

The improvement of electricity interconnections with markets or regions with excess capacity or lower energy prices than those in the markets or regions in which EDP operates power plants may also affect the profitability of EDP's plants. The electricity transmission grid operators in Portugal and Spain, REN – Rede Eléctrica Nacional, S.A. ("REN Rede Eléctrica", a subsidiary of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. ("REN")) and Red Eléctrica de España, S.A. ("REE"), respectively, have been investing significantly in the improvement of transmission grid capacity in both countries and in the interconnection grid between the two countries. REE and the French electricity grid operator have also been planning to expand the electricity interconnection grid between Spain and France. Although the profitability of EDP's electricity generation capacity currently under the CMEC system in Portugal or under a special regime (including some wind, mini-hydro, cogeneration and biomass power) in the Iberian Peninsula is not exposed to the electricity pool price risk, in the long run, the end of the CMEC system combined with improved electricity interconnections could increase competition for EDP's power plants and could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

With respect to the development of wind power generation, EDP primarily faces competition in bidding for or acquiring available sites (particularly sites with favourable wind resources and existing or potential interconnection infrastructure), in bidding for or acquiring grid interconnection rights, and in setting prices for energy produced. In certain European countries, interconnection rights to electricity transmission and distribution grids, which are critical for the development of wind farms, may be granted through tender

processes. Although EDP has generally been able to obtain a number of interconnection rights through tender processes in the past, there is no certainty that it will be able to obtain such rights in the future, particularly in light of an increasingly competitive environment. Failure to obtain these rights may cause delays to or prevent the development of EDP's projects. In addition, not all of EDP's existing or future interconnection rights will be sufficient to allow EDP to deliver electricity to a particular market or buyer. Wind farms can be negatively affected by transmission congestion when there is insufficient available transmission capacity, which could result in lower prices for wind farms selling power into a locally priced market, such as certain U.S. markets. Competition in the renewable energy sector could therefore have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration of market conditions.**

A decline in gross profit per unit of electricity or natural gas sold may result from a number of different factors, including an adverse imbalance between supply and demand in the electricity and natural gas markets in which EDP operates or in other related energy markets, the performance of international and or regional energy prices such as oil, natural gas, coal, CO<sub>2</sub> allowances and green certificates, below average rainfall or wind speed levels in the markets in which EDP operates, higher cost of power plant construction or a change in the technological mix of installed generation capacity. The gross profit per MWh of energy sold in liberalised energy markets can also be affected by administrative decisions imposed by legislative and regulatory authorities in the countries in which EDP operates.

The volatility of EDP's gross profit per unit of electricity and natural gas sold can be particularly significant in its activities in the liberalised electricity and natural gas markets of the Iberian Peninsula, which are fully exposed to market risk. If the difference between the electricity price in the market and the marginal generation cost (which depends primarily on fuel and CO<sub>2</sub> costs) available at its thermal plants is too low, EDP's thermal plants may not generate electricity or electricity generation may be limited, which could have a material adverse effect on EDP's business, financial condition, prospects and results of operation.

Payments for electricity sold by certain of EDP's wind farms depend, at least in part, on market prices for electricity. In Spain, part of EDP's wind power revenues per MWh have a fixed component that is adjusted for inflation, while another part is linked to the Spanish pool price, with a cap and floor system. In the United States, EDP sells its wind power output mainly through long-term PPAs, which defines the sale price of electricity for the duration of the contract. Nevertheless, where a PPA is not executed due to market conditions or as part of a commercial strategy, EDP sells its electricity output in wholesale markets, in which it is fully exposed to market risk volatility. In jurisdictions where combinations of regulated incentives, such as green certificates, and market pricing are used, the regulated incentive component may not compensate for fluctuations in the market price component, and thus total remuneration may be volatile. A decline in market prices for energy below levels expected by EDP could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

In Brazil, the electricity generated by EDP's power plants is substantially sold through PPAs, while EDP's electricity distribution business, in accordance with certain regulatory rules, has the ability to pass its electricity procurement costs through to customers. Nevertheless, payments for electricity sold by EDP's electricity generation, distribution and supply activities in Brazil can be affected by significant changes in electricity market prices, particularly those due to extremely dry periods, large fluctuations in electricity demand and modifications of EDP's electricity distribution concession areas. Prices for new PPAs both for electricity generation plants under development or in operation are set through public tenders and can change significantly due to changes in competitive pressures and or the regulatory environment.

EDP currently uses and may in the future continue to use various financial and commodity hedging instruments relating to electricity, carbon emissions, fuel (coal and natural gas) and foreign exchange, as well as bilateral PPAs and long-term fuel supply agreements, in order to mitigate market risks. However, EDP may not be successful in using hedging instruments or long-term agreements, or it may not effectively anticipate and hedge against such risks, which could have a material adverse effect on its business, financial condition, prospects or results of operations.



**The increase of competition in electricity and natural gas supply in liberalised markets in the Iberian Peninsula may reduce EDP's margins and reduce its ability to sell electricity and natural gas to value-added final customers.**

All electricity consumers in Portugal have been free to choose their electricity supplier since 2006. After 2008, the liberalised markets increased considerably. In June 2010, accumulated electricity consumption in the liberalised market represented about 34 per cent. of total consumption. EDP maintained its leading position in the liberalised market, with a cumulative total consumption representing 53 per cent. of the total liberalised market. EDP operates as the "last recourse" supplier in the Portuguese electricity supply business through EDP Serviço Universal, S.A. and acts as a common supplier in the liberalised market through EDP Comercial – Comercialização de Energia, S.A.

All natural gas consumers in Portugal have been free to choose their gas supplier since the beginning of 2010. In June 2010, EDP has a cumulative total consumption representing 35 per cent. of the total liberalised market. EDP operates as the "last recourse" supplier in determined areas of Portugal through EDP Gás Serviço Universal, S.A. and acts as a common supplier in the liberalised market through EDP Gás, Com-Comércio de Gás Natural S.A. In Spain, retail tariffs for electricity were phased out in June 2009, and substituted by a last resort tariff system. Thus, since 1 July 2009, last resort consumers (low-voltage consumers whose contracted power is less than or equal to 10 kw) have been able to choose between their last resort supplier and several common suppliers in the liberalised market. All other consumers are supplied in the liberalised market. EDP's subsidiary HC Energia is the last recourse supplier of electricity in the Asturias region. Gas retail tariffs no longer exist in Spain, meaning that gas customers are able to choose between their last recourse supplier and several common suppliers in the liberalised market. EDP's subsidiary Naturgas is the last recourse supplier of gas in the Basque Country and Asturias region. In the future, more competing suppliers are expected to enter the market and engage in electricity sales. The effects of this increased competition could materially and adversely affect EDP's sales of electricity.

The implementation by Portugal and Spain of EU directives that are intended to create competitive electricity and natural gas supply markets, such as, for instance, the limitation of certain large clients to access to the last recourse tariffs or the increase of competitiveness in such markets could have a material adverse effect on EDP's business, financial condition, prospects or results of operations. In July 2010, the Portuguese government announced that high, medium and special low-voltage clients will no longer be able to benefit from electricity regulated tariffs. These clients will be transferred to the free market on 1 January 2011 in compliance with EU directives on electricity tariffs, while last recourse tariffs will continue to be applicable to low-voltage customers (mainly households and small businesses).

In addition, EDP cannot anticipate the various risks and opportunities that may arise from the ongoing liberalisation in the Iberian Peninsula's electricity and natural gas markets. The complete implementation of the liberalisation process, with the end of regulated retail tariffs, the eventual end of the role of last recourse suppliers, and the resulting competition could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's renewable activities in the United States may be adversely affected by changes in current renewable support schemes or the failure of such support to materialise due to adverse market conditions.**

In the United States, the federal government currently supports renewable energy primarily through tax incentives and a grant program to reimburse a portion of eligible capital costs. In addition, many state governments have implemented Renewable Portfolio Standards ("RPS") that typically require that, by a specified date, a certain percentage of a utility's electricity supplied to consumers within such state is to be from renewable sources. Historically, the main tax incentives have been the federal production tax credit ("PTC") and the five-year depreciation for eligible assets under the Modified Accelerated Cost Recovery System ("MACRS"). In February 2009, a new U.S. federal law allowed renewable energy projects that forego PTCs to elect an investment tax credit ("ITC"), or a cash grant equal to 30 per cent. of the capital invested in the project. Under the new law, renewable energy projects placed in service before the end of 2012 can choose among the PTC, ITC or cash grant, although only projects that begin construction before the end of 2010 will be eligible for the cash grant. The PTC legislation was first enacted in 1992 and has historically been extended by the U.S. Congress for one- to four-year periods. While in the past the PTC has consistently been extended, it has been allowed to expire three times before being subsequently extended, thereby creating a lapse period. In each case, the U.S. Congress applied the PTC retroactively to cover such lapse period; however the periodic expiration and uncertainty of the legislative process with respect to extensions affected industry participants. No comparable legislative history exists for the ITC or grant program since they were not options for wind energy projects until

2009. There can be no assurance that the PTC, the ITC or the cash grant program will be extended beyond their current expiration dates. With respect to the five-year asset depreciation under the MACRS, while the system has been in place since 1986, and EDP expects the system to remain unchanged going forward, there can be no assurance that MACRS treatment will not be discontinued in the future.

EDP's ability to take advantage of the benefits of the PTC, ITC and MACRS incentives (but not the cash grant program) is based in part on the investment structures that EDP enter into with institutional investors in the United States (the "Partnership Structures"). Even assuming that the PTC, ITC and MACRS incentives continue to be available in the future, there can be no assurance that (i) EDP will have sufficient taxable income in the United States to utilise the benefits generated by these tax incentives or (ii) EDP will otherwise be able to realise the benefits of these incentives through Partnership Structures entered into with investors who offer acceptable terms and pricing or that there will be a sufficient number of such suitable investors.

In addition to U.S. federal tax incentives, at the state level, RPSs provide support for EDP's business by mandating that a certain percentage of a utility's energy supplied to consumers within the state come from renewable sources (typically between 10 per cent. and 20 per cent. by 2015) and, in certain cases, provide for various penalties for non-compliance. According to the Database of State Incentives for Renewables and Efficiency ("DSRE") as of August 2010, 35 U.S. states and the District of Columbia have RPS targets. Six of these states (North Dakota, South Dakota, Virginia, West Virginia, Indiana and Vermont) have voluntary, rather than mandatory, targets. Although additional states may consider the enactment of RPS, there can be no assurance that they will decide to do so, or that the existing RPS will not be discontinued or adversely modified. See "*EDP Group – Regulatory Framework – United States*" for further information.

#### **EDP may encounter problems and delays in constructing or connecting its electricity generation facilities.**

EDP faces risks relating to the construction of its electricity generation facilities, including risks relating to the availability of equipment from reliable suppliers, availability of building materials and key components, availability of key personnel, including qualified engineering personnel, delays in construction timetables and completion of the projects within budget and to required specifications. EDP may also encounter various setbacks such as adverse weather conditions, difficulties in connecting to electricity transmission grids, construction defects, delivery failures by suppliers, unexpected delays in obtaining zoning and other permits and authorisations or legal actions brought by third parties.

Any such setbacks may result in delays in the completion of a project and other unforeseen construction costs or budget overruns, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

#### **EDP's revenues are heavily dependent on the effective performance of the equipment it uses in the operation of its power plants and electricity and natural gas distribution networks.**

EDP's business and ability to generate revenue depend on the availability and operating performance of the equipment necessary to operate its power plants and electricity and natural gas distribution networks. Mechanical failures or other defects in equipment, or accidents that result in non-performance or under-performance of a power plant or electricity and natural gas distribution network may have a direct impact on the revenues and profitability of EDP's activities. The cost to EDP of these failures or defects is reduced to the extent that EDP may have the benefit of warranties or guarantees provided by equipment suppliers that cover the costs of repair or replacement of defective components or mechanical failures, or the losses resulting from such accidents can be partially recoverable by insurance policies in force. However, while EDP typically receives liquidated damages from suppliers for shortfalls in performance or availability (up to an agreed cap and for a limited period of time), there can be no assurance that such liquidated damages would fully compensate EDP for the shortfall and resulting decrease in revenues, or that such suppliers will be able or willing to fulfil such warranties and guaranties, which in some cases may result in costly and time-consuming litigation or other proceedings, meaning that any significant expenses incurred by failures, defects or accidents relating to EDP's operating equipment and infrastructure could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's assets could be damaged by natural and man-made disasters, and EDP could face civil liabilities or other losses as a result.**

EDP's assets could be damaged by fire, earthquakes, acts of terrorism, and other natural or man-made disasters. While EDP seeks to take precautions against such disasters, maintain disaster recovery strategies and purchase levels of insurance coverage that it regards as commercially appropriate should any damage occur and be substantial, EDP could incur losses and damages not recoverable under insurance policies in force.

EDP's power plants are susceptible to industrial accidents, and employees or third parties may suffer bodily injury or death as a result of such accidents. In particular, while EDP believes that its equipment has been well designed and manufactured and is subject to rigorous quality control tests, quality assurance tests, and is in compliance with applicable health and safety standards and regulation, the design and manufacturing process is ultimately controlled by EDP's equipment suppliers or manufacturers rather than EDP, and there can be no assurance that accidents will not result during the installation or operation of this equipment. Additionally, EDP's power plants and employees may be susceptible to harm from events outside the ordinary course of business, including natural disasters, catastrophic accidents and acts of terrorism. Such accidents or events could cause severe damage to EDP's power plants and facilities, requiring extensive repair or the replacement of costly equipment and may limit EDP's ability to operate and generate income from such facilities for a period of time. Such incidents could also cause significant damage to natural resources or property belonging to third parties, or personal injuries, which could lead to significant claims against EDP and its subsidiaries. The insurance coverage that EDP maintains for such natural disasters, catastrophic accidents and acts of terrorism may become unavailable or be insufficient to cover losses or liabilities related to certain of these risks.

Furthermore, the consequences of these events may create significant and long-lasting environmental or health hazards and pollution and may be harmful or a nuisance to neighbouring residents. EDP may be required to pay damages or fines, clean up environmental damage or dismantle power plants in order to comply with environmental or health and safety regulations. Environmental laws in certain jurisdictions in which EDP operates, including the United States, impose liability, and sometimes liability without regard to fault, for releases of hazardous substances into the environment. EDP could be liable under these laws and regulations at current and former facilities and third party sites. Violations of environmental laws in certain jurisdictions may also result in criminal penalties, including in some cases with respect to certain violations of laws protecting migratory birds and endangered species.

EDP may also face civil liabilities or fines in the ordinary course of its business as a result of damages to third parties caused by the natural and man-made disasters mentioned above. These liabilities may result in EDP being required to make indemnification payments in accordance with applicable laws that may not be fully covered by its insurance policies.

EDP has an interest in a nuclear power plant through Hidrocantábrico, which holds a 15.5 per cent. interest in the Trillo nuclear power plant in Spain. As required by the international treaties ratified by Spain, Spanish law and regulations limit the liability of nuclear plant operators for nuclear accidents. Current Spanish law provides that the operator of each nuclear facility is liable for up to €700 million as a result of claims relating to a single nuclear accident. EDP would be liable for its proportional share of this €700 million amount. Trillo currently has insurance to cover potential liabilities related to third parties arising from a nuclear accident in Trillo up to €700 million, including environment liability up to the same limit. In the proportion of Hidrocantábrico's stake in Trillo, EDP could be subject to the risks arising from the operation of nuclear facilities and the storage and handling of low-level radioactive materials.

The occurrence of one or more of any of these natural and man-made disasters, and any resulting civil liabilities or other losses, could have an adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP is exposed to counterparty risk in some of its businesses.**

EDP's electricity and natural gas supply to final customers, its energy wholesale activities in the Iberian Peninsula and in international fuel markets, as well as its PPAs in the United States and Brazil, are all subject to counterparty risk.

While EDP seeks to mitigate counterparty risk by entering into transactions with creditworthy entities, by diversifying counterparties and by requiring credit support, there can be no assurance that EDP is sufficiently protected from counterparty risk. EDP primarily faces the risks that counterparties may not comply with their contractual obligations, they may become subject to insolvency or liquidation proceedings during the term of the

relevant contracts or the credit support received from such counterparties will be inadequate to cover EDP's losses in the event of its counterparty's failure to perform. Any significant non-compliance, insolvency or liquidation of EDP's customers or counterparties could have a material adverse effect on its business, financial condition, prospects or results of operations.

**EDP is unable to insure itself fully or against all potential risks and may become subject to higher insurance premiums.**

EDP's business is exposed to the inherent risks in the construction and operation of power plants, electricity and natural gas distribution grids and other energy related facilities, such as mechanical breakdowns, manufacturing defects, natural disasters, terrorist attacks, sabotage, personal injury and other interruptions in service resulting from events outside of EDP's control. EDP is also exposed to environmental risks, in particular any environmental conditions that may affect, destroy, damage or impair any of its facilities. These events may result in increased costs and other losses which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP has taken out insurance policies to cover certain risks associated with its business, and it has put in place insurance coverage that it considers to be commensurate with its business structure and risk profile, in line with general market practice. EDP cannot be certain, however, that its current insurance policies will fully insure it against all risks and losses that may arise in the future. Malfunctions or interruptions of service at EDP's facilities could also expose it to legal challenges and sanctions. Any such legal proceedings or sanctions could, in turn, have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

In addition, while EDP has not made any material claims to date under its insurance policies that would make any policy void or result in an increase to the premiums payable in respect of any policy, EDP's insurance policies are subject to annual review by its insurers, and EDP cannot be certain that these policies will be renewed at all or on similar or favourable terms. If EDP were to incur a substantial uninsured loss or a loss that significantly exceeded the limits of its insurance policies, or if reviews of EDP's insurance policies led to less favourable terms, such additional costs could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP may not be able sufficiently to keep pace with technological changes in the rapidly evolving energy sector in order to maintain and increase its business operations competitiveness.**

The technologies used in the energy sector have changed and may change and evolve rapidly in the future, and techniques for generating electricity are constantly improving and becoming more complex. In order for EDP to maintain its competitiveness and to expand its business, it must effectively adjust to changes in technology. In particular, technologies related to power generation and electricity transmission are constantly updated and modified. If EDP is unable to modernise its technologies quickly and regularly and to take advantage of industry trends, it could face increased pressure from competitors and lose customers in the markets in which it operates. EDP could also lose valuable opportunities to expand its operations in existing and new markets on account of an insufficient integration of new technologies in its operations. As a result, EDP's failure to respond to current and future technological changes in the energy sector in an effective and timely manner could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's involvement in international activities subjects it to particular risks, namely foreign currency risks.**

Investments in Brazil, the United States and other countries outside the Eurozone present a different or greater risk profile to EDP than those made in the energy business in the Eurozone. Risks associated with its investments outside of the Eurozone may include, but are not limited to: (i) economic volatility; (ii) exchange rate fluctuations and exchange controls; (iii) differing levels of inflationary pressures; (iv) differing levels of government involvement in the domestic economy; (v) political uncertainty; and (vi) unanticipated changes in regulatory or legal regimes. EDP can give no assurance that it will successfully manage its investments in Brazil, the United States and other international locations.

EDP is exposed to currency translation risk when the accounts of its Brazilian, U.S. and non-Eurozone (e.g. Poland and Romania) businesses, denominated in the respective local currencies, are translated into its consolidated accounts, denominated in Euros. For example, the Brazilian Real appreciated annually against the Euro on average by 9.7 per cent., 2.6 per cent. and 0.3 per cent. in 2006, 2007 and 2008, respectively, but depreciated on average by 4.7 per cent. in 2009. Fluctuations in the value of the Brazilian Real against the Euro could have an adverse impact on EDP's consolidated financial position and results of operations. EDP cannot

predict movements in such non-euro currencies, particularly the Brazilian Real and the U.S. dollar, and a major devaluation of such currencies could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

Certain of EDP's operating subsidiaries (particularly in the United States, Brazil, Romania and Poland) have in the past and may in the future enter into agreements or incur substantial capital expenditures denominated in a currency that is different from the currency in which they generate revenues. EDP attempts to hedge currency fluctuation risks by matching the currency of its costs and revenues as well as by using various financial instruments. There can be no assurance that EDP's efforts to mitigate the effects of currency exchange rate fluctuations will be successful, that EDP will continue to undertake hedging activities or that any current or future hedging activities EDP undertakes will adequately protect its financial condition and operating results from the effects of exchange rate fluctuations, that these activities will not result in additional losses or that EDP's other risk management procedures will operate successfully. The occurrence of any of these events could materially adversely affect EDP's business, financial condition, prospects and results of operations.

**EDP operates in a capital-intensive business, and a significant increase in capital costs could have a material adverse effect on its business, financial condition, prospects or results of operations.**

EDP has significant construction and capital expenditure requirements, and the recovery of its capital investment occurs over a substantial period of time. The capital investment required to develop and construct a power plant generally varies based on the cost of the necessary fixed assets, such as equipment for the power plants and civil construction services. The price of such equipment or civil construction services may increase, or continue to increase, if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities and raw materials used to build such equipment increases. In addition, the volatility in commodity prices could increase the overall cost of constructing, developing and maintaining power plants in the future. Other factors affecting the amount of capital investment required include, among others, construction costs and interconnection costs. A significant increase in the costs of developing and constructing EDP's power plants or associated energy facilities could have a material adverse effect on EDP's ability to achieve its growth targets and its business, financial condition, prospects or results of operations.

**EDP may not be able to finance its planned capital expenditures.**

EDP's business activities require significant capital expenditures. EDP expects to finance a substantial part of these capital expenditures out of the cash flows from its operating activities. If these sources are not sufficient, however, EDP may have to finance certain of its planned capital expenditures from outside sources, including bank borrowing, offerings in the capital markets, institutional equity partnerships and state grants. No assurance can be given that EDP will be able to raise the financing required for its planned capital expenditures on acceptable terms or at all. If EDP is unable to raise such financing, it may have to reduce its planned capital expenditures. Any such reduction could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP's financial position may be adversely affected by a number of factors, including restrictions in borrowing and debt arrangements, changes to EDP's credit ratings and adverse changes and volatility in the global credit markets.**

EDP's business is partly financed through debt, and the maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from EDP's assets. Accordingly, EDP relies on access to short-term commercial paper and money markets and longer-term bank and capital markets as sources of finance. For example, EDP's consolidated indebtedness increased by 16.5 per cent. in 2008 and 1 per cent. in 2009. The global financial markets are currently experiencing extreme volatility and disruption. A shortage of liquidity, lack of funding, pressure on capital and extreme price volatility across a wide range of asset classes are putting financial institutions under considerable pressure and, in certain cases, placing downward pressure on share prices and credit availability for companies. Although the average cost of EDP's debt decreased from 4.3 per cent. in 2008 to 4 per cent. in 2009, primarily as a result of reductions in the base rates for its floating rate debt, ongoing adverse market conditions could increase EDP's cost of financing in the future, particularly as a result of its debt refinancing requirements as well as rising base rates on its floating rate debt. In addition, some of EDP's debt is rated by credit rating agencies, and changes to these ratings, namely as a result of changes or downgrading to sovereign ratings, may affect both its borrowing capacity and the cost of those borrowings.

EDP's sources of liquidity include short term deposits, revolving credit facilities and underwritten commercial paper programmes with a diversified group of creditworthy financial institutions. Should the creditworthiness of these financial institutions dramatically change, EDP's liquidity position could be negatively affected.

If EDP is unable to access capital at competitive rates or at all, its ability to finance its operations and implement its strategy will be affected, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP may incur future costs with respect to its defined benefit pension plans.**

EDP grants some of its employees a supplementary retirement and survival plan (the "pension plan"). The liabilities and corresponding annual costs of the pension plan are determined through annual actuarial calculations by independent actuaries. The most critical risks relating to pensions accounting often relate to the returns on pension plan assets and the discount rate used to assess the present value of future payments. Pension liabilities can place significant pressure on cash flows. In particular, if any of EDP's pension funds becomes underfunded according to local regulations, EDP or its relevant subsidiary may be required to make additional contributions to the fund, which could have an adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP may be exposed to additional risks if it performs M&A activities.**

EDP may seek opportunities to expand its operations in the future through strategic acquisitions. EDP plans to assess each investment based on extensive financial and market analysis, which may include certain assumptions. Additional investments could have a material adverse effect on EDP's business, financial condition, prospects or results of operations, as a result of any of the following circumstances or other factors:

- (i) EDP may incur substantial costs, delays or other operational or financial problems in integrating acquired businesses;
- (ii) EDP may not be able to identify, acquire or profitably manage additional businesses;
- (iii) acquisitions may adversely affect EDP's operating results;
- (iv) acquisitions may divert management's attention from the operation of EDP's existing businesses;
- (v) EDP may not be able to retain key personnel of acquired businesses;
- (vi) EDP may encounter unanticipated events, circumstances or legal liabilities; and
- (vii) EDP may have difficulties in obtaining the required financing or the required financing may only be available on unfavourable terms.

EDP may also seek opportunities to divest from non-core assets. There can be no assurance that such divestments will be done in a timely and efficient manner or that EDP will not incur in losses when disposing of such assets or that EDP's business, financial condition, prospects or results of operations will not be adversely affected by any such divestment.

**EDP may have difficulty in hiring and retaining qualified personnel.**

In order to maintain and expand its business, EDP needs to recruit, promote and maintain executive management and qualified technical personnel. The inability in the future to attract or retain sufficient technical and managerial personnel could limit or delay EDP's development efforts or negatively affect its operations, which could have an adverse effect on its business, financial condition, prospects or results of operations.

**EDP may face labour disruptions that could interfere with its operations and business.**

Although EDP believes that it maintains satisfactory working relationships with its employees, it is still subject to the risk of labour disputes and adverse employee relations and these disputes and adverse relations could disrupt EDP's business operations and adversely affect its business, financial condition, prospects and results of operations. Although EDP has not experienced any significant labour disputes or work stoppages to date, its existing labour agreements may not prevent a strike or work stoppage at any of EDP's facilities in the

future. Any such strike or work stoppage could have a material and adverse effect on EDP's business, financial condition, prospects or results of operations.

**EDP is a party in certain litigation proceedings.**

EDP is, has been, and may be from time to time in the future, subject to a number of claims and disputes in connection with its business activities. EDP cannot ensure that it will prevail in any of these disputes or that it has adequately reserved or insured against any potential losses, and therefore an adverse decision could have a material adverse effect on EDP's reputation, business, financial condition, prospects and results of operations.

**RISK FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH INSTRUMENTS ISSUED UNDER THE PROGRAMME**

**The Instruments issued by EDP B.V. are not guaranteed by EDP, and investors do not have any direct rights to enforce payment on the Instruments against EDP in case of default by EDP B.V. under the Instruments.**

The Instruments are obligations of the EDP B.V. and not of EDP. EDP has no obligation to pay any amounts due under the Instruments issued by EDP B.V. EDP has entered into a Keep Well Agreement with the EDP B.V., which is not a guarantee. Under the Keep Well Agreement, EDP has agreed that, for so long as the EDP B.V. has any Instruments outstanding under the Programme, it will make available to the EDP B.V. funds sufficient to meet its payment obligations or repay borrowings then maturing to the extent that EDP B.V.'s funds or other liquid assets are insufficient to meet its payment obligations or repay its borrowings. Although under the terms of the Keep Well Agreement the Trustee may, on behalf of holders of any instruments issued by EDP B.V. under the Programme, enforce EDP B.V.'s rights under the Keep Well Agreement against EDP, holders do not have any direct rights against EDP. (See "Relationship of EDP B.V. with EDP S.A." for more information on the Keep Well Agreement.)

**The Instruments may not be a suitable investment for all investors.**

Each potential investor in Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Instruments, the merits and risks of investing in the Instruments and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Instruments and the impact the Instruments will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Instruments, including Instruments with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Instruments and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Instruments are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Instruments which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of the Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

## **RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF INSTRUMENTS**

A wide range of Instruments may be issued under the Programme. A number of these Instruments may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

### **Instruments subject to optional redemption by the Issuer.**

The optional redemption feature of the Instruments could limit their market value. During any period when the Issuers may elect to redeem the Instruments, the market value of the Instruments generally will not rise above the price at which they can be redeemed. This also may be true prior to any redemption period.

If the Issuers redeem the Instruments early, the optional redemption amount payable and/or prevailing market rates may not enable an investor to reinvest the redemption proceeds at an effective yield as high as the yield on the Instruments being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### **Index Linked Instruments and Dual Currency Instruments.**

The Issuers may issue Instruments with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “Relevant Factor”). In addition, the Issuers may issue Instruments with principal or interest payable in one or more currencies which may be different from the currency in which the Instruments are denominated. Potential investors should be aware that:

- (i) the market price of such Instruments may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Instruments in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical performance of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Instruments. Accordingly, each potential investor should consult its own financial and legal advisers about the risks entailed with an investment in any Index Linked Instruments and the suitability of such Instruments in light of its particular circumstances.

### **Partly-paid Instruments.**

The Issuers may issue Instruments where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

### **Variable rate Instruments with a multiplier or other leverage factor.**

Instruments with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.



### **Inverse Floating Rate Instruments.**

Inverse Floating Rate Instruments have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Instruments typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Instruments are more volatile because an increase in the reference rate not only decreases the interest rate of the Instruments, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Instruments.

### **Fixed/Floating Rate Instruments.**

Fixed/Floating Rate Instruments may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuers have the right to effect such a conversion, this will affect the secondary market and the market value of the Instruments since the Issuers may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuers convert from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Instruments may be less favourable than then prevailing spreads on comparable Floating Rate Instruments tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Instruments. If the Issuers convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Instruments.

### **Instruments issued at a substantial discount or premium.**

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

## **RISKS RELATING TO INSTRUMENTS CLEARED THROUGH INTERBOLSA**

### **Risks related to withholding tax**

Under Portuguese law, income derived from the Book Entry Instruments integrated in and held through Interbolsa, as management entity of the Portuguese Centralised System (*sistema centralizado*, the Central de Valores Mobiliários), held by non-resident investors (both individual and corporate) are eligible for the debt securities special tax exemption regime which was approved by Decree-Law no. 193/2005, of 7 November, as amended, (“Decree-Law no. 193/2005”) and in force as from 1 January 2006, may benefit from withholding tax exemption, provided that certain procedures and certification requirements are complied with. Failure to comply with these procedures and certifications will result in the application of Portuguese domestic withholding tax.

Decree-Law no. 193/2005 does not apply to Instruments other than Book Entry Instruments.

See details of the Portuguese taxation regime in “Taxation – Portugal”.

The Issuers will not gross up payments in respect of any such withholding tax in any of the cases indicated in Condition 8, including failure to deliver or incorrect completion of the certificate or declaration referred to above. Accordingly, holders of Book Entry Instruments must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Book Entry Instruments.

## **RISKS RELATED TO INSTRUMENTS GENERALLY**

Set out below is a brief description of certain risks relating to the Instruments generally:

### **Instruments where denominations involve integral multiples: definitive Instruments.**

In relation to any issue of Instruments which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Instruments may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the

minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Instrument in respect of such holding (should definitive Instruments be printed) and would need to purchase a principal amount of Instruments such that its holding amounts to a Specified Denomination.

If definitive Instruments are issued, holders should be aware that definitive Instruments which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### **Modification, waivers and substitution.**

The conditions of the Instruments contain provisions for calling meetings of Instrumentholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Instrumentholders including Instrumentholders who did not attend and vote at the relevant meeting and Instrumentholders who voted in a manner contrary to the majority.

The conditions of the Instruments also provide that the Trustee may, without the consent of Holders, (i) agree to any modification of the Instruments of the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders; (ii) agree to any modification of the Instruments or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law; or (iii) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in any such case, is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders, in the circumstances described in Condition 16 of the conditions of the Instruments.

Furthermore, the Trustee may, without the consent of the Instrumentholders, agree with the Issuer to the substitution in place of the relevant Issuer as the principal debtor under the Instruments and the Trust Deed of another company, being a Subsidiary of the relevant Issuer, subject to (a) the Instruments being unconditionally and irrevocably guaranteed by the relevant Issuer or having the benefit of a Keep Well Agreement by EDP on the same basis as that on which they had such benefit immediately prior to the substitution or the substitute Issuer is EDP, (b) the Trustee being satisfied that the interests of the Instrumentholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with. See Condition 15 of “Terms and Conditions of the Instruments”.

#### **EU Savings Directive.**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld), deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission’s advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system or through another country that has adopted similar measures and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Instrument as a result of the imposition of such withholding tax. The Issuers are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

**Change of law.**

Save, with respect to Book Entry Instruments only, for the form (*representação formal*) and transfer of the Instruments, creation of security over the Instruments and the Interbolsa procedures for the exercise of rights under the Book Entry Instruments, which are governed by, and shall be construed in accordance with Portuguese law, the conditions of the Instruments are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, Portuguese law or administrative practice after the date of this Prospectus.

**RISKS RELATED TO THE MARKET GENERALLY**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

**The secondary market generally.**

Instruments may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Instruments easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Instruments.

**Exchange rate risks and exchange controls.**

The Issuers will pay principal and interest on the Instruments in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Instruments, (2) the Investor's Currency-equivalent value of the principal payable on the Instruments and (3) the Investor's Currency-equivalent market value of the Instruments.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**Interest rate risks.**

Investment in Fixed Rate Instruments involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Instruments.

**Credit ratings may not reflect all risks.**

One or more independent credit rating agencies may assign credit ratings to the Instruments. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Instruments. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

**Legal investment considerations may restrict certain investments.**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (1) Instruments are legal investments for it, (2) Instruments can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Instruments. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Instruments under any applicable risk-based capital or similar rules.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Financial Services Authority shall be incorporated in, and form part of, this Prospectus:

- (a) in respect of EDP, the auditors report and audited consolidated annual financial statements for the financial year ended 31 December 2008; the auditors report and audited consolidated annual financial statements for the financial year ended 31 December 2009; and the auditors limited review report and the interim consolidated financial statements for the six months ended 30 June 2009 and for the six months ended 30 June 2010;
- (b) in respect of EDP B.V., the auditors report and audited annual financial statements for the financial year ended 31 December 2008; the auditors report and audited annual financial statements for the year ended 31 December 2009; and the interim financial statements for the six months ended 30 June 2010;
- (c) the memorandum and articles of association of each of the Issuers; and
- (d) the Terms and Conditions of the Instruments contained in the previous Prospectus dated 14 March 2001, pages 10 to 29 (inclusive), 22 July 2002, pages 10 to 29 (inclusive), 23 December 2004, pages 10 to 29 (inclusive), 10 January 2006, pages 31 to 50 (inclusive), 23 October 2007, pages 39 to 62 (inclusive), 17 October 2008, pages 41 to 64 (inclusive) and 7 October 2009, pages 45 to 69 (inclusive), prepared by the Issuer in connection with the Programme.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuers and from the specified office of the Paying Agent for the time being in London.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Instruments, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Instruments. The Issuers have undertaken to the Dealers in the Programme Agreement (as defined in "Subscription and Sale") that they will comply with section 87G of the Financial Services and Markets Act 2000.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Instruments issued under the Programme.*

[Date]

**[EDP – ENERGIAS DE PORTUGAL, S.A./EDP FINANCE B.V.] (\*)**

Issue of

*[Aggregate Nominal Amount of Tranche]  
[Title of Instruments]*

**under the €12,500,000,000  
Programme for Issuance of Debt Instruments**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 24 September 2010 [and the supplement to the Prospectus dated [date]] which constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuers and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplement to the Prospectus] [is/are] available for inspection and collection from the registered office of the Issuer at [if EDP is the issuer insert – Praça Marquês de Pombal, no. 12, 1250-162 Lisbon, Portugal/if EDP B.V. is the issuer insert – Strawinskylaan 3105, 1077ZX, Amsterdam, The Netherlands] and the specified offices of the Paying Agents.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated ●. This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/ 71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated 24 September 2010 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated ● and are attached hereto. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus dated 24 September 2010 and ●. Copies of such Prospectus are available for inspection and collection from the registered office of the Issuer at [if EDP is the issuer insert – Praça Marquês de Pombal, no. 12, 1250-162 Lisbon, Portugal/if EDP B.V. is the issuer insert – Strawinskylaan 3105, 1077ZX, Amsterdam, The Netherlands] and the specified offices of the Paying Agents.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

*[If the Instruments have a maturity of less than one year from the date of their issue, the minimum denomination may need to be not less than £100,000 or its equivalent in any other currency.]*

\*EDP Finance B.V. will not issue Book Entry Instruments.

1. Issuer: [EDP – Energias de Portugal, S.A./EDP Finance B.V.] (\*)
2. [(i)] Series Number: [ ]  
 [(ii)] Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Instruments become fungible)*
3. Specified Currency or Currencies: [ ]  
*(N.B. Book Entry Instruments may only be denominated in Euro, U.S. dollars, Canadian dollars, sterling, Japanese yen and Swiss francs, or in such other currency as can be settled through Interbolsa)*
4. Aggregate Nominal Amount:  
 – Tranche: [ ]  
 – Series: [ ]
5. Issue Price: [[ ]] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]
6. (i) Specified Denominations: [ ]  
 [ ]  
*(Where multiple denominations above [€50,000] (which multiples are less than [€50,000]) or equivalent are being used, the following wording should be followed:*  
 “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Instruments in definitive form will be issued with a denomination above [€99,000].)  
*(N.B. If an issue of Instruments is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required)*
- (ii) Calculation Amount: [ ]  
*(If only one Specified Denomination insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note, there must be a common factor in the case of two or more Specified Denominations)*

\*EDP Finance B.V. will not issue Book Entry Instruments.

7. [(i) Issue Date: [ ]]  
 (ii) Interest Commencement Date (if different from the Issue Date): [*specify*/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Instruments, for example Zero Coupon Instruments)*
8. Maturity Date: [*Fixed rate – specify date*/*Floating rate – Interest Payment Date falling in or nearest to* [*specify month*]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency Interest]  
 [*specify other*]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
 [Instalment]  
 [*specify other*]
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Instruments will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*
11. Change of Interest Basis or Redemption/Payment Basis: [*Specify details of any provision for change of Instruments into another Interest Basis or Redemption/Payment Basis*]
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. (a) Status of Instruments: [Senior/[Dated/Perpetual]]  
 (b) Date of Board approval for issuance of Instruments obtained: [ ]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Instruments)*
14. Listing: [London/*specify other*/None]
15. Method of distribution: [Syndicated/Non-syndicated]
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
16. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear] (If payable other than annually, consider amending Condition 5)
- (ii) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/specify other] (N.B. This will need to be amended in the case of long or short coupons)
- (iii) Fixed Coupon Amount(s):  
(Applicable to Instruments in [ ] per Calculation Amount definitive form)
- (iv) Broken Amount(s):  
(Applicable to Instruments in [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] definitive form)
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]
- (vi) Determination Date(s): [ ] in each year  
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]  
(N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration)  
(N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Instruments: [None/Give details]
17. **Floating Rate Instrument Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issue and Paying Agent): [ ]



- (vi) Screen Rate Determination:
- Reference Rate: [            ]  
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
  - Interest Determination Date(s): [            ]  
(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
  - Relevant Screen Page: [            ]  
(In the case of EURIBOR, if not Reuters EURIBOR 01 (formerly Telerate Page 248) ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination:
- Floating Rate Option: [            ]
  - Designated Maturity: [            ]
  - Reset Date: [            ]
- (viii) Margin(s): [+/-] [   ] per cent. per annum
- (ix) Minimum Rate of Interest: [            ] per cent. per annum
- (x) Maximum Rate of Interest: [            ] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual – (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
Other]  
(See Condition 5 for alternatives)
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Instruments, if different from those set out in the Conditions: [            ]
18. **Zero Coupon Instrument Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [            ] per cent. per annum
  - (ii) Reference Price: [            ]
  - (iii) Any other formula/basis of determining amount payable: [            ]

- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.5 and 7.10 apply/specify other] *(Consider applicable day count fraction if not U.S. dollar denominated)*
19. **Index Linked Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Instruments will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent: [give name (and, if the Instruments are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [Include a description of market disruption or settlement disruption events and adjustment provisions]
- (v) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ specify other]
- (vii) Additional Business Centre(s): [ ]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]
20. **Dual Currency Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Instruments will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]

- (iii) Provisions applicable where [ ] [Include a description of market disruption or calculation by reference to Rate of Exchange impossible or settlement disruption events and adjustment provisions] impracticable:
- (iv) Person at whose option Specified [ ] Currency(ies) is/are payable:

**PROVISIONS RELATING TO REDEMPTION**

- 21. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
  - (i) Optional Redemption Date: [ ]
  - (ii) Optional Redemption Amount of each Instrument and method, if any, of calculation of such amount(s): [ ] per Calculation Amount/specify other/see Appendix]
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [ ]
    - (b) Maximum Redemption Amount: [ ]
  - (iv) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
  
- 22. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
  - (i) Optional Redemption Date: [ ]
  - (ii) Optional Redemption Amount of each Instrument and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
  - (iii) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

23. Final Redemption Amount of each Instrument: [[ ] per Calculation Amount/specify other/see Appendix]  
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Instruments will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)
24. Early Redemption Amount of each Instrument payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5): [[ ] per Calculation Amount/specify other/see Appendix]

#### GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

25. (i) Form of Instruments<sup>(\*)</sup>: [Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for definitive Bearer Instruments and/or Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Instrument exchangeable for definitive Bearer Instruments and/or Registered Instruments on and after the Exchange Date]
- [Permanent Global Instrument exchangeable for definitive Bearer Instruments and/or Registered Instruments [on 60 days' notice given at any time/ only upon an Exchange Event]]
- [Global Registered Instrument ([ ] nominal amount (specify nominal amount)) [registered in the name of a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Book Entry Instruments: *nominativas*/Book Entry Instruments: *ao portador*]
- [Instruments shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]*
- (Ensure that this is consistent with the wording in the "Form of Instruments" section in the Prospectus and the Instruments themselves. The 'exchange upon 60 days' notice' option should not be expressed to be applicable if the Specified Denomination in paragraph 6 includes language substantially to the following effect: [€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]" Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Instruments which is to be represented on issue by a Temporary Global Note exchangeable to Definitive Notes)*

\* EDP Finance B.V. will not issue Book Entry Instruments.

<sup>1</sup> Include for Notes that are to be offered in Belgium

- (ii) New Global Note: [Yes/No] [*N.B. Not applicable to Book Entry Instruments*]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(iii) and 18(vi) relate)*
27. Talons for future Coupons or Receipts to be attached to definitive Bearer Instruments (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Instruments: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Instruments and interest due on late payment: [Not Applicable/give details. *N.B.: a new form of Temporary Global Instrument and/or Permanent Global Instrument may be required for Partly Paid issues*]
29. Details relating to Instalment Instruments:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
30. Redenomination applicable: Redenomination [not] applicable  
*[(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))]*  
  
*[(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]*
31. Other terms or conditions: [Not Applicable/give details]  
  
*(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)*

## **DISTRIBUTION**

32. (i) If syndicated, names of Managers: [Not Applicable/give names]  
  
*(If the Instruments are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers)*

- (ii) Date of Subscription Agreement: [            ]  
*(The above is only relevant if the Instruments are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)*
- (iii) Stabilising Manager (if any): [Not Applicable/give name]
33. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
34. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA C/ TEFRA not applicable]  
 [Book Entry Instruments must be TEFRA C compliant]
35. Additional selling restrictions: [Not Applicable/give details]

**[PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange’s regulated market and, if relevant, listing on the Official List of the UK Listing Authority of Instruments described herein pursuant to the EUR 12,500,000,000 Programme for the Issuance of Debt Instruments of EDP – Energias de Portugal S.A. and EDP B.V.]

**RESPONSIBILITY**

*The Issuer accepts responsibility for the information contained in these Final Terms. [[Relevant third party information for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [            ], no facts have been omitted which would render the reproduced information inaccurate or misleading].*

Signed on behalf of the Issuer:

By:.....  
 Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange’s regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, admission to an official list (for example, the Official List of the UK Listing Authority)] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange’s regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, admission to an official list (for example, the Official List of the UK Listing Authority)] with effect from [ ].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: The Instruments to be issued have been rated:  
[S & P:[ ]]  
[Fitch:[ ]]  
[Moody’s:[ ]]  
[[Other]:[ ]]
- (The above disclosure should reflect the rating allocated to Instruments of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer], so far as the Issuer is aware, no person involved in the issue of the Instruments has an interest material to the offer. – Amend as appropriate if there are other interests]

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: [ ]
- (ii) Estimated net proceeds: [ ]

(iii) Estimated total expenses:

[ ]

*(N.B.: Delete unless the Instruments are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required)*

5. **YIELD** (*Fixed Rate Instruments only*)

Indication of yield:

[ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. **PERFORMANCE OF INDEX/FORMULA AND OTHER INFORMATION CONCERNING THE UNDERLYING** (*Index-Linked Instruments only*)

*[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

*(N.B. This paragraph 6 only applies if the Instruments are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

7. **PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT** (*Dual Currency Instruments only*)

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

*[If there is a derivative component in the interest or the Instruments are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

*(N.B. The above applies if the Instruments are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*



## 8. OPERATIONAL INFORMATION

- (i) ISIN Code: [            ]
- (ii) Common Code: [            ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and *Interbolsa-Sociedade Gestora Sistemas de Liquidação & de Sistemas Centralizados de Valores Mobiliários, S.A.*, as operator of the *Central de Valores Mobiliários* [Not Applicable/*give name(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of initial Paying Agent(s) (if any): [            ]
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]  
[Note that the designation “yes” simply means that the Instruments are intended upon issue to be deposited with one of the international central securities depositories (ICSD) as common safekeeper, [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] *[include this text for Registered Instruments which are to be held under the NSS]* or registered with *Interbolsa-Sociedade Gestora de Sistemas de Liquidação & de Sistemas Centralizados de Valores Mobiliários, S.A* in its capacity of securities settlement system and does not necessarily mean that the Instruments will be recognised as eligible collateral for the Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria] *[include this text if “yes” is selected, in which case and if intended upon issue to be deposited with Euroclear and/or Clearstream, Luxembourg as common safekeeper, bearer Instruments must be issued in NGN form and Registered Instruments must be held under the NSS]* *[Note that Book Entry Instruments are already in a form which may be Eurosystem eligible].*

## TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following are the Terms and Conditions of the Instruments which as supplemented, modified or replaced in relation to any Instruments by the relevant Final Terms, will be applicable to each Series of Instruments. Certain provisions relating to the Instruments whilst in global form, and certain modifications of these Terms and Conditions applicable to Instruments whilst in global form, are described in the section entitled “Provisions relating to the Instruments whilst in Global Form”.*

This Instrument is one of a Series (as defined below) of Instruments issued by an Issuer (the “Issuer”) which will be, as specified in the Final Terms (as defined below), either EDP – Energias de Portugal, S.A. (“EDP”) or EDP Finance B.V. (“EDP B.V.”) and (except in the case of Instruments issued by EDP in book-entry form (“Book Entry Instruments”)) constituted by an amended and restated Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “Trust Deed”) dated 24 September 2010 made between EDP, EDP B.V. and Deutsche Trustee Company Limited (the “Trustee”, which expression shall include any successor as Trustee). Book Entry Instruments are integrated in the Interbolsa book-entry system and governed by these conditions, certain provisions of the Trust Deed as provided therein and a deed poll given by EDP in favour of the holders of Book Entry Instruments dated 23 October 2007 (the “Interbolsa Instrument”).

References herein to the “Instruments” shall be references to the Instruments of this Series. As used herein, “Tranche” means Instruments which are identical in all respects (including as to listing) and “Series” means a Tranche of Instruments together with any further Tranche or Tranches of Instruments which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Instruments, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Issue and Paying Agency Agreement (such Amended and Restated Issue and Paying Agency Agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 24 September 2010 and made between EDP, EDP B.V., Deutsche Bank AG, London Branch as issue and principal paying agent and agent bank (the “Issue and Paying Agent”, which expression shall include any successor agent), Deutsche Bank Luxembourg S.A. as registrar in respect of Instruments in registered form and as paying agent (the “Registrar” which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the “Paying Agents”, which expression shall include any additional or successor paying agents) and the Trustee. In the case of Book Entry Instruments, Deutsche Bank (Portugal) S.A. will be the paying agent in Portugal (the “Portuguese Paying Agent”).

The Final Terms for this Instrument (or the relevant provisions thereof) is attached to or endorsed on this Instrument and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Instrument. References to the “Final Terms” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Instrument.

In respect of Instruments issued by EDP B.V., EDP B.V. has the benefit of a Keep Well Agreement (the “Keep Well Agreement”) also dated 14 March 2001 between EDP and EDP B.V.

Subject as provided in the Interbolsa Instrument the Trustee acts for the benefit of the Holders (as defined below) for the time being of the Instrument, of the Receipts (as defined below), of the Coupons (as defined below) (which expression shall, unless the context otherwise requires, include the holders of the Talons (as defined below)), and in the case of Book Entry Instruments, the persons shown in the individual securities accounts held with an Affiliate Member of Interbolsa (defined below) (the “Book Entry Instrumentholders”, and, together with the holders of Instruments other than Book Entry Instruments, the “Holders”, which expression shall, in relation to any Instruments represented by a Global Instrument, be construed as provided below) all in accordance with the provisions of the Trust Deed. “Affiliate Member of Interbolsa” means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depositary banks appointed by Euroclear S.A./N.V., (“Euroclear Bank”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) for the purpose of holding such accounts with Interbolsa on behalf of Euroclear Bank and Clearstream, Luxembourg.

Copies of the Trust Deed, the Agency Agreement, the Interbolsa Instrument and the Keep Well Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at 24 September 2010 at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified office of each of the Paying Agents. Copies of the Final Terms are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Instrument is an unlisted Instrument of any Series, the Final Terms will only be obtainable by Holders holding one or more unlisted Instruments of that Series and such Holders must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Instruments and identity. The Holders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Keep Well Agreement and the Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed or, in the case of Book Entry Instruments, the Interbolsa Instrument and those provisions of the Trust Deed applicable to them.

Words and expressions defined in the Trust Deed, the Interbolsa Instrument or the Agency Agreement or used in the Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the Final Terms, the Final Terms will prevail.

## **1. Form and Denomination**

### ***A: Instruments other than Book Entry Instruments***

**1.1** *Form:* Instruments are issued in bearer form (“Bearer Instruments”) or in registered form (“Registered Instruments”), as specified in the Final Terms and are serially numbered. Registered Instruments are not exchangeable for Bearer Instruments.

**1.2** *Coupons and Talons:* Interest-bearing Bearer Instruments have attached thereto, at the time of their initial delivery, coupons (“Coupons”), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, if so specified in the Final Terms, such Instruments have attached thereto, at the time of their initial delivery, a talon (“Talon”) for further coupons and the expression “Coupons” shall, where the context so requires, include Talons.

**1.3** *Interest Basis:* This Instrument may be a Fixed Rate Instrument, a Floating Rate Instrument, a Zero Coupon Instrument, an Index Linked Interest Instrument or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.

**1.4** *Redemption/Payment Basis:* This Instrument may be an Index Linked Redemption Instrument, an Instalment Instrument, a Dual Currency Instrument, a Partly Paid Instrument or a combination of any of the foregoing, depending on the Redemption/ Payment Basis shown in the Final Terms.

**1.5** *Instalment Instruments:* Bearer Instruments, the principal amount of which is repayable by instalments (“Instalment Instruments”) have attached thereto, at the time of their initial delivery, payment receipts (“Receipts”) in respect of the instalments of principal.

**1.6** *Denomination of Bearer Instruments:* Bearer Instruments are in the Specified Denomination or Denominations (each of which denominations is integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Instruments of one denomination may not be exchanged for Bearer Instruments of any other denomination.

**1.7** *Specified Denomination of Registered Instruments:* Registered Instruments are in the minimum Specified Denomination specified in the Final Terms or integral multiples thereof.

**1.8** *Currency of Instruments:* The Instruments are denominated in such Specified Currency as may be specified in the Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

### ***B: Book Entry Instruments***

**1.9** *Form:* The Book Entry Instruments are issued in dematerialised book-entry form (*forma escritural*) and can either be *nominativas* (in which case Interbolsa, at the request of the Issuer, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Holders and transmit such information to the Issuer) or *ao portador* (in which case Interbolsa cannot inform the Issuer of the identity of the Holders).

**1.10 Registration:** The Book Entry Instruments will be registered by Interbolsa – Sociedade Gestora de Sistemas de Liquidação de Sistemas Centralizados de Valores Mobiliários, S.A. (“Interbolsa”) as management entity of the Portuguese Centralised System of Registration of Securities (*Central de Valores Mobiliários*) (“CVM”). Each person shown in the individual securities accounts held with an Affiliate Member of Interbolsa as having an interest in the Instruments shall be considered the holder of the principal amount of Instruments recorded except as otherwise required by law. One or more certificates in relation to the Book Entry Instruments (each a “Certificate”) will be delivered by the relevant Affiliate Member of Interbolsa in respect of its holding of Instruments upon the request by the relevant Instrumentholder and in accordance with that Affiliate Member of Interbolsa’s procedures and pursuant to article 78 of the Portuguese Securities Code (*Código dos Valores Mobiliários*).

**1.11 Interest Basis:** Each Book Entry Instrument may be a Fixed Rate Instrument, a Floating Rate Instrument, a Zero Coupon Instrument, an Index Linked Interest Instrument or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.

**1.12 Redemption/Payment Basis:** Each Book Entry Instrument may be an Index Linked Redemption Instrument, an Instalment Instrument, a Dual Currency Instrument, a Partly Paid Instrument or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the Final Terms.

**1.13 Denomination of Book Entry Instruments:** Book Entry Instruments are in the Specified Denomination or Denominations specified in the Final Terms. Book Entry Instruments of one denomination may not be exchanged for Book Entry Instruments of any other denomination.

**1.14 Currency of Instruments:** The Book Entry Instruments will be denominated in Euro or in such other currency as can be settled through Interbolsa, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

In these Conditions, “Book Entry Instrumentholder” and “holder” for the purposes of Book Entry Instruments means the person in whose name a Book Entry Instrument is registered in the relevant individual securities accounts held with an Affiliate Member of Interbolsa.

## **2. Title and Transfer**

**2.1 Title to Bearer Instruments:** Title to Bearer Instruments, Receipts and Coupons passes by delivery. References herein to the “Holders” of Bearer Instruments or of Receipts or Coupons are to the bearers of such Bearer Instruments or such Receipts or Coupons.

**2.2 Title to Registered Instruments:** Title to Registered Instruments passes by registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the “Holders” of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.

**2.3 Holder as Owner:** The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

**2.4 Transfer of Registered Instruments:** A Registered Instrument may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum Specified Denomination) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any other Paying Agent. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor.

**2.5 Exchange of Bearer Instruments:** If so specified in the Final Terms, the Holder of Bearer Instruments may exchange the same for the same aggregate nominal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Registrar or of any other Paying Agent together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.6) where the exchange date would, but for the provisions of Condition 2.6, occur between the Record Date (as defined in Condition 6.4) for such payment of interest and the date on which such payment of interest falls due.

**2.6 *New Registered Instruments:*** Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will, within five Relevant Banking Days of the transfer date or, as the case may be, the exchange date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or another Paying Agent after the Record Date in respect of any payment due in respect of Registered Instruments shall be deemed not to be effectively received by the Registrar or such other Paying Agent until the day following the due date for such payment. For the purposes of these Terms and Conditions:

- (a) “Relevant Banking Day” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument where such request for exchange is made to another Paying Agent, in the place where the specified office of such Paying Agent is located;
- (b) the “exchange date” shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.5; and
- (c) the “transfer date” shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.4.

**2.7 *No Charges upon Transfer or Exchange:*** The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the Issuer, the Registrar or any other Paying Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Registrar or such other Paying Agent may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

**2.8 *Transfer of Book Entry Instruments:*** Title to the Book Entry Instruments passes upon registration in the relevant individual securities accounts held with an Affiliate Member of Interbolsa. Any Book Entry Instrumentholder will (except as otherwise required by law) be treated as its absolute owner for all purposes and no person will be liable for so treating the Book Entry Instrumentholder.

### **3. Status of the Instruments**

**3.1 *Status of the Instruments:*** The Instruments and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.

### **4. Negative Pledge**

So long as any of the Instruments remains outstanding (as defined in the Trust Deed), neither the Issuer nor, if EDP B.V. is the Issuer, EDP will create or, save only by operation of law, have outstanding any mortgage, lien, pledge or other charge (each a “Security Interest”) other than any Permitted Security (as defined below) upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital) to secure any Loan Stock of any Person or to secure any obligation of any Person under any guarantee of or indemnity or purchase of indebtedness undertaking in respect of any Loan Stock of any other Person without at the same time or prior thereto at the option of the Issuer or, if the Issuer is EDP B.V., EDP either (i) securing the Instruments or securing EDP’s obligations under the Keep Well Agreement in each case equally and rateably with such Loan Stock, guarantee, indemnity or purchase of indebtedness undertaking to the satisfaction of the Trustee or (ii) providing such other security for or other arrangement in respect of the Instruments or EDP’s obligations under the Keep Well Agreement as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Holders or which shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

For the purposes of these Terms and Conditions:

“Loan Stock” means indebtedness (other than the Instruments) having an original maturity of more than one year which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other debt securities (not comprising, for the avoidance of doubt, preference shares or other equity securities) which for the time being are, or are intended to be with the consent of the issuer thereof, quoted, listed, ordinarily dealt in or traded on any stock exchange and/or quotation system or by any listing authority or other established securities market other than any such indebtedness where the majority thereof is initially placed with investors domiciled in Portugal and who purchase such indebtedness in Portugal.

“Permitted Security” means:

- (i) in the case of a consolidation or merger of EDP with or into another company (the “Combining Company”) any Security Interest over assets of EDP if it is the surviving company or the company (if other than EDP) surviving or formed by such consolidation or merger provided that: (i) such Security Interest was created by the Combining Company over assets owned by it, (ii) such Security Interest is existing at the time of such consolidation or merger, (iii) such Security Interest was not created in contemplation of such consolidation or merger and (iv) the amount secured by such Security Interest is not increased thereafter; or
- (ii) any Security Interest on or with respect to assets (including but not limited to receivables) of the Issuer or, if EDP B.V. is the Issuer, EDP which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the indebtedness secured by such Security Interest or the indebtedness in respect of any guarantee or indemnity which is secured by such Security Interest is limited to the value of such assets; or
- (iii) any Security Interest securing any indebtedness incurred in relation to any asset for the purpose of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to whom such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or such asset (or any derivative asset thereof) and/or the shares held in such project borrower.

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state, agency of a state or other entity, whether or not having separate legal personality.

## **5. Interest**

### **5A. Interest on Fixed Rate Instruments**

Each Fixed Rate Instrument bears interest from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date. For so long as any of the Fixed Rate Instruments is represented by a Global Instrument interest will be calculated on the aggregate outstanding nominal amount of the Fixed Rate Instruments represented by such Global Instrument (or, if they are Partly Paid Instruments, the aggregate amount paid up). In respect of each definitive Fixed Rate Instrument, interest will be calculated on its outstanding nominal amount (or, if it is a Partly Paid Instrument, the amount paid up). Interest on Fixed Rate Instruments which are Book Entry Instruments will be calculated on the full outstanding nominal amount of the Fixed Rate Instruments (or, if they are Partly Paid Instruments, the full amount paid up) and will be paid to the Affiliate Members of Interbolsa for distribution by them to the accounts of entitled Book Entry Instrumentholders in accordance with Interbolsa’s usual rules and operating procedures.

If Instruments are in definitive form, except as provided in the Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the Final Terms, amount to the Broken Amount so specified.

Except in the case of Instruments in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Instruments which are represented by a Global Instrument, the aggregate outstanding nominal amount of the Fixed Rate Instruments represented by such Global Instrument (or, if they are Partly Paid Instruments, the aggregate amount paid up); or

(B) in the case of Fixed Rate Instruments in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Instrument in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Instrument shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any Fixed Interest Period:

- (i) if “Actual/Actual (ICMA)” is specified in the Final Terms:
  - (a) in the case of Instruments where the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Instruments where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and
- (iii) if “Actual/365” or “Actual/Actual (ISDA)” is specified in the Final Terms, the actual number of days in the Fixed Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Fixed Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Fixed Interest Period falling in a non-leap year divided by 365).

In these Conditions:

“Determination Period” means the period from and including a Determination Date to but excluding the next Determination Date;

“Fixed Interest Period” means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date; and

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

## **5B. Interest on Floating Rate Instruments and Index Linked Interest Instruments**

**5B.1** *Interest Payment Dates:* Each Floating Rate Instrument and Index Linked Interest Instrument bears interest from and including the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) (each an “Interest Payment Date”) in each year specified in the Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the Final Terms, each date (each an “Interest Payment Date”) which falls the number of months or other period specified as the Specified

Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date). For so long as any of the Floating Rate Instruments or Index Linked Interest Instruments is represented by a Global Instrument held on behalf of Clearstream, Luxembourg and/or Euroclear Bank, interest will be calculated on the aggregate outstanding nominal amount of the Instruments represented by such Global Instrument (or, if they are Partly Paid Instruments, the aggregate amount paid up). In respect of each definitive Floating Rate Instrument or Index Linked Interest Instrument, interest will be calculated on its outstanding nominal amount (or, if it is a Partly Paid Instrument, the amount paid up). Interest on Floating Rate Instruments or Index Linked Interest Instruments which are Book Entry Instruments will be calculated on the full outstanding nominal amount of the Floating Rate Instruments or Index Linked Interest Instruments (or, if they are Partly Paid Instruments, the full amount paid up) and will be paid to the Affiliate Members of Interbolsa for distribution by them to the accounts of entitled Instrumentholders in accordance with Interbolsa's usual rules and operating procedures.

If a Business Day Convention is specified in the Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5B.1(i) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "Business Day" means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open.

**5B.2 Rate of Interest:** The Rate of Interest payable from time to time in respect of Floating Rate Instruments and Index Linked Interest Instruments will be determined in the manner specified in the Final Terms.

**5B.3 ISDA Determination for Floating Rate Instruments:** Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this Condition 5B.3, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the



Instruments, published by the International Swaps and Derivatives Association, Inc. (the “ISDA Definitions”)) and under which:

- (1) the Floating Rate Option is as specified in the Final Terms;
- (2) the Designated Maturity is a period specified in the Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the Final Terms.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

**5B.4** *Screen Rate Determination for Floating Rate Instruments:* Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the Final Terms) the Margin (if any), all as determined by the Issue and Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Issue and Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Instruments is specified in the Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Instruments will be determined as provided in the Final Terms.

**5B.5** *Minimum Rate of Interest and/or Maximum Rate of Interest:* If the Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Conditions 5B.2, 5B.3 or 5B.4 above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Conditions 5B.2, 5B.3 or 5B.4 is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**5B.6** *Determination of Rate of Interest and calculation of Interest Amounts:* The Issue and Paying Agent, in the case of Floating Rate Instruments, and the Calculation Agent, in the case of Index Linked Interest Instruments, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Instruments, the Calculation Agent will notify the Issue and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Issue and Paying Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Instruments or Index Linked Interest Instruments in respect of each Specified Denomination for the relevant Interest Period.

The Agent will calculate the amount of interest (“Interest Amount”) payable on the Floating Rate Instruments or Index Linked Interest Instruments for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Instruments or Index Linked Interest Instruments which are represented by a Global Instrument, the aggregate outstanding nominal amount of the Instruments represented by such Global Instrument (or, if they are Partly Paid Instruments, the full amount paid up); or
- (B) in the case of Floating Rate Instruments or Index Linked Interest Instruments in definitive form, the Calculation Amount;

and, in each case multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Instrument or an Index Linked Interest Instrument in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Instrument shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “Actual/Actual” or “Actual/Actual (ISDA)” is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D<sub>2</sub> will be 30.

**5B.7 Notification of Rate of Interest and Interest Amounts:** The Issue and Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Instruments or Index Linked Interest Instruments are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Instruments or Index Linked Interest Instruments are for the time being listed or by which they have been admitted to listing and to the Holders in accordance with Condition 15. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

**5B.8 Determination or calculation by Trustee:** If for any reason at any time the Issue and Paying Agent or, as the case may be, the Calculation Agent defaults in its obligations to determine the Rate of Interest or the Issue and Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with the provisions of Conditions 5B.3 or 5B.4 above or as otherwise specified in the Final Terms, as the case may be, and in each

case, in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum or Maximum Rate of Interest specified in the Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent or the Calculation Agent, as applicable.

**5B.9 Certificates to be final:** All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5B, whether by the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, EDP (if the Issuer is EDP B.V.), the Issue and Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Issuer, EDP (if the Issuer is EDP B.V.) or the Holders shall attach to the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### **5C. Interest on Dual Currency Instruments**

In the case of Dual Currency Instruments, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the Final Terms.

### **5D. Interest on Partly Paid Instruments**

In the case of Partly Paid Instruments (other than Partly Paid Instruments which are Zero Coupon Instruments), interest will accrue as aforesaid on the paid-up nominal amount of such Instruments and otherwise as specified in the Final Terms.

### **5E. Accrual of interest**

Each Instrument (or, in the case of the redemption of part only of a Instrument, that part only of such Instrument) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, if applicable, or, in the case of a Book Entry Instrument presentation of the relevant Certificate in respect thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

## **6. Payments**

**6.1 Method of payment:** Subject and except as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

**6.2 Presentation of Bearer Instruments, Receipts and Coupons:** Payments of principal in respect of Bearer Instruments will (subject as provided below) be made in the manner provided in Condition 6.1 above only, where applicable, against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Bearer Instruments, and payments of interest in respect of Bearer Instruments will (subject as provided below) be made as aforesaid only, where applicable, against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of Bearer Instruments, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above against

presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Instrument in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Instrument to which it appertains. Receipts presented without the definitive Instrument to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Instrument becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Instruments in bearer form (other than Dual Currency Instruments, Index Linked Instruments or Long Maturity Instruments (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Instrument in bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Instrument, Dual Currency Instrument, Index Linked Interest Instrument or Long Maturity Instrument in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Instrument" is a Fixed Rate Instrument (other than a Fixed Rate Instrument which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Instrument shall cease to be a Long Maturity Instrument on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Instrument.

Other than in respect of Book Entry Instruments, if the due date for redemption of any Instrument is not an Interest Payment Date, interest (if any) accrued in respect of such Instrument from and including the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Bearer Instrument.

Payments in respect of the Book Entry Instruments will be made by transfer to the registered account of the holders maintained by or on behalf of them with a bank that processes payments in the relevant currency, details of which appear in the records of the relevant Affiliate Members of Interbolsa at the close of business on the Payment Day (as defined in Condition 6.5 below) before the due date for payment of principal and/or interest.

**6.3** *U.S. Paying Agent:* Notwithstanding the foregoing provisions of Condition 6.2, if any amount of principal and/or interest in respect of Instruments is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Instruments will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Instruments in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer or, if the Issuer is EDP B.V., EDP – Energias de Portugal, S.A.

**6.4 Registered Instruments:** Payments of amounts (including accrued interest) due on the final redemption of Registered Instruments will be made against presentation and, save in the case of a partial redemption, surrender of the relevant Registered Instruments at the specified office of the Registrar.

Payments of amounts (whether principal, interest or otherwise) due in respect of Registered Instruments will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, as at opening of business (Luxembourg time) on the fifteenth Luxembourg business day (the "Record Date") before the due date for such payment provided that the amounts due in respect of Registered Instruments under Condition 10 will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in such register as at opening of business (Luxembourg time) on the date on which such payment is made.

**6.5 Payment Day:** If the date for payment of any amount in respect of any Instrument, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Financial Centre specified in the Final Terms and, in the case of Instruments in definitive form only, in the relevant place of presentation, or, in the case of Book Entry Instruments, in Portugal; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, and any Additional Financial Centre) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

**6.6 Interpretation of principal and interest:** Any reference in these Terms and Conditions to principal in respect of the Instruments shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Instruments;
- (iii) the Early Redemption Amount of the Instruments;
- (iv) the Optional Redemption Amount(s) (if any) of the Instruments;
- (v) in relation to Instruments redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Instruments, the Amortised Face Amount (as defined in Condition 7.5); and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Instruments.

Any reference in these Terms and Conditions to interest in respect of the Instruments shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertakings or covenants given in addition thereto or in substitution thereof pursuant to the Trust Deed.

## **7. Redemption and Purchase**

**7.1 Redemption at maturity:** Unless previously redeemed or purchased and cancelled as specified below, each Instrument will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Final Terms in the relevant Specified Currency on the Maturity Date.

**7.2 Redemption for tax reasons:** The Instruments may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Instrument is neither a Floating Rate Instrument nor an Index Linked Interest Instrument) or on any Interest Payment Date (if this Instrument is either a Floating Rate Instrument or an Index

Linked Interest Instrument), on giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) on the occasion of the next payment due under the Instruments, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the relevant Tax Jurisdiction (as defined in Condition 8) or any political subdivision of, or any authority in, or of, the relevant Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Instruments; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Instruments then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of EDP stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above in which event they shall be conclusive and binding on the Holders.

Instruments redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to but excluding the date of redemption.

**7.3 *Redemption at the option of the Issuer (Issuer Call):*** If Issuer Call is specified in the Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice (or such other period of notice as may be specified in the Final Terms) to the Holders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Issue and Paying Agent and the Trustee;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Instruments then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with interest accrued to but excluding the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Higher Redemption Amount, in each case as may be specified in the Final Terms. In the case of a partial redemption of Instruments (other than Book Entry Instruments), the Instruments to be redeemed ("Redeemed Instruments") will be selected individually by lot not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date") in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). A list of the serial numbers of such Redeemed Instruments will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. Partial redemption of Book Entry Instruments shall be made in accordance with the applicable Interbolsa rules.

**7.4 *Redemption at the option of the Holders (Investor Put):*** If Investor Put is specified in the Final Terms, upon the holder of any Instrument giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the Final Terms, in whole (but not in part), such Instrument on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to but excluding the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Instrument the holder of this Instrument must deliver (i) (in the case of Instruments in definitive form) to the specified office of any Paying Agent at any time during

normal business hours of such Paying Agent falling within the notice period a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or (ii) (in all other cases) a notice to the Paying Agent or Transfer Agent or Registrar (as the case may be) in accordance with the standard procedures of Clearstream, Luxembourg, Euroclear Bank and/or Interbolsa or any common depositary or custodian for them stating the principal amount of the Instruments in respect of which such option is exercised (a "Put Notice") in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition together in the case of Bearer Instruments with the Instruments. No deposit of Instruments will be required in respect of Book Entry Instruments.

**7.5 *Early Redemption Amounts:*** For the purpose of Condition 7.2 above and Condition 10, each Instrument will be redeemed at the Early Redemption Amount calculated as follows:

- (i) at the amount specified in, or determined in the manner specified in, the Final Terms or, if no such amount or manner is so specified in the Final Terms, at its nominal amount; or
- (ii) in the case of a Zero Coupon Instrument, at an amount (the "Amortised Face Amount") equal to the sum of the Reference Price and the product of the Accrual Yield (compounded annually) being applied to the Reference Price from and including the Issue Date of the first Tranche of the Instruments to but excluding the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each or on such other calculation basis as may be specified in the Final Terms.

**7.6 *Instalments:*** Instalment Instruments will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5.

**7.7 *Partly Paid Instruments:*** Partly Paid Instruments will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the Final Terms.

**7.8 *Purchases:*** EDP or any subsidiary of EDP may at any time purchase Instruments (provided that, in the case of Bearer Instruments, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Instruments may be held, reissued, resold or, at the option of EDP, surrendered to any Paying Agent for cancellation.

**7.9 *Cancellation:*** All Instruments which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption (or in accordance with Interbolsa regulations in the case of Book Entry Instruments)). All Instruments so cancelled and Instruments purchased and cancelled pursuant to Condition 7.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Issue and Paying Agent (save in the case of Book Entry Instruments) and cannot be reissued or resold.

**7.10 *Late payment on Zero Coupon Instruments:*** If the amount payable in respect of any Zero Coupon Instrument upon redemption of such Zero Coupon Instrument pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Instrument shall be the amount calculated as provided in Condition 7.5(ii) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Instrument becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Instrument have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Instrument has been received by the Issue and Paying Agent or the Trustee and notice to that effect has been given to the Holders in accordance with Condition 15.

## **8. Taxation**

All payments of principal and interest in respect of the Instruments, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall



be necessary in order that the net amounts received by the holders of the Instruments, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Instruments, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Instrument, Receipt or Coupon:

- (i) presented for payment by or on behalf of a Beneficial Owner who is liable for such taxes or duties in respect of such Instrument, Receipt or Coupon by reason of his having some connection with the relevant Tax Jurisdiction other than the mere holding of such Instrument, Receipt or Coupon;
- (ii) presented for payment in the case of a Bearer Instrument, in the relevant Tax Jurisdiction;
- (iii) presented for payment in the case of Bearer Instruments more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6);
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (v) presented for payment by or on behalf of a Beneficial Owner who would have been able to avoid such withholding or deduction by presenting the relevant Instrument, Receipt or Coupon to another Paying Agent in a Member State of the European Union;
- (vi) presented for payment by or on behalf of a Beneficial Owner of Instruments, Receipts or Coupons who would not be liable for or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- (vii) presented for payment by or on behalf of a Beneficial Owner of Instruments, Receipts or Coupons particularly in respect of whom the information (which may include certificates or statements) required in order to comply with the special tax regime approved by Decree-Law no. 193/2005 of 7 November, and any implementing legislation, is not received prior to the Relevant Date;
- (viii) presented for payment by or on behalf of a Beneficial Owner, Receipts or Coupons resident for tax purposes in the Tax Jurisdiction, or a resident in a country, territory or region subject to clearly a more favourable tax regime included in the list approved by Order 150/2004, of 13 February 2004 (Portaria do Ministro das Finanças e da Administração Pública n. 150/2004) as amended from time to time, issued by the Portuguese Minister of Finance and Public Administration, with the exception of central banks and governmental agencies of those blacklisted jurisdictions, or a non-resident legal entity held, directly or indirectly, in more than 20 per cent. by Portuguese residents; or
- (ix) presented for payment by or on behalf of (i) a Portuguese resident legal entity subject to Portuguese corporation tax (with the exception of entities that benefit from an exemption of Portuguese withholding tax or from Portuguese income tax exemptions), or (ii) a non resident legal person with a permanent establishment in Portugal to which the income or gains obtained from the Instruments, Receipts or Coupons are attributable.

As used in these Terms and Conditions:

- (i) “Tax Jurisdiction” means in the case of EDP, the Portuguese Republic or any political subdivision or any authority thereof or therein having power to tax and, in the case of EDP B.V., The Netherlands or any political subdivision or any authority thereof or therein having power to tax or in either case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax in which EDP or, as the case may be, EDP B.V. becomes tax resident;
- (ii) the “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issue and Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with Condition 15; and
- (iii) “Beneficial Owner” means the holder of the Instruments who is the effective beneficiary of the income attributable thereto.

## 9. Prescription

The Instruments (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6 or any Talon which would be void pursuant to Condition 6.

## 10. Events of Default

If any one or more of the following events (each an “Event of Default”) shall occur and is continuing:

- (i) the Issuer fails to pay any amount of principal or interest due in respect of the Instruments or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (ii) the Issuer fails to perform or observe any of its other obligations under the Trust Deed or these Terms and Conditions or, if the Issuer is EDP B.V., EDP fails to perform or observe any of its obligations under the Trust Deed or these Terms and Conditions or (in the case of Book Entry Instruments) the Interbolsa Instrument and, save for in the case of Book Entry Instruments, (A) such failure is, in the opinion of the Trustee, incapable of remedy or in respect of which, in the opinion of the Trustee, remedial action satisfactory to the Trustee cannot be taken or (B) such failure is, in the opinion of the Trustee capable of remedy or in respect of which, in the opinion of the Trustee, such remedial action can be taken and the failure continues for the period of 30 days (or such longer period as the Trustee may permit) after the Trustee has given written notice to the Issuer requiring the same to be remedied; or
- (iii) any other Indebtedness of EDP B.V. (if EDP B.V. is the Issuer) or EDP or any Indebtedness of any Material Subsidiary becomes due and payable prior to the stated maturity thereof as a result of a default thereunder or any such Indebtedness is not paid at the maturity thereof or any guarantee or indemnity in respect of Indebtedness or performance given by any such company is not honoured when due and called upon or any security interest, present or future, over the assets of any such company becomes enforceable provided that no such event in relation to such Indebtedness or any guarantee or indemnity in respect of such Indebtedness shall constitute an Event of Default unless the relative Indebtedness either alone or when aggregated with other Indebtedness relative to all (if any) other such events which shall have occurred shall amount to at least US\$50,000,000 (or its equivalent in any other currency) and provided further that, for the purposes of this Condition 10(iii), neither EDP B.V. nor EDP nor any Material Subsidiary shall be deemed to be in default with respect to such Indebtedness, guarantee or security interest until expiration of the applicable grace or remedy period, if any, or if the Trustee is satisfied that it shall be contesting in good faith by appropriate means its liability to make payment thereunder; or
- (iv) any steps are taken with a view to the liquidation or dissolution of EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary, or EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary becomes insolvent or admits in writing its inability to pay its debts as and when the same fall due, or a receiver, liquidator or similar officer shall be appointed over all or any part of EDP B.V.’s (if EDP B.V. is the Issuer), EDP’s or any Material Subsidiary’s assets or an application shall be made for a moratorium or an arrangement with creditors of EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary or proceedings shall be commenced in relation to EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary under any legal reconstruction, readjustment of debts, dissolution or liquidation law or regulation, or a distress shall be levied or sued out upon all or any part of EDP B.V.’s (if EDP B.V. is the Issuer), EDP’s or any Material Subsidiary’s assets and shall remain undischarged for (60) days, or anything analogous to the foregoing shall occur under the laws of any applicable jurisdiction provided that, save in the case of Book Entry Instruments, no such event shall constitute an Event of Default if the Trustee is satisfied that it is being contested in good faith by appropriate means by EDP B.V. (if EDP B.V. is the Issuer), EDP or the relevant Material Subsidiary, as the case may be, and EDP or such Material Subsidiary or EDP B.V., as the case may be, has been advised by recognised independent legal advisers of good repute that it is reasonable to do so; or

- (v) save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Holders, EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary or EDP and the Material Subsidiaries (which for this purpose shall include EDP B.V. whether or not it is a Material Subsidiary at the relevant time) taken as a whole cease or threaten to cease to carry on the whole or a major part of the business conducted by it or them at the date on which agreement is reached to issue the first Tranche of the Instruments; or
- (vi) any authorisation, approval, consent, licence, decree, registration, publication, notarisation or other requirement of any governmental or public body or authority necessary to enable or permit EDP B.V. or EDP to comply with its obligations under the Instruments, the Trust Deed or the Keep Well Agreement or, if required for the validity or enforceability of any such obligations, is revoked, withdrawn or withheld or otherwise fails to remain in full force and effect or any law, decree or directive of any competent authority of or in The Netherlands or Portugal is enacted or issued which materially impairs the ability or right of EDP B.V. or EDP to perform such obligations; or
- (vii) EDP shall cease to own directly or indirectly more than 50 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership in any Material Subsidiary or 100 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership in EDP B.V. (if EDP B.V. is the Issuer) or EDP shall cease to have direct or indirect control of any Material Subsidiary or EDP B.V.; or
- (viii) the Keep Well Agreement is terminated or any provision of the Keep Well Agreement is amended or waived in circumstances where such amendment or waiver would have, in the opinion of the Trustee, an adverse effect on the interests of the Holders or is not enforced in a timely manner by EDP B.V. or is breached by EDP provided that in the case of such non-enforcement or breach this has, in the opinion of the Trustee, an adverse effect on the interests of the Holders, then
  - (a) in respect of Instruments other than Book Entry Instruments, the Trustee at its discretion may, and if so requested in writing by the Holders of at least one-quarter in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution of the Holders of the Instruments shall (subject in each case to being indemnified to its satisfaction), given written notice to the Issuer that the Instruments are, and they shall accordingly thereupon immediately become, due and repayable at the Early Redemption Amount (as described in Condition 7.5), together with accrued interest (if any) as provided in the Trust Deed provided that, in the case of any Event of Default other than those described in paragraphs (i), (vi) and (vii) above, the Trustee shall have certified to the Issuer that, in its opinion, such Event of Default is materially prejudicial to the interests of the Holders; and
  - (b) in respect of Book Entry Instruments, any Book Entry Instrumentholder may give notice to the relevant Issuer and to the Portuguese Paying Agent at their respective specified offices, effective upon the date of receipt thereof by the Portuguese Paying Agent, that the Book Entry Instruments held by such Book Entry Instrumentholders are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7.5 together with accrued interest (as provided in the Interbolsa Instrument)).

In these Terms and Conditions:

“Group” means EDP and its Subsidiaries;

“Indebtedness” means, with respect to any person, any indebtedness or obligation (whether present or future, actual or contingent) created, issued, guaranteed, incurred or assumed by such person for money borrowed or raised;

“Material Subsidiary” means a Subsidiary:

- (a) whose operations include the generation and/or distribution of electricity in Portugal; and
- (b)
  - (i) at any time whose total assets, as calculated from the then latest annual financial statements, audited if prepared, of that Subsidiary (consolidated in the case of a Subsidiary which itself has subsidiaries) represent not less than 5 per cent. (5%) of the total assets of the Group (as shown in the latest audited consolidated accounts of the Group); or
  - (ii) at any time whose revenues, as calculated from the then latest annual financial statements, audited if prepared, of that Subsidiary (consolidated in the case of a Subsidiary which itself

has subsidiaries) represent not less than 5 per cent. (5%) of the consolidated revenues of the Group (as shown in the latest audited consolidated accounts of the Group).

A report by the directors of EDP that in their opinion, a Subsidiary is or is not, was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. Such report may, if requested, be accompanied by a report from the Auditors (as defined in the Trust Deed) addressed to the directors of EDP as to the proper extraction of figures used by the directors of EDP in determining a Material Subsidiary and as to the mathematical accuracy of the calculations; and

“Subsidiary” means an entity from time to time of which EDP (a) has the right to appoint the majority of the members of the board of directors or similar board or (b) owns directly or indirectly more than 50 per cent. (50 per cent.) of the share capital or similar right of ownership.

## **11. Enforcement**

In the case of Instruments other than Book Entry Instruments, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Instruments and any relative Receipts or Coupons or the obligations of EDP under the Keep Well Agreement, but it shall not be bound to take any such proceedings or any other action unless (a) it shall have been so directed by an Extraordinary Resolution of the Holders or so requested in writing by the Holders of at least one-quarter in nominal amount of the Instruments outstanding and (b) it shall have been indemnified to its satisfaction. In the case of Book Entry Instruments, the Trustee may at any time, at its discretion and without notice, take such proceedings and/or other action as it may think fit against or in relation to the relevant Issuer to enforce the obligations of the relevant Issuer in respect of the covenants granted to the Trustee by the relevant Issuer under the Conditions or the Trust Deed, however the Trustee shall in no circumstances be bound to do so. No Holder, save for a Book Entry Instrumentholder, shall be entitled to proceed directly against the Issuer or to take proceedings to enforce the Keep Well Agreement unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing, provided that in the case of Book Entry Instruments, the Trustee may not but the holders thereof may at any time take such proceedings against the relevant Issuer as they may think fit to enforce the provisions of the Book Entry Instruments and/or the Interbolsa Instrument.

## **12. Replacement of Instruments, Receipts, Coupons and Talons**

Should any Instrument (other than a Book Entry Instrument), Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Instruments, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **13. Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Issue and Paying Agent and, in respect of Registered Instruments, a Registrar;
- (b) so long as the Instruments are listed, traded and/or quoted by or on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system;
- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in Portugal capable of making payment in respect of the Book Entry Instruments as contemplated by these terms and conditions of the Instruments, the Agency Agreement and applicable Portuguese law and regulation.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain limited circumstances, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Holders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

#### **14. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Instrument to which it appertains) a further Talon, subject to the provisions of Condition 9.

#### **15. Notices**

**15.1 Bearer Instruments:** All notices regarding the Bearer Instruments will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. Any such notice will be deemed to have been given on the date of the first publication.

**15.2 Notices to Holders of Registered Instruments:** Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.

**15.3 Book Entry Instruments:** The Issuer shall comply with Portuguese law in respect of notices relating to Book Entry Instruments.

**15.4 General:** The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Instruments are for the time being listed, traded and/or quoted.

**15.5 Publication not practicable:** If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

**15.6 Notices from Holders:** Notices to be given by any Holder shall be in writing and given by lodging the same, together with the relative Instrument or Instruments, with the Issue and Paying Agent.

#### **16. Meetings of Holders, Modification, Waiver and Substitution**

The Trust Deed and, in relation to Book Entry Instruments only, the Interbolsa Instrument contain provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Instruments, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Holders holding not less than 10 per cent. in nominal amount of the Instruments for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Instruments for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the Instruments so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Instruments, the Receipts, the Coupons or the Trust Deed (including modifying the date of maturity of the Instruments or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Instruments or altering the currency of payment of the Instruments, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Instruments for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Instruments for the time being outstanding. An

Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

The Trustee may agree, without the consent of the Holders, to:

- (a) any modification of the Instruments, the Receipts, the Coupons or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders; or
- (b) any modification of the Instruments, the Receipts, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

The Trustee may also, without any consent as aforesaid, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in any such case, is not in the opinion of the Trustee, materially prejudicial to the interests of the Holders.

Any such modification, waiver, authorisation or determination shall be binding on the Holders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Holders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 8 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The Trustee may, without the consent of the Holders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Instruments, the Receipts, the Coupons and the Trust Deed of another company, being a Subsidiary of the Issuer, subject to (a) the Instruments being unconditionally and irrevocably guaranteed by the Issuer or having the benefit of a Keep Well Agreement by EDP on the same basis as that on which they had such benefit immediately prior to the substitution, or the substitute Issuer is EDP, (b) the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

## **17. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further Instruments having terms and conditions the same as the Instruments or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Instruments. The Trust Deed and, in relation to Book Entry Instruments only, the Interbolsa Instrument contain provisions for convening a single meeting of the Holders and the holders of instruments of other series in certain circumstances where the Trustee so decides.

## **18. Indemnification of Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee may enter into business transactions with the Issuer or any person or body corporate associated with the Issuer without accounting for any profit made or benefit received.

## **19. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of this Instrument under the Contracts (Rights of Third Parties) Act 1999.

## **20. Governing Law and Submission to Jurisdiction**

**20.1 *Governing law:*** The Trust Deed, the Interbolsa Instrument, the Agency Agreement, the Keep Well Agreement, the Instruments, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Interbolsa Instrument, the Agency Agreement, the Keep Well Agreement, the Instruments, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law save that, with respect to Book Entry Instruments only, the form (*representação formal*) and transfer of the Instruments, creation of security over the Instruments and the Interbolsa procedures for the exercise of rights under the Book Entry Instruments are governed by, and shall be construed in accordance with, Portuguese law.

**20.2 *Submission to jurisdiction:*** Each of EDP B.V. and EDP has in the Trust Deed irrevocably and unconditionally agreed, for the exclusive benefit of the Trustee and the Holders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Instruments, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Instruments, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as “Proceedings”) arising out of or in connection with the Trust Deed, the Instruments, the Receipts and the Coupons may be brought in such courts.

Each of EDP B.V. and EDP has in the Trust Deed irrevocably and unconditionally waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings (including any Proceedings relating to any non-contractual obligations) against EDP B.V. or EDP in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

**20.3 *Appointment of Process Agent:*** Each of EDP B.V. and EDP has in the Trust Deed appointed The Law Debenture Corporate Services Limited at its registered office for the time being (being at 24 September 2010 at Fifth Floor, 100 Wood Street, London EC2V 7EX) as its agent for service of process, and undertaken that, in the event of Law Debenture Corporate Services Limited ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

**20.4 *Other documents:*** Each of EDP and EDP B.V. has in the Agency Agreement and the Keep Well Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

**PROVISIONS RELATING TO THE INSTRUMENTS (OTHER THAN BOOK ENTRY  
INSTRUMENTS) WHILE IN GLOBAL FORM**

**Form of Instruments**

**(A) *Relationship of Accountholders with Clearing Systems***

Each of the persons shown in the records of Euroclear Bank, Clearstream, Luxembourg or any other clearing system as the holder of an Instrument represented by a Global Instrument (which expression includes a Temporary Global Instrument and a Permanent Global Instrument) must look solely to Euroclear Bank, Clearstream, Luxembourg or such other clearing system (as the case may be) for such person's share of each payment made by the Issuer to the bearer of such Global Instrument (or the registered holder of the Global Registered Instrument, as the case may be), and in relation to all other rights arising under the Global Instruments, subject to and in accordance with the respective rules and procedures of Euroclear Bank, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument or Global Registered Instrument and such obligations of the Issuer will be discharged by payment to the bearer of such Global Instrument (or the registered holder of the Global Registered Instrument, as the case may be), in respect of each amount so paid. References in these provisions relating to the Instruments in global form to "holder" or "accountholder" are to those persons shown in the records of the relevant clearing system as a holder of an Instrument.

**(B) *Form and Exchange – Bearer Global Instruments***

- (1) TEFRA D or TEFRA C: The Final Terms shall specify whether U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "TEFRA D Rules") or U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the "TEFRA C Rules") shall apply. Each Tranche of Bearer Instruments is represented upon issue by a temporary global Instrument (a "Temporary Global Instrument"), unless the Final Terms specifies otherwise and the TEFRA C Rules apply.

Where the Final Terms applicable to a Tranche of Bearer Instruments specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Final Terms) represented upon issue by a Permanent Global Instrument.

The Global Instruments will:

- (i) if the Global Instruments are intended to be issued in new global note ("NGN") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear Bank and Clearstream, Luxembourg; and
- (ii) if the Global Instruments are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary for, Euroclear Bank and Clearstream, Luxembourg.

Interests in a Temporary Global Instrument may be exchanged for:

- (i) interests in a permanent global Instrument (a "Permanent Global Instrument"); or
- (ii) if so specified in the Final Terms, definitive Instruments in bearer form ("Definitive Instruments") and/or (if so specified in the Final Terms) Registered Instruments.

Exchanges of interests in a Temporary Global Instrument for Definitive Instruments or, as the case may be, a Permanent Global Instrument will be made only on or after the Exchange Date (as specified in the Final Terms) and (unless the Final Terms specifies that the TEFRA C Rules are applicable to the Instruments) provided certification as to the non-U.S. beneficial ownership thereof as required by U.S. Treasury Regulations (in substantially the form set out in the Trust Deed or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Instruments will be made at any time or from such date as may be specified in the Final Terms, in each case, without any requirement for certification.

- (2) *Limitation on entitlement under a Temporary Global Instrument after Exchange Date:* Holders of interests in any Temporary Global Instrument shall not (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Instruments and/or Registered Instruments, such exchange or



delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Instruments represented by such Temporary Global Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

- (3) *Certification of non-U.S. beneficial ownership*: Unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments and subject to paragraph (2) above, if any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the non-U.S. beneficial ownership thereof as required by U.S. Treasury Regulations (in substantially the form set out in the Trust Deed or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear Bank or Clearstream, Luxembourg, or any other relevant clearing system which may be specified in the Final Terms. Payments of amounts due in respect of a Permanent Global Instrument or (subject to paragraph (2) above) a Temporary Global Instrument (if the Final Terms specifies that the TEFRA C Rules are applicable to the Instruments) will be made through Euroclear Bank or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.
- (4) *Exchange for Definitive Instruments*: Interests in a Permanent Global Instrument will be exchanged (subject to the period allowed for delivery as set out in (i) below), in whole but not in part only and at the request of the Holder of such Global Instrument, for Definitive Instruments and/or (if so specified in the Final Terms) Registered Instruments, (a) if Euroclear Bank or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available, or (b) an Event of Default (as defined in Condition 10) occurs or (c) on 60 days' notice given at any time on the request of the bearer, if so specified in the Final Terms. The circumstances described in (a) and (b) are each herein referred to as an "Exchange Event". Whenever a Permanent Global Instrument is to be exchanged for Definitive Instruments and/or Registered Instruments, the Issuer shall procure the prompt delivery of such Definitive Instruments and/or Registered Instruments, duly authenticated and where and to the extent applicable, with Coupons and Talons attached (each as defined in Condition 1.2), in an aggregate nominal amount equal to the nominal amount of such Permanent Global Instrument to the Holder of the Permanent Global Instrument against its surrender at the specified office of the Issue and Paying Agent within 30 days of the Holder requesting such exchange.

**(C) Form of Exchange – Global Registered Instruments**

- (1) *Global Registered Instrument*: Registered Instruments held in Euroclear Bank and/or Clearstream, Luxembourg (or other clearing system) will be represented by a Global Registered Instrument which will be deposited with, a common depository or common safekeeper if the Registered Instrument is held under the NSS, as the case may be, for Euroclear Bank and Clearstream, Luxembourg and registered in the name of a common nominee of Euroclear Bank and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper if the Registered Instruments are held under the NSS, as specified in the applicable Final Terms (or registered in the name of a nominee of, and deposited with, a common depository for such other relevant clearing system).
- (2) *Exchange*: The Global Registered Instrument will become exchangeable in whole, but not in part, for individual Registered Instruments if (a) Euroclear Bank or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or have in fact done so and, in any such case no successor clearing system satisfactory to the Trustee is available, (b) an Event of Default occurs, or (c) on 60 days' notice given at any time at the request of the registered Holder, if so specified in the Final Terms. The circumstances described in (a) and (b) are each herein referred to as an "Exchange Event".

Whenever the Global Registered Instrument is to be exchanged for Registered Instruments, such Registered Instruments will be issued in an aggregate nominal amount equal to the nominal amount of the Global Registered Instrument within five business days of the delivery, by or on behalf of the registered Holder of the Global Registered Instrument, Euroclear Bank and/or Clearstream, Luxembourg, to the Registrar or the Transfer Agent (as the case may be)

of such information as is required to complete and deliver such Registered Instruments (including, without limitation, the names and addresses of the persons in whose names the Registered Instruments are to be registered and the nominal amount of each such person's holding) against the surrender of the Global Registered Instrument at the specified office of the Registrar or the Transfer Agent (as the case may be). Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Instruments scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar or the Transfer Agent (as the case may be) may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

**(D) Amendment to Conditions**

The Temporary Global Instruments, Permanent Global Instruments and Global Registered Instruments contain provisions that apply to the instruments that they represent, some of which modify the effect of the Terms and Conditions of the Instruments set out in this Prospectus. The following is a summary of certain of those provisions:

- (1) *Meetings*: The holder of a Permanent Global Instrument or of the Instruments represented by a Global Registered Instrument shall (unless such Permanent Global Instrument or Global Registered Instrument represents only one Instrument) be treated as having one vote in respect of each minimum Specified Denomination of Instruments for which such Global Instrument may be exchanged.
- (2) *Cancellation*: Cancellation of any Instrument represented by a Permanent Global Instrument or Global Registered Instrument that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Instrument or Global Registered Instrument.
- (3) *Purchase*: Instruments represented by a Permanent Global Instrument or Global Registered Instrument may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.
- (4) *Issuer's Options*: Any option of the Issuer provided for in the Conditions of the Instruments while such Instruments are represented by a Permanent Global Instrument or a Global Registered Instrument shall be exercised by the Issuer giving notice to the holders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Instruments drawn in the case of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system in respect of the Instruments will be governed by the standard procedures of Euroclear Bank, Clearstream, Luxembourg or any other clearing system (as the case may be).
- (5) *Holder's Options*: Any option of the holders provided for in the Conditions of any Instruments while such instruments are represented by a Permanent Global Instrument or a Global Registered Instrument may be exercised by the Holder of such Permanent Global Instrument or Global Registered Instrument, giving notice to the Issue and Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent or the Registrar, in the case of a Global Registered Instrument substantially in the form of the notice available from any Paying Agent (or the Registrar, in the case of a Global Registered Instrument), except that the notice shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised, and stating the nominal amount of Instruments in respect of which the option is exercised and at the same time presenting for notation the Permanent Global Instrument or the Global Registered Instrument to the Issue and Paying Agent, or to a Paying Agent acting on behalf of the Issue and Paying Agent, or the Registrar, in the case of a Global Registered Instrument.
- (6) *Notices*: So long as any Instruments are represented by a Permanent Global Instrument or Global Registered Instrument and such Permanent Global Instrument or Global Registered Instrument is held on behalf of a clearing system, (i) notices to the Holders of Instruments of that Series may be given by delivery of the relevant notice to the clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions and any such notice

shall be deemed to have been given to the Holders on the fourth weekday after the date on which it is given to the clearing system and (ii) notices to be given by any Holder may be given to the Issue and Paying Agent through Euroclear Bank and/or Clearstream, Luxembourg, as the case may be, in such manner as the Issue and Paying Agent and Euroclear Bank and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

**(E) *Partly Paid Instruments***

While any Partly Paid Instalments due from the holder of Partly Paid Instruments are overdue, no interest in a Temporary Global Instruments or Registered Global Instrument representing such Instruments may be exchanged for an interest in a Permanent Global Instrument or for Definitive Instruments or a Registered Instrument (as the case may be). If any holder fails to pay any instalment due on any Partly Paid Instruments within the time specified, the Issuer may forfeit such Instruments and shall have no further obligation to such holder in respect of them.

## BOOK ENTRY INSTRUMENTS HELD THROUGH INTERBOLSA

### General

*Interbolsa holds securities through a centralised system (sistema centralizado) composed of interconnected securities accounts, through which such securities (and inherent rights) are held and transferred, and which allows Interbolsa to control at all times the amount of securities so held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal and Interbolsa, as the controlling entity, all participate in such centralised system.*

The centralised securities system of Interbolsa provides for all procedures required for the exercise of ownership rights inherent to the Book Entry Instruments held through Interbolsa.

*In relation to each issue of securities, Interbolsa's centralised system comprises, inter alia, (i) the issue account, opened by the relevant issuer in the centralised system and which reflects the full amount of issued securities; and (ii) the control accounts opened by each of the financial intermediaries which participate in Interbolsa's centralised system, and which reflect the securities held by such participant on behalf of its customers in accordance with its individual securities accounts.*

Book Entry Instruments held through Interbolsa will be attributed an International Securities Identification Number ("ISIN" code) through the codification system of Interbolsa. These Book Entry Instruments will be accepted and registered with *Central de Valores Mobiliários* ("CVM"), the centralised securities system managed and operated by Interbolsa and settled by Interbolsa's settlement system.

### Form of the Book Entry Instruments held through Interbolsa

*The Book Entry Instruments will be represented in dematerialised book-entry form ("forma escritural") and can either be nominativas (in which case Interbolsa, at the request of the Issuer, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Holders and transmit such information to the Issuer) or ao portador (in which case Interbolsa cannot inform the Issuer of the identity of the Holders) Form and title to the Book Entry Instruments will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable Comissão do Mercado de Valores Mobiliários ("CMVM") and Interbolsa regulations. No physical document of title will be issued in respect of Book Entry Instruments.*

The Book Entry Instruments of each Series will be registered in the relevant issue account opened by the relevant Issuer with Interbolsa and will be held in control accounts by each Affiliate Member of Interbolsa (as defined below) on behalf of the holders of the Book Entry Instruments. Such control accounts reflect at all times the aggregate of Book Entry Instruments held in the individual securities accounts opened by the holders of the Book Entry Instruments with each of the Affiliate Members of Interbolsa. The expression "Affiliate Member of Interbolsa" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depositary banks appointed by Euroclear Bank and Clearstream, Luxembourg for the purpose of holding such accounts with Interbolsa on behalf of Euroclear Bank and Clearstream, Luxembourg.

Each person shown in the records of an Affiliate Member of Interbolsa as having an interest in Book Entry Instruments shall be treated as the holder of the Book Entry Instruments recorded therein except as otherwise required by law.

### Payment of principal and interest in respect of Book Entry Instruments held through Interbolsa

Whilst the Book Entry Instruments are held through Interbolsa, payment of principal and interest in respect of the Book Entry Instruments (i) in euros will be (a) credited, according to the procedures and regulations of Interbolsa, by the Portuguese paying agent (*the "Portuguese Paying Agent"*) acting on behalf of the Issuer from the payment current account which the Portuguese Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Portuguese Paying Agent's behalf for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with such Book Entry Instruments and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the Holders or through Euroclear Bank and Clearstream, Luxembourg to the accounts with Euroclear Bank and Clearstream, Luxembourg of the beneficial owners of such Book Entry Instruments, in accordance with the rules and procedures of Interbolsa, Euroclear Bank or Clearstream, Luxembourg, as the case may be; and (ii) in currencies other than euros will be (a)

transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the Portuguese Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of those Book Entry Instruments or through Euroclear Bank and Clearstream, Luxembourg to the accounts with Euroclear Bank and Clearstream, Luxembourg of the beneficial owners of those Book Entry Instruments, in accordance with the rules and procedures of Interbolsa, Euroclear Bank or Clearstream, Luxembourg, as the case may be.

#### **Transfer of Book Entry Instruments held through Interbolsa**

Book Entry Instruments held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Book Entry Instruments. No owner of Book Entry Instruments will be able to transfer such Book Entry Instruments, except in accordance with Portuguese law and the applicable procedures established by the CMVM and Interbolsa.

### **USE OF PROCEEDS**

The net proceeds from each issue of Instruments will be applied by EDP for its general corporate purposes. The proceeds of Instruments issued by EDP B.V. will be on-lent to, or invested in, EDP Group companies.

## RELATIONSHIP OF EDP B.V. WITH EDP

*EDP has entered into a Keep Well Agreement dated 14 March 2001 with EDP B.V. (the "Keep Well Agreement") governed by English law. The following is the text of the Keep Well Agreement:*

### **"KEEP WELL AGREEMENT"**

This Keep Well Agreement is made on 14 March 2001 by and between:

- (1) EDP – ELECTRICIDADE DE PORTUGAL, S.A. ("EDP"); and
- (2) EDP FINANCE B.V. ("EDP B.V.").

WHEREAS:

- (A) EDP B.V. is a direct wholly-owned subsidiary of EDP;
- (B) Bankers Trustee Company Limited (the "Trustee", which expression shall wherever the context so admits include any successor as trustee for holders of the Instruments as defined below), EDP and EDP B.V. (each an "Issuer" and together the "Issuers") have entered into a trust deed dated 14 March 2001 (the "Trust Deed") relating to the €5,000,000,000 Programme for the Issuance of Debt Instruments (the "Programme");
- (C) The Issuers may issue Instruments after the date hereof pursuant to the Programme (the "Instruments", which expression as used herein shall include Instruments whether in global or definitive form and any receipts, coupons or talons appertaining to such Instruments) which will be constituted by the Trust Deed as modified and/or supplemented and/or restated from time to time;
- (D) EDP B.V. may also hereafter assume from time to time obligations under swap agreements which will be related to the Instruments issued by EDP B.V. (any obligation of EDP B.V. in respect of each swap agreement entered into by EDP B.V. and any Instrument issued by EDP B.V. under the Programme being herein referred to as a "Debt Obligation" and the obligations together being herein referred to as "Debt Obligations"); and
- (E) EDP B.V. entered into the Programme as Issuer for its own benefit and also for the benefit of EDP.

NOW, THEREFORE, EDP and EDP B.V. hereby covenant and agree as follows:

1. In consideration of the sum of £1 paid by EDP B.V. to EDP (receipt of which EDP hereby acknowledges), EDP shall own, directly or indirectly, all of the issued and outstanding share capital of EDP B.V. and will control the composition of the board of directors of EDP B.V. so long as any Debt Obligation is outstanding and shall not pledge, grant a security interest in, encumber or alienate any of such share capital.
2. For so long as EDP B.V. has outstanding Instruments under the Programme, EDP shall, with effect on and from the date of this Agreement, cause EDP B.V. to maintain a Tangible Net Worth (as hereinafter defined), as determined in accordance with generally accepted accounting principles in The Netherlands applied on a consistent basis as shown on EDP B.V.'s most recent audited balance sheet (commencing with EDP B.V.'s audited balance sheet at 31 December 2001), of at least one euro.  
  
"Tangible Net Worth" shall mean the total assets of EDP B.V. less the sum of intangible assets and total liabilities of EDP B.V. A certificate of the auditors of EDP B.V. as to the amount of Tangible Net Worth shall, in the absence of manifest error, be final and conclusive.
3. For so long as EDP B.V. has outstanding Instruments under the Programme, if EDP B.V. at any time shall have insufficient funds or other liquid assets to meet its payment obligations (including in respect of any Debt Obligations) or to repay borrowings then maturing or subsequently to mature, upon receipt of notice from EDP B.V. to such effect, EDP shall make, or have made, available to EDP B.V., before the due date of such payment obligations or borrowings, funds sufficient to enable EDP B.V. to meet such payment obligations or to repay such borrowings, as the case may be, in full as they fall due. EDP B.V. shall use the funds made available to it by EDP hereunder solely for the fulfilment of its payment obligations and the repayment at maturity of its borrowings.
4. Any and all funds from time to time provided by EDP to EDP B.V. pursuant to Clause 3 above shall, at the option of EDP, be either (1) by way of subscription for and payment of share capital (other than redeemable share capital) of EDP B.V., or (2) by way of subordinated loan, that is to say, a loan which, and interest on which, is not permitted to be, and is not capable of being, repaid or paid unless all other debt of EDP B.V. has been fully satisfied and is subordinated on a winding-up of EDP B.V. to all of the unsecured and unpreferred creditors of EDP B.V. other than EDP.

5. EDP warrants and agrees that its payment obligations which may arise hereunder constitute unsecured and unsubordinated obligations of EDP and rank *pari passu* with all other unsecured and unsubordinated obligations of EDP other than those obligations which are preferred by law.
6. This Agreement is not, and nothing herein contained and nothing done by EDP pursuant hereto shall be deemed to constitute, a guarantee, direct or indirect, by EDP of any Debt Obligation or any other debt of EDP B.V. (or of any subsidiary of EDP B.V.) or of any instrument issued by EDP B.V. or of any subsidiary of EDP B.V.
7. If EDP B.V. shall be in liquidation, administration or receivership or other analogous proceedings (including if EDP B.V. is declared bankrupt (“faillissement”) or is granted a moratorium of payment (“surséance van betaling”) or enters into winding-up proceedings (“ontbinding”)) and EDP shall be in default of its obligations hereunder, EDP shall be liable to EDP B.V. by way of liquidated damages for such default in an amount equal to the sum that EDP would have paid had it performed in full all of its obligations hereunder, and EDP B.V. and any liquidator, administrator or receiver of EDP B.V. or other analogous officer or official shall be entitled to claim accordingly.
8. This Agreement may be modified, amended or terminated only by the written agreement of EDP and EDP B.V. provided, however, that no such modification, amendment or termination shall be made which may have any adverse effect upon the holders of the Instruments issued by EDP B.V. or the holders of any other Debt Obligation taken as a whole while any such Instrument or Debt Obligation is outstanding.
9. EDP and EDP B.V. each hereby covenant and agree as follows:
  - (i) it will not consent, either orally or in writing, to any modification, amendment or termination of this Agreement which may have any adverse effect upon the holders of the Instruments issued by EDP B.V. or the holders of any other Debt Obligation taken as a whole while any Instrument or other Debt Obligation remains outstanding;
  - (ii) it will give written notice to the Trustee on behalf of the holders of Instruments issued by EDP B.V. and to the holders of any other Debt Obligation at least 30 days prior to any proposed modification, amendment or termination of this Agreement;
  - (iii) it will fully and promptly perform its obligations and exercise its rights under this Agreement and, in the case of EDP B.V., (without limitation to the foregoing) exercise its right to enforce performance of the terms of this Agreement by EDP; and
  - (iv) it will consent to the giving of an order of specific performance or similar relief by any court of competent jurisdiction in the event that any action is brought in respect of this Agreement.
10.
  - (i) This Agreement shall take effect for the benefit of the Trustee on behalf of the holders of Instruments issued by EDP B.V. and the holder of any other Debt Obligation. Apart from the parties to this Agreement and the Trustee, no other person, firm, company or association (unincorporated or incorporated) shall be entitled to any benefit under this Agreement whatsoever.
  - (ii) This Agreement shall be deposited with and held by the Trustee for so long as the Trust Deed is in force and, if thereafter, any other Debt Obligation remains outstanding it will be deposited with and held by a reputable financial institution on behalf of the holder(s) of such other Debt Obligation. Both parties hereby acknowledge the right of the holder of any Instrument issued by EDP B.V. and any other Debt Obligation to obtain from either party a copy of this Agreement.
  - (iii) The term “holder” herein has the same meaning in relation to each Instrument as the term “Holder” in the Terms and Conditions of such Instrument.
11. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.
12. Each of EDP and EDP B.V. hereby irrevocably agrees that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly any suit, action or proceedings (together “Proceedings”) arising out of or in connection with this Agreement may be brought in such courts. Each of EDP and EDP B.V. hereby irrevocably waives any objection which it may have to the laying of the venue of any Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agree that a judgment in any Proceedings brought in the English courts shall be conclusive and binding upon EDP and EDP B.V. and may be enforced in the courts of any other jurisdiction. Nothing contained herein shall limit any right to take Proceedings against EDP or EDP B.V. in any other court of competent jurisdiction nor



shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. Each of EDP and EDP B.V. hereby appoints The Law Debenture Trust Corporation p.l.c. at its registered office for the time being (being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX) as its agent for service of process and agrees that, in the event of The Law Debenture Trust Corporation p.l.c. ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Proceedings.

13. This Agreement shall be governed by, and construed in accordance with, the laws of England.”

**Note:**

**The Keep Well Agreement is not, and should not be regarded as equivalent to, a guarantee by EDP of any payment in respect of the Instruments. However, following an Event of Default, the Trustee will be entitled, on behalf of the Holders, to enforce EDP B.V.'s rights under the Keep Well Agreement against EDP in accordance with the terms of the Trust Deed. Enforcement in the English courts will be subject, among other things, to the powers of such courts to stay proceedings and other principles of law and equity of general application.**

## EDP GROUP

### 1. OVERVIEW

EDP – Energias de Portugal, S.A. (“EDP” and together with its subsidiaries, the “Group” or “EDP Group”) is a listed company (*sociedade aberta*), whose ordinary shares are publicly traded in the “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais”. EDP is established in Portugal, organised under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 500.697.256. Its registered head office is located at Praça Marquês de Pombal, no. 12, 1250-162 Lisbon, Portugal, and its telephone number is +351210012500.

EDP was initially incorporated as a public enterprise (*empresa pública*) in 1976 pursuant to Decree-Law no. 502/76, of 30 June 1976, as a result of the nationalisation and merger of the principal Portuguese companies in the electricity sector in mainland Portugal. Subsequently, EDP was transformed into a limited liability company (*sociedade anónima*) pursuant to Decree-Law no. 7/91, of 8 January, and Decree-Law no. 78-A/97, of 7 April.

As a result of the privatisation of EDP’s share capital, which has already involved seven phases – the first of which took place in 1997 and the most recent of which was concluded in December 2007 – the most significant shareholdings in EDP’s share capital (i.e. shareholdings equal to or higher than 2 per cent.) are, as at 30 June 2010: the Portuguese Republic, through Párpública – Participações Públicas, SGPS, S.A., owning (indirectly) 20.05 per cent., and Caixa Geral de Depósitos, S.A., a state-owned bank, owning 5.71 per cent.; Iberdrola – Participações, SGPS, S.A. owning 6.79 per cent.; Caja de Ahorros de Astúrias, owning 5.01 per cent.; José de Mello – Sociedade Gestora de Participações Sociais, S.A., owning 4.82 per cent.; Senfora, SARL owning 4.06 per cent.; Banco Comercial Português, S.A. (“BCP”) and BCP Group Pension Fund, owning a stake of 3.38 per cent., Banco Espírito Santo, S.A. owning 3.04 per cent.; Sonatrach owning 2.23 per cent.

EDP is a vertically integrated utility company, the largest generator, distributor and supplier of electricity in Portugal, the third largest electricity generation company in the Iberian Peninsula, and one of the largest gas distributors in the Iberian Peninsula. EDP maintains significant electricity and gas operations in Spain, is the third largest wind power operator worldwide with facilities for renewable energy generation in the Iberian Peninsula, the United States, Brazil, France, Belgium and Poland, and is developing wind farms in the UK, Romania and Italy. It also has electricity distribution and generation activities in Brazil.

Historically, EDP’s core business has been electricity generation, distribution and supply in Portugal. Given Spain’s geographical proximity and its regulatory framework, the Iberian Peninsula’s electricity market has become EDP’s natural home market, and EDP has made this market the primary focus of its energy business. As at the date of this Prospectus, EDP’s principal subsidiaries in Portugal include its electrical generation company, EDP – Gestão da Produção de Energia, S.A. (formerly known as CPPE – Companhia Portuguesa de Produção de Electricidade, S.A.) (“EDP Produção”), its distribution company, EDP Distribuição – Energia, S.A. (“EDP Distribuição”), and its two supply companies EDP Serviço Universal, S.A. (“EDP SU”) and EDP Comercial, S.A. (“EDP Comercial”). In Spain, EDP’s main subsidiary (of which it holds 96.6 per cent.) is HC Energias, S.A. (“Hidrocontábrico”), which operates electricity generation plants and distributes and supplies electricity and gas, mainly in the Asturias region of Spain.

In the gas market, EDP holds significant interests in both Portugal and Spain. In Portugal, EDP holds 72.0 per cent. of Portgás – Sociedade de Produção e Distribuição de Gás, S.A. (“Portgás”), the natural gas distribution company for the northern region of Portugal. In Spain, EDP holds indirectly (through Hidrocontábrico) 63.5 per cent. of Naturgas Energía (“Naturgas”), one of the largest gas distribution companies in the Spanish market in terms of points of supply, mainly in the Asturias and Basque regions. The holding in Naturgas is expected to increase to 95 per cent. by the end of the first half of 2013, following the exercise by Ente Vasco De La Energia (“EVE”), in July 2010, of a put option for part of EVE’s stake in Naturgas.

EDP has leveraged its strong Iberian renewable energy platform and, following the acquisition of Horizon in 2007, has become the third largest wind power operator worldwide in terms of installed capacity. Its wind power assets are held through its subsidiary EDP Renováveis, of which it holds a 77.5 per cent. stake (62.0 per cent. directly and 15.5 per cent. through Hidrocontábrico). EDP Renováveis has been listed on the “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais” since its IPO on 4 June 2008. EDP Renováveis has built significant growth platforms in the European and U.S. markets for the development and operation of power plants that generate electricity using renewable resources, mainly wind. EDP Renováveis currently operates 6.3 GW of generation assets, comprising on-shore wind farms in Spain, Portugal, the United States, France, Belgium and Poland, as well as mini hydro power plants in Spain. Through a joint venture with EDP – Energias do Brasil,

S.A. (“EDP Brasil”), the company is also present in the Brazilian market. EDP Renováveis has various wind projects in different stages of construction and development in these countries as well as in Italy, Romania and UK. At present, EDP Renováveis is actively engaged in expanding its activities into other countries.

In Brazil, in addition to an incipient renewable energy generation business, EDP has significant electricity generation and distribution businesses in the states of São Paulo, Espírito Santo, Tocantins, Ceará and Mato Grosso do Sul through its 64.8 per cent. stake in EDP Brasil, a company listed on the São Paulo Stock Exchange. EDP Brasil is the holding company for the majority of EDP’s investments in the Brazilian electricity industry, including its distribution subsidiaries Empresa Bandeirante de Energias, S.A. (“Bandeirante”) and Espírito Santo Centrais Elétricas (“Escelsa”), its generation subsidiaries Energest S.A. (“Energest”), EDP Lajeado Energia S.A. (“EDP Lajeado”), Enerpeixe S.A. (“Enerpeixe”) and Porto do Pecém Geração de Energia S.A. (“Pecém”), and its supply subsidiary Enertrade – Comercializadora de Energia S.A. (“Enertrade”). EDP Brasil holds 100.0 per cent. of each of these subsidiaries apart from EDP Lajeado and Enerpeixe, in which it holds 55.9 per cent. and 60.0 per cent., respectively, and Pecém, in which it holds 50.0 per cent. Additionally, EDP Brasil increased its stake in Investco S.A. (“Investco”) from 27.7 per cent. to 73.0 per cent. following an asset swap involving its former distribution subsidiary Enersul, which gives it significant influence over the management of Investco. Investco owns the Lajeado hydroelectric plant in Tocantins, Brazil.

## **STRATEGY**

### **Overview**

EDP’s business strategy is based on three central pillars: controlled risk, superior efficiency and focused growth.

### **Controlled risk**

EDP aims to limit the risk exposure of its cash flows by actively managing the major risks that affect its operations, in particular, regulatory, commodity, market and financial risk. A significant part of EDP’s business portfolio involves regulated activities, where revenues are dependent on the outcome of regulatory decisions by governments and other authorities. As a result, EDP is in frequent contact with regulatory authorities in order to ensure that it receives accurate and appropriate regulatory treatment, namely regarding the level of returns EDP receives on capital employed.

Certain of EDP’s operations are exposed to liberalised energy markets, which are subject to fluctuations in energy demand, supply and prices both in EDP’s core markets and in other related international markets. In order to reduce its exposure to this volatility, EDP has an integrated generation and supply model and maintains a hedging strategy that allows it to lock-in pricing for a significant portion of its fuel needs and electricity and gas sales in the liberalised markets for between 12 and 18 months.

The energy sector has been subject to increasing restrictions regarding CO<sub>2</sub> emissions. As a result, EDP has been managing and reducing its CO<sub>2</sub> emissions by concentrating its investments in new electricity generation capacity on CO<sub>2</sub>-free or low-CO<sub>2</sub> generation technologies, such as wind, hydroelectric and gas-fired power generation.

### **Superior efficiency**

EDP recognises the importance of regularly implementing new initiatives to improve the efficiency of its operations. In November 2008, EDP launched a new programme to reduce the operating costs of its activities in the Iberian Peninsula and Brazil. The stated goal of the programme is to harmonise EDP’s operations with international best practice standards and to improve operating margins of its electricity distribution businesses. The program is targeting annual savings of approximately €160 million by 2012, primarily resulting from (i) a headcount reduction both in Brazil and in the Iberian Peninsula, (ii) optimisation of plant maintenance and increased integration of technical services for EDP’s generation business in the Iberian Peninsula, (iii) a new procurement model and process redesign at EDP’s distribution business and (iv) an optimisation of EDP’s IT infrastructure maintenance and outsourcing costs. As at 30 June 2010, the programme had already generated €73 million of savings (61 per cent. of the 2010 target).

In order to achieve an efficient capital allocation, EDP follows a selective investment policy, in which potential investment projects are evaluated individually and then compared against each other based on EDP’s investment criteria. The company’s ultimate investment decisions are based on a risk-return analysis and an assessment of the strategic fit of each investment in EDP’s overall business portfolio.

EDP also strives to take advantage of operational efficiencies throughout its international network by promoting an integrated culture across all of its subsidiaries.

### ***Focused growth***

#### ***Wind Power generation***

In order to reduce the level of CO<sub>2</sub> emissions into the environment, governmental authorities in the European Union and the United States have been promoting renewable sources of energy, including wind power. In the European Union, the European Commission set a target for renewable sources of energy to meet 20 per cent. of the region's energy needs by 2020. In the United States, the Obama administration introduced legislation that provides significant incentives for wind power development, while other energy and climate initiatives are expected to introduce a federal level RPS system and a CO<sub>2</sub> trading market.

Considering the current favourable political environment in the European Union and the United States for new wind power projects, EDP aims to prioritise wind power expansion in these markets as part of its targeted growth plan in the period between 2010 and 2012. EDP is already the third largest wind power operator worldwide and, as at 30 June 2010, had 5,665 MW of wind power capacity, with 1,317 MW of capacity under construction and 31,550 MW of potential development projects. The expansion plans primarily entail increasing capacity and completing projects in EDP's pipeline in its existing markets (the United States, Spain, Portugal, France, Poland, Belgium, Romania, Italy and Brazil).

#### ***Hydroelectric power in Portugal***

Portugal is one of the last countries in Europe with significant undeveloped hydroelectric potential. Historically, the country's central planning authorities have refrained from developing many of its available hydroelectric power resources for a variety of reasons. Principal among these have been the high proportion of hydroelectric power in Portugal's electricity generation mix, the volatility in annual hydroelectric output depending on weather conditions and the relatively low level of energy integration with Spain. However, the development of hydroelectric power potential in Portugal has become a more viable business strategy in recent years. This is largely due to increased connection capacity with Spain, the establishment of an integrated Iberian electricity market known as MIBEL, the increase of oil, coal and CO<sub>2</sub> prices and the increased share of wind power in the Iberian Peninsula's power generation mix, as hydroelectric power complements the intermittent nature of wind power generation by providing a natural and predictable alternative. EDP is currently building two hydroelectric power plants and repowering four hydroelectric plants with a total capacity of 1,677 MW that are expected to be completed by 2015, involving a capital expenditure of approximately €1.5 billion. Further, EDP has a pipeline of hydroelectric and repowering development projects representing an additional 1,236 MW that could become operational within the next ten years. All of these new hydroelectric plants will operate under liberalised market conditions.

#### ***Electricity generation in Brazil***

EDP believes that Brazil will experience strong growth in its domestic energy demand, particularly in light of its population growth and increasing per capita level of consumption. According to a decennial energy expansion plan made by EPE, a company owned by the Brazilian Mine and Energy Ministry, Brazil is forecast to require a significantly greater electricity generation capacity by 2017, part of which is currently under construction. At present, EDP's principal investment in Brazilian electricity generation is the 720 MW Pecém coal plant, in which its subsidiary EDP Brasil holds a 50 per cent. stake in partnership with MPX Mineração e Energia. The terms of EDP's investment, as set out by the Brazilian regulatory authorities, provide for the availability of an installed capacity of 615 MW for a 15-year term starting in January 2012 and a gross margin of R\$ 417.4 million per year (at 2007 nominal prices, to be adjusted for inflation) with the full pass through of fuel costs. In addition, EDP has a portfolio of potential Brazilian projects representing 1,000 MW of capacity in technologies such as CCGTs, biomass, mini hydro plants and mid-sized hydro plants.

## **EDP'S KEY BUSINESSES**

### **Electricity**

Historically, electricity has been EDP's core business. Its operations encompass significant electricity generation, distribution and supply activities in the Iberian Peninsula, along with facilities for renewable energy generation in Europe, the United States and Brazil. It also has electricity distribution and generation activities in Brazil.

### ***Electricity generation in the Iberian Peninsula***

As the largest generator, distributor and supplier of electricity in Portugal, EDP currently holds the leading position in the Portuguese domestic electricity market, according to ERSE. As at 30 June 2010, the Group accounted for approximately 62.7 per cent. of the installed capacity in the Portuguese National Electricity System (“SEN”) and 99.7 per cent. of the distribution.

In mainland Portugal, total consumption in the six months ended 30 June 2010 reached 26.0 TWh, representing a year-on-year increase of 5.2 per cent. This level of growth primarily reflected the steady recovery of demand in the first six months of 2010 and a low comparing base in the six months ended 30 June 2009 due to slowdown in Portuguese economic activity as a result of the international financial crisis.

Portugal’s public electricity system is powered by a number of different forms of ordinary regime and special regime generation. The most significant sources of ordinary regime generation include gas (17.3 per cent. of total electricity generation), coal (6.4 per cent.) and hydroelectric power (39.3 per cent.). The contribution made by special regime generation from renewable energy sources rose from 29.3 per cent. in the six months ended 30 June 2009 to 35.6 per cent. in the six months ended 30 June 2010, largely due to increased wind power generation, which represented nearly 18.1 per cent. of the overall grid consumption in the six months ended 30 June 2010. Due to an energy trade balance with Spain that favoured importation, this source accounted for 1.4 per cent. of Portugal’s energy consumption in the six months ended 30 June 2010.

Based on the monthly REE reports, total energy consumption in mainland Spain reached 129,068 GWh in the six months ended 30 June 2010, representing a year-on-year increase of 4.3 per cent.

In terms of sources of electricity generation in mainland Spain, hydroelectric power generation totalled 25,063 GWh in the six months ended 30 June 2010, representing an increase of 80.9 per cent. compared to the same period in the previous year, and approximately 19.4 per cent. of Spain’s total energy demand.

Nuclear power generation reached 29,212 GWh in the six months ended 30 June 2010, an increase of 12.2 per cent. compared to the same period the previous year. Overall, nuclear power generation represented 22.6 per cent. of electricity consumption in the country. Coal generation totalled 7,7226 GWh in the six months ended 30 June 2010, which reflected a decrease of 60.3 per cent. compared to the same period the previous year as a result of higher production costs throughout the year. Electricity generation through gas combined cycle reached 29,288 GWh in the six months ended 30 June 2010, a 22.7 per cent. decrease compared to the same period in the previous year.

Special regime generation in Spain totalled 46,372 GWh in the six-month period ended 30 June 2010, a 20.5 per cent. increase compared to the same period in the previous year. Of this amount, 22,089 GWh came from wind power, an increase of 28.7 per cent. over the previous year, representing 17.1 per cent. of total energy produced. All in all, residual thermal demand retreated due to an increase of hydro, wind and special regime output.

In the six months ended 30 June 2010, there was an increase in Spain’s cross-border energy trade. The balance of exchanges with Portugal was positive, with exports amounting to 1,432 GWh and imports to 1,055 GWh. With France the balance was positive, with imports totalling 567 GWh and exports 2,024 GWh.

#### ***Ordinary generation***

##### **Portugal**

Through its subsidiary EDP Produção, the Group has a strong presence in ordinary regime electricity generation. In addition, EDP holds an 11.1 per cent. interest in Tejo Energia, S.A., which also participates in ordinary regime generation.

As at 30 June 2010, EDP Produção’s generating facilities in Portugal, excluding special regime and wind, had a total maximum capacity of 9,619 MW, 47.6 per cent. of which was represented by hydroelectric facilities, 40.1 per cent. by fuel oil and natural gas facilities and 12.3 per cent. by coal-fired facilities. EDP does not own or operate any nuclear-powered facilities in Portugal.

EDP’s current hydroelectric portfolio in Portugal includes over 35 facilities, and each facility is categorised into one of three generating centres, which generally correspond to the three regional locations in Portugal where these facilities are located. In addition, these facilities in Portugal consist of 93 operating groups, a separate categorisation based on the number and types of turbines operated at these facilities, that provide EDP with flexibility to reduce the number of turbines needed to meet demand. These operations are controlled from a remote command centre, located in Régua, Portugal.

In April 2008, EDP paid €759 million for concession rights after the end of PPAs/CMECs for the 4,094 MW hydroelectric power plants currently under this regime, extending the concessions to, on average, 2047. In 2008, EDP won the international tender for the concession in relation to the Foz Tua (251 MW), Fridão & Alvito (461 MW) hydroelectric power plants in Portugal, against a payment of €53 million for a 75-year term and €231.7 million for a 65-year term, respectively. In 2007, EDP Produção formalised the sub-concession to operate the hydroelectric power stations at Alqueva (240 MW under ordinary regime generation) for a period of 35 years, thereby implementing a right granted in the 1970's and compensating EDIA, the manager of the Alqueva water system, in an upfront amount of €195 million. EDP is currently repowering the Picote (246 MW), Bemposta (191 MW), Alqueva (256 MW) and Venda Nova III (740 MW) hydroelectric generation plants. The first three plants are expected to become operational by 2012 and the last is expected in 2015. EDP is currently building two new hydroelectric plants at Baixo Sabor (171 MW) and Ribeiradio (72 MW), with commissioning currently expected by the end of 2013.

EDP's thermal infrastructure and operations are located in southern Portugal and consist of seven power stations, the largest being the coal-fired power stations in Sines, the oil-fired power stations in Setúbal and Carregado, the Ribatejo CCGT at Carregado and the Lares CCGT in Figueira da Foz. This last one entered into service with its two generating groups in October and November of 2009 with an installed capacity of 863 MW. In 2010, the Barreiro oil-fired power station (56 MW) was decommissioned.

To reduce the emissions from its existing thermal plants, EDP expects to decommission two plants in the Iberian Peninsula by the beginning of 2013 (the oil-fired power stations in Setúbal and Carregado). EDP has also installed DeSOx and DeNOx equipment, used to control emissions from operations, in its Sines (Portugal), Soto and Aboño (Spain) coal-fired plants. EDP is also currently evaluating new CO<sub>2</sub> sequestration technologies.

Performance in the Iberian Peninsula's electricity market is managed centrally by the Energy Management Business Unit, which monitors the region's electricity power plants' financial position, as well as short- and medium-term risk profiles. Apart from plants in the unregulated segment, this oversight also involves management of power plants covered under the CMECs, both in terms of managing sales of energy generated in the market and supplying fuel to these power stations.

#### Spain

Hidrocantábrico's installed capacity represents 5.6 per cent. of Spain's mainland electricity generation capacity, or 5.2 per cent. if special regime facilities are excluded.

In the six months ended 30 June 2010, net electricity generation from Hidrocantábrico reached 4,704 GWh under the ordinary regime, which represented a year-on-year decrease of 22.8 per cent. due to an outage for maintenance works at Hidrocantábrico's coal plant Aboño 2 in the first quarter of 2010. The total generation in the Spanish mainland market in the six months ended 30 June 2010 was 129.1 TWh, according to REE.

As at 30 June 2010, Hidrocantábrico had a total installed capacity of 3,312 MW under the ordinary regime, with approximately 44.1 per cent. corresponding to coal-fired facilities, 38.3 per cent. to CCGT facilities and 12.9 per cent. to hydroelectric facilities. Hidrocantábrico also holds a 15.5 per cent. interest in Central Nuclear Trillo I, A.I.E., which owns the Trillo nuclear power plant, corresponding to 156 MW of the plant's net capacity of 1,003 MW.

#### *Special regime generation – excluding wind power*

##### Portugal

EDP's special regime generation (excluding wind power) in Portugal is carried out by EDP Produção, which operates the mini hydro power stations and cogeneration power stations of Soporgen and Energin, in addition to holding a 50 per cent. interest in EDP Produção – Bioelétrica S.A. ("EDP Bioelétrica"), which is responsible for biomass power station development. As at 30 June 2010, the Group had special regime generation installed capacity of 356 MW, 44.0 per cent. of which was represented by mini hydroelectric power stations, 38.2 per cent. by cogeneration facilities and 17.8 per cent. by biomass.

In 2008, EDP Produção acquired a number of mini hydro power stations operated in the special regime, through its acquisition of Pebble Hydro, Lda, a holding company with participations in several small companies that have 11 power plants totalling 81 MW of installed capacity.

The current special regime generation hydroelectric portfolio is made up of 67 generating groups, across 39 power stations.

In 2008, EDP increased its biomass energy generation activities by 6.6 MW through the acquisition of Vila Velha de Ródão power station. The Figueira da Foz power station (29 MW) became operational in June 2009, the biomass power station in Constância (12.5 MW) became operational in September 2009 and in March 2010, Barreiro cogeneration power station (25 MW) started operations.

#### Spain

In Spain, net generation under the special regime (excluding wind energy) amounted to 467 GWh for the six months ended 30 June 2010, representing a year on year increase of 3 per cent. As at 30 June 2010, the Group had holdings in nineteen thermal power stations in Spain, which together represent 145 MW of installed capacity, 56.7 per cent. of which was represented by waste to energy facilities, 38.6 per cent. by cogeneration facilities and 4.7 per cent. by biomass.

### ***Electricity distribution in the Iberian Peninsula***

#### *Portugal*

EDP Distribuição is EDP's regulated Portuguese electricity distribution company operating under a service concession. In its distribution activities, EDP Distribuição carries out approximately 99.7 per cent. of Portugal's local electricity distribution. In the six months ended 30 June 2010, EDP Distribuição provided more than six million customers with 23,871 GWh of electricity.

A revised organisational model for EDP Distribuição announced in 2007 was in part a response to modifications in the regulatory environment due to changes in Portuguese legislation, as well as a result of EDP's ambition to be a benchmark in operational efficiency in the Portuguese electricity distribution business. These changes led to the creation of EDP SU (a regulated supplier) at the beginning of 2007.

Electricity inflow into the grid increased 5.0 per cent. year on year to 25.6 TWh in the first half of 2010 (plus 3.9 per cent. adjusted for temperature and working days), reflecting an improvement of industrial demand as well as a colder winter.

#### Service quality

The quality of EDP's technical service is measured by the indicator "Interruption Time Equivalent to Installed Capacity" ("TIEPI"), which measures the specific amount of interruption time within the company's control. In the six months ended 30 June 2010, TIEPI went up five minutes year on year to 58 minutes, as a result of less favourable weather conditions.

EDP has continued to invest in the maintenance of its systems and is continuing to undertake new technical and organisational initiatives, which have allowed its grid to perform adequately despite adverse weather conditions. EDP is specifically targeting Portuguese regions that recorded comparatively lower service quality levels with specific improvement plans that include maintenance, restructuring and reinforcement of the grids.

#### Efficiency of operations

Increases in operational efficiency at EDP Distribuição have enabled more customers to be served and more energy distributed with fewer employees. At EDP Distribuição, the ratio of customers per employee, often used as a measure of productivity in distribution companies, increased from 1,053 in 2004 to 1,641 as at 30 June 2010. At the same time, the indicator for energy distributed per employee almost doubled between 2004 (7.5 MWh) and 2009 (12.2 MWh).

#### *Spain*

Hidrocantábrico has an electricity network infrastructure that covers the regions of Asturias (accounting for the large majority of its network), Madrid, Valencia, Alicante, Barcelona, Huesca and Zaragoza, totalling 22,029 kilometres. Electricity distributed in the six months ended 30 June 2010 through Hidrocantábrico's own network amounted to 4,804 GWh, a 5.7 per cent. year-on-year increase, given a particularly weak first six months of 2009 due to economic crisis and reflecting a clear recovery of the industrial activity.

The revival of capital intensive industries resulted in an 8 per cent. increase of electricity consumption from high voltage and medium voltage segments (mostly industrial), while consumption from the low voltage segment (mostly residential) remained flat at 1.4 TWh. As at 30 June 2010, Hidrocantábrico's distribution business had 647,459 customers out of a total of 26,142,435 customers in Spain mainland, according to the Comisión Nacional de Energia, representing a 8.7 per cent. increase compared to 30 June 2006, a 6.2 per cent.

increase compared to 30 June 2007, a 4.0 per cent. increase compared to 30 June 2008 and a 1.3 per cent. increase compared to 30 June 2009.

#### Service Quality

The investments carried out in recent years, as well as the good working practices, allowed a decrease of the interruption of supply to less than an hour in Asturias, the main area of distribution, which concentrates more than 95 per cent. of HC customers. HC Energía continues to lead the quality of service in the Spanish Electricity System. In the six months ended 30 June 2010, TIEPI reached a total of 40 minutes, compared to 105 minutes in the six months ended 30 June 2009. TIEPI from the six months ended 30 June 2009 was negatively affected by the Klaus cyclone, which caused severe damage on Hidrocantabrico's distribution grid.

Despite the complex terrain included in most of its market, Hidrocantabrico's TIEPI is below the Spanish national average, which has exceeded 65 minutes in the six months ended 30 June 2010.

#### Efficiency of operations

Hidrocantabrico's projects and organisational development to optimise operational efficiency for electricity distribution continued in 2010. The company's workforce reorganisation, new investments in operations and revised work order criteria enabled productivity gains of 24.8 GWh to be distributed per employee in 2009. Similarly, the number of customers per employee continued to increase, reaching 1,699 in June 2010.

### ***Electricity supply in the Iberian Peninsula***

#### *Portugal*

EDP supplies customers who choose to stay in the regulated market in Portugal through its wholly owned subsidiary EDP Serviço Universal. In addition, EDP supplies electricity to customers in the Portuguese liberalised market through its wholly owned subsidiary, EDP Comercial.

#### Supply in the regulated market

During the first half of 2010, the overall number of customers in the regulated market in Portugal fell as a result of the net outflow of over 50,000 customers to the liberalised market, of which 41,000 in the low voltage segment, 4,000 were in the special low voltage segment and about 5,000 were in the medium voltage segment. In the very high voltage and high voltage segments, more than a half and, approximately one third of customers, respectively, who were in the regulated market switched to the liberalised market.

In the first half of 2010, volumes supplied by EDP Serviço Universal fell 23 per cent. year on year to 15.8TWh, essentially due to a switching of clients to liberalised suppliers, namely in the industrial segment, with EDP SU market share in electricity supply in Portugal falling from 90 per cent. in the first half of 2009 to 66 per cent. in the first half of 2010 (82 per cent. in 2009). The Portuguese government recently announced the end of last resource supply tariff option for large clients (Very High, High, Medium and Special Low Voltage) starting in 2011. In the first half of 2010, these clients represented 34 per cent. of EDP Serviço Universal's clients.

#### Supply in the liberalised market

EDP Comercial retained its Portuguese liberalised market leadership for electricity, despite a strong increase in competition. The 53 per cent. market share in energy sold in the first six months of 2010 was driven by the three business units of the company: one focused on companies and institutions (B2B business unit), another targets residential and small business customers (B2C business unit) and finally an Energy Services business unit.

Since the beginning of the deregulation process in Portugal, the liberalised market has been competing with the tariffs in the regulated market. This resulted in periods of steady market growth, but also other periods of strong market retraction. This was the case in 2008, when prices in the liberalised market were unable to compete against the regulator defined tariffs. This resulted in the massive switching of almost all B2B liberalised customers back to the regulated market. In contrast, in 2009 and 2010, due to more favourable tariff and market price conditions, the supply in the liberalised market has become possible once again, namely in the B2B segment.



The 8.1 TWh of energy supplied during the six months ended 30 June 2010 in the liberalised market represented 33.9 per cent. of the total energy supplied in Portugal during the period, which compares to 9.5 per cent. for the same period the previous year. The energy sold by EDP Comercial in the six months ended 30 June 2010 amounted to 4,304 GWh, representing 53.2 per cent. of the total energy sold in the liberalised market in Portugal in the period, while in the six months ended 30 June 2009 this figure only totalled 1,504 GWh, although it then represented 69.3 per cent. of liberalised supply.

By 30 June 2010, EDP Comercial supplied almost 291,000 customers (or approximately 91 per cent. of the total customers in the liberalised market, 98 per cent. of which were connected at standard low voltage). This represented a 26 per cent. increase from June 2009 (with approximately 230,000 customers), which was mainly based on a B2C customer inflow from the regulated market, similar to what happened in the previous years.

#### Companies and institutions

At the end of June 2010, the B2B business unit of EDP Comercial had a client portfolio amounting to 6,480 facilities, which compares to 3,404 one year earlier, to which it had supplied 3,727 GWh by the end of June 2010, which compares to 1,055 GWh for the same period the previous year. EDP Comercial was the supplier of 44 per cent. of all B2B facilities in the Portuguese liberalised market at the end of June 2010.

In its approach to the B2B customer segment, EDP Comercial follows a strategy designed for sustainability. In line with this strategy, EDP Comercial uses price references, which, for some customers, are not as competitive as the regulated market tariffs.

#### Residential and small business customers

The standard low voltage segment was fully open to the liberalised market on 4 September 2006, marking the final stage in the liberalisation of the Portuguese electricity market. Since then, around 6 million customers have been free to choose their electricity supplier.

By the end of June 2010, the B2B business unit of EDP Comercial had a client portfolio amounting to more than 284,000 residential and small business customers (“B2C”), compared to 227,000 by the end of June 2009, demonstrating a 25 per cent. increase, to which it supplied 577 GWh in the six months ended 30 June 2010, which accounts for a 29 per cent. year-on-year increase. Since 2006, EDP Comercial has generally remained the most relevant B2C supplier in the liberalised market, with market shares in this segment of 93 per cent. in terms of number of clients and 95 per cent. of the energy supplied.

#### Energy services

This business unit plays an important role in retaining customers and strengthening their long term partnership bond with EDP Comercial. Its activity consists on designing and implementing value added energy solutions, for both B2B and B2C customers, ranging from energy efficiency and micro-generation, to electricity quality monitoring and electric equipment maintenance. It is also through the Energy Services business unit that EDP deploys its initiatives under the Plan for Promoting Consumption Efficiency (“PPEC”), an ambitious plan promoted by the Regulator.

#### *Spain*

Culminating the process of liberalising the electric sector, since July 2009 low voltage consumers with power less than or equal to 10 kw can receive power by contract or through the last resource supplier (“CUR”) with a last supplier tariff (“TUR”) whose regulated price is set by the Ministry, or by contract on the open market. Since July 2009, the rest of consumers can only be supplied in the free market. This change placed more than 68 per cent. of energy in the liberalised market, with energy supplied on the liberalised market (suppliers and customers) totalling 88,890 GWh for the six months ended 30 June 2010.

The electricity supply activities performed by Hidrocarbónico and Naturgas include both options the supply of electricity and are centred on obtaining efficient coverage for the Group’s generation and optimisation of its customer portfolio.

#### Supply in the regulated market

As at 30 June 2010, in the regulated market supply operation, Hidrocarbónico had a total of 399,481 electricity customers in its distribution zones (Asturias, Madrid, Valencia and Alicante), constituting about a 15.4 per cent. decrease from the figure as at June 2009. These customers consumed 639 GWh for the six months ended 30 June 2010, representing a 75.3 per cent. year-on-year decrease due to customers migration to the liberalised market, according to OMEL and REE – Red Eléctrica.

## Supply in the liberalised market

For the six months ended 30 June 2010, the total number of customers in the liberalised market supplied by Hidrocantábrico and Naturgas was 500,806 and 86,703, respectively. Hidrocantábrico and Naturgas invoiced 10,304 GWh of electricity supply for the six months ended 30 June 2010, a 55 per cent. increase over the same period of the last year. The energy sold represents 13.1 per cent. of the total energy sold in the liberalised market in Spain for the six months ended 30 June 2010.

The B2B segment recorded sales of 7,864 GWh, an increase of 26 per cent. On the other hand, the structure of its customer portfolio was improved as the segment margin for Large Accounts and Businesses increased.

Within the B2C operation, sales of 530 GWh were achieved, representing an increase of 103 per cent. The strategy in this segment has been focused on portfolio analysis in order to attract profitable customers and gain their loyalty. On the other hand, a campaign was carried out to protect the dual domestic customer segment by means of the *Fórmula Ahorro* (“Savings Formula”) plan. This promotional offer included electricity and gas supply, maintenance service through the *Funciona* programme (272,497 contracts as at 30 June 2010) and the HC Points programme (which 291,582 customers had already joined as at 30 June 2010), which are customer targeted loyalty programmes.

The supply company CHC Energía created last year with the small electricity distributors (“CIDE”) supplied in the first semester 871 GWh for a total of 480,000 customers.

Naturgas supplied 1,039 GWh in the six months ended 30 June 2010, which meant an increase of 12 per cent. over the same period of previous year.

Changes were also made to the Hidrocantábrico website, including new graphics and improved navigation. A Customer Area was also created, which allows customers to consult data, contracts and bills. More than 2,900 daily visits to the website were recorded in 2009, showing an increase of 19 per cent.

## **EDP Renováveis**

EDP Renováveis was incorporated on 4 December 2007 to hold and operate EDP’s growing European and North American renewable energy assets and activities. Shortly after its creation, EDP Renováveis acquired EDP’s principal existing European and North American renewable energy subsidiaries, NEO and Horizon Wind Energy LLC (“Horizon”), respectively. EDP and Hidrocantábrico created NEO, which started operations in April 2005, as a vehicle for the development and consolidation of EDP’s renewable energy activities, which were then located principally in the Iberian Peninsula. In July 2007, EDP acquired Horizon as a platform to enter the North American market. Horizon was originally established in 1998 as a privately owned enterprise and acquired in mid-2005 by The Goldman Sachs Group, Inc. EDP Renováveis continues to conduct the Group’s European renewable energy activities through NEO and the Group’s North American renewable energy activities through Horizon. In 2008, EDP Renováveis extended its operations to Romania and Brazil, adding these countries to its existing footprint in the markets in Portugal, Spain, France, Belgium, Poland, and the United States. In the beginning of 2010, EDP Renováveis entered in two new geographies: Italy, with the acquisition of 85 per cent. of Italian Wind srl, adding to its portfolio several wind projects totalling 520 MW in different stages of maturity and in prime locations, and in the United Kingdom through the joint-venture with SeaEnergy called Moray Renewables, (75 per cent. owned by EDPR), for the exclusive right to develop offshore wind farms in north-east Scotland, with a total capacity estimated of 1.3 GW.

EDP Renováveis previously operated, through NEO’s majority-held subsidiary, Genesa, certain other renewable energy assets in Spain, including biomass power, cogeneration and waste assets. All of these activities were discontinued and the assets were sold to Hidrocantábrico in March 2007 and do not form a part of EDP Renováveis’ current business.

On 4 June 2008, EDP Renováveis was listed on the “Eurolist by NYSE Euronext Lisbon, *Mercado de Cotações Oficiais*”, following its IPO. EDP Renováveis’ IPO generated total proceeds of €1,567 million. Proceeds from the IPO have been used to finance EDP Renováveis’ growth plans, specifically through the execution of a wind power strategic plan.

Installed capacity of EDP Renováveis increased by 1,033 MW between June 2009 and June 2010 representing a 22 per cent. year-on-year increase. As a consequence, EDP Renováveis currently manages a portfolio of 5,665 MW of capacity (or 6,382 MW of gross capacity) which is a significant increase of more than 11 times the 530 MW gross installed capacity in 2004. In the first half of 2010, EDP Renováveis total additions to capacity amounted to 175 MW (62 MW in Spain, 21 MW in France and 92 MW in USA). Capacity under

construction as at 30 June 2010 was 1,317 MW from which: (i) 1,180 MW of capacity which will be fully consolidated at EBITDA level split by 43 per cent. in USA, 28 per cent. in Spain and 19 per cent. in Romania and (ii) 138 MW in Portugal corresponding to our 40 per cent. attributable capacity in Eneop consortium consolidated by EDP Renováveis via the equity method.

With respect to electricity generation, EDP Renováveis reached 6,940 GWh in the six months ended 30 June 2010, which is an increase of 32 per cent. compared to the same period in the previous year. In Europe, wind output increased 50 per cent. year on year on the back of a 18 per cent. year-on-year increase of installed capacity and average load factor growing 4 pp year on year to 29 per cent. In USA, electricity output went up just by 20 per cent. year on year following a 28 per cent. year on year increase of installed capacity but with load factors falling from 36 per cent. in the first half of 2009 to 32 per cent. in the first half of 2010 due to low wind resource. Availability reductions in newly operated wind farms are financially covered under the existing manufacturers' warranties.

EDP Renováveis' turbine procurement strategy focuses on maintaining long-term and flexible relationships with leading turbine suppliers, which generally have, among other qualities, access to key supply chain components, significant production capabilities, leading performance track records and strong local execution teams. EDP believes that sizeable presence on both sides of the Atlantic will provide EDP Renováveis with key competitive advantages in turbine procurement, including more attractive pricing, higher volumes and more flexible delivery terms in turbine supply contracts. In April 2010, EDP Renováveis and Vestas Wind Systems A/S (Vestas) signed a global master supply agreement (MSA) for the delivery of up to 2,100 MW of wind turbines. The agreement was closed under the following main terms and conditions: (1) initial firm order of 1,500 MW, to be supplied, installed and commissioned in 2011 and 2012, (2) options to order additional capacity up to 600 MW, exercisable in 2010 and 2011, (3) flexibility in deliveries to North America, South America and Europe, (4) flexibility to choose commercial available wind turbine models and classes for each project with a given notice and (5) operating and maintenance service agreement for two years, extendable to five or ten years, with subsequent Technical Assistance Agreement (depending on the project).

#### *Portugal*

As at 30 June 2010, EDP Renováveis had a total installed capacity of 722 MW gross wind capacity in Portugal representing a 26.7 per cent. increase from the 570 MW figure reached by the end of June 2009. With respect to production, in the six months ended 30 June 2010 EDP Renováveis generated 772 GWh in Portugal, representing a 42.6 per cent. increase from the 542 GWh figure reached for the same period in the previous year.

EDP Renováveis' load factor in Portugal in the six months ended 30 June 2010 reached 31 per cent., more 6 pp vis-à-vis the same period in the previous year, given strong wind resource. Such performance is a main factor for the production growth in the six months ended 30 June 2010.

As at 30 June 2010, EDP Renováveis had a total windfarm portfolio in Portugal of 1,304 MW gross, 55.4 per cent. of which were already installed, 44.6 per cent. were under construction or in more preliminary development.

The instrumental society, ENEOP – Élicas de Portugal, S.A., a consortium which includes the wind power operators Enernova (EDP Group), Finerge, Generg, TP – Térmica Portuguesa and the industrial partner Enercon, represents a total portfolio of around 1,200 MW, of which 480 MW represents EDP Renováveis' 40 per cent. stake in the consortium. As at the end of 2009, there was 85 MW of installed capacity and 53 MW of capacity under construction.

#### *Spain*

As at 30 June 2010, EDP Renováveis had a total installed capacity of 2,278 MW gross wind capacity in Spain representing a 8 per cent. increase from the 2,109 MW figure reached in the six months ended 30 June 2009. With respect to production, in the six months ended 30 June 2010, EDP Renováveis generated 2,110 GWh in Spain, representing a 44 per cent. increase from the 1,465 GWh figure reached in June 2009.

In the six months ended 30 June 2010, EDP Renováveis' load factor in Spain in June 2010 reached 28 per cent. and continued to deliver a premium load factor of 150 bps above the market average, which highlights the underlying premium quality of its assets.

As at June 2010, EDP Renováveis had a total windfarm portfolio in Spain of 7,552 MW gross, 30.2 per cent. of which were already installed, 69.8 per cent. under construction or in more preliminary development.

EDP Renováveis aims to improve its operational efficiency, in particular through further improving availability levels and load factors, increasing the internal sourcing of core capabilities and enhancing process quality control.

#### *Other European markets*

As at 30 June 2010, EDP Renováveis had a total installed capacity of 418 MW gross wind capacity in other European markets representing a 67 per cent. increase from the 250 MW figure reached as at 30 June 2009. Of the total installed capacity, 58 per cent. of capacity is from France, 29 per cent. from Poland and 14 per cent. from Belgium. As at 30 June 2010, EDP Renováveis had 274 MW under construction in other European markets: 33 MW in France, 13 MW in Belgium and 228 MW in Romania.

The higher installed capacity, together with an improvement in the average load factor to 25 per cent. (+3 pp vis-à-vis 30 June 2009) coming from a better wind resource, led to a sound growth in the electricity output of 131 per cent. to 362 GWh.

In April 2008, EDP Renováveis acquired French assets in wind power generation from EOLE 76, among which were 35 MW in operation and 8 MW under construction. By the end of 2009, EDP Renováveis had 39 MW under construction in France.

EDP Renováveis in Belgium holds 70 per cent. of shares of Greenwind S.A., a Belgium entity for the sole purpose of developing, financing, constructing, and operating wind power projects in the country. In 2009, EDP Renováveis installed 10 MW gross and has 13 MW under construction.

EDP Renováveis entered the Polish market in December 2007 with the acquisition of RELAX Wind Parks portfolio, which included a considerable portfolio of wind power projects in different stages of development. In 2009, EDP Renováveis reached an installed capacity of 120 MW in Poland.

In October 2008, EDP Renováveis acquired 85 per cent. of two new subsidiaries based in Romania, Renovatio Power and Cernavoda Power, which have wind power generation projects in different stages of development.

#### *United States*

EDP Renováveis' North American activities are conducted through its U.S. operating subsidiary, Horizon.

To date, the North American business has established its strength through the development of greenfield and early stage pipeline projects. This means that the expansion in the United States has been largely "organic" rather than driven through acquisitions.

Horizon, based in Houston, Texas, owned and operated 22 wind farms in nine states with an aggregate capacity of 2,950 MW gross as at 30 June 2010. In addition, it had 509 MW under construction and 18,964 MW of wind projects in various stages of development across the country. As of June 2010, Horizon had 41 offices and a presence in more than 24 states. The distribution of Horizon's capacity across the country is a result of its commitment to have a more geographically diversified portfolio of operating projects, taking advantage of the different wind regimes and energy markets across the United States.

In the six months ended 30 June 2010, Horizon produced a total of 3,682 GWh, which is an output increase of 20 per cent. year on year as a result of the strong increase of the installed capacity. Regarding operational efficiency, Horizon has begun implementing an in-depth improvement model of analytical tools and operational processes to strengthen the internal skill set and to allow active management of service providers, ensuring that both lower performance and turbine outage are readily addressed.

EDP Renováveis' load factor in US in the six months ended 30 June 2010 declined to 32 per cent., 4 pp below the performance for the same period in the previous year, mainly due to lower wind resource in the period.

In February 2008, Horizon acquired Hydra Wind, LLC ("Hydra Wind"), a portfolio of greenfield development projects located in Illinois, Indiana and Ohio with an aggregate of 1,050 MW gross wind capacity in pipeline.

In June 2010, Horizon secured \$U.S.141 million of institutional equity financing from Wells Fargo Wind Holdings LLC in exchange for an interest in the Vento III portfolio. Vento III is a 604 MW portfolio of wind farms structured in December 2008 and consists of Rattlesnake Road (103 MW), Pioneer Prairie (300 MW), and Meridian Way (201 MW). U.S.\$376 million was previously funded by JPM Capital Corporation, New York Life Insurance Co., New York Life Insurance & Annuity Corp., and GE Energy Financial Services. With this new

investment by Wells Fargo Wind Holdings LLC, EDPR has raised a total of \$517 million through Vento III and completed all its funding needs.

### *Brazil*

In order to establish a presence in the Brazilian market, EDP Renováveis created a joint venture with EDP Brasil (through EDP Brasil's 100 per cent. owned subsidiary Enernova – Novas Energias S.A.) in June 2008, called EDP Renováveis Brasil.

EDP Renováveis' main activities in Brazil involve prospecting and establishing partnerships for the construction of wind farms as well as managing operational assets. A partnership with Petrobrás – Petróleo Brasileiro S.A. ("Petrobrás") is being established to take advantage of access to wind power studies developed by the Brazilian energy company, as well as the financial potential and political will to invest in renewable energy, while providing business know-how in wind generation.

EDP Renováveis Brasil commenced wind power production activities following the acquisition of CENAEEL, which was finalised in February 2009. CENAEEL has an installed capacity of 13.8 MW gross and potential for further expansion. Additionally, in July 2009, EDP Renováveis Brasil, in another M&A operation, bought 100 per cent. of the control of ELEBRÁS Projetos Ltda, with a portfolio of 533 MW, including a Tier I 70 MW Wind Farm, the Tramandaí Wind Farm. EDP Renováveis Brasil has 1,439 MW of additional pipeline in different stages of maturity. In the six months ended 30 June 2010, EDP Renováveis Brasil produced 14 GWh of electricity, on the back of high availability levels and an average load factor of 23 per cent.

### ***EDP's energy business in Brazil***

#### *Generation*

Generation activities by EDP Brasil include the management of hydroelectric power stations and mini-hydro power stations located in the states of Espírito Santo, Mato Grosso do Sul and Tocantins. These facilities had a total installed capacity of 1,734 MW as at 30 June 2010, representing an increase of 9 MW compared to the figure as at 30 June 2009, resulting from the additions from the repowering and modernisation of three hydroelectric plants. The operations of Santa Fé Hidro plant in the State of Espírito Santo with an installed capacity of 29 MW began in June 2009 and the repowering of the UHE Suíça (2.9 MW) and the PCH Rio Bonito (3.8 MW) plants were concluded in December 2009. In the first quarter of 2010, the repowering of another 2MW from PCH Rio Bonito plant was concluded and the plant started operations.

In June 2008, EDP Brasil announced the asset swap transaction without cash consideration among EDP Brasil, Rede Energia S.A. ("Rede Energia") and Rede Power do Brasil S.A. ("Rede Power"). The transaction was the exchange by EDP Brasil of all the equity interest held in Enersul, which was wholly owned by EDP Brasil, in return for the exchange by Rede Energia of the equity interest in the companies Rede Lajeado Energia S.A. ("Rede Lajeado") and Investco and by Rede Power, of the respective equity interest in the companies Rede Lajeado and Tocantins Energia S.A. ("Tocantins"). The transaction was concluded on 11 September 2008. As a result of the asset swap operation, from August 2008 onwards there was a change in the consolidation method of Investco from proportional to full consolidation, given the increased interest from 27.7 per cent. to 73.0 per cent. and full consolidation of Rede Lajeado and Tocantins.

The volume of energy sold by the Group's plants in Brazil in the six months ended 30 June 2010 reached 3,665 GWh, 1.9 per cent. below the previous year, as a result of a short term power production strategy. Since the spot prices were low early in the year, distribution companies reduced the volume of energy purchased from EDP's PPAs in generation and replaced that volume with purchases in the spot market. The strategy of seasonal adjustments in the volume of electricity sold by EDP is to allocate more volume in the second half of the year, when spot prices are expected to recover. All of EDP Brasil's installed capacity is contracted under PPAs with prices adjusted for inflation and an average maturity of 15 years.

#### *Projects in generation under construction*

The strategy to increase the installed capacity of EDP Brasil also includes the construction of the coal plant Pecém in the state of Ceará, in a 50 per cent.–50 per cent. partnership with MPX Energia. Pecém will use imported mineral coal and will have an installed capacity of 720 MW, of which 615 MW were sold by the Group in the A-5 auction held by the Electric Energy Trading Chamber (CCEE), in October 2007. The total investment of the project will be R\$ 3.2 billion. The price reached at the auction was R\$ 125.95 per MWh, for a contract with a validity period of 15 years.

The structuring of the project, including the conditions of EPC (Engineering, Procurement & Construction) and of the financing, ensured the sale of energy on attractive return terms. The deployment schedule establishes the commercial start-up of the plant before January 2012, the date when the energy delivery commitment undertaken in the regulated market begins.

The long-term finance contracts for the installation of the Pecém Thermolectric Power Plant (TPP) were all approved and signed with the Inter-American Development Bank and the Brazilian National Economic and Social Development Bank – BNDES in 2009.

Regarding new hydro capacity, the conclusion of the repowering of Mascarenhas (17.5 MW) is planned for 2012.

### *Distribution*

Electricity distribution services are provided to a market that is divided into captive customers, who acquire electricity provided by the distributor and pay for their use of the network, and the free customers, who choose a different electricity supplier and pay the distributor only for the use of the distribution network.

As a result of the aforementioned asset swap transaction, the distribution activities are currently developed by two concessionaires, which attend to around 2.7 million customers, in regions where the total population is of approximately 7.8 million people:

- Bandeirante – Supplies energy to almost 1.5 million customers in the regions of Alto Tietê, Vale do Paraíba and Litoral Norte from the state of São Paulo, where approximately 4.6 million people live. The area has a large concentration of companies from important economic sectors, such as aviation and paper and pulp manufacture.
- Escelsa – Delivers services to a population of 3.2 million inhabitants in 70 of the 78 municipalities from the state of Espírito Santo, supplying electricity to almost 1.2 million customers. The main economic activities of the region are metallurgy, iron mining, production of paper, oil and gas.

The volume of energy distributed totalled 11.9 TWh in the six months ended 30 June 2010, representing an 18 per cent. year-on-year increase due to a significant recovery of electricity volumes sold and distributed.

The volume of electricity sold increased by 9 per cent. year on year in the first half of 2010 (+10 per cent. vs. the first half of 2009). In the residential & commercial segment, the volume sold in the first half of 2010 rose 7 per cent. year on year reflecting: (i) a rise of 3 per cent. year on year in the number of clients connected and (ii) an increase of consumption per client supported by higher penetration of electrical home appliances. In the industrial segment, electricity volumes sold rose 15 per cent. in the first half of 2010 reflecting the recovery of Brazilian industrial production. As for electricity distributed (but not sold) to free market clients (essentially large industrial consumers supplied directly in the free wholesale market from which EDP collects only third party access tariffs), the volume increased 37 per cent. year-on-year in the first half of 2010 (+36 per cent. year on year in the second quarter of 2010 and +3 per cent. vs. the first half of 2009), reflecting weak performance in the first half of 2009 and a strong recovery of demand, namely from the mining and steel sectors.

### *Supply*

Enertrade is responsible for energy commercialisation activities and rendering services to the liberalised market, both inside and outside the concession areas of the two distributors of EDP Brasil that operate in the regulated market.

Enertrade demonstrated growth in the volume of energy supplied in the six months ended 30 June 2010, trading 3,886 GWh, which was 2 per cent. higher than in the six months ended 30 June 2009, thus ranking it as the third largest private sector electricity energy commercialisation company in Brazil.

### **Gas**

In the six months ended 30 June 2010, EDP was one of the largest gas distributors in the Iberian Peninsula, supplying a total of 14.6 TWh and 2.6TWh of gas to customers in Spain and Portugal, respectively. As for gas distribution, EDP distributed 24.9 TWh and 3.6 TWh to customers in Spain and Portugal respectively, reaching a total of 822,000 customers and 1,209,200 supply points. EDP has integrated the management of its gas activities in Portugal and Spain, and it has the following objectives for this sector:

- To guarantee the integrated management of EDP's gas market strategy by consolidating the coordination of the Group's various activities in this area into one single business unit, EDP Gás, ranging from

procurement and trading to supply and distribution, including the coordination of EDP's shareholdings in the sector; and

- To stimulate the exchange of best practices in the natural gas business among the Group companies and encourage the achievement of synergies resulting from the integration of this business within the Iberian Peninsula.

### ***Procurement of gas***

The procurement of natural gas and the management of the portfolio of gas purchase contracts for the various group companies are performed centrally by EDP Gás S.G.P.S., S.A. ("EDP Gás"). This enables the optimisation of the portfolio by transferring surpluses between the Group's internal consumers with significant savings compared to acquisition externally.

With regards to the long-term portfolio, a rigorous reassessment of the group's procurement needs was performed within the current context of the Iberian Peninsula energy markets. Along with the integrated management of its portfolio and some timely logistics agreements, this reassessment ensures coverage of EDP's forecast procurement needs up to 2010. Market prospecting and contacts with potential suppliers have begun for long-term supply after this date.

On another level, EDP Gás has been actively collaborating with Hidrocarburo and Naturgas Energía in managing the problems of regulated infrastructure access in Spain, which is becoming more difficult given the change in market structure, increased natural gas-fired electricity generation, low storage capacity and a restrictive regulatory framework.

EDP acquires the gas necessary to power its CCGTs and for use in its gas supply business from four main suppliers. To increase its flexibility with respect to its suppliers and reduce risk from gas supply and demand imbalances, EDP is currently reinforcing the integrated management of its existing gas contracts. In 2007, it formalised a partnership with Sonatrach.

### ***Portugal***

In Portugal, EDP operates in the natural gas market through its ownership of 72.0 per cent. of Portgás, acquired in 2004. Portgás services 29 municipalities in the northern coastal region of Portugal. As at 30 June 2010, Portgás had 235,300 supply points and 3,597 kilometres of distribution grid.

In addition, EDP subsidiary EDP Gás.Com – Comércio de Gás Natural, S.A. is licensed to operate in the Portuguese liberalised market.

### ***Spain***

In March 2003, Hidrocarburo won the auction privatisation process that led to its acquisition of 62 per cent. of Naturgas. Subsequently, Naturgas reorganised its gas holdings, as a result of which Hidrocarburo's ownership of Naturgas decreased from 62.0 per cent. to 56.8 per cent. In May 2007, Hidrocarburo acquired a 9.39 per cent. stake in Naturgas from Gas Natural. As a result of the reorganisation of Naturgas, Hidrocarburo has become one of the largest gas companies in the Spanish gas distribution market, with more than 963,000 points of supply in 2009.

In 2006, Naturgas Energía acquired the remaining 50 per cent. of the capital of the gas distributors Bilbogás, S.A. (gas distributor for the city of Bilbao) and Gas Natural de Álava S.A. (gas distributor for the province of Álava). In late 2008, Gas Merida, S.A. was also acquired.

In July 2009, Naturgas Energía agreed to acquire the operations of Gas Natural SDG, S.A. relating to low pressure natural gas distribution and supply (including last resource) in the regions of Cantabria and Murcia, as well as the high pressure natural gas distribution assets in the Basque Country, Asturias and Cantabria, for an enterprise value of €330 million. In 2009, these assets represented approximately 3,080 kilometres of gas network, 257,573 points of gas supply, 11.0 TWh/year of gas distributed, 214,000 gas supply customers, including also a portfolio of electricity customers and other services in these regions. The assets acquired have a high geographical match with Naturgas' existing operations, which are mostly located in the Basque Country and Asturias region, both of which share borders with Cantabria. Naturgas also has some activity in the region of Murcia. Through this deal, EDP reinforces its position as one of the largest gas distribution companies in its core market, the Iberian Peninsula, with more than 1 million customers connected.

In July 2010, EVE exercised a put option for part of its stake in Naturgas. The exercise of the put option by EVE resulted in a negotiation between Hidrocarburo and EVE pursuant to which Hidrocarburo will

purchase from EVE 29.43 per cent. of the share capital of Naturgas. The acquisition will be completed in three tranches: a first tranche of 9.43 per cent. to be completed as soon as practicable upon procurement of the approvals, referred to below and two tranches of 10 per cent. by the end of the first half of 2012 and the first half of 2013, respectively. Hidrocarbónico will also have a call option to buy from EVE the remaining 5 per cent. stake of Naturgas held by EVE between 1 June 2016 and 1 June 2018. The completion of this transaction will allow Hidrocarbónico to increase its holding in Naturgas to 95 per cent. and is dependent on the procurement of required approvals, in particular from the Basque Country's parliament.

These acquisitions, combined with the positions already held in Portugal and Spain, allowed EDP to strengthen its position as one of the largest companies in the natural gas distribution market in the Iberian Peninsula, with more than 1,185,000 points of supply by the end of 2009.

Gas invoiced in the six months ended 30 June 2010 to the Spanish regulated market amounted to 24.9 TWh, representing a 124 per cent. year-on-year increase from 11.1 TWh, impacted by the contribution of the assets acquired from Gas Natural. In June 2008, the end of gas retail tariffs in Spain occurred and EDP's efforts to move customers from the regulated to the liberalised market were effective (only a small percentage still maintain a last resource tariff in the liberalised market). The volume of gas distributed in the Spanish liberalised market (to which EDP provides third-party access) reached 24,889 GWh in June 2010. The total number of gas consumers that are connected to Hidrocarbónico's distribution network increased from 641,336 in 2006 to 665,092 in 2007, 690,030 in 2008 and 706,264 in 2009 (of which 257,573 were from Murcia and Cantabria), representing approximately 8.70 per cent. of the total number of consumers in Spain in 2009 according to the Comisión Nacional de Energía.

## **EDP'S OTHER ACTIVITIES**

EDP also has financial interests in other energy and non-energy related assets, namely an 11.1 per cent. stake in Tejo Energia, S.A., a company that holds the Pego power plant in Portugal; a 19.8 per cent. stake in Setgás – Sociedade de Produção e Distribuição de Gás S.A. ("Setgás"), the natural gas distribution company for the Setúbal region in Portugal; a 21.2 per cent. interest in Companhia de Electricidade de Macau, located in Macau, China; a 21 per cent. stake in DECA – Distribución Eléctrica Centroamerica DOS (II) S.A., located in Guatemala; and a 7.7 per cent. interest in Ampla – Energia e Serviços, S.A., located in Rio de Janeiro, Brazil.

## **REGULATORY FRAMEWORK**

### **Iberian Peninsula**

#### ***MIBEL Overview***

The electricity wholesale market in the Iberian Peninsula has, since 1 July 2007, been operated as a single and integrated electricity market for Portugal and Spain within the wider context of the European single electricity market, which is provided for in EU Directives. This integrated market for Portugal and Spain is known as Mercado Ibérico de Electricidade ("MIBEL") and is the result of the successive international agreements entered into by the governments of Portugal and Spain from 1998 to 2008 ("MIBEL Agreements").

Under the MIBEL Agreements, MIBEL's purpose is to be the common electricity trading space in Portugal and Spain, comprising (1) organised and non-organised markets in which transactions or electricity agreements are entered into; and (2) markets in which financial instruments relating to such energy are traded. The creation of MIBEL required both countries to acknowledge a single market in which all agents have equal rights and obligations and are required to comply with principles of transparency, free competition, objectivity and liquidity.

MIBEL operates with an electricity spot market, which includes daily and intraday markets that are managed by Operador del Mercado Iberico de Energia – Polo Español, S.A. ("OMEL") and an electricity forward market that is managed by Operador do Mercado Ibérico de Energia – Pólo Português, S.A. ("OMIP"). In addition, electricity transactions may also be negotiated through bilateral contracts with terms of at least one year. The MIBEL Agreements also specify that the existence of two market operators, OMEL and OMIP, is temporary and that OMEL and OMIP will eventually merge into a single market operator, the Iberian Market Operator ("OMI"). As of the date of this prospectus, no date has yet been officially established for this consolidation.

The Iberian electricity forward market managed by OMIP began operations on 3 July 2006, and since 1 July 2007 electricity operators in Portugal and Spain have used a common trading platform for spot energy that is managed by OMEL, with the purpose of creating a fully integrated electricity market for the Iberian Peninsula. The MIBEL spot market currently operates in a market split system pursuant to which electricity market prices



in each country depend on (1) supply and demand in each country and (2) the available interconnection capacity between each country. It is expected that as interconnection capacity between Portugal and Spain increases, the MIBEL spot market will evolve to a single market system.

On 1 July 2007, EDP began to sell electricity generated under the ordinary regime in Portugal through the spot market managed by OMEL, as a result of the early termination of its PPAs, as further described below.

### ***Managing Emissions***

For the first period of the European Union Emission Trading Scheme (“EU ETS”), from 2005 through 2007, free CO<sub>2</sub> allowances (“European Union Allowances”) (“EUAs”) matched EDP’s emissions needs. EDP is actively managing its CO<sub>2</sub> needs for the second period from 2008 through 2012, with its expected needs for this period fully covered through free allocated EUAs, Certified Emission Reductions (“CERs”) and Emission Reduction Units (“ERUs”), including through carbon funds and through the purchase of additional EUAs, CERs and ERUs.

### ***Renewable Energy***

The promotion of electricity from renewable sources is a priority in the EU for purposes of security and diversification of energy supplies, environmental protection and social and economic development. The EU’s renewable energy strategy was set forth in both a general regulation that supports all forms of renewable energy production and in specific regulations that support specific renewable energy technologies. These regulations target the generation of certain percentages of EU electricity and energy from renewable sources in order, among other objectives, to achieve the greenhouse gas emission reductions required by the Kyoto Protocol, to which the EU (and its Member States) became a signatory on 31 May 2002.

The European Council of March 2007 reaffirmed the EU’s commitment to the EU-wide development of energy from renewable sources beyond 2010. It endorsed a mandatory target, including the requirement that (1) 20 per cent. of EU-wide energy consumption be generated from renewable sources by 2020 and (2) at least 10 per cent. of transport petrol and diesel consumption in each Member State be from biofuels by 2020.

Furthermore, in January 2008, the EU proposed specific binding targets for each Member State. On 23 January 2008, the European Commission (COM (2008) 30 final) established a framework to ensure a sufficient level of investments and support in order to achieve an 11.5 per cent. increase in the share of renewable energy as a proportion of total energy consumption, which will in turn ensure that the European Council’s target of 20 per cent. by 2020 is met. The European Commission further highlighted the projected fall in the relative cost of renewable energy due to the cost of EU “emissions trading scheme” (“ETS”) allowances (a scheme that allows companies to trade allowances for the right to produce CO<sub>2</sub> emissions) and rising prices for oil and gas. Furthermore, the European Commission reinforced the strong renewable energy allocation and flexibility methodology adopted by the European Council.

In light of the positions taken by the EU, the European Parliament and the European Council adopted a new Directive, Directive 2009/28/EC of the Council of 23 April 2009, which amended and subsequently repealed Directive 2001/77/EC and 2003/30/EC (the “Renewable Energy Directive”). The Renewable Energy Directive was designed to promote the use of renewable energy with the general objectives that by 2020: (1) 20 per cent. of EU-wide gross final energy consumption be generated from renewable sources; and (2) 10 per cent. of transport energy consumption in each Member State be from renewable sources.

To ensure those objectives are achieved, the Renewable Energy Directive established a common framework for the promotion of energy from renewable sources. It also set mandatory national targets for the overall share of energy and for the share of transport energy from renewable sources. In addition, it lays down rules relating to statistical transfers between Member States, joint projects between Member States and with third countries, guarantees of origin, administrative procedures, information and training and access to the electricity network for energy from renewable sources. Finally, the Renewable Energy Directive establishes sustainability criteria for biofuels and bioliquids. The Renewable Energy Directive should be implemented by Member States by December 2010.

## **Portugal**

### ***Evolution of the Portuguese Electricity System***

The Portuguese electricity system (“Portuguese Electricity System”) has changed significantly in recent years. Until 1999, the generation, transmission, distribution and supply components of the electricity industry in Portugal were united in the EDP Group. Since 2000, the electricity industry in Portugal has been partially

deregulated, which has resulted in the division of these four components among different EDP companies. In the organisation of the electricity business under the legislation approved in 1995 (the “Old Electricity Framework”), a public sector (the “Sistema Eléctrico de Serviço Público” or “SEP”) and a market sector (the “Sistema Eléctrico Não Vinculado” or “SENV”) referred to as the binding and non-binding sectors, respectively, were developed. In the SEP, generators sold energy to a single buyer, REN Rede Eléctrica – Nacional, S.A. (“REN Rede Eléctrica”) a subsidiary of REN – Redes Energéticas Nacionais, S.A. (formerly known as REN – Rede Eléctrica Nacional, S.A.). Sales to REN Rede Eléctrica were made pursuant to long-term PPAs, and customers purchased energy at regulated tariffs from the electricity distribution company which, in turn, acquired the necessary electricity from REN Rede Eléctrica. In the SENV, private power generators sold energy in the bulk power markets through bilateral contracts, and supply companies competed for eligible consumers. The transmission and distribution networks were available to all power generators and supply companies on a regulated basis. Ultimately, customers decided whether to purchase electricity in the binding or non-binding sectors, although until 2004, the non-binding sector was only available to higher-voltage corporate customers.

The Portuguese energy sector underwent a significant restructuring following the National Strategy for the Energy sector (the “NSE”) established firstly by the Council of Ministers’ Resolution no. 169/2005 of 24 October and later, on 19 March 2010, amended and updated by the Council of Ministers Resolution no. 29/2010. In summary the NSE aims to: (1) promote economic growth and competition in the energy markets by investing in research and development and improving energy efficiency, focusing on renewable energy as a means to reduce energy dependency from third countries and to decrease the level of carbon emissions; (2) develop Portugal into a leading country in renewable energy with recognised skills and know-how on technologies and industrial clusters related to such energy; and finally (3) promote the use of more efficient technologies in the production and transmission of energy and more responsible and sustainable consumption of energy by using smart grids, and electric vehicles or by implementing new public and private lighting systems.

Renewable energies play a significant role in the NSE and important objectives are set out, notably: (1) by reduction of the country’s energy dependency by up to 74 per cent. by 2020; (2) by compliance with European policies on climate change by producing 60 per cent. of electricity and 31 per cent. of final energy from renewable sources by 2020; and (3) reduction by up to 25 per cent. of imports of energy produced by endogenous sources.

EU Directive no. 2003/54/CE of the European Parliament and of the Council of 26 June 2003 (the “Electricity Directive”), which defined new strategic objectives, principles and general guidelines, was transposed into Portuguese national law by Decree-Law no. 29/2006 of 15 February 2006 (“Decree-Law 29/2006”). The Electricity Directive established common rules for the generation, transmission and distribution of electricity in Member States, and it instituted rules relating to the organisation and functioning of the electricity sector, access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems.

The national law followed the Electricity Directive and established the new legal framework for the Portuguese electricity sector. Decree-Law no. 172/2006, of 15 February (“Decree-Law 172/2006”) as amended, further developed this legal framework (together with Decree-Law 29/2006 the “New Electricity Framework”) and established rules for activities in the electricity sector.

Following implementation of the New Electricity Framework, the binding and non-binding sectors of the Portuguese Electricity System were replaced by a single market system, and the generation and supply of electricity and management of the organised electricity markets are now fully open to competition, subject to obtaining the requisite licences and approvals. However, the transmission and distribution components of the electricity industry continue to be provided through the award of public concessions.

Decree-Law no. 319/2009, of 3 November, while transposing Directive no. 2006/32/CE of the European Parliament and of the Council, of 5 April, established the indicative objectives and the institutional, financial and legal framework necessary to eliminate the current market deficiencies and obstacles that prevent the efficient use of electricity, and creates the conditions for the development and promotion of an energy services market and of other measures of improvement of energy efficiency. This Decree-Law, applicable, among others, to electricity distributors, suppliers and consumers, also sets out a general indicative objective for energy economy of 9 per cent. to be achieved by 2016, such energy economy to be reached through the use of energy services and through the improvement of energy efficiency.

Notwithstanding all the efforts at European level to create an energy common market, there are still obstacles to the sale of electricity on equal terms and without discrimination or disadvantages in the EU, and therefore a third legislative package was proposed in 2007 by the European Commission, and adopted in 2007. This legislative package includes Directive 2009/72/EC of the European Parliament and of the Council of 13

July 2009, concerning common rules for the internal market in electricity and repeals Directive 2003/54/EC (“Directive 2009/72/EC”), Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (“Regulation (EC) 713/2009”), and Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009, on conditions for access to the network for cross-border exchanges in electricity, which repeals Regulation (EC) No 1228/2003 (“Regulation (EC) 714/2009”).

Directive 2009/72/EC focuses on common rules relating to the organisation and functioning of the electricity sector, open access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems, along with rules concerning universal service obligations and the rights of electricity consumers.

Regulation (EC) 713/2009 establishes an Agency for the Cooperation of Energy Regulators with the general purpose of assisting the national regulatory authorities and where necessary coordinating their actions.

Regulation (EC) 714/2009 aims at (1) setting fair rules for cross-border exchanges in electricity, thus enhancing competition within the internal market in electricity, taking into account the particular characteristics of national and regional markets, and (2) facilitating the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in electricity, providing mechanisms to harmonise the rules for cross-border exchanges in electricity.

### ***The Current Portuguese Electricity System***

Under the New Electricity Framework, the Portuguese Electricity System is divided into six major functions: generation, transmission, distribution, supply, and operation of the electricity market and the logistical operations that facilitate switching electricity suppliers for consumers. Subject to certain exceptions, each of these functions must be operated independently of other functions, from a legal, organisational and/or decision-making standpoint.

The electricity sector activities are required to be developed in accordance with the principles of rationality and efficiency in the use of resources throughout the entire value chain (i.e., from generation to final consumption of electricity) and in accordance with the principles of competition and environmental sustainability, with the purpose of increasing competition and efficiency in the Portuguese Electricity System, without prejudice to public service obligations.

### ***Electricity generation***

Electricity generation under the New Electricity Framework is now subject to licensing and is carried out in a competitive environment. Electricity generation is divided into two regimes: an ordinary regime and a special regime. The special regime relates to the generation of electricity from endogenous and other renewable sources (except large hydropower plants). Special regime generation is subject to different licensing requirements and benefits from special tariffs. A last recourse supplier, currently EDP Serviço Universal, S.A. (“EDP Serviço Universal”), is obliged to purchase electricity generated under the Portuguese special regime. The ordinary regime covers all other sources, including large hydropower plants.

#### ***Ordinary Regime***

On 30 June 2007, all of the PPAs executed by EDP under the Old Electricity Framework were terminated early pursuant to Decree-Law no. 240/2004, of 27 December (“Decree-Law 240/2004”), and accordingly the power facilities that generated electricity for those agreements are now operated under market conditions.

In addition, EDP has regularised the status of the water concessions for its hydropower plants in accordance with Decree-Law no. 226-A/2007, of 31 May. As a result, EDP has retained the rights to operate 26 hydropower plants under market conditions (with 4,094 MW of installed capacity), whose average term of operation is until 2047.

Ordinance 765/2010, of 20 August, established a new regime applicable to generators operating in the liberalized market, providing for the attribution of remuneration for the rendering of services of availability of generation capacity to be used in connection with the technical management of the national electricity transmission network, under similar conditions to those that, since 2007, have been available for generation companies in Spain. In addition, the new regime established the attribution, for a period of ten years, of an investment incentive, currently in an amount of €20,000 per MW installed, to be used in generation capacity in the ordinary regime (not less than 50 MW). Power plants that used to benefit from the power purchase agreements terminated in early 2005 and that are currently subject to the CMEC mechanism have been excluded

from such incentive benefits. New capacity increases of hydro power plants with reversible system are also covered by this measure. The availability incentive will pay for the availability of certain production capacity in a predetermined timeframe equal to or less than one year, in an amount to be defined by the member of the Portuguese government responsible for the energy sector. These capacity payments to producers will be made and managed by the system operator and supported by the electricity tariffs as settled in ERSE's Tariff Regulations.

### *Special Regime*

Special regime generation is primarily governed by Decree-Law no. 189/88, of 27 May ("Decree-Law 189/88"), and the amendments thereto, including Decree-Law no. 312/2001, of 10 December and, in respect of tariffs, Decree-Law no. 168/99, of 18 May, Decree-Law no. 339-C/2001, of 29 December, Decree-Law no. 33A/2005, of 16 February ("Decree-Law 33A/2005"), and Decree-Law no. 225/2007, of 31 May, as amended by Decree-Law no. 51/2010, of 20 May 2010. Special regime generation is also affected by Decree-Law 29/2006 and Decree-Law 172/2006, insofar as these relate to the Portuguese Electricity System.

The statutory and regulatory regime applicable to the generation of renewable electricity differs from that applicable to the generation of electricity from other non-renewable sources in relation to licences, tariffs and electricity sale rights. In addition, Decree-Law no. 23/2010, of 25 March 2010 ("Decree-Law 23/2010"), as amended by Law no. 19/2010, of 23 August 2010, provides for a new cogeneration regime in respect of, among others, licensing and tariffs.

### Licences

Decree-Law 189/88 sets out a specific licensing regime applicable to power plants using renewable energy sources (excluding large hydropower plants). The construction and operation of a power plant using renewable energy sources requires a network interconnection point to be allocated by the Portuguese State Energy Department (Direcção Geral de Energia e Geologia, "DGEG"), either upon request by the operator or pursuant to a public tender procedure, which may be determined by the Ministry responsible for DGEG. In July 2005, the DGEG invited tenders for the allocation of interconnection points to the network representing up to between 1,200 MW and 1,800 MW. In October 2006, up to 1,200 MW of network interconnection points were awarded to the Eólicas de Portugal consortium, in which EDP has an ownership stake of 36.5 per cent.

The licensing process begins with a request to DGEG to assess the capacity of the network to receive the electricity generated at a determined network interconnection point. If such capacity exists, DGEG may allocate a network interconnection point to the requesting party. In the case of a public tender procedure, the competing entities must comply with certain requirements in order to be granted the right to a network interconnection point. The entities to which the interconnection point has been allocated must then obtain an establishment licence from DGEG before beginning construction of the power plant. Once construction is completed, an exploration licence must also be obtained. The DGEG licensing process operates in parallel with a local licensing process administered by the municipalities in which the power plant is to be located. In particular, the requesting party must obtain local construction and operating licences for the power plant. In some instances, an environmental impact evaluation may be required, and a favourable environmental impact declaration must be issued by the Environmental Impact Authority. This favourable environmental impact declaration, when applicable, is a condition precedent for the issuance of the establishment licence. Also, in cases where installations are to be located within the National Ecologic Reserve territory, depending on the specific circumstances, additional permits or a special Ministerial Order recognising the public interest of the project may be required.

### Tariffs

Decree-Law 189/88 sets out a specific formula for calculating the tariffs to be paid to generators for the electricity generated by power plants using renewable energy (excluding large hydropower plants). Wind farms that were already in operation or licensed as at February 2006 sell their electricity at a set price, dependent on production hours, ranging from €95/MWh for 2,000 hours to €85/MWh for 3,000 hours. These set prices are indexed to inflation for 15 years and, thereafter, electricity from those wind farms will be sold at the then-existing market price plus the price received from the sale of green certificates. If no green certificates market or regulatory framework exists at such date, electricity generated by those wind farms will be sold, for an additional period of five years, at the price applicable to new wind farms coming into operation on that date. Wind farms licensed after February 2006 sell their first 33 GWh of electricity at a price based on a formula set out in the Decree-Law 33-A/2005, for a period of 15 years counting from the date of the first supply of electricity to the network. After the 33 GWh limit is exceeded, electricity in excess of 33 GWh is, and, after the 15 years have

elapsed, all electricity generated on those wind farms will be, sold at the then-existing market price, plus the price received from the sale of green certificates.

The cost of providing such remuneration to the generators is allocated in accordance with Decree-Law no. 90/2006, of 24 May (“Decree-Law 90/2006”). Additionally, Decree-Law no. 312/2001, of 10 December, establishes the obligation of certain entities, such as REN Rede Eléctrica, in its capacity as the concessionaire of the national transmission network and EDP – Distribuição – Energia, S.A. (“EDP Distribuição”), in its capacity as concessionaire of the national distribution network, to receive the electricity generated using renewable energy sources and industrial, agricultural and urban waste in their respective networks.

#### Electricity sale

The Portuguese special regime provides that qualified special regime operators may sell electricity to last recourse suppliers that are required to purchase electricity under the special regime pursuant to article 55 of Decree-Law 172/2006. The right of the special regime operator, and the correspondent obligation of the last recourse supplier, do not, however, limit the ability of special regime operators to sell electricity to other suppliers of electricity operating in the market. When the special regime operator sells the electricity to the last recourse supplier, it will receive an amount corresponding to the tariff applicable to special regime generation for the electricity sold.

#### *Cogeneration*

Recently, Decree-Law 23/2010, as amended by Law no 19/2010, of 23 August, which transposes Directive 2004/8/EC of the European Parliament and Council, of 11 February, establishes a new legal framework applicable to the generation of electricity through cogeneration. This framework sets out a new and more expeditious regime for obtaining a licence for generation of electricity through cogeneration and a new form of calculation of the tariff payable to cogenerators.

#### ***Early Termination of the PPAs***

Under the Old Electricity Framework, electricity generated by EDP Produção’s power plants and other power plants in the SEP was sold under PPAs to REN Rede Eléctrica (acting as a single buyer), allowing these power plants to achieve a return on assets of 8.5 per cent. in real pre-tax terms. The price of electricity provided for in each PPA consisted of the capacity and energy charges, together with other costs associated with the generation of electricity, such as self-generation and generation facilities’ operations and maintenance costs. The capacity and energy charges were passed through to the final tariff paid by customers in the Public Electricity System.

The Portuguese government set out the framework for the early termination of the PPAs in laws and decree-laws promulgated in 2004 and 2007. These laws provide for changing the single buyer status of REN Rede Eléctrica and define compensatory measures for the respective contracting parties through the passing on of charges to all electrical energy consumers as permanent components of the Global Use of the System Tariff (“USG Tariff”). The market reference price for the calculation of the compensation payable to the generators was revised in 2007 from €36/MWh to €50/MWh. The conditions precedent for early termination of the PPAs set forth in the various laws and decree-laws, as well as in the PPA termination agreements entered into between EDP Produção and REN Rede Eléctrica on 27 January 2005, were met in 2007, and the PPAs to which EDP Produção was a party were terminated early on 1 July 2007 and replaced with the CMEC mechanism.

The amount of the initial global gross compensation due to EDP Produção as a result of the early termination of the PPAs is €833.5 million. The amount of compensation is capped at a maximum set for each generator and is subject to an annual review during the first 10 years of the CMEC, during which such compensation amounts are paid, along with a final review at the end of the 10 year period. The purpose of these adjustments is to ensure parity between the revenues expected in a market regime based on their initial compensation value and the revenues effectively obtained in the market, thereby protecting generators from market risk during the 10 year period.

The initial global gross compensation due to EDP Produção is reflected in the electricity tariffs paid by all consumers in Portugal as a separate component of the UGS Tariff, designated as “*Parcela Fixa*” (“Fixed Charge”), and recovered by EDP Produção or its assignees over a period of 20 years. The adjustments to the initial global gross compensation are also reflected in electricity tariffs, and if those adjustments are to EDP Produção’s benefit, they shall be due from all consumers in Portugal as a separate component of the UGS Tariff, designated as “*Parcela de Acerto*” (“Variable Charge”).

### ***Electricity Transmission***

Electricity transmission is carried out through the national transmission network, under an exclusive concession granted by the Portuguese government. Presently, the exclusive concession for electricity transmission was awarded to REN Rede Eléctrica under article 69 of Decree-Law 29/2006, following the concession already awarded to REN Rede Eléctrica under article 64 of Decree-Law no. 182/95, of 27 July.

Under the concession, REN Rede Eléctrica is responsible for the planning, implementation, and operation of the national transmission network and the related infrastructure, as well as all of the relevant interconnections and other facilities necessary to operate the national transmission network. The concession also provides that REN Rede Eléctrica must coordinate the Portuguese Electricity System infrastructures to ensure the integrated and efficient operation of the system, as well as the continuity and security of electricity supply.

The activities of the transmission system operator (or the concessionaire for the electricity transmission network) must be independent, both legally and organisationally, from other activities in the electricity sector. The minimum criteria for ensuring this independence are set out in the New Electricity Framework and include restrictions on the ownership of the transmission system operator's share capital. No person or entity may directly or indirectly hold more than 10 per cent. of the concessionaire's share capital. For entities operating in the electricity sector, this limit is reduced to 5 per cent. The limitations are not applicable to the Portuguese state, the concessionaire or entities controlled by either of them.

EDP holds 5 per cent. of the share capital of REN, which is the holding company that controls REN Rede Eléctrica and the concessionaires of regulated assets in the Portuguese gas business (REN – Gasodutos, S.A., REN Armazenagem, S.A. and REN Atlântico, S.A.).

### ***Electricity Distribution***

Electricity distribution under the New Electricity Framework occurs through the national distribution network, consisting of a medium and high voltage network, and through the low voltage distribution networks.

Currently, the national distribution network is operated through an exclusive concession granted by the Portuguese state. This exclusive concession for the activity of electricity distribution in high and medium voltage levels is held by EDP's subsidiary EDP Distribuição - Energia, S.A. ("EDP Distribuição"), pursuant to article 70 of Decree-Law 29/2006, as a result of converting the licence held by EDP Distribuição under the Old Electricity Framework into a concession agreement, which was signed on 25 February 2009, for a 35-year term. The terms of the concession are set forth in Decree-Law 172/2006.

The low voltage distribution networks continue to be operated under concession agreements. Although the existing concession agreements were maintained pursuant to Decree-Law 172/2006 it is expected that new concessions may have to be entered into after a public tender administered by the relevant municipalities.

Entities carrying out electricity distribution activities must be independent from entities carrying out activities unrelated to the distribution of electricity, from a legal, organisational and decision-making standpoint. However, according to EU law, operators of distribution networks who supply fewer than 100,000 customers and who are not vertically integrated as a company or a group are not subject to this independence obligation.

### ***Electricity Supply***

Electricity supply under the New Electricity Framework is open to competition, subject only to a licensing regime. Suppliers may openly buy and sell electricity. For this purpose, they have the right of access to the national transmission and distribution networks upon payment of the access charges set by the Portuguese Energy Services Regulatory Authority (*Entidade Reguladora dos Serviços Energéticos*, "ERSE"), an autonomous public entity.

Under market conditions, consumers are free to choose their supplier, without any additional fees for switching suppliers. Although a logistic operator for switching suppliers has not yet been set up, Decree-Law 172/2006 allows for a new entity, whose activity would be regulated by ERSE, to be created with the purpose of overseeing the logistical operations that facilitate switching suppliers for consumers.

The New Electricity Framework enumerates certain public service obligations for suppliers to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access charges and access to information in simple and understandable terms.

EDP's licensed supplier of electricity for the liberalised market is its subsidiary EDP Comercial.

As required by the Electricity Directive, the New Electricity Framework also establishes a last recourse supplier that is subject to licensing by DGEG and regulation by ERSE. The last recourse supplier, which until 1 January 2007 was REN Rede Eléctrica, is responsible for the purchasing of all electricity generated by special regime generators and for the supply of electricity to customers that purchase electricity under regulated tariffs and is subject to universal service obligations. The last recourse supplier is expected to exist until the free market is fully competitive as provided for in the Electricity Directive.

Since 1 January 2007, the role of last recourse supplier has been undertaken by an independent entity, EDP – Serviço Universal, S.A. (“EDP Serviço Universal”), created for this purpose by EDP’s subsidiary EDP Distribuição, and also by local low voltage distribution concessionaires with less than 100,000 clients and is expected to continue to be undertaken by these entities until the free market is fully efficient and until the respective concession contracts have expired.

Pursuant to amendments introduced by Decree-Law no. 264/2007 of 24 July, the last recourse supplier is further required to buy forward energy in the markets managed by OMIP and OMIClear – Sociedade de Compensação de Mercados de Energia, S.A. (“OMIClear”) in the quantities and at auctions defined by DGEG. Purchases of energy in the market managed by OMIP include listed annual, quarterly and monthly electricity futures contracts, at base-load and with physical delivery. The purchases are recognised for the purpose of regulated costs whenever they reach maturity.

The last recourse supplier must manage the different forms of contracts in order to acquire energy at the lowest cost. All unneeded surplus electricity acquired by the last recourse supplier is resold on the organised market.

Electricity supply activities are required to be separate from a legal perspective in relation to all other activities in the electricity sector.

### ***Operation of the Electricity Markets***

The organised market corresponds to a system with different methods of contracting that allow supply and demand orders of electricity to be met, and encompasses the forward, daily (comprising bulk energy transactions to be delivered on the day after the contract date that must be physically settled) and intra-daily markets (comprising transactions that must be physically settled).

The operation of organised forward markets for electricity is subject to joint authorisation from the Minister of Finance and the Minister responsible for the energy sector. The entity managing such organised markets is also subject to authorisation from the Minister responsible for the energy sector and, when required by law, from the Minister of Finance. Organised electricity markets should be integrated into any organised electricity markets established between Portugal and other EU Member States. Generators operating under the ordinary regime and suppliers, among others, can become market members.

Since 1 July 2007, MIBEL has been fully operational, with daily transactions from both Portugal and Spain, including a forward market that has operated since July 2006. MIBEL has at present two market operators: (1) OMEL, which is the current market operator of the Spanish market, manages MIBEL’s spot transactions market; and (2) OMIP, which is presently managed from Portugal, manages MIBEL’s forward transactions market.

The Portuguese operators OMIP and OMIClear are the Portuguese entities responsible for the functioning of the MIBEL forward market. Specifically, this covers transactions of bulk energy to be delivered on the day after the contract date, settled either by physical delivery or by differences. In order to allow the physical delivery of electricity inherent to positions held on the forward market, and to allow the exchange of information between markets, an interconnection agreement between OMIP and OMEL was signed in April 2006. The non-organised markets consist of bilateral contracts between the entities of MIBEL, settled either by physical delivery or by differences and are subject to approval by ERSE in Portugal.

### ***Logistics for Switching Suppliers***

Under market conditions, consumers are free to choose their electricity supplier and are exempt from any payment when switching suppliers. Legislation applicable to switching suppliers’ activity has yet to be developed. Accordingly, ERSE has determined that until a switching operator is created, management of the logistics for switching suppliers shall be conducted by the operator of the medium and high voltage distribution network, which currently is EDP Distribuição.

Transmission, distribution and last recourse supply, as well as the logistics and terms applicable to the operations for switching suppliers and for managing organised markets, are subject to ERSE regulation.

### ***Electricity Tariffs***

The prices that EDP charges for electricity and access to the networks are subject to extensive regulation. Until 1998, the Portuguese government, through the predecessor of DGEG, was responsible for the development, execution and evaluation of the policy for the energy sector, in particular by presenting proposals for necessary legislation and regulation. In February 1997, ERSE was appointed as the regulator (ERSE came to stand for Entidade Reguladora dos Serviços Energéticos, as its scope had widened to the energy sector in general, including gas and electricity). ERSE sets tariffs for the electricity supplied to customers remaining in the regulated market and access charges for the consumers in the free market. Final customer tariffs applicable to the regulated market are differentiated by voltage level, tariff option and the period of electricity consumption, and access charges are differentiated by voltage level and the period of electricity consumption. These tariffs, when set, should be uniform throughout mainland Portugal within each level of voltage, subject to specified exceptions based on volume.

Currently, the overall electricity tariff comprises charges for energy, transmission, distribution, commercialisation and policy costs. In the regulatory period 2002 to 2004, ERSE applied a four-rate tariff price structure related to the time of day applicable to medium, high and very high voltage consumers. ERSE also introduced some changes primarily in the distribution business that had the effect of splitting the regulation of the distribution wires, wires commercialisation and regulated commercialisation. ERSE also introduced some adjustments on the structure of tariffs, both for the published tariffs to final customers and access charges paid by market agents, with the intention of introducing more transparency in the system and reducing cross-subsidies between customers. In light of the expected revision of the legal framework of the Portuguese electricity system, the termination of the PPAs and the commencement of MIBEL, ERSE determined that the subsequent regulatory period should be transitory and have a one-year duration (2005) during which the system used in the previous regulatory period continued to apply.

The regulatory period of 2006 to 2008 brought little change in the method of tariff calculation. However, further legislation was published in 2006 and in the first half of 2007 to establish a framework in line with the enactment of MIBEL, which has been delayed from the original starting date due to technical and regulatory issues. New regulation was also published to comply with EU open market requirements. During this period, the decree-law defining the basis for the new energy sector organisation was published, as well as the decree-law determining a new reference price for the calculation of the compensation due to the termination of the PPAs, and the decree-law settling the full separation of distribution and regulated commercialisation (the last recourse supplier), which had been combined in a single company until then. This change formally took effect on 1 January 2007.

In 2006 and 2007, a “tariff deficit” was generated, which meant that the final customer tariffs charged by the last recourse supplier (EDP Serviço Universal in 2007 and EDP Distribuição in 2006) were not covering all the costs of the system, generating a loss for the last recourse supplier and for the transmission system operator (REN). This deficit resulted from two different decree-laws: Decree-Law no. 187/95, of 27 July, which provided that the low voltage tariffs could not rise above the expected rate of inflation in 2006; and Decree-Law no. 237-B/2006, of 18 December, which set a maximum 6 per cent. rise in tariffs for residential customers (normal low voltage) in 2007. These deficits are expected to be fully recovered in ten years, beginning in 2008, through annual rises in access charges.

In September 2006, a significant event occurred: full liberalisation in supply was achieved and residential customers were able to switch suppliers, so that all customers could now choose their supplier in the market. This was the final step of a process started in 1999, when only the large industrial customers could choose their suppliers freely in the market.

With the technical problems solved and a new regulatory framework in place, MIBEL started on 1 July 2007. MIBEL is the result of a joint initiative by the Portuguese and Spanish governments. As a regional market, it constitutes an important transitional step in the creation of an internal electricity market. As MIBEL comes into force, it will be possible for every consumer in the Iberian Peninsula to obtain electricity within a regime of free competition from any producer or seller that operates in both countries.

Regarding MIBEL, and as a consequence of the new energy sector organisation, ERSE began a general review of the electricity regulatory framework, notably on all the codes. ERSE has also adjusted the last recourse supplier’s tariffs to final customers and access charges, an adjustment which took place on 1 September 2007. This tariff adjustment was mainly intended to reflect the effect of PPAs.



When ERSE established the tariffs for 2009, another, and significantly larger, tariff deficit was generated, mainly due to increasing electricity costs in wholesale markets. Given the need to regulate the creation of these deficits and to clarify how they could be recovered, Decree Law no. 165/2008, of 21 August (“Decree Law 165/2008”) defined the rules applicable to tariff adjustments referring to electric energy acquired by the last recourse supplier in exceptional cost situations, as well as to tariff repercussion of energy, sustainability and general economic interest policy measures. Namely, this decree-law stated that every tariff deficit generated thereon on these conditions, such as the case of the deficit generated in 2009, must be recovered over a 15-year period, which means that an instalment worth 1/15 of the total deficit plus the corresponding interest would be added to the tariffs each year, beginning in 2010.

Besides this deficit issue, full tariff additivity was still not achieved in the first year of the current regulatory period.

In August 2008, the Tariffs Regulation and the Commercial Relations Regulation were revised, motivated by the upcoming regulatory period of 2009 to 2011 and by the rising costs of primary energy. The main features of this revision were the definition of new tariff options to the final consumer and the introduction of efficiency goals that could lead to further cost reductions on the regulated activities, therefore reducing the weight of these costs on final tariffs. It also updated the rate of return on the regulated activities. Moreover, a rate of return for the working capital of the last recourse supplier was defined for the first time.

As a way to update applicable regulations for the new framework established by Decree-Law 165/2008, a new version of the Tariffs Regulations was published in December 2008, and in June 2009 ERSE set up a public consultation to review proposed revisions of the Commercial Regulations Code.

In real terms, very high, high and medium voltage final customer tariffs, generally applicable to industrial customers, have declined approximately 15 per cent., 10 per cent. and 8 per cent., respectively, over the period from 1998 to 2010. The final customer tariffs for normal low voltage customers, typically residential, have also declined in real terms by approximately 8 per cent. over the same period. In 2010, in nominal terms, final customer tariffs increased across all voltage levels by approximately 2.9 per cent. from 2009. In real terms, very high, high and medium voltage access charges have decreased by 1.6 per cent.

### ***The current Natural Gas System***

The general basis, principles and model of organisation of the Portuguese natural gas system (the “Portuguese Natural Gas System”) were established through Decree-Law no. 30/2006, of 15 February (“Decree-Law 30/2006”), and Decree-Law no. 140/2006, of 26 July (“Decree-Law 140/2006”) (together, the “Natural Gas Framework”), both amended by Decree-Law no. 66/2010, of 11 June (“Decree-Law 66/2010”).

The Portuguese Natural Gas System is now divided into seven major components: reception, storage and regasification of LNG; underground storage of natural gas; transportation of natural gas; distribution of natural gas; supply of natural gas; operation of the natural gas market; and logistic operations for switching suppliers of natural gas.

The Natural Gas Framework establishes an integrated Portuguese Natural Gas System in which the supply of natural gas and the management of the organised markets are competitive and only require compliance with a licensing or authorisation process for the start-up of operations. The liberalisation of the supply of natural gas commenced on 1 January 2007 (with respect to power generators) and was extended to consumers of over one million cubic metres of natural gas per year on 1 January 2008, and to consumers of over ten thousand cubic metres of natural gas per year in 2009. By 1 January 2010, the supply of natural gas was fully open to all natural gas clients following which Decree-Law 66/2010 abolished the tariffs applicable to final clients with an annual consumption greater than ten thousand cubic metres of natural gas per year and mandated that all such consumers be supplied by the natural gas suppliers other than the last recourse suppliers.

Activities relating to the reception, storage and regasification of natural gas; underground storage of natural gas; and natural gas transportation continue to be provided through the award of public service concessions. Natural gas distribution is carried out through the award of public service concessions or licences.

### ***Natural Gas Transportation***

Natural gas transportation activities are carried out under an exclusive 40-year concession granted by the Portuguese government to the system operator REN Gasodutos. The granting of the natural gas transportation network (“RNTGN”) concession to REN Gasodutos followed the decision to separate the activity of natural gas distribution from that of transportation. The terms of the concession contract were established by the Council of

Ministers Resolution no. 105/2006 of 3 August, and REN Gasodutos was awarded the concession in September 2006.

### *Natural Gas Distribution*

Natural gas distribution is carried out through concessions or licences granted by the Portuguese government, and involves the distribution of natural gas through medium and low-pressure pipelines. The entities operating the natural gas distribution network at the date of enactment of Decree-Law 30/2006 will continue operating the natural gas distribution network as concessionaires or licensed entities under an exclusive territorial public service regime pursuant to article 66 of Decree-Law 30/2006. Natural gas distribution activities are required to be independent, from a legal, organisational and decision-making standpoint, from other activities unrelated to the distribution activity, unless the concessionaires or licensed distributors serve fewer than 100,000 customers. The relevant concessionaires are required to ensure third party access to the natural gas distribution networks at tariffs applicable to all eligible customers, including supply companies, which are required to be applied objectively and without discrimination between users.

The distribution network is composed of medium and low pressure pipelines and serves the residential, commercial and small and medium-sized industrial sectors. The natural gas supply activities formerly developed by these companies migrated to last recourse supply companies, fully detained by the distribution concessionaires and responsible for the supply of natural gas to non-eligible customers and to customers who decided to continue to be supplied under regulated tariffs. Regulated supply tariffs are defined and published by the regulator, ERSE.

EDP is the concessionaire for the distribution of natural gas in the North Coastal region of Portugal, through its subsidiary Portgás, and EDP also has an ownership stake in the company Setgás.

### *Natural Gas Supply*

Under the Natural Gas Framework, natural gas supply is open to competition, subject only to a licensing regime. Suppliers may openly buy and sell natural gas. For this purpose, they have the right of access to the natural gas transportation and distribution networks upon payment of the access charges set by the ERSE.

Under market conditions, consumers are free to choose their supplier, without any additional fees for switching suppliers. Although a specific logistic operator for switching suppliers has not yet been set up, Decree-Law 140/2006 allows for a new entity, whose activity would be regulated by ERSE, to be created with the purpose of overseeing the logistical operations that facilitate switching suppliers for consumers and determines that this logistic operator for switching suppliers should be the same entity for the Portuguese Electricity System and for the Portuguese Natural Gas System. Currently, the logistic activities for switching suppliers are attributed to REN Gasodutos by ERSE, in a transitional manner.

The Natural Gas Framework enumerates certain public service obligations for suppliers to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access charges and access to information in simple and understandable terms.

Natural gas supply activities are required to be legally separated from all other activities in the Portuguese Natural Gas System.

EDP's licensed suppliers of natural gas for the liberalised market are its subsidiaries, EDP Comercial and EDP Gás.Com.

The Natural Gas Framework also establishes the existence of last recourse suppliers, subject to regulation by ERSE and to a licensing process. Under article 46 of Decree-Law 140/2006, this role is undertaken by natural gas distributors, within their respective concessioned or licensed areas, through companies fully owned by former entities and that were setup for that exclusive purpose, unless they serve fewer than 100,000 clients, in which case, the service may be rendered by the distributors itself.

Last recourse suppliers are required to be legally separated from all other activities in the Portuguese Natural Gas System, unless they serve fewer than 100,000 clients.

### *Natural Gas Tariffs*

From 2007, ERSE has set natural gas tariffs according to ERSE's Tariff Regulations, on the activities of Reception, Storage and Regasification of Liquefied Natural Gas ("LNG"), Underground Storage, Global Technical Management System and Transportation of natural gas. From 2008, in addition to access to high pressure infrastructure, ERSE defines distribution networks access tariffs and end-user tariffs.

ERSE decision 10423/2010, of 22 June, sets gas tariffs for the year July 2010 to June 2011, and the parameters to the new three-year regulatory period, beginning on 1 July 2010.

Decree-Law 66/2010 abolished the tariffs applicable to final clients with an annual consumption greater than ten thousand cubic metres of natural gas per year. Such consumers will be supplied by the natural gas suppliers other than the last recourse suppliers, with a transitory period until 31 March 2011.

### ***Market regulators***

Responsibility for the regulation of the Portuguese energy sector is shared between DGEG, ERSE and the Portuguese Competition Authority, according to their respective functions and responsibilities.

### ***DGEG***

DGEG has primary responsibility for the conception, promotion and evaluation of policies concerning energy and geological resources and has the stated aim of assisting the sustainable development and the security of energy supply in Portugal. In particular DGEG is responsible for (1) assisting in defining, enacting, evaluating and implementing energy policies; (2) identifying geological resources in order to ensure that their potential uses are properly evaluated; (3) promoting and preparing the legal and regulatory framework underlying the development of the generation, transmission, distribution and consumption of electricity; (4) promoting and preparing the legal and regulatory framework necessary for the promulgation of policies relating to research, usage, protection and assessment of geological resources; (5) supporting the Ministry of the Economy at international and European level; (6) supervising compliance with the legal and regulatory framework that underpins the Portuguese energy sector (particularly in connection with the electricity transmission network, the electricity distribution network and the quality of service provided to energy consumers); (7) providing sector-based support to the Portuguese government in crisis and emergency situations; (8) approving the issuance, modification and revocation of electricity generation licences; and (9) conducting the public tender procedure for the attribution of network interconnection points in the renewable energy sector. While carrying out its responsibilities, the DGEG must consider the following national objectives: (1) guaranteed energy supply, (2) energy diversification, (3) energy efficiency and (4) the preservation of the environment.

DGEG is also responsible for the approval of regulations applicable to the Portuguese Electricity System, such as:

- the Quality of Service Regulation

The Quality of Service Regulation governs the quality of service provided by electricity companies to their customers. The Quality of Service Regulation was first issued on 1 January 2001, by DGEG and has been subject to several amendments ever since. In March 2006, DGEG published, through Dispatch no. 5255/2006, a new version of the Quality of Service Regulation, applicable as of 1 January 2006. This Quality of Service Regulation seeks to liberalise the electricity market by revoking the quality of service regulations under the previous regime and instituting a new scheme to promote the quality of service in the liberalised electricity market. Under the new Quality of Service Regulation, a violation of individual standards of service quality or of commercial and technical quality entitles the customer to compensation, which is required to be automatically paid on predetermined terms, unless such a violation can be justified by public interest, or service or safety reasons.

- the Distribution Network Regulation

The Distribution Network Regulation identifies the assets of the distribution network and sets out the conditions for: its operation, in particular regarding the control and management of the network, maintenance of the network, technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. The Distribution Network Regulation was first issued in 1999.

- the Transmission Network Regulation

The Transmission Network Regulation identifies the assets of the transmission network and sets out the conditions for its operation. In particular, it lays out standards for: the control and management of the network, its maintenance, the technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. The Transmission Network Regulation also establishes the means and the legal support for the codification of the technical and safety rules to be observed by entities that intend to connect to the transmission grid. The Transmission Network Regulation was first issued in 2000.

### ***ERSE***

ERSE was appointed as the independent regulator of electricity services in February 1997. On 25 March 2002, ERSE's authority with respect to the electricity sector was extended to the autonomous regions of Madeira and Azores. On 12 April 2002, ERSE became the regulatory entity of energy services, and its authority was extended to cover natural gas regulation.

According to Decree-Law 29/2006 and Decree-Law no. 172/2006, ERSE is responsible for regulating the transmission, distribution and supply of electricity, the logistical operations for switching electricity suppliers, and the operation of the electricity markets. Decree-Law 29/2006 and Decree-Law no. 172/2006 assign to ERSE the responsibility of approving the principal regulations applicable to the Portuguese Electricity System as set forth below:

- the Tariff Regulation

The Tariff Regulation sets out the criteria and methods for determining the tariffs and prices applicable to the electricity sector and for other services rendered by the concessionaire to the national electricity transmission network and by electricity distributors to other licence holders or end consumers. The first Tariff Regulation was issued in December 1998 and has since been subject to several amendments. The last two major amendments occurred in December 2008, in order to incorporate the new framework established by Decree-Law 165/2008 and in December 2009, in order to establish the necessary conditions for the recovery, through the tariffs, of the electricity costs deviations and to improve the tariff convergence between the tariffs applicable to the consumers in Continental Portugal and those applicable to the consumers in the autonomous regions of Madeira and Azores.

- the Commercial Relations Regulation

The Commercial Relations Regulation governs commercial relations between entities within the electricity sector. The first Commercial Regulation was issued in December 1998 and has since been subject to several amendments. The last two major amendments occurred in August 2008, in order to improve the full liberalisation of the electricity market, notably by assuring that the network operator allows other entities to supply their clients through the distribution network, since customers are entitled to choose their supplier but not the network operator and in August 2009 to incorporate the new rules regarding tariff adjustments established by Decree-Law 165/2008.

- the Access to the Network and to Interconnections Regulation

The Access to the Network and Interconnections Regulation governs the technical and commercial conditions on which third parties may access the electricity networks and interconnections. The Access to the Network and Interconnections Regulation was first issued in December 1998 and has since been subject to several amendments. The most recent amendment occurred in June 2007, following the enactment of Decree-Law no. 392/2007, of 1 June, which further developed MIBEL.

- The Networks Operation Regulation

The Networks Operation Regulation sets out, among other things, the conditions that must be met to permit the management of electricity flow on the RNT and aims to ensure interoperability between RNT and other networks. The Networks Operation Regulation was enacted in June 2007.

- the Conflict Resolution Regulation

The Conflict Resolution Regulation established the rules and procedures relating to the resolution of commercial conflicts arising between operators in the electricity and natural gas sectors and between such entities and their customers. The Conflict Resolution Regulation was issued by ERSE in October 2002.

ERSE also regulates the natural gas transmission network, the underground storage of natural gas, the reception, storage, and regasification of LNG, the last recourse distribution and supply of natural gas, and the logistical operations for switching natural gas suppliers. ERSE is required to submit a periodic report on these regulatory areas to the Portuguese government.

As specified in Decree-Law 30/2006 and Decree-Law no. 140/2006, ERSE's responsibilities in the Portuguese Natural Gas System include approving the principal applicable regulations, as follows:

- the Tariff Regulation

The Tariff Regulation establishes the criteria and methods for determining natural gas tariffs and prices applicable to the natural gas sector. It sets out, among other things, the criteria and processes for: defining the regulated tariffs and determining the respective tariff structures, calculation and determination of the tariffs, calculation and determination of allowed revenues and the processes applicable to the calculation and

amendments to tariffs and its respective publication. The first Tariff Regulation was issued in September 2006 and has since been subject to several amendments. The last major amendments occurred in March 2010 in order to adapt the tariff structure to the full liberalisation of the Portuguese Natural Gas System and establish a new methodology for the calculation of the tariffs in respect of the LNG terminal in Sines so that increased competition on the terminal access can be achieved and in June 2010 in order to adapt the Tariff Regulation to the amendments to the tariffs introduced by Decree-Law 66/2010.

- the Commercial Relations Regulation

The Commercial Relations Regulation governs commercial relations between entities within the natural gas sector and the mechanism of compensation to ensure tariff uniformity, metering rules and conflict resolution rules. The first Commercial Regulation was issued in September 2006 and has since been subject to several amendments. The last major amendments occurred in March 2010, in order to adapt the Commercial Relations Regulation to the full liberalisation of the Portuguese Natural Gas System.

- the Quality of Service Regulation

The Quality of Service Regulation establishes the standards for the quality of service that, from a technical and commercial nature, should be observed in all services rendered in the Portuguese Natural Gas System. The first Quality of Service Regulation was issued in September 2006 and has since been subject to several amendments. The last major amendments occurred in March 2010 in order to adapt the Quality of Service Regulation to the full liberalisation of the Portuguese Natural Gas System.

- the Access to the Networks, Infrastructure and to Interconnections Regulation

The Access to Networks, Infrastructure and Interconnections Regulation establishes the conditions and obligations governing the right of access to all infrastructure of the RNTGN, which must be complied with by the regulated companies operating in the natural gas sector and by eligible customers. The Access to the Networks, Infrastructure and to Interconnections Regulation also established the conditions under which the operator may refuse access to the networks, interconnections and storage facilities. The first Access to Networks, Infrastructure and Interconnections Regulation was issued in September 2006. The last major amendments occurred in March 2010 in order to adapt the Access to Networks, Infrastructure and Interconnections Regulation to the full liberalisation of the Portuguese Natural Gas System.

- the Infrastructure Operation Regulation

The Infrastructure Operation Regulation defines the criteria and procedures for managing natural gas flows, the provision of system services and the technical conditions enabling the operators of the natural gas transportation network, of underground storage facilities and of LNG terminals to manage such flows, while ensuring interoperability with the networks to which they are connected. The first Infrastructure Operation Regulation was issued in June 2007. The last major amendments occurred in March 2010 in order to adapt the Infrastructure Operation Regulation to the full liberalisation of the Portuguese Natural Gas System.

### ***Portuguese Competition Authority***

On the basis of the fundamental anti-trust and State aid provisions contained in the Treaty on the Functioning of the European Union and of merger control regulations, Portugal adopted new competition rules in 2003 applicable to all economic activities, independently of being developed within the private, cooperative or public sectors (Law no. 18/2003 of 11 June). It also set up an independent authority – the Portuguese Competition Authority – empowered to fully apply those rules in respect of the economic principle of market economy and free competition, and in view of an efficient functioning of the markets, an effective distribution of the resources and the interest of the consumers (Decree-Law no. 10/2003, 18 January).

To that end, the Portuguese Competition Authority enjoys a number of disciplinary, supervision and regulatory powers which includes investigative powers to perform inquires of legal representatives of companies or associations of companies, request documents or information, and inspect business and non-business premises. It may also impose fines on companies that do not comply with competition rules.

Since 1 May 2004, all national competition authorities, including the Portuguese Competition Authority, are empowered to apply fully the competition provisions of the Treaty on the Functioning of the European Union in order to ensure that competition is not distorted or restricted. National courts may also apply these prohibitions so as to protect the individual rights conferred to citizens by the Treaty.

## Spain

### *Electricity Regulation Overview*

The main characteristics of the Spanish electricity sector are the existence of the wholesale Spanish generation market (also referred to as the “Spanish pool”), and the fact that any consumer has been free to choose its supplier since 1 January 2003. Additionally, since 2006, bilateral contracts and the forward market (long-term energy acquisition contracts) have become a larger part of the market.

Generation facilities in Spain operate either under the Spanish ordinary regime or the Spanish special regime. The electricity system must acquire all electricity offered by special regime generators, which consist of small or renewable energy facilities, at tariffs fixed by Royal Decree or Order that vary depending on the type of generation and are generally higher than Spanish market prices. Ordinary regime generators provide electricity at market prices to the Spanish pool and under bilateral contracts to qualified consumers and other suppliers at agreed prices. Suppliers, including last resort suppliers, and consumers can buy electricity in this pool. Foreign companies may also buy and sell in the Spanish pool.

The market operator and agency responsible for the market’s economic management and bidding process is OMEL (see “– Iberian Peninsula – MIBEL Overview”). Transmission companies and regulated distributors must provide network access to all consumers that have chosen to be supplied in the free market. However, these consumers must pay an access tariff to the distribution companies if such access is provided.

Liberalised suppliers are free to set a price for their consumers. The main direct activity costs of these entities are the wholesale market price and the regulated access tariffs to be paid to the distribution companies. Electricity generators and liberalised suppliers or qualified consumers may also engage in bilateral contracts without participating in the wholesale market.

As from 1 July 2009, last resort suppliers, appointed by the Spanish government, supply electricity at a regulated tariff set by the Spanish government to the last resort consumers (low-voltage electricity consumers whose contracted power is less than or equal to 10 kw). Since then, distributors cannot supply electricity to last resort consumers.

### *Electricity Sector Act*

The enactment of the Electricity Sector Act gradually changed the Spanish electricity sector from a state-controlled system to a free-market system with elements of free competition and liberalisation. The Electricity Sector Act is intended to guarantee that the supply of electricity in Spain is provided at high quality and lowest possible cost. In order to achieve those targets the referred Act settles:

- the unbundling of regulated (transmission, distribution, technical management of the system and economic management of the wholesale market) and liberalised activities (generation, trading and international transactions);
- a wholesale generation market, or electricity pool;
- freedom of entry to the electricity sector for new operators carrying out liberalised activities;
- from 1 January 2003, all consumers can select their electricity supplier and their method of supply;
- all operators and consumers have the right to access the transmission and distribution grid by paying access tariffs approved by the Spanish government; and
- the protection of the environment.

Law 17/2007 amended the Electricity Sector Act, bringing it into conformity with Directive 2003/54 EC of the European Parliament and Council, with the intention of reconciling the liberalisation of the electricity system with the twin national objectives of guaranteeing supply at the lowest possible price and minimising environmental damage.

### *Spanish Ordinary Regime*

Traditionally, most of the demand for electricity in Spain is provided for under the Spanish ordinary regime. Indeed, according to information provided by the Spanish system operator, REE, during 2009 69.5 per cent. of the total demand for electricity in Spain was provided for under the Spanish ordinary regime (hydro 12.5 per cent., nuclear 27.65 per cent., coal 17.74 per cent., fuel/gas 1.09 per cent. and CCGTs 41.02 per cent.).

All generation facilities that are not governed by the Spanish special regime are governed by the Spanish ordinary regime. Under the Spanish ordinary regime, there are four methods of contracting for the sale of electricity and determining a price for the electricity:

- *Wholesale energy market or pool.* This pool was created on 1 January 1998 and includes a variety of transactions that result from the participation of market agents (including generators, distributors, suppliers and direct consumers and, until 30 June 2009, distributors) in the daily and intraday market sessions.
- *Bilateral contracts.* Bilateral contracts are private contracts between market agents, whose terms and conditions are freely negotiated and agreed. Information about these contracts has to be given to the energy market in order to keep the security of the electricity system.
- *Auctions for purchase options or primary emissions of energy.* Principal market participants, Endesa and Iberdrola Renovables, are required by law to offer purchase options for a pre-established amount of their power. Some of the remaining market participants are entitled to purchase such options during a certain specified period.
- *Energy Auctions for Last Resort Demand.* Last resort suppliers in the Iberian Peninsula can acquire electricity in the spot or forward markets to meet last resort demand. However, since 1 July 2009 these last resort suppliers have been permitted to hold energy auctions to purchase electricity at lower prices.

All the capacity that has not been contracted in the forward markets and that is not linked to a physical agreement has to be offered at the wholesale energy market or pool.

Since January 2003, all consumers have become qualified consumers. All of them may now choose to acquire electricity under any form of free trading through contracts with suppliers, by going directly to the organised market or through bilateral contracts with producers.

With the coming into force of the Last Resort Supply ("*Suministro de Último Recurso*") on 1 July 2009, the integral tariff system has been replaced by a last resort tariff system. Last resort tariffs ("*Tarifas de último recurso*") are set by the Spanish government on an additive basis and can only be applied to low-voltage electricity consumers whose contracted power is less than or equal to 10 kw. Last resort consumers can choose between being supplied at last resort tariffs or being supplied in the liberalised market.

### *Spanish Special Regime*

According to Red Eléctrica de España, 30.50 per cent. of the electricity demand in Spain in 2009 was provided by facilities that were governed by the Spanish special regime. Electricity produced from wind alone represented 13.46 per cent. of the total electricity demand in 2009, and all such electricity generated from wind resources in Spain was produced under the Spanish special regime. The application of the Spanish special regime is discretionary for companies that own eligible facilities. Generally, eligible facilities are those with an installed capacity of 50 MW or less that use cogeneration or any renewable energy source as their primary energy.

Royal Decree-Law 661/2007 of 25 May 2007 ("*Royal Decree 661/2007*") established the current regulation of the Spanish special regime. Royal Decree 661/2007 introduced a stable framework and sets the basis for future development of renewable energy in terms of competition and profitability. It is framed within the commitment of the Spanish government to encourage investments in renewable energy in Spain.

Under this regulation, Spanish special regime power facilities are able to select a fixed feed in tariffs or to participate in the market. If the Spanish special regime generator sells electricity in the market, it will receive the market price plus a premium, subject to a cap and floor on final prices for each type of facility, depending on the technology used.

Royal Decree-Law 6/2009 has slightly amended the Spanish special regime through the creation of the "Registry of pre-assignment compensation" ("*Registro de pre-asignación de retribución*") of the Registry of Industry, Tourism and Trade, in which all facilities for renewable energy production in the process of being installed must be registered in order to benefit from the Spanish special regime set out by Royal Decree 661/2007.

### Electricity tariffs

Law 17/2007 amended the Electricity Sector Act in order to adapt it to Directive 2003/54/EC. Among the most important amendments, Law 17/2007 replaced the integral tariff system by a last resort tariff system. Last resort tariffs are only applicable to low-voltage electricity consumers whose contracted power is less than or equal to 10 kw. According to Royal Decree-Law 485/2009 of 3 April ("*Royal Decree 485/2009*"), the last resort

tariff is set by the Spanish government taking into account the sum of the following components: (1) costs of the electricity production (which is revised every six months), (2) relevant access tariffs and (3) costs of supply.

Electricity transmission and distribution activities will continue to be regulated since their particular characteristics impose severe limitations on the possibility of introducing competition. The new regulatory framework changed the manner in which electricity businesses receive payments in order to promote efficiency and quality of service. The regulations take into account the investment and operational costs related to transmission activities. Fixed remuneration for distribution is based on investment, and operational and maintenance costs. Currently, the economic regime for transporters and distributors is contained in Royal Decree 2017/1997 of 26 December 1997, as amended by Royal Decree 1432/2002 of 27 December 2002, in Royal Decree 222/2008 of 15 February 2008 and in Royal Decree 485/2009.

In accordance with the provisions of Article 15 of Law no. 54/1997, as amended by Law no. 17/2007, the supply of energy is paid from tolls and prices applicable to consumers.

Such tolls, uniform throughout the entire country, are set by the Minister of Industry, Tourism and Trade based on the costs of regulated activities, including permanent costs and diversification and security of supply.

On the other hand, on 1 July 2009 the comprehensive system of electricity tariffs was extinguished. Accordingly, from that date, all consumers have been in the deregulated market. However, Royal Decree no. 485/2009 of 3 April 2009, in implementing the provisions in Articles 9.f and 18 of the 24th Additional Provision of Law nº 54/1997, provides that the low voltage final consumers who hired 10 kW or less are eligible for the tariff of last resort, which applies a maximum and minimum price to that supply. This tariff will be applied by the designated suppliers of last resort, among which is Hidrocantábrico Energía Último Recurso, S.A.U.

### ***Social Bono***

Royal Decree Law no. 6/2009 of 20 April 2009, has created the Social Bono for some consumers benefiting from the tariff of last resort (“TUR”) comply with the social, consumer and economic conditions as determined by the Ministry Industry, Tourism and Trade. This Social Bono will cover the difference between the value of TUR and a reference value, called “reduced tariff” and will be financed by the companies’ owners of generating plants. From 1 July 2009, individual consumers with a contracted capacity of less than 3 kw in his residence, consumers who are 60 years old or more, consumers with minimum pensions, large families and families of which all its members are unemployed shall be entitled to the Social Bono.

Since 1 January 2009, distributors have ceased to supply electricity, becoming merely network operators.

Law 17/2007 also created the change of supplier office (“*Oficina de Cambio de Suministrador*” or “OCSUM”), the main purpose of which is to supervise changes of suppliers by consumers under principles of transparency, objectivity and independence. OCSUM operates in both the electricity market and the natural gas market, and its share capital is owned by distributors of electricity (15.0 per cent.), distributors of natural gas (15.0 per cent.), suppliers of electricity (35.0 per cent.) and suppliers of natural gas (35.0 per cent.).

### ***Authorisations and Administrative Procedures***

All power plants require certain permits and licences from public authorities at local, regional and national levels before construction and operation can commence.

Administrative permits and licences are generally required for the construction, enlargement, modification and operation of power plants and ancillary installations. In addition, power plants must receive prior approval of the relevant autonomous community authorities and be registered on the Spanish special regime register maintained by the Minister of Industry, Tourism and Trade before the power plant is entitled to make use of the Spanish special regime. Facilities must also be authorised for their interconnection to the relevant transmission and distribution networks. According to Royal Decree 661/2007, if the interconnection authorisation is not granted, the administrative authorisation cannot be granted.

In February 2010, Royal Decree 134/2010 laid down the procedure for resolution of supply security restrictions as a means to promote consumption of indigenous coal, although its implementation is tied to approval by EU competition authorities under Article 108.3 of the Treaty of Lisbon.

### ***Gas Regulation Overview***



The general basis, principles and model of organisation of the gas sector in Spain were established through the Hydrocarbons Act no. 34/1998, of 7 October 1998 (the “Hydrocarbons Act”), Royal Decree-Law 949/2001 of 3 August 2001 and Royal Decree no. 1434/2002 of 27 December 2002 (“Royal Decree 1434/2002”).

The approval of Act no. 12/2007 of 2 July 2007 (“Act 12/2007”), which modifies the Hydrocarbons Act, in order to adapt it to EU Directive 2003/55/EC has completed the process of deregulation that was started in the sector in 1998. The regulated supply system ended on 1 January 2008 and was substituted by a last resort supply system. According to Law 12/2007, the scope of consumers that can be supplied under the last resort tariff systems has been reduced to only domestic and low consumption users. However, these clients will have the option to choose between being supplied under the last resort system (by last resort suppliers appointed by the Spanish government) or in the liberalised market (at the prices freely agreed with suppliers).

In what concerns the supplier of last resort (“SoLR”), Royal Decree no. 485/2009 allows for the possibility of merging firms that have to supply both electricity and gas, under the SoLR requirements, into a single company. As result, by Decision no. 12/02/2009 of General Director for Energy Policy and Mines, the merger of EDP/HC Naturgas Energía Comercializadora de Último Recurso was approved, starting from 1 January 2010. Accordingly, from that date onwards, Naturgas Energía Comercializadora no longer holds the qualification of Supplier of Last Resort.

Spanish law distinguishes between (1) regulated activities, which include transportation (regasification of LNG, underground storage and transportation of natural gas) and distribution; and (2) non-regulated activities, which include supply and production.

Any company engaging in a regulated activity must engage in only one regulated activity. However, a group of companies may conduct unrelated activities, provided that different companies within the group engage in each regulated activity (both corporate and financial unbundling are required).

The Spanish gas market structure is involved in market changes due to several mergers and acquisitions already in progress. As a consequence of these changes, Naturgas has reached an agreement with Gas Natural in order to acquire portions of its assets and portfolio of customers. Naturgas bought from Gas Natural its low-pressure network in Cantabria and Murcia, together with its supply activities relating to domestic and small businesses. Additionally, the agreement includes the purchase of high-pressure networks in the Basque Country, Cantabria and Asturias. The acquisition price was calculated on the basis of a global enterprise value of €330 million.

The Spanish gas market has developed significantly in recent years with an increase of 2.7 million customers (68.9 per cent.) from 2000 to 2009. Over the same period, gas demand has grown even more, recording an increase of 198 TWh (105 per cent.), mainly due to the demand of CCGTs.

#### *Natural Gas Transportation*

Naturgas, through its subsidiaries Naturgas Energía Transporte and Septentrional de Gas S.A., and infraestructuras Gasistas de Navarra, is involved in the transportation of natural gas in five regions (Basque Country, Catalonia, Asturias, and Castilla-Leon and NavarraLeon) by operating high-pressure pipelines (greater than 60 bar).

The construction, expansion, operation and closure of gas pipelines, storage facilities and regasification plants require prior administrative authorisation. In addition, for the construction and operation of gas transmission, regasification and storage facilities, other licences and permits are necessary, including an environmental impact assessment, licences related to infrastructure construction and land rights, and licences related to construction (activity licence, opening licence and works licence).

Preliminary authorisation is granted by the Ministry of Industry, Tourism and Trade, if the proposed facilities affect more than one autonomous community, or by the regional authorities where such facilities will be located.

Once the preliminary authorisation has been granted, either the Ministry of Industry, Tourism and Trade or the applicable autonomous regional authority will authorise the engineering construction project. Such authorisation enables the applicant to begin construction of the facility. Definitive authorisations are then granted upon completion of the facility.

#### *Natural Gas Distribution*

Naturgas, through its subsidiaries Naturgas Energia Distribucion and Tolosa Gasa, is involved in the distribution of natural gas in seven regions (Asturias, Basque Country, Madrid, Castilla – León, Murcia, Extremadura and Catalonia) through medium and low-pressure pipelines (less than 16 bar).

An administrative authorisation is required for the conduct of distribution activities. Any Spanish legal entity that is a resident of an EU Member State with a permanent establishment in Spain may apply for an administrative authorisation. Applicants must evidence their legal, financial and technical capacity for distribution.

Distribution companies are under the legal duty to provide access to their networks to suppliers and consumers. The main principles governing third-party access to the distribution networks are the same as those applicable to access to the transportation network.

#### *Natural Gas Supply*

Naturgas participates in the ordinary supply market through its subsidiary Naturgás Energia Comercializadora, S.A.U., and in the last resort market through its subsidiary HC - Naturgas Comercializadora de último Recurso, S.A., in selling natural gas to end consumers all over Spain.

Suppliers acquire natural gas from producers or other suppliers and sell it to other suppliers or to consumers in the liberalised market on terms and conditions freely agreed among the parties. In order to enable suppliers to conduct their business, transporters and distributors are under an obligation to grant access to their network in exchange for regulated tolls and fees. Royal Decree Law 6/2009 has appointed the companies that can supply consumers under the last resort supply system.

The Change of Supplier Office (*Oficina de Cambio de Suministrador* or OCSUM), together with the Energy National Commission (*Comisión Nacional de Energía – CNE*), supervises the process for consumers to change their gas supplier under principles of transparency, objectivity and independence.

A prior administrative authorisation is required for the conduct of supply activities. Any Spanish legal entity that is a resident of an EU Member State with a permanent establishment in Spain may apply for such an administrative authorisation. Applicants must prove their legal, financial and technical capacity for supply activities. The Ministry of Industry grants this authorisation to suppliers operating within more than one region, while regional authorities grant this authorisation for those companies operating exclusively within their respective region. Suppliers must be registered with the Administrative Registry of Distributors, Suppliers and Eligible Customers.

As from the approval of Act 25/2009, gas suppliers are obliged to communicate to the Ministry of Industry, who will transfer the information to the *Comisión Nacional de Energía*, the beginning or ending of their activity to prove their technical capacity for the development of the activity and to give the guarantees required. A prior administrative authorisation is only required for the conduct of supply activities if a company or its parent company is from an outside country of the European Union that does not recognise equivalent rights. The *Comisión Nacional de Energía* is entitled to publish on its web site an up-to-date list of gas suppliers that have communicated the exercising of their activities.

The implementation of supply of last resort in the natural gas sector was established by Royal Decree 104/2010 of 5 February 2010.

#### **Brazil**

The MME is the Brazilian government's primary regulator of the power industry, acting as the granting authority on behalf of the Brazilian government and empowered with policymaking, and regulatory and supervisory capacity. Following the adoption of the New Electricity Law, the Brazilian government, acting primarily through MME, undertook certain duties that were previously the responsibility of ANEEL, including granting concessions and issuing directives governing the bidding process for concessions relating to public services.

The Brazilian power industry is directly regulated by ANEEL. Since the enactment of the New Electricity Law, ANEEL's primary responsibility has been to regulate and supervise the power industry in Brazil pursuant to the policies adopted by the MME.

The New Electricity Law introduced significant changes to the regulation of the Brazilian power industry to provide incentives to private and public entities to build and maintain the country's generation capacity and to assure the supply of electricity within Brazil at as low as possible tariffs through competitive electricity public auctions. The key features of the New Electricity Law include:

- Creation of two parallel markets for the trading of electricity:
  - the regulated contracting market for the sale and purchase of electricity destined for distribution companies, which is operated through electricity purchase auctions; and
  - the unregulated market or free contracting market for the sale and purchase of electricity destined for generators, free consumers and electricity trading companies.
- Requirement that distribution companies purchase electricity sufficient to supply 100 per cent. of their demand through public energy auctions.
- Creation of an electricity reserve policy for all electricity traded through contracts.
- Restrictions on certain activities of electricity distribution companies to ensure they focus only on their core business to guarantee more efficient and reliable services to their customers.
- Restrictions on self-dealing to encourage electricity distribution companies to purchase electricity at lower prices, rather than buying electricity from related parties.
- Continued compliance with contracts executed prior to the New Electricity Law in order to provide stability to transactions carried out before its enactment.
- Prohibition on power distribution concessionaries on sales of electricity to free consumers at non-regulated prices.
- Prohibition on distributors engaging directly in power generation or transmission operations.

### ***Distribution tariffs***

Power distribution companies in Brazil operate with regulated tariffs, and their operating results are therefore subject to regulation. Their concession contracts contain provisions for periodic and annual tariff adjustments and the possibility of extraordinary tariff revisions.

#### *Periodic tariff revisions*

Every three, four or five years, depending on the concession contract, ANEEL establishes a new set of tariffs, reviewing all concessionaire costs and expected revenue. To calculate periodic tariff revisions, ANEEL determines the annual revenue required for a power distribution company to cover what a concession contract refers to as the sum of “Portion A” and “Portion B” costs. Portion A costs consist of a distribution company’s costs of power supply, as well as tariff charges. Portion B costs consist of the distribution company’s operating costs, taxes, depreciation and return on investment.

The required revenue of EDP’s electricity distribution companies is calculated on an annual basis and regards a revenue flow compatible with the economic costs to provide power distribution services for the 12-month period following the date of the rate revision. If the estimated required revenue for the year under analysis, which EDP refers to as the test year, is different from the actual revenue of the concessionaire for that year, calculated based on existing tariffs, its tariffs are revised in order to reconcile the required revenue with the actual revenue.

Periodic tariff revisions are conducted every three years for Escelsa and every four years for Bandeirante.

#### *Tariff adjustments*

Because the revenues of electricity distribution companies are affected by inflation, they are afforded an annual tariff adjustment to address the impact of inflation in the period between periodic revisions. For purposes of the annual adjustment, a tariff adjustment rate (referred to as the Tariff Adjustment Index) is applied, through which Portion A costs are adjusted to account for variations in costs and Portion B costs are adjusted to account for variations in the IGP-M inflation index. For Portion B, the tariff adjustment rate also takes into account a measure of the distributor’s operating efficiency.

### **United States**

Federal, state and local energy laws regulate the development, ownership, business organisation and operation of electric generating facilities and the sale of electricity in the United States. In addition, the federal government regulates certain environmental matters, and the state and local governments regulate the construction of electric generating facilities, retail electricity sales and environmental and permitting matters.

### ***Federal regulations related to the electricity industry***

The federal government regulates the electricity wholesale and transmission business in interstate commerce through the Federal Energy Regulatory Commission (“FERC”), which draws its jurisdiction from the Federal Power Act (the “FPA”), as amended, and from other federal legislation such as the Public Utility Regulatory Policies Act of 1978 (“PURPA 1978”), the Energy Policy Act of 1992 (“EPACT 1992”) and the Energy Policy Act of 2005, which, among other things, repealed and replaced the Public Utility Holding Company Act of 1935 with the Public Utility Holding Company Act of 2005 (“PUHCA 2005”).

### ***Electricity generation***

All of our project companies in the United States operate as exempt wholesale generators (“EWGs”) under PUHCA 2005 or qualifying facilities (“QFs”) under PURPA 1978 or are dually certified. In addition, most of the project companies are regulated by FERC under Part II of the FPA and have market-based rates on file with FERC.

EWGs are owners or operators of electric generation (including producers of renewable energy, such as wind projects) that are engaged exclusively in the business of owning and/or operating generating facilities and selling electric energy at wholesale. An EWG cannot make retail sales of electric energy and may only own or operate the limited interconnection facilities necessary to connect its generating facility to the grid.

Under the FPA, FERC has exclusive ratemaking jurisdiction over “public utilities” that engage in wholesale sales of electric energy and the transmission of electric energy in interstate commerce. The owner of a renewable energy facility that has been certified as an EWG in accordance with FERC’s regulations typically is subject to the FPA and to FERC’s ratemaking jurisdiction, but FERC typically grants EWGs the authority to charge market-based rates as long as the EWG can demonstrate that it does not have, or has adequately mitigated, market power and cannot otherwise erect barriers to market entry. Currently, none of our project companies or their affiliates has been found to have an adequate share in any relevant market to cause FERC to find the potential for exercise of market power. In the event that that analysis changes or if certain other conditions of market-based rate authority are not met, FERC has the authority to withhold or rescind market-based rate authority and require sales to be made based on cost-of-service rates which could result in a reduction in rates. FERC also has authority to assess substantial civil penalties for failure to comply with tariff provisions or the requirements of the FPA. While FERC generally grants an EWG waivers from many of the accounting requirements that are otherwise imposed on public utilities under the FPA, EWGs with market-based rate authority are subject to ongoing review of their rates under FPA sections 205 and 206, advance review of certain direct and indirect dispositions of their facilities under FPA section 203, regulation of securities issuances under FPA section 204 (subject to certain blanket preauthorisations), and supervision of interlocking directorates under FPA section 305.

Certain small power production facilities may qualify as QFs under PURPA 1978. A wind powered generating facility with a generating capacity of 80 MW or less (or the aggregation of all such facilities owned or operated by the same person or its affiliates within one mile of the facility) may be certified by FERC or self-certified as a QF. Certain QFs, including renewable energy facilities with a generating capacity of 30 MW or less, are exempt from certain provisions of the FPA, including the accounting and reporting requirements, facility disposition regulations, securities issuances regulation, and supervision of interlocking directorates under FPA section 305(b). Additionally, renewable energy QFs with a generating capacity of 20 MW or less are exempt from FERC’s ratemaking authority under the FPA. QFs that are not located in organised markets have the right to require an electric utility to purchase power generated by such QFs. QFs also have the right to require an electric utility to interconnect it to the utility’s electric system, and to purchase firm power service, back-up power, and supplementary power from that interconnected electric utility at reasonable and non-discriminatory rates. Finally, a renewable energy QF with a capacity of 30 MW or less is exempt from the state laws and regulations respecting the rates of electric utilities and the financial and organisational regulation of electric utilities.

FERC also implements the requirements of PUHCA 2005, which imposes certain obligations on “holding companies” that have 10 per cent. or more direct or indirect interests in companies that own or operate facilities used for the generation of electricity for sale, including renewable energy facilities. As a general matter, PUHCA 2005 imposes certain record-keeping, reporting and accounting obligations on such holding companies and certain of their affiliates. However, holding companies that own only EWGs, QFs or foreign utility companies are exempt from the federal access to books and records provisions of PUHCA 2005.

Energy transactions in the United States are either bilateral in nature, which allows two parties to freely contract for the sale and purchase of energy, or take place within a single, centralised clearing market for spot

energy purchases and sales and which facilitates the efficient distribution of energy. Given the limited interconnections between transmission systems in the United States and differences among market rules, regional markets have formed within the transmission systems operated by independent system operators or regional transmission organisations (ISOs or RTOs), such as the Midwest, California, New York and New England ISOs and the PJM Interconnection in the mid-Atlantic area.

Our project companies typically sell power and the associated renewable energy credits (“RECs”) from our electric generation facilities under long-term bilateral power purchase agreements. However, additional energy or ancillary services may be sold on a short-term basis to the market, generally at short-term clearing prices. In addition, our project companies may sell RECs under long-term or short-term bilateral agreements. All of our electric generating facilities are typically interconnected to the grid through long-term interconnection agreements, under which transmission-owning utilities (in combination with any ISO in which the utility is a member) agree to construct and maintain system-operated interconnection facilities and provide interconnection service to the facilities. As such, successful and timely completion of our projects and electric sales from our projects are dependent on the performance of our counterparties under the interconnection agreements.

#### *NERC reliability standards*

The Energy Policy Act of 2005 amended the FPA to grant FERC jurisdiction over all users, owners, and operators of the bulk power system for purposes of approving and enforcing compliance with certain reliability standards. Reliability standards are requirements to provide for the reliable operation of the bulk power system. Pursuant to its authority under the FPA, FERC certified the North American Electric Reliability Corporation (“NERC”) as the entity responsible for developing reliability standards, submitting them to FERC for approval, and overseeing and enforcing compliance with reliability standards, subject to FERC review. FERC authorised NERC to delegate certain functions to eight regional entities. All users, owners and operators of the bulk power system that meet certain materiality thresholds are required to register with the NERC and comply with FERC approved reliability standards. FERC approved in March 2007 the first set of reliability standards, which became mandatory and enforceable on 18 June 2007 for all users, owners, and operators, except for certain QFs under PURPA 1978, for which the first set of reliability standards became mandatory and enforceable on 25 June 2007. Violations of mandatory reliability standards may result in the imposition of civil penalties of up to \$1 million per day per violation. All of our project companies in the United States that meet the relevant materiality thresholds have registered with NERC and are required to comply with applicable FERC approved reliability standards.

#### ***State Regulations Related to the Electricity Industry***

State regulatory agencies have jurisdiction over the rates and terms of electricity service to retail customers. As noted above, an EWG is not permitted to make retail sales. States may or may not permit QFs to engage in retail sales.

In certain states, approval of the construction of new electricity generating facilities, including renewable energy facilities such as wind farms, is obtained from a state agency, with only limited ministerial approvals required from state and local governments. However, in many states the permit process for power plants (including wind farms) also remains subject to land-use and similar regulations of county and city governments. State-level authorisations may involve a more extensive approval process, possibly including an environmental impact evaluation and opposition by interested parties or utilities.

#### ***Renewable Energy Policies***

Both the United States federal government and various state governments have implemented policies designed to promote the growth of renewable energy, including wind power. The primary U.S. federal renewable energy incentive programmes are the production tax credit (“PTC”) and the investment tax credit (“ITC”). Although wind projects are generally only eligible for a PTC, the American Recovery and Reinvestment Act of 2009 (“ARRA”) allows wind and other PTC-eligible projects to make a one-time election to take an ITC in place of the PTC. Further, ARRA authorises certain renewable energy projects to convert the ITC into a one-time cash payment. For wind projects, eligible facilities are those that are placed in service in 2009 or 2010, or facilities that are placed in service by 2012 but the construction of which began (or will begin) in 2009 or 2010. In addition, most renewable energy projects qualify for the Modified Accelerated Cost Recovery System (“MACRS”), which allows the accelerated depreciation of certain major equipment components over a five-year period.

#### *Renewable Portfolio Standards (“RPS”)*

Various state governments have taken an active role in the development of renewable infrastructures through the implementation of an RPS programme. Generally, an RPS programme is a state policy that mandates that a certain percentage of a utility's energy supplied to consumers within the state come from renewable sources (typically 10 per cent. to 20 per cent.) by 2010 or 2015, and, in certain cases, provide for various penalties for non-compliance. Renewable Energy Certificates ("RECs") are typically used in an RPS programme as a tradable certificate demonstrating that a certain number of kilowatt-hours have been generated by a renewable resource. RECs are separate commodities from the underlying power that is generated by the resource. Under many RPS programmes, a utility may generally demonstrate, through its ownership of RECs, that it has supported an amount of renewable energy generation equal to the state-mandated RPS percentage.

According to the Database of State Initiatives for Renewables and Efficiency as of April 2010, 29 states and the District of Columbia have implemented mandatory RPS targets. Six other states have implemented voluntary, rather than mandatory, goals. Additionally, some states and localities encourage the development of renewable resources through reduced property taxes, state tax exemptions and state grants. Although there is currently no federal RPS programme, there have been proposals to create a federal RPS standard for renewable energy.

Other incentives that states and localities have adopted to encourage the development of renewable resources include reduced property taxes, state tax exemptions and reimbursement on equipment. In addition, a number of states collect electricity surcharges on residential and commercial users and through public benefit funds invest some of these funds in renewable energy projects.

### ***Environmental Compliance***

Construction and operation of wind generation facilities and the generation and transport of renewable energy are subject to environmental regulation by U.S. federal, state and local authorities. Typically, environmental laws and regulations require a lengthy and complex process for obtaining licences, permits and approvals prior to construction, operation or modification of a project or generating facility. Prior to development, permitting authorities may require that wind project developers consider and address, among other things, impact on birds and other biological resources, noise impact, paleontological and cultural impact, wetland and water quality impact, compatibility with existing land uses and impact on visual resources. In addition, projects which propose to impact federal land or other resources must generally prepare an environmental impact statement ("EIS") describing the environmental impacts of the project and alternatives. An EIS must be drafted in compliance with the National Environmental Policy Act ("NEPA"), which requires public review and involvement in the project's permitting process. For those projects located on Federal Bureau of Land Management ("BLM") land holdings, BLM has prepared a form of environmental impact statement intended to reduce the time required to obtain permits to construct wind projects on their land.

Permits from other federal agencies may be required if federal lands, federally regulated natural resources, endangered species, or other areas of federal competence are involved or may be impacted by the construction or operation of a renewable energy facility. For example, wind farms which exceed 200 feet in height must meet the lighting and safety regulations of the Federal Aviation Administration. It is possible that wind farms may in the future be subject to further federal restrictions intended to minimise interferences with military radar systems.

Various states have also implemented environmental laws and regulations that impact renewable energy projects. Certain state environmental laws require the preparation of an environmental impact report similar to the federal impact statement, while some states require a meeting be held to solicit comments from affected local landowners and local authorities.

## **MANAGEMENT**

### **Corporate governance model**

EDP's shareholders approved its current corporate governance model at the annual general shareholders meeting held on 30 March 2006 and the new model has been in effect since 30 June 2006. The corporate governance model is structured as a two-tier system, composed of an executive board of directors (the "Executive Board of Directors") and a general and supervisory board (the "General and Supervisory Board").

The Executive Board of Directors is EDP's managing body and is responsible for its management and for developing and pursuing EDP's strategy. The Executive Board of Directors must be composed of at least five and no more than seven directors, all of which undertake executive positions. For the current mandate of 2009-

2011, the Executive Board of Directors is composed of seven directors who were elected at the annual general shareholders meeting held on 15 April 2009.

The General and Supervisory Board is a supervisory and consulting body and is responsible for, among other things, supervising the Group's activities and reviewing and approving important transactions involving the Group. The General and Supervisory Board must be composed of at least nine members and must at all times have more members than the Executive Board of Directors. All members of the General and Supervisory Board undertake non-executive positions. For the current mandate of 2009-2011, the General and Supervisory Board is composed of 17 members who were elected by the shareholders at the annual general shareholders meeting held on 15 April 2009.

### Executive Board of Directors

The Executive Board of Directors, together with EDP's executive officers, manages EDP's affairs and monitors the daily operation of EDP's activities in accordance with Portuguese law and EDP's Articles of Association. Executive officers are in charge of EDP's various administrative departments and report directly to the Executive Board of Directors. Companies within the Group are managed by their respective boards of directors. The names of the current directors on the Executive Board of Directors, along with their principal affiliations and certain other biographical information, are set forth below:

Name	Age	Position	Year	
			Originally Elected	Last Election
António Luís Guerra Nunes Mexia	53	Chief Executive Officer	2006	2009
Ana Maria Machado Fernandes	47	Executive Director	2006	2009
António Fernando Melo Martins da Costa	55	Executive Director	2006	2009
António Manuel Barreto Pita de Abreu	60	Executive Director	2006	2009
João Manuel Manso Neto	52	Executive Director	2006	2009
Jorge Manuel Pragana da Cruz Morais	52	Executive Director	2006	2009
Nuno Maria Pestana de Almeida Alves	52	Chief Financial Officer	2006	2009

*António Luís Guerra Nunes Mexia* was appointed EDP's Chief Executive Officer in March 2006 and was reappointed in April 2009. He is also Chairman of the board of directors of EDP Brasil and of EDP Renováveis. Between July 2004 and March 2005, he served as Minister of Public Works, Transportation and Communications of Portugal's 16th constitutional government. Mr. Mexia was the CEO of GALP between 2001 and 2004 and the Chairman and CEO of Gás de Portugal and of Transgás between 1998 and 2001. In 1990, he joined Banco do Espírito Santo Sociedade de Investimento S.A. (BESSI), the investment bank of the Espírito Santo group, and served as a member of its executive board of directors in charge of the equity capital markets and project finance divisions until 1998. Previously, he was Vice-Chairman of ICEP, the Portuguese board of external trade and foreign investment, between 1988 and 1990, and Assistant to the Secretary of State for Foreign Trade between 1986 and 1988. Mr. Mexia holds a degree in Economics (1980) from the University of Geneva. During his career, he has been a Professor of Economics at the University of Geneva, Lisbon's Universidade Católica Portuguesa and Universidade Nova de Lisboa.

*Ana Maria Machado Fernandes* was appointed to EDP's Executive Board of Directors in March 2006 and was reappointed in April 2009. She is also Vice-Chairman and Chief Executive of EDP Renováveis. Previously, she was a board member of GALP (2004-2005), responsible for strategy, portfolio management and sustainable development; Chairman and CEO of GALP Power (2002-2005), in charge of launching the new electrical business within GALP; a non-executive board member of Transgás (2001-2002); Director of Strategy and Portfolio Management at GALP; and Director of Strategy and Planning at Gás de Portugal. From 1995 to 1998, Mrs. Fernandes was a board member of several companies within Banco de Fomento e Exterior, and, after it was acquired by Banco Português de Investimento, she assumed responsibilities in the corporate finance department as leader of an investment banking team and director of the bank. From 1989 to 1994, she was a Senior Financial Analyst and director at Efisa – Sociedade de Investimento, S.A., the Portuguese arm of SG Warburg, later Banco Efisa. From 1986 to 1990, Mrs. Fernandes taught at the economics faculty of Universidade do Porto and Universidade Portucalense and was Secretary General of the Portuguese Association of the Leather Tanning Industry and a Financial Analyst at Banco Português do Atlântico S.A. (which was acquired by BCP).

Mrs. Fernandes holds a degree in economics and a post-graduate degree in international finance both from the economics faculty at Universidade do Porto. She also holds an MBA from Universidade do Porto/Universidade Nova de Lisboa.

**António Fernando Melo Martins da Costa** was appointed to EDP's Executive Board of Directors in March 2006 and was reappointed in April 2009. He started his professional career in 1976 as a lecturer at the Superior Engineering Institute of Porto and joined EDP in 1981. In 1989, Mr. Martins da Costa moved to the financial sector, assuming the position of General Manager and Executive Board Member of insurance companies, pension funds and asset management operations of BCP and director of Eureko BV (Holland). Since 1999, he also has been deputy CEO and Vice-President of the executive board of PZU (Poland), the biggest insurance company and asset manager in Central and Eastern Europe. He holds a degree in civil engineering and an MBA from the Universidade do Porto and has completed executive education studies at INSEAD (Fontainebleau, France), AESE (University of Navarra, Spain) and the AMP of the Wharton School (University of Pennsylvania).

**António Manuel Barreto Pita de Abreu** was appointed to EDP's Executive Board of Directors in March 2006 and was reappointed in April 2009. He is also the CEO and Vice-Chairman of the board of directors of EDP Brasil and Chairman of the board of directors of its subsidiaries in Brazil, a member of the board of Hidrocontábrico, EDP Serviner, and of EDP – Estudos e Consultoria. Previously at EDP, he was a director on the Executive Board of Directors (2000-2003); General Manager (2003-2006); General Secretary; Company Secretary; Chairman of EDPP, EDPD, REN (2000), CPPE, TER, TERGEN and EDP Cogeração, Onitecom (1998-2000), Oni Açores, Onisolutions (1999-2000), Edinet (1997-1999), ACE, MRH (2000-2001), Sávica (2000-2001), ENAGAS and NQF Gás; a member of the board of directors of Optep (1997-1998), NQF PTE and NQF Energia, 093x (2000-2002); Vice-President of Turbogás, S.A.; Executive Director of REN (1994-1997); a director of DORE-Direcção Operacional da Rede Eléctrica (1991-1994); and had several roles in EDP's divisions in charge of the Portuguese National Grid (1977-1991). Mr. Pita de Abreu holds a degree in electrotechnical engineering from Instituto Superior Técnico de Lisboa.

**João Manuel Manso Neto** was appointed to EDP's Executive Board of Directors in March 2006 and was reappointed in April 2009. Mr. Manso Neto is also Chairman of the board of directors of EDP Produção and of EDP Gás and its subsidiaries. He joined EDP in July 2003 as a General Manager. He was previously president of the executive committee of EDP Produção and CEO of Hidrocontábrico. From 1981 to 2003, he worked in banking, mainly in what is now the BCP Group (in Portugal and in Poland), where he was General Manager in charge of several areas, including Treasury and Capital Markets and Large Corporate Clients. Mr. Manso Neto holds a degree in economics from Instituto Superior de Economia de Lisboa, a post-graduate degree in European economics from Universidade Católica de Lisboa and the academic component of the masters degree in economics from Universidade Nova de Lisboa. Until 1993, he also taught economics in Universidade Nova de Lisboa.

**Jorge Manuel Pragana da Cruz Morais** was appointed to EDP's Executive Board of Directors in March 2006 and was reappointed in April 2009. He is also the Chairman of the board of directors of EDP Comercial. He joined EDP in 1983. Since 2005, he has been an executive board member at Hidrocontábrico. He was also a board member of Naturgás and Telecable, a telecommunication company in Asturias, Spain. Additionally, he was the CFO of the Spanish companies within the Group. From 2000 to 2005, he was an executive board member and CFO of ONI. Prior to that, he was in charge of the Corporate Planning Division, having been responsible for the re-structuring of EDP and for the two initial phases of EDP's privatisation process. Mr. Morais holds a degree in electrical engineering from Instituto Superior Técnico de Lisboa and an MBA from Universidade Nova de Lisboa.

**Nuno Maria Pestana de Almeida Alves** was appointed EDP's Chief Financial Officer in March 2006 and was reappointed in April 2009. Previously, he was an executive board member of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets (2000-2006); Chairman and CEO of CISF Dealer, the brokerage arm of Banco CISF (1999); Co-Head of the Investment Banking Division (1997) and Head of the Capital Markets Division (1996) of Banco CISF (then Millennium BCP Investimento). In 1991, Mr. Alves was appointed the Investor Relations Officer for Millennium BCP, and in 1994, he joined the retail network as Coordinating Manager. He joined the Planning and Strategy Department of Millennium BCP (1988) and in 1990 became an Associate Director of the bank's Financial Investments Division. Mr. Alves holds a degree in naval architecture and marine engineering and an MBA from the University of Michigan.



## GENERAL AND SUPERVISORY BOARD

The General and Supervisory Board is responsible for continuous oversight of the Group's management and for providing advice and support to the Executive Board of Directors, primarily with respect to strategy, reaching objectives and complying with applicable laws. The General and Supervisory Board also carries out other supervisory and control functions relating to the Group's activities, and it maintains a mandatory audit committee composed of three of its members, which is responsible for overseeing the financial data and auditing of EDP.

The names of the members of the General and Supervisory Board, along with their principal affiliations and certain other biographical information, are set forth below:

Name	Age	Position	Year	
			Originally Elected	Last Election
António de Almeida	73	Chairman	2006	2009
Alberto João Coraceiro de Castro	58	Vice-Chairman	2006	2009
António Sarmiento Gomes Mota	52	Member	2009	2009
Cajastur Inversiones, S.A. (represented by José Maria Brandão de Brito)	63	Member	2009	2009
Carlos Jorge Ramalho dos Santos Ferreira	61	Member	2008	2009
Diogo Campos Barradas de Lacerda Machado	49	Member	2006	2009
Eduardo de Almeida Catroga	67	Member	2006	2009
Fernando Manuel Barbosa Faria de Oliveira	68	Member	2008	2009
José Manuel dos Santos Fernandes	64	Member	2009	2009
José Maria Espírito Santo Silva Ricciard	55	Member	2006	2009
Manuel Fernando de Macedo Alves Monteiro	53	Member	2006	2009
Ricardo José Minotti da Cruz Filipe	76	Member	2007	2009
SENFORA, SARL (represented by Mohamed Ali Al-Fahim)	34	Member	2010	2010
Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (represented by Farid Boukhalifa)	57	Member	2007	2009
Rui Eduardo Ferreira Rodrigues Pena	70	Member	2006	2009
Vasco Maria Guimarães José de Mello	53	Member	2006	2009
Vítor Fernando da Conceição Gonçalves	55	Member	2006	2009

**António de Almeida** is the Chairman of the General and Supervisory Board. Mr. Almeida is also Chairman of the audit committee of Angola Millennium Bank, the International Bank of Mozambique, Mozambique International Insurance and Lisgráfica. At EDP, António de Almeida was CEO from October 1996 to April 1998. He was previously CEO of OMIP – Iberian Electricity Derivatives Exchange and Chairman of OMIClear – Energy Derivatives Clearing Company between 2004 and 2006. From 1998 to January 2004, he was a board member of the European Bank for Reconstruction and Development. From November 1978 to January 1980 and from June 1983 to November 1985, he was the Secretary of State Treasury. Mr. Almeida holds a degree in economics, taught economics at the University of Mozambique and was an invited Lecturer of Business Administration at the Universidade Autónoma de Lisboa.

**Alberto Castro** was appointed to EDP's General and Supervisory Board in 2006 and was reappointed in April 2009. Mr. Castro is currently the Head of the Centre for Applied Management and Economics of the School of Economics and Business Administration at Oporto's Universidade Católica Portuguesa. He is also a non-executive member of the board of directors of Douro Azul SGPS; President of Ciencinvest, a consultant for APICCAPS (Footwear Industrialists Association) and Quaternaire Portugal; a member of the board of directors of the Portuguese Business Association; a member of the board of directors of the Oporto Trade Association; Coordinator of Contacto@ICEP, an international internship programme sponsored by ICEP Portugal; a member of the board of directors of the Association for the Museum of Transportation and Communications; a member of the board of directors of the Association of the Universities of the North of Portugal (AURN), representing the Universidade Católica Portuguesa; a member of the steering committee of the International Working Party on Labour Market Segmentation; and a member of the European Association of Research in Industrial Economics.

Previously, he was a member of the advisory board of PROINOV (Portugal Innovation Programme) and Head of the management unit of RIS Norte – Regional Innovation Strategy. Mr. Castro is the author of several publications, academic and professional, in the areas of industrial economics, economics of the firm, labour economics, regional economics, international economics and business strategy. He holds a degree in economics from the Universidade do Porto and a Ph.D. in economics from the University of South Carolina.

**António Sarmiento Gomes Mota** was appointed to EDP's General and Supervisory Board in 2009. He has been the Head of ISCTE Business School and INDEG/ISCTE since 2003 and 2005, respectively. In addition, since 2005, he has been a professor at ISCTE Business School. Mr. Gomes Mota has been the Chairman of the general board of Fundo de Contragarantia Mútua since 1999. Moreover, he has been a member of the EU Presidency Steering Committee in the EFMD – European Foundation for Management Development since 2006. Since 2008, he has been a member of the Network Academic Board of EABIS – European Association of Business and Society. Previously, Mr. Gomes Mota has undertaken other leading roles at ISCTE, having created several masters and post-graduate courses, including an EMBA and masters courses in finance, market and financial assets, corporate finance and company management post-graduate courses, among others. He has also carried out and coordinated significant consulting projects for companies, financial institutions and other entities. Mr. Gomes Mota holds a Ph.D in management from ISCTE, an MBA from Universidade Nova de Lisboa and a degree in company organisation and management from ISCTE. Mr. Gomes Mota has also published several books and academic articles.

**José Maria Brandão de Brito** was appointed to EDP's General and Supervisory Board in 2008, as representative of the shareholder Cajastur Inversiones, S.A. He was Vice-President and sole executive member of the board of directors of Portugal Global, SGPS, S.A. (2001-2002). Previously, he was Chairman and CEO of Radio Televisão Portuguesa, S.A. (1998-2001); Vice-President of the board of directors of TAP – Air Portugal, S.A. (1996-1998); Vice-President of the advisory board of IAPMEI (1975-1980); Deputy General Director and Director of the Directorate-General of Internal Trade/Trade Coordination (1975-1988); and a member of INNI (1968-1975). Mr. Brandão de Brito holds a Ph.D in economics from ISEG – Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa and is President of the Economics Department at ISCEF/ISEG. Mr. Brandão de Brito has also published several books.

**Carlos Jorge Ramalho dos Santos Ferreira** was appointed to EDP's General and Supervisory Board in 2006 (he resigned on 27 December 2007, and was re-elected at the annual general shareholders meeting on 10 April 2008). He is currently Chairman of the executive board of directors of Banco Comercial Português, S.A.; Chairman of Millennium bcp – Prestação de Serviços, ACE and Fundação Millennium BCP; and an executive member of BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda. and BCP Internacional II, Sociedade Unipessoal, Lda. He was a member of the Portuguese Tax Reform Commission (1984-1988), a member of the Portuguese Parliament, Vice-Chairman of the Parliamentary Commission for Health and Social Security (1976), a voting member of the management board of ANA (1977-1987) and Chairman of the board of directors of Fundação de Oeiras (1987-1989) and the Macao Airport Company (1989-1991). He has been a director of the Champalimaud Group, and has chaired the board of directors of Mundial Confiança and the general meeting of shareholders of Banco Pinto & Sotto Mayor. Between 1999 and 2003, while working at the BCP Group, he was a director of Servibanca; Vice-Chairman and a voting member of the board of directors of Seguros e Pensões Gere; a director and Chairman of Império Bonança, Ocidental and Ocidental Vida Insurance companies, Seguro Directo, ICI-Império Comércio e Indústria, Companhia Portuguesa de Seguros de Saúde, Autogere, Corretoresgest; and a director of Eureko B.V. He has also been Vice-Chairman of Estoril Sol, Vice-Chairman of Finansol, a non-executive Chairman of Willis Portugal-Corretores de Seguros (2003-2005) and a director of Seng Heng Bank (2005). From 2005 to 2008, Mr. Ferreira was Chairman of Caixa Geral de Depósitos, S.A., Banco Nacional Ultramarino, S.A. (Macau), Caixa-Banco de Investimento, S.A., Caixa Seguros and SGPS, S.A. Mr. Ferreira holds a law degree from the Universidade Clássica de Lisboa (1971).

**Diogo Lacerda Machado** was appointed to EDP's General and Supervisory Board in 2006 and was reappointed in April 2009. He was admitted to the Portuguese Bar Association in 1986. He was Secretary of State in Portugal's Justice Department (1999-2002); adviser to the Secretary Assistant of Macao's Administration and Justice Department (1988-1990); lecturer in the masters degree programme at the University of Coimbra Law School; post-graduate of Lisbon's Universidade Católica Portuguesa and High Institute of Education and Sciences and the Portuguese Bars of Lisbon and Coimbra; a member of the Judiciary Superior Council, as Parliament Representative from 1997-1999; and a member of a number of organisations, including AIDA Concordia Conciliation Centre and AMG – Business Mediators. Mr. Machado is the author of a number of articles on justice, courts, alternative dispute resolution methods and complementary justice services published in several newspapers and publications, and he has been the speaker at several national and international conferences on insolvency and corporate restructuring, business law, dispute resolution,

telecommunications, computer software licensing, copyrights, corporate law, mergers and acquisitions, patents, litigation, arbitration and mediation. Mr. Machado holds a law degree from the Universidade de Lisboa.

**Eduardo de Almeida Catroga** was appointed to EDP's General and Supervisory Board in 2006 and was reappointed in April 2009. Since 2002, Mr. Catroga has been the President of Sapec, a holding company with activities in Portugal and Spain, where he was previously Vice-President (1996-2002) and CEO (1981-1993). He has also been a board member of Banco Finantia (an investment bank) and Nutrinveste SGPS, S.A. (a consumer products company) since 1996. From 1993 to 1995, he was Minister of Finance of Portugal. He was a member of the board of directors of BP – Portugal – Comércio de Combustíveis e Lubrificantes, S.A. (Portuguese subsidiary of the BP Group) (1983-1988), a board member of Cel-Cat (a cable manufacturer company) (1982-1993), President of the Portuguese Association of Chemical Companies (1982-1988), Vice-President of Quimigal (a chemical company) (1978-1980), member of the executive committee of Companhia União Fabril, SGPS, S.A. (CUF) (1975-1977), Executive Director of CUF (1974-1975), an economist at Group CUF Holding company (the largest conglomerate in Portugal until 1974) (1968-1973) and a Consultant at the Ministry of Finance (1967). He has been a professor of business strategy at ISEG – Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa since 1990 and was also an assistant professor of general management (1974-1986). Mr. Catroga holds a degree in finance from the Instituto Superior de Ciências Económicas e Financeiras, Universidade Técnica de Lisboa (currently ISEG) and a PMD from Harvard Business School.

**Fernando Manuel Barbosa Faria de Oliveira** was appointed to EDP's General and Supervisory Board in 2008 and was reappointed in April 2009. He is currently Chairman of Caixa Geral de Depósitos, S.A. From 1990 to 1995, he was Minister of Trade and Tourism of Portugal. From 1988 to 1990, he was Assistant Secretary of State of Finance and Treasury. In 1985, he was Assistant Secretary of State of the Vice-Prime Minister, and from 1980 to 1983, he was Secretary of State of Foreign Trade. He was elected a member of the Portuguese Parliament in 1991 and in 1995. Between 2005 and 2007, Mr. Faria de Oliveira was CEO of Banco Caixa Geral, and from 1998 to 2006, he was Counsellor of TAP – Air Portugal, SGPS, S.A. He has been a member of the board of directors of HPP – Hospitais Privados de Portugal, SGPS, S.A. (2003-2005) and Carlton Life, SGPS, S.A. From 2001 to 2005, he was Chairman of the advisory board of ELO – Associação Portuguesa para o Desenvolvimento Económico e de Cooperação. At IPE – Investimentos e Participações Empresariais, S.A., he was Vice-Chairman (1983-1990) and Executive Counsellor (until 2002). Between 2000 and 2002, Mr. Faria de Oliveira was a member of the advisory board of APAD – Agência Portuguesa de Apoio ao Desenvolvimento and Instituto Nacional de Administração and a member of the executive committee of UCCLA – União das Cidades Capitais Luso-Afro-Américo-Asiáticas. In 1990, he was Counsellor of BFE – Banco de Fomento Exterior, and between 1986 and 1988, Counsellor of ICEP – Instituto de Comércio Externo de Portugal. He was also a non-executive member of the board of directors of CELBI – Celulosa da Beira Industrial (1987-1988) and EGF – Empresa Geral de Fomento (1988) and an executive member of the board of directors of Siderurgia Nacional (1980-1983), as well as Chief of Exportation Department, Industrial Relations Director at SOREFAME – Sociedades Reunidas de Fabricação Metálica, S.A. (1965-1979). Mr. Faria de Oliveira is also a visiting professor at IESF – Instituto de Estudos Superiores Financeiros e Fiscais. Mr. Faria de Oliveira holds a degree in mechanical engineering from Instituto Superior Técnico de Lisboa (1965).

**José Maria Ricciardi** was appointed to EDP's General and Supervisory Board in 2006 and was reappointed in April 2009. He is currently President and Chief Executive Officer of Banco Espírito Santo de Investimento, S.A., the merchant bank of the Espírito Santo financial group. He has been with the Espírito Santo Group since 1979, where he has served as member of the board of directors and the executive committee of Banco Espírito Santo, S.A., with responsibility for global risk management; Vice-Chairman of the executive board of Banco Espírito Santo de Investimento, S.A. (formerly Espírito Santo Sociedade de Investimentos, S.A.); Director of Espírito Santo Sociedade de Investimentos, S.A.; General Manager of the Corporate Finance Department and Manager of the Merchant Banking – Capital Markets Department of Banco Internacional de Crédito; Co-Manager of Bank Espírito Santo International Limited and Financial Controller and Assistant to the General Financial Controller of Espírito Santo Group Worldwide. From 1978 to 1979, he was an economic consultant at Ytong Portuguesa, a civil construction equipment manufacturing corporation. Mr. Ricciardi graduated with honours in *sciences économiques appliquées* at the Institute of Business Administration of the Catholic University of Louvain – Belgium, where he presented his graduation thesis on *La Banque et la Prise de Décision d'Octroi de Crédits d'Investissement*.

**José Manuel dos Santos Fernandes** was appointed to EDP's General and Supervisory Board in 2009. Mr. Santos Fernandes is the Chairman of the board of directors of FREZITE, S.A. and FREZIGEST SGPS S.A. He is Chairman of the general meeting of CIP, the Portuguese Industry Confederation. Other current roles include director of FREZITE Spain, FREZITE Brazil and FREZIT UK, and Managing Partner of AFICOR. In the past, he was the General Supervisor of MIDA and Director of Metalúrgica Csota Nery S.A. Moreover, he held various

managing positions in a number of Portuguese corporate associations, including Union of the Portuguese Wood Working Machines Industrials, Industrial Association of Porto, Portuguese Business Association, Exponor, CNQ, Science Board, Portugal/Brazil Friendship and Cooperation Association and the Portuguese Metallurgic, Sheet Metal Mechanic and similar Industrials Association. Mr. Santos Fernandes holds a degree in mechanical engineering from Faculdade de Engenharia da Universidade do Porto.

**Manuel Fernando Macedo Alves Monteiro** was appointed to EDP's General and Supervisory Board in 2006 and was reappointed in April 2009. Mr. Alves Monteiro is a non-executive board member of the listed companies NOVABASE and Jerónimo Martins, and unlisted companies CIN, Douro Azul – SGPS, PPH-Porto Património Mundial – Emp. Imob., S.A. and Boats 4U – Projectos Fabricação Embarcações, Lda. He is Chairman of IPCG – Portuguese Corporate Governance Society. He is also an advisory board member of BPP – Banco Privado Português, S.A. and FEP-Faculty of Economics of the Universidade do Porto. Other current roles include audit committee member of NOVABASE, President of the remuneration committee of Douro Azul – SGPS and consulting services for public organisations and private companies. Mr. Alves Monteiro graduated in law and is a member of the Portuguese Bar Association. Previously, he was Chairman of Euronext Lisbon (the Portuguese Stock Exchange) and held various senior managing positions as a board member of Euronext Holding (Holland), Euronext Paris, Euronext Brussels, Euronext Amsterdam and Clearnet. He was also Chairman and CEO of Interbolsa (Portugal), as well as CEO of the Portuguese Futures and Options Exchange. Additionally, he acted as Chairman of the managing board of Casa da Música/Porto 2001, S.A. Mr. Alves Monteiro has performed different roles in the executive bodies of international organisations connected to capital markets issues (FIABV-Ibero-American Federation of Stock Exchanges, ECOFEX-Committee of Options and Futures Exchanges, IFCI-International Finance and Commodities Institute (Committee Founder), ECMI – European Capital Markets Institute). He has also been involved with several Portuguese companies and other organisations connected with the Portuguese financial markets (President of the board of directors of APDMC-Portuguese Association for the Development of the Capital Market, Vice-President of the board of directors of FAE – Company Administrators Forum, council member of the National Capital Market (chaired by the Finance Minister) and a member of the advisory committee of CMVM-Portuguese Securities and Exchange Commission). In 2003 he was awarded with the distinction *Chevalier de L'Ordre National de la Légion d'Honneur* by order of the President of France.

**Ricardo José Minotti da Cruz-Filipe** was appointed to EDP's General and Supervisory Board in 2009. Mr. Cruz-Filipe is the Chairman of the general supervisory board of Cimpor and the Special Section for Privatisations of Portugal's Ministry of Finance. In the past, he was a member of the board of directors of EDP, a member of Portugal's National Strategic Plan Commission and a representative of CPE (subsequently EDP) at the “*Comité Restreint*” and at the general assembly of the “*Union pour la Coordination de la Production et du Transport de l'Electricité*”. Mr. Cruz-Filipe holds a degree in civil engineering from Instituto Superior Técnico de Lisboa.

**Mohamed Ali Al-Fahim** was appointed to EDP's General and Supervisory Board on 23 April 2010 as representative of the shareholder SENFORA, SARL. Mr. Al-Fahim was born on 4 March 1976. Mr. Al-Fahim has a degree in finance from the University of Suffolk, Boston (1999) and started his professional career at Abu Dhabi National Oil Company (ADNOC), where he worked from 2000 to 2008. His role was focused on identifying and defining investment strategies for a balanced investment portfolio of ADNOC, aimed at meeting the ADNOC group requirements for cash flow and returns. During that time, he also worked as Corporate Finance Consultant for KPMG Dubai (2001-2002) and for HSBC Bank at the Project and Export Finance Division-London (2006). Since September 2008, he has been Finance Division Manager at the Finance & Accounts Department of International Petroleum Investment Company (IPIC).

**Farid Boukhalfa** was appointed to EDP's General and Supervisory Board in 2010 as representative of the shareholder Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (Sonatrach). Mr. Boukhalfa was born on 22 February 1953. Mr. Boukhalfa has a bachelor's degree in accountability (National Institute of Hydrocarbons Bourmerdes), a degree in finances (INPED Bourmerdes) and a post-degree in auditing (Alger University). Mr. Boukhalfa started working in Sonatrach in 1975 and began his professional activity developing technical-economical studies on Sonatrach projects defined on the company quinquennial plans. From 1992 to 1999, Mr. Boukhalfa was head of the Coordination and Syntheses department. In 1999, Mr. Boukhalfa was appointed as sub-director of the Budget and Management Control department and in 2000 he was appointed as Director of Sonatrach's Management Control Department. In 2007, Mr. Boukhalfa became Director of the Consolidation Accountability Department. Since 2008, Mr. Boukhalfa has been the Sonatrach Chief Financial Officer.

**Rui Eduardo Ferreira Rodrigues Pena** was appointed to EDP's General and Supervisory Board in 2007. He was admitted to the Portuguese Bar Association in 1964. Mr. Pena has been the Chairman of *Instituto das*

*Sociedades de Advogados* (Institute of Law Firms) since 2006, and was a founding partner of Rui Pena, Arnault & Associados (2002). His professional experience includes being founding partner of Pena, Machete, Nobre Guedes, Botelho Moniz, Ruíz & Associados (1999-2002) and founding partner of Pena, Machete & Associados (1987-1999). He was a member of the Legal Council at the Portuguese State Oil Group (Sacor) between 1964 and 1975. Mr. Pena holds a degree in law from the Universidade de Lisboa. He was Portugal's Minister of National Defence (2001-2002), member of the general council of the Portuguese Bar Association (1987-1989), lecturer of the Administrative Law I and Administrative Law II Chairs at the Universidade Autónoma de Lisboa (1987), elected as member of the Lisbon Municipal Board (1986), as well as appointed by the Portuguese government for the Board of Referees and Mediators of the ICSID (International Center for the Settlement of Investment Disputes) (1985). He was also Chairman of the Portuguese group at the Interparliament Union (1980-1982); lecturer of administrative law at the Universidade Livre de Lisboa (1978-1981); assistant professor in administrative law at the Universidade de Lisboa (1978-1980); Portuguese Minister for the Reform of Administration (1978); assistant professor in civil law at the Universidade de Lisboa (1977-1978); member of the Portuguese Parliament – Whip for the CDS MP Group (1976-1983); appointed as non-executive director of several industrial and business corporations (1973-2005) and lecturer on the history of political ideas at Instituto Superior de Línguas e Administração – Lisbon (1962-1963).

**Vasco Maria Guimarães José de Mello** was appointed to EDP's General and Supervisory Board in 2006 and was reappointed in April 2009. He is Chairman and CEO of Brisa and José de Mello, S.G.P.S., S.A., a major Portuguese holding company with significant interests in banking, chemicals, healthcare, energy, technology and highway toll concessions. He also serves as Vice-Chairman of the advisory board of BCP, invited member of the supervisory board of BCP, member of the supervisory board of Millennium BCP Bank (Poland) and member of the board of directors of Albertis, Infraestructuras, S.A. From 1992 to 2000, he was Chairman of Banco Mello, Chairman of Banco Mello de Investimentos, Chairman of Companhia de Seguros Império, Vice-Chairman of José de Mello, S.G.P.S. and Director of UIF – União Internacional Financeira. From 1985 to 2002, he was Managing Director of CUF Finance in Geneva, Switzerland. From 1978 to 1980, he was with Citicorp in New York and Banco Crefisul de Investimento in São Paulo, Brazil. Mr. José de Mello holds a bachelor's degree in business administration from the American College of Switzerland.

**Vítor da Conceição Gonçalves** was appointed to EDP's General and Supervisory Board in 2006 and was reappointed in April 2009. He has been a Full Professor of business administration at ISEG – Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa since 1994. He has been the Dean of ISEG since 2003, President of the executive council of Idefe – Instituto para o Desenvolvimento e Estudos Económicos, Financeiros e Empresariais since 2003, and the President of the general meeting of CEGE – Centro de Estudos de Gestão since 1996. He is currently the scientific director of several post-graduate programmes in management at ISEG. Mr. Gonçalves was a member of the board of directors of Promindustria – Sociedade de Investimento S.A. (1994-1996) and a member of the board of directors of IFEA – Instituto de Formação Empresarial Avançada S.A. (1998-2003). He has acted as a senior consultant to several Portuguese and international companies and also to several government organisations. He was the president of the international “expert group” that evaluated the “European research area” programme for the European Commission (2001-2002). Mr. Gonçalves holds a degree in management from ISEG, a doctorate degree in business administration from Universidad de Sevilla and the Aggregate title from the Universidade Técnica de Lisboa.

## EXECUTIVE OFFICERS

EDP has 19 executive officers who are in charge of various business and administrative departments at the holding company level of EDP and report directly to the Executive Board of Directors and General and Supervisory Board. Selected information for the executive officers in charge of EDP's principal business activities is set forth below:

<b>Name</b>	<b>Age</b>	<b>Year of appointment</b>	<b>Position</b>
Maria Teresa Isabel Pereira	45	2006	Company Secretary and Head of Legal Office
Maria João Martins	47	2009	Head of Human Resources
Rui Maria Ribeiro Ferin Cunha	46	2007	Head of Organisational Development Office
Pedro Pires João	40	2009	Head of Mergers and Acquisitions Office
Azucena Viñuela Hernández	44	2006	Head of Internal Audit Office

<b>Name</b>	<b>Age</b>	<b>Year of appointment</b>	<b>Position</b>
Paulo Campos Costa	44	2006	Head of Brand and Communication
	31	2009	Chief of Staff of the Chairman of the Executive Board
Maria Inês Ferreira da Cunha Lima	37	2008	Head of Corporate Marketing Office
Paula Cristina Santos Guerra	36	2008	Head of Financial Management Office
José Alberto de Baptista Allen Lima	62	2006	Head of Risk Management Office
Nuno Miguel Barreto Chung	34	2007	Head of Planning and Control Office
Miguel Ribeiro Ferreira	42	2003	Head of Consolidation Accounting and Tax Office
Pedro Neves Ferreira	35	2007	Head of Energy Planning Office
Paula Pinto da Fonseca	50	2003	Head of Customer Relationship Office
Maria Joana Mano Pinto Simões	49	2000	Head of Regulation and Competition Office
Miguel Henriques Viana	38	2006	Head of Investor Relations Office
Vergílio Manuel Domingues Rocha	58	2010	Head of Information Systems Office
António Manuel Neves de Carvalho	60	2000	Head of Sustainability and Environment Office
Carlos Alves Pereira	44	2005	Head of Trading Business Unit

The business address of each member of the Executive Board of Directors and each executive officer of EDP is Praça Marquês de Pombal, 12, 1250-162 Lisbon, Portugal. The business address of each member of the General and Supervisory Board is Avenida José Malhoa, Lote A-13, 1070-157 Lisbon, Portugal.

#### **CONFLICTS OF INTEREST**

The members of the administrative, management or supervisory bodies of EDP do not have any conflicts, or any potential conflicts between their duties to EDP and their private interests or other duties.

## **FINANCIAL STATEMENTS OF THE EDP GROUP**

The following financial information is extracted without material adjustment from the audited consolidated financial statements of EDP as at 31 December 2008 and 31 December 2009 prepared in accordance with International Financial Reporting Standards, and from the unaudited consolidated financial statements of EDP as at 30 June 2009 and 30 June 2010 prepared in accordance with recognition and measurement requirements of International Financial Reporting Standards. In accordance with the transition requirement of the new accounting policy IFRIC 12, EDP has applied this new accounting policy retrospectively to, and consequently restated, the comparative financial information for the period ended 30 June 2009 and as at 31 December 2009 included in the unaudited consolidated financial statements of EDP for the period ended 30 June 2010, as incorporated by reference in this Prospectus.

## Consolidated Income Statement

	Unaudited				
	Six Months Ended 30 June			Year Ended 31 December	
	2010	2009*	2009	2009	2008
	<i>(Thousands of Euros)</i>			<i>(Thousands of Euros)</i>	
Turnover	6,762,619	5,889,750	5,889,774	12,198,183	13,894,063
Cost of consumed electricity	-3,246,709	-2,512,813	-2,512,813	-5,340,458	-6,627,273
Cost of consumed gas	-415,315	-346,316	-346,316	-641,183	-823,200
Changes in inventories and cost of raw materials	-371,637	-576,839	-576,839	-1,111,229	-1,546,405
	<u>2,728,958</u>	<u>2,453,782</u>	<u>2,453,806</u>	<u>5,105,313</u>	<u>4,897,185</u>
Other operating income/(expenses)					
Other operating income	125,727	113,830	113,830	224,790	228,673
Supplies and services	-404,567	-353,463	-353,463	-768,202	-735,768
Personnel costs	-296,439	-283,839	-283,839	-540,036	-573,674
Employee benefits	-60,846	-66,030	-66,030	-158,353	-161,200
Other operating expenses	-262,034	-253,761	-253,761	-500,564	-500,280
	<u>-898,159</u>	<u>-843,263</u>	<u>-843,263</u>	<u>-1,742,365</u>	<u>-1,742,249</u>
	1,830,799	1,610,519	1,610,543	3,362,948	3,154,936
Provisions	-39,278	-18,751	-18,751	-74,685	-32,071
Depreciation and amortisation expense	-717,864	-619,068	-666,338	-1,429,711	-1,305,590
Compensation of amortisation and depreciation	12,661	5,806	53,878	111,015	113,597
	<u>1,086,318</u>	<u>978,506</u>	<u>979,332</u>	<u>1,969,567</u>	<u>1,930,872</u>
Gains/(losses) on the sale of financial assets	4,809	27,884	27,884	59,703	481,732
Other financial income	441,450	488,588	488,588	1,036,374	1,186,097
Other financial expenses	-674,385	-775,813	-775,813	-1,523,083	-2,128,799
Share of profit in associates	13,139	13,709	13,709	25,151	34,687
Profit before income tax	871,331	732,874	733,700	1,567,712	1,504,589
Income tax expense	-231,914	-193,256	-193,537	-399,765	-283,799
Profit after income tax and before gains/(losses) on sale of discontinued operations	639,417	539,618	540,163	1,167,947	1,220,790
Gains/ (losses) on sale of discontinued operations	-	-	-	-	-8,448
<b>Net profit for the year</b>	<u><u>639,417</u></u>	<u><u>539,618</u></u>	<u><u>540,163</u></u>	<u><u>1,167,947</u></u>	<u><u>1,212,342</u></u>
<b>Attributable to:</b>					
Equity holders of EDP	564,791	479,350	479,444	1,023,845	1,091,866
Minority interests	74,626	60,268	60,719	144,102	120,476
Net profit for the year	<u><u>639,417</u></u>	<u><u>539,618</u></u>	<u><u>540,163</u></u>	<u><u>1,167,947</u></u>	<u><u>1,212,342</u></u>
Earnings per share (Basic and Diluted) - Euros	<u><u>0.16</u></u>	<u><u>0.13</u></u>	<u><u>0.13</u></u>	<u><u>0.28</u></u>	<u><u>0.30</u></u>

\* -Restated financial information



## Consolidated Balance Sheet

	Unaudited			
	30 June	31 December	31 December	31 December
	2010	2009*	2009	2008
	<i>(Thousands of Euros)</i>		<i>(Thousands of Euros)</i>	
<b>Assets</b>				
Property, plant and equipment	20,060,011	18,413,589	24,093,738	21,125,562
Intangible assets	6,455,616	6,467,507	2,806,714	2,649,816
Goodwill	3,553,446	3,162,156	3,159,832	3,192,484
Investments in associates	179,247	175,272	175,272	172,754
Available for sale investments	461,055	443,117	443,117	350,887
Deferred tax assets	680,538	661,335	661,335	539,878
Trade receivables	118,145	114,821	114,821	112,044
Debtors and other assets	2,737,811	2,313,227	1,942,970	2,637,703
<b>Total Non-Current Assets</b>	<b>34,245,869</b>	<b>31,751,024</b>	<b>33,397,799</b>	<b>30,781,128</b>
Inventories	321,971	273,376	273,376	276,800
Trade receivables	2,061,652	1,893,313	1,893,313	1,646,613
Debtors and other assets	1,586,715	1,865,016	1,865,016	1,632,172
Tax receivable	508,906	557,641	557,641	544,740
Financial assets at fair value through profit or loss	81,828	84,852	84,852	83,227
Cash and cash equivalents	1,435,405	2,189,560	2,189,560	713,587
Assets classified as held for sale	30,951	-	-	30,828
<b>Total Current Assets</b>	<b>6,027,428</b>	<b>6,863,758</b>	<b>6,863,758</b>	<b>4,927,967</b>
<b>Total Assets</b>	<b>40,273,297</b>	<b>38,614,782</b>	<b>40,261,557</b>	<b>35,709,095</b>
<b>Equity</b>				
Share capital	3,656,538	3,656,538	3,656,538	3,656,538
Treasury stock	-117,093	-119,784	-119,784	-126,532
Share premium	501,992	501,992	501,992	501,992
Reserves and retained earnings	2,859,365	2,228,560	2,228,560	1,241,316
Consolidated net profit attributable to equity holders of EDP	564,791	1,023,845	1,023,845	1,091,866
<b>Total Equity attributable to equity holders of EDP</b>	<b>7,465,593</b>	<b>7,291,151</b>	<b>7,291,151</b>	<b>6,365,180</b>
Minority interests	2,924,730	2,687,537	2,687,537	2,181,729
<b>Total Equity</b>	<b>10,390,323</b>	<b>9,978,688</b>	<b>9,978,688</b>	<b>8,546,909</b>
<b>Liabilities</b>				
Financial debt	14,607,455	13,486,499	13,486,499	10,874,311
Employee benefits	1,862,035	1,879,704	1,879,704	1,833,887
Provisions	392,465	342,755	342,755	323,719
Hydrological correction account	94,018	112,631	112,631	237,822
Deferred tax liabilities	845,141	760,938	758,893	655,947
Trade and other payables	3,998,703	3,159,573	4,674,269	4,867,083
<b>Total Non-Current Liabilities</b>	<b>21,799,817</b>	<b>19,742,100</b>	<b>21,254,751</b>	<b>18,792,769</b>
Financial debt	3,017,670	2,794,481	2,794,481	3,812,014
Trade and other payables	4,503,285	5,171,507	5,305,631	4,153,100
Tax payable	562,202	928,006	928,006	388,462
Liabilities classified as held for sale	-	-	-	15,841
<b>Total Current Liabilities</b>	<b>8,083,157</b>	<b>8,893,994</b>	<b>9,028,118</b>	<b>8,369,417</b>
<b>Total Liabilities</b>	<b>29,882,974</b>	<b>28,636,094</b>	<b>30,282,869</b>	<b>27,162,186</b>
<b>Total Equity and Liabilities</b>	<b>40,273,297</b>	<b>38,614,782</b>	<b>40,261,557</b>	<b>35,709,095</b>

\* - Restated financial information

## EDP B.V.

### EDP FINANCE B.V.

#### INCORPORATION, DURATION AND DOMICILE

EDP B.V., a wholly-owned subsidiary of EDP, was incorporated under Dutch law as a limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) in Amsterdam, The Netherlands, on 1 October 1999 for an unlimited period of time.

EDP B.V. has its registered office at Strawinskylaan 3105, 1077 ZX Amsterdam (telephone number: +31 20 406 4444), and its statutory seat is in Amsterdam, The Netherlands. EDP B.V. is registered in the Commercial Register of the Chamber of Commerce and Industry in Amsterdam under No. 34121496.

#### OBJECTS AND ACTIVITIES

The main objects of EDP B.V. are to assist EDP and the EDP Group in raising funds in the international markets and to provide financial and investment services to group companies.

#### MANAGEMENT

The management of EDP B.V. is conducted by a management board that may consist of one or more members. Members of the management board are elected at the general meeting of the shareholders of EDP B.V. and may be recalled from this position at any time. The current management board is composed of four members: Jacob Cornelius Willem van Burg, Wolbert Hinrik Kamphuijs, Equity Trust Co. N.V. and EDP. Details of the directors of EDP can be found in "Management".

The details of the individual directors of EDP B.V. are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Elected</b>
Jacob Cornelius Willem van Burg	51	Director	2007
Wolbert Hinrik Kamphuijs	49	Director	2007

The details of the directors and proxyholders of Equity Trust Co. N.V. are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Elected</b>
Floris van der Rhee	56	Director	2009
Jacob Cornelius Willem van Burg	51	Director	2009
Susan Jane Bennion	54	Proxyholder	2009
Willem Paul Ruoff	55	Proxyholder	2009
Jozef Cornelis Petrus van Uffelen	52	Proxyholder	2009
Wolbert Hinrik Kamphuijs	49	Proxyholder	2009
Johannes Petrus Franciscus Godefridus Sebastiaan Kevenaar	48	Proxyholder	2009
Dirk Slob	39	Proxyholder	2009
Paul Jozef Schmitz	59	Proxyholder	2009
Jakob Pieter Everwijn	57	Proxyholder	2009
Rutger Herman Willem Funnekotter	43	Proxyholder	2009
Mihaela Felicia Frățilă	35	Proxyholder	2009
Michiel Merijn Bernardus	34	Proxyholder	2009
Sandra Johanna Cornelia Maria Rios Vital	40	Proxyholder	2009
Cornelis Henricus Johannes Clemens de Raaf	58	Proxyholder	2009
Robert Jan van Hedel	41	Proxyholder	2010

The contact address for the above directors is Equity Trust Co. N.V., Strawinskylaan 3105, 1077 ZX Amsterdam, The Netherlands (telephone number: +31 20 406 4444).

EDP B.V. may be legally represented by Mr. van Burg, Mr. Kamphuijs, Equity Trust Co. N.V. and EDP, acting jointly as managing directors.

**CONFLICTS OF INTEREST**

The members of the management board of EDP B.V. do not have any conflicts, or any potential conflicts, between their duties to EDP B.V. and their private interests or other duties.

**ANNUAL GENERAL MEETING OF THE SHAREHOLDERS**

The annual general meeting of shareholders must be held in Amsterdam, The Netherlands, within six months following the end of each fiscal year. Each outstanding share is entitled to one vote.

**FINANCIAL STATEMENTS AND DISTRIBUTION OF PROFITS**

EDP B.V.'s fiscal year coincides with the calendar year. The annual general meeting of the shareholders determines the use of the annual surplus.

**TREND INFORMATION**

There has been no material adverse change in EDP B.V.'s prospects since 31 December 2009.

## TAXATION

The following is a general description of certain Netherlands and Portuguese tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective purchasers of Instruments should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Netherlands and/or Portugal of acquiring, holding and disposing of Instruments and receiving payments of interest, principal and/or other amounts under the Instruments. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

### Portugal

The following is a general summary of the Issuers' understanding of current law and practice in Portugal as in effect on the date of this Prospectus in relation to certain current relevant aspects to Portuguese taxation of the Instruments and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any Beneficial Owner of Instruments. It does not take into account or discuss the tax laws of any country other than Portugal and relates only to the position of persons who are absolute beneficial owners of Instruments. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences resulting from the purchase, ownership and disposition of Instruments, including the effect of any state or local taxes, under the tax laws of Portugal and each country where they are, or are deemed to be, residents.

The reference to "interest", "other investment income" and "capital gains" in the paragraphs below means "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take any account of any different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law or which may be created by the "Terms and Conditions of the Instruments" or any related documentation.

#### 1. Instruments issued by EDP B.V.

The summary below in relation to Instruments issued by EDP B.V. assumes that such Instruments would be treated by the Portuguese tax authorities as corporate bonds (*obrigações*) as defined under Portuguese law. If the Portuguese tax authorities do not treat the Instruments as *obrigações*, no assurance can be given that the same tax regime would apply.

Interest and other investment income obtained by Portuguese resident individuals on Instruments issued by EDP B.V. is subject to individual income tax. If the payment of interest or other types of investment income is made available to Portuguese resident individuals through a Portuguese resident entity or a Portuguese branch of a non resident entity, withholding tax applies at a rate of 21.5 per cent., which is the final tax on that income unless the individual elects for aggregation to his taxable income, subject to tax at progressive rates of up to 45.88 per cent. (being already foreseen that after December 31, 2010 said rate should be increased to 46.5 per cent.). In this case, the tax withheld is deemed a payment on account of the final tax due. If the interest and other investment income on the Instruments is not received through an entity located in Portugal, it is not subject to Portuguese withholding tax, but an autonomous taxation rate of 20 per cent. will apply, unless an option for aggregation is made.

Capital gains obtained by Portuguese resident individuals on the transfer of the Instruments are taxed at a rate of 20 per cent. levied on the positive difference between the capital gains and capital losses realised on the transfer of securities and derivatives of each year. In this respect, an income tax exemption applies for the annual positive difference of up to €500 between gains and losses arising from the sale of shares, bonds and other debt securities. Accrued interest does not qualify as capital gains for tax purposes.

Interest and other investment income derived from the Instruments and capital gains obtained with the transfer of the Instruments by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable profits and are subject to progressive Corporate Income Tax rates according to which a 12.5 per cent. tax rate will be applicable on the first €12,500 of taxable income and a 25 per cent tax rate will be applicable on taxable income exceeding €12,500, to which may be added a municipal surcharge ("*derrama*") of up to 1.5 per cent. of its taxable income. Corporate taxpayers with a taxable income of more than €2,000,000 are also subject to a State surcharge (*derrama estadual*) of 2.5 per cent. on the part of their taxable profits that exceeds €2,000,000.

No Stamp Duty applies to the acquisition through gift or inheritance of Instruments by an individual.

The acquisition of Instruments through gift or inheritance by a Portuguese resident legal person or non resident acting through a Portuguese permanent establishment is subject to progressive Corporate Income Tax rates according to which a 12.5 per cent tax rate will be applicable on the first €12,500 of taxable income and a 25 per cent tax rate will be applicable on taxable income exceeding €12,500, to which may be added a municipal surcharge (“*derrama*”) of up to 1.5 per cent. of its taxable income. Corporate taxpayers with a taxable income of more than €2,000,000 are also subject to a State surcharge (*derrama estadual*) of 2.5 per cent. on the part of their taxable profits that exceeds €2,000,000.

There is neither wealth nor estate tax in Portugal.

Payments made by EDP B.V. of interest, other investment income or principal on Instruments issued by it to an individual or legal person non resident in Portugal for tax purposes without permanent establishment to which such income may be attributable are not subject to Portuguese income tax.

Capital gains obtained on the transfer of a Instrument by an individual or a legal person who is neither resident nor engaged in business through a permanent establishment in Portugal to which that gain is attributable are not subject to Portuguese income tax.

## **2. Instruments issued by EDP not integrated in a centralised control system recognised by the Portuguese Securities Code (“*Código dos Valores Mobiliários*”)**

Interest and other types of investment income obtained on Instruments by a Portuguese resident individual is subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 21.5 per cent., which is the final tax on that income unless the individual elects for aggregation to his taxable income, subject to tax at progressive rates of up to 45.88 per cent. (being already foreseen that after December 31, 2010 said rate should be increased to 46.5 per cent.) In this case, the tax withheld is deemed a payment on account of the final tax due.

In the case of zero coupon Instruments, the difference between the redemption value and the subscription cost is qualified as investment income and is also subject to Portuguese income tax.

Capital gains obtained by Portuguese resident individuals on the transfer of Instruments are taxed at a rate of 20 per cent. levied on the positive difference between the capital gains and capital losses realized on the transfer of securities and derivatives of each year. In this respect, an income tax exemption applies for the annual positive difference of up to €500 between gains and losses arising from the sale of shares, bonds and other debt securities. Accrued interest qualifies as interest, rather than as capital gains, for tax purposes.

Interest and other investment income derived from Instruments and capital gains obtained with the transfer of Instruments by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to progressive Corporate Income Tax rates according to which a 12.5 per cent tax rate will be applicable on the first €12,500 of taxable income and a 25 per cent tax rate will be applicable on taxable income exceeding €12,500, to which may be added a municipal surcharge (“*derrama*”) of up to 1.5 per cent. of its taxable income. Withholding tax at a rate of 21.5 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due. Corporate taxpayers with a taxable income of more than €2,000,000 are also subject to a State surcharge (*derrama estadual*) of 2.5 per cent. on the part of their taxable profits that exceeds €2,000,000.

Financial institutions, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds and some exempt entities, among other entities, are not subject to withholding tax.

Interest and other types of investment income obtained by non resident beneficial owners (individuals or legal persons) without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 20 per cent. for non resident entities and at a rate of 21.5 per cent. for non resident individuals, which is the final tax on that income.

Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Prospectus, the withholding tax rate may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes were approved by Order (*Despacho*) n 4743-A/2008 (2nd series), of 8 February 2008, published in the Portuguese official gazette, second

series, n. 37, of 21 February 2008 of the Portuguese Minister of Finance (as amended) and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

Income paid to an associated company of EDP who is resident in the European Union is subject to withholding tax at rate of 5 per cent. until 30 June 2013 and no withholding tax shall be applicable from the latter date onwards.

For these purposes, an associated company of EDP is:

- (i) A company which is subject to one of the taxes on profits listed in Article 3 (a) (iii) of Council Directive 2003/49/EC without being exempt, which takes one of the forms listed in the Annex to that Directive, which is considered to be resident in an European Union Member State and is not, within the meaning of a double taxation convention on income conclude with a third state, considered to be resident for tax purposes outside the Community; and
- (ii) Which holds a minimum direct holding of 25 per cent. in capital of the Issuer, or is directly held by the Issuer in at least 25 per cent. or which is directly held in at least 25 per cent. by a company which holds at least 25 per cent. of the capital of the Issuer; and
- (iii) Provided that the holding has been maintained for an uninterrupted period of at least two years. If the minimum holding period is met after the date the withholding tax becomes due, a refund may be obtained.

The associated company of EDP to which payments are made must be the beneficial owner of the interest, which will be the case if it receives the interest for its own account and not as an intermediary, either as a representative, a trustee or authorized signatory, for some other person.

The reduction of the withholding tax rate may take place at source or through the refund of excess withholding tax. The forms currently applicable for the reduction of withholding tax rate and for the refund of excess withholding tax where the minimum holding period is met after withholding tax becomes due were approved by Order (“*Despacho*”) n. 4727/2009 (2.nd series), published in the Portuguese official gazette, second series, n. 27, of 9 February 2009, and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

Capital gains obtained on the transfer of Instruments by non resident individuals without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation unless the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (Portaria) no. 150/2004 of 13 February (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis. Accrued interest does not qualify as capital gains for tax purposes.

Gains obtained on the disposal of Instruments by a legal person non resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation, unless the share capital of the beneficial owner is more than 25 per cent. directly or indirectly held by Portuguese resident entities or if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (Portaria) no. 150/2004 of 13 February (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

Stamp Duty at a rate of 10 per cent. applies to the acquisition through gift or inheritance of Instruments by an individual who is domiciled in Portugal. An exemption applies to transfers in favour of the spouse, de facto spouse, descendants and parents/grandparents. The acquisition of Instruments through gift or inheritance by a Portuguese resident legal person or a non resident acting through a Portuguese permanent establishment is subject to progressive Corporate Income Tax rates according to which a 12.5 per cent tax rate will be applicable on the first €12,500 of taxable income and a 25 per cent tax rate will be applicable on taxable income exceeding €12,500, to which may be added a municipal surcharge (“*derrama*”) of up to 1.5 per cent. of its taxable income. Corporate taxpayers with a taxable income of more than €2,000,000 are also subject to a State surcharge (*derrama estadual*) of 2.5 per cent. on the part of their taxable profits that exceeds €2,000,000.

No Stamp Duty applies to the acquisition through gift and inheritance of Instruments by an individual who is not domiciled in Portugal. The acquisition of Instruments through gift or inheritance by a non resident legal

person is subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

There is neither wealth nor estate tax in Portugal.

### **3. Instruments issued by EDP integrated in a centralised control system recognised by the Portuguese Securities Code**

The regime described in paragraph 2. above corresponds to the general tax treatment of investment income and capital gains on Instruments issued by a Portuguese entity and to the acquisition through gift or inheritance of such Instruments.

Nevertheless, pursuant to the Special Tax Regime for Debt Securities, approved by Decree-Law no. 193/2005, of 7 November 2005, as amended from time to time (hereafter “the special regime approved by Decree-Law no. 193/2005”), investment income and gains on the disposal of debt securities issued by Portuguese resident entities, such as the Instruments obtained by non-resident beneficial owners, are exempt from Portuguese income tax provided that the debt securities are integrated in a centralised system recognised under the Securities Code and complementary legislation (such as the *Central de Valores Mobiliários*, managed by Interbolsa), and:

- (i) the beneficial owners have no residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; and
- (ii) the beneficial owners are not held, directly or indirectly, in more than 20 per cent. by Portuguese resident entities; and
- (iii) the beneficial owners are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by the Ministerial Order (*Portaria*) n. 150/ 2004, of 13 February (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*), except if they are central banks and governmental agencies.

The special regime approved by Decree-Law no. 193/2005 sets out the detailed rules and procedures to be followed on the proof of non residence by the beneficial owners of the Instruments which it applies. Under these rules, the direct register entity (i.e. the entity affiliated to the centralised system where the securities are integrated), as the entity holding the relevant account with the relevant centralised system in which the Instruments are integrated, will be under obligation to obtain and keep proof, in the form described below, that the beneficial owner is a non resident entity that is entitled to the exemption. As a general rule, the evidence of non residence status should be provided to, and received by, the direct registration entities prior to the relevant date for payment of any interest, or the redemption date (for zero coupon Instruments), and prior to the transfer of Instruments date, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand on the date of this Prospectus.

#### **(a) Domestically Cleared Instruments**

The beneficial owner of Instruments must provide proof of non residence in Portuguese territory substantially in the terms set forth below.

- (i) If the beneficial owner of Instruments is a central bank, an international organisation or a public law institution integrated in the Public Administration (either central, regional, peripheral, indirect or autonomous), a declaration of tax residence issued by the beneficial owner of Instruments itself, duly signed and authenticated or proof pursuant to paragraphs (ii) or (iv) below;
- (ii) If the beneficial owner of Instruments is a credit institution, a financial company, a pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the beneficial owner of Instruments and its domicile; or (C) proof of non residence status pursuant to paragraph (iv) below.
- (iii) If the beneficial owner of Instruments is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country with which Portugal has

entered into a double tax treaty, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence, the law of incorporation and domicile; or (B) proof of non residence status pursuant to paragraph (iv) below.

- (iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities; or (B) a document issued by the relevant Portuguese consulate certifying residence abroad; or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency status permit) is not acceptable.

There are rules on the authenticity and validity of the documents mentioned in paragraph (iv) above, in particular that the beneficial owner of Instruments must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until three months after the date on which the withholding tax would have been applied and will be valid for a three-year period starting on the date such document is produced. The beneficial owner of Instruments must inform the register entity immediately of any change in respect of the requirement conditions that may prevent the tax exemption from applying.

When the Instruments are held by central banks or governmental agencies, the respective proof of non residence in Portuguese territory is provided just once, its periodical renewal not being necessary.

#### **(b) Internationally Cleared Instruments**

If the Instruments are held through a centralised system recognised under the Portuguese Securities Code and complementary legislation, and registered in an account with an international clearing system recognised by the Minister of Finance (such as Euroclear Bank or Clearstream, Luxembourg), and the management entity of such international clearing system undertakes not to provide registration services to (i) residents for tax purposes in Portugal which do not benefit from either an exemption from Portuguese taxation or an exemption from Portuguese withholding tax, and (ii) non resident entities for tax purposes which do not benefit from the above Portuguese income tax exemption, special rules apply under which proof of the requirements to benefit from the exemption will be made through documents provided by the participants to the direct register entity through the international clearing system managing entity. These documents must take into account the total accounts under their management regarding each beneficial owner of Instruments that are tax exempt or benefit from an exemption from Portuguese withholding tax.

The relevant procedures are as follows:

- (i) Filing a certificate, on a yearly basis, with the name of each beneficial owner, address, taxpayer number (if applicable), specification of the securities held and the legal basis for the exemption from taxation or from Portuguese withholding tax. The certificate on page 129 of this Prospectus corresponds with the current form (English version) for these purposes and was approved by Order (*Despacho*) n. 4980/2006 (2nd series) of the Portuguese Minister of Finance and Public Administration (currently *Ministro das Finanças e da Administração Pública*), published in the Portuguese official gazette, second series, n. 45, of 3 March 2006 (as rectified), and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).
- (ii) Alternatively, filing a yearly declaration that states that the beneficial owners are exempt or not subject to withholding tax. This declaration is complemented by a disclosure list, on each coupon payment date, stating the beneficial owners names, addresses, taxpayer numbers (if applicable), quantity held, and the legal basis for the exemption from taxation or from Portuguese withholding tax. The declaration on page 131 of this Prospectus corresponds to the current form (English version) for these purposes and was approved by Notice (*Aviso*) n. 3714/2006 (2nd series), published in the Portuguese official gazette, second series, n. 59, of 23 March 2006 issued by the Portuguese Secretary of State for Tax Affairs (currently *Secretário de Estado dos Assuntos Fiscais*) and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).



**CERTIFICATE FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME FROM DEBT SECURITIES (PARAGRAPH 1 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW NO. 193/2005, OF 7 NOVEMBER)**

The undersigned Participant hereby declares that he holds debt securities covered by the special tax regime approved by the Decree-Law no. 193/2005, of 7 November (the “Securities”), in the following securities account number .....

(the “Account”) with .....

(name and complete address of the international clearing system managing entity).

We will hold these Securities in our capacity as beneficial owner or in our capacity as intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

**1. We are:**

Name: .....

Residence for tax purposes (full address): .....

Tax ID Number: .....

**2. We hereby certify that, from the date hereof until the expiry date of this certificate:**

**A. We are the Beneficial Owner of the following Securities:**

<i>Security ISIN or Common Code</i>	<i>Security description</i>	<i>Nominal position</i>

and we hereby declare that we are not liable to pay Portuguese withholding tax, in accordance with the applicable legislation, indicated hereafter:

- Special Tax Regime approved by the Decree-Law no. 193/2005, of 7 November
- Art. 97 of CIRC (Corporate Income Tax Code) – Exemption from withholding tax

**B. We are intermediaries of the following Securities:**

<i>Security ISIN or Common Code</i>	<i>Security description</i>	<i>Nominal position</i>

which are held on behalf of: .....

Name: .....

Residence for tax purposes (full address): .....

Tax ID Number: .....

and we attach a statement of beneficial ownership, which includes the justification for the exemption of personal or corporate income withholding tax.

3. We hereby undertake to provide .....  
(name of the international clearing system managing entity) with a document proving the exemption of personal or corporate income withholding tax referred in the attached statement of beneficial ownership, whenever the beneficial owner is not a central bank, public institution, international body, credit institution, financing company, pensions fund or insurance company resident in any OECD country or in a country with which Portugal has concluded a Convention for the Avoidance of International Double Taxation, on behalf of which we hold Portuguese debt securities in the Account.

4. We hereby undertake to notify .....  
(name of the international clearing system managing entity) promptly in the event that any information contained in this certificate becomes untrue or incomplete.

5. We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise .....  
(name of the international clearing system managing entity) and its Depository to collect and forward this certificate or a copy hereof, with any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.

6. **THIS CERTIFICATE IS VALID FOR A PERIOD OF TWELVE MONTHS AS FROM THE DATE OF SIGNATURE.**

PLACE: ..... DATE: .....

Authorised Signatory ..... Name .....

Title/position .....

Authorised Signatory ..... Name .....

Title/position .....

## STATEMENT OF BENEFICIAL OWNERSHIP

The undersigned beneficiary:

- Name: .....
- Address: .....
- Tax ID number: .....

Holding via the following financial intermediary:

- Name of financial intermediary: .....
- Account number: .....

The following securities:

- Common /ISIN code: .....
- Security name: .....
- Payment date: .....
- Nominal position: .....

1. Hereby declares that he/she/it is the beneficial owner of the above-mentioned securities and nominal position at the payment date ...../...../.....; and
2. Hereby declares that he/she/it is not liable to withholding tax, in accordance with the applicable legislation, indicated herein after (tick where applicable):

- Special Tax Regime approved by the Decree-Law no. 193/2005, of 7 November
- Art. 97 of CIRC (Corporate Income Tax Code) – Exemption from withholding tax
- Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
- Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities; exemption by Ministerial Regulation no. ...., published in the *Diário da República* .....
- Art. 16 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds
- Art. 22 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)
- Art. 23 of EBF – Venture Capital Investment Funds
- Art. 26 of EBF – Stock Savings Funds (FPA)
- Other legislation (indicate which).....

This document is to be provided to the Portuguese tax authorities, if requested by the latter, as foreseen in Article 17 of the Special Tax Regime approved by the Decree-Law no. 193/2005, of 7 November.

Authorised signatory

Name: .....

Function: .....

Signature: .....

**STATEMENT FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME FROM  
DEBT SECURITIES (PARAGRAPH 2 OF ARTICLE 17 OF THE SPECIAL TAX  
REGIME APPROVED BY DECREE-LAW NO. 193/2005, OF 7 NOVEMBER)**

The undersigned Participant hereby declares that he holds or will hold debt securities in accordance with the special tax regime approved by Decree-Law no. 193/2005, of 7 November (the "Securities"), in the following securities account number .....

(the "Account") with .....  
(*name and complete address of the international clearing system managing entity*).

We hold or will hold these Securities in our capacity as beneficial owner or in our capacity as intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

1. We are:

Name: .....

Residence for tax purposes (full address): .....

Tax ID Number: .....

2. We hereby undertake to provide .....  
(*name of the international clearing system managing entity*) with a list of Beneficial Owners at each relevant record date containing the name, residence for tax purposes, Tax Identification Number and nominal position of Portuguese debt Securities for each Beneficial Owner, including ourselves if relevant, on behalf of which we hold or will hold Portuguese debt securities in the Account.

3. We hereby undertake to notify .....  
(*name of the international clearing system managing entity*) promptly in the event that any information contained in this certificate becomes untrue or incomplete.

4. We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise .....  
(*name of the international clearing system managing entity*) and its Depository to collect and forward this statement or a copy hereof, with any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.

5. This statement is valid for a period of twelve months as from the date of signature.

**PLACE:** ..... **DATE:** .....

Authorised Signatory ..... Name .....

Title/position .....

Authorised Signatory ..... Name .....

Title/position .....

## LIST OF BENEFICIAL OWNERS

For:

Interest due ...../...../.....

Security code (ISIN or Common Code): .....

Securities description: .....

Securities Clearance Account Number: .....

We certify that the above Portuguese debt securities are held on behalf of the following Beneficial Owners:

Name	Tax identification number	Residence for tax purposes	Quantity of securities	Legal basis of the exemption from withholding tax	
				Code(*)	Legislation(**)

(\*) Indicate the legal basis of the exemption from withholding tax in accordance with the following table:

### Code Legal basis of the exemption

- 1 Special Tax Regime approved by the Decree-Law no. 193/2005, of 7 November
- 2 Art. 97 of CIRC (Corporate Income Tax Code) – Exemption from withholding tax
- 3 Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
- 4 Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities
- 5 Art. 16 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds
- 6 Art. 22 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)
- 7 Art. 23 of EBF – Venture Capital Investment Funds
- 8 Art. 26 of EBF – Stock Savings Funds (FPA)
- 9 Other legislation

(\*\*) The completion of this column is mandatory when the code “9” is indicated in the previous column.

In addition, the international clearing system managing entity shall inform the direct register entity of the income paid to each participant for each security payment.

No Portuguese exemption shall apply at source under the special regime approved by Decree-Law no. 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-Law no. 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Instruments within 90 days from the date the withholding took place. A special tax form for these purposes was approved by Order (*Despacho*) n. 4980/2006 (2nd series), published in the Portuguese official gazette, second series, n. 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration (currently *Ministro das Finanças e da Administração Pública*) and may be available at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

The refund of withholding tax in other circumstances or after the above 90 day period is to be claimed from the Portuguese tax authorities under the general procedures and within the general deadlines.

## ***EU Savings Directive***

Portugal has implemented the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income into the Portuguese law through Decree-Law no. 62/2005, of 11 March 2005, as amended by Law no. 39-A/2005, of 29 July 2005. The forms currently applicable to comply with the reporting obligations arising from the implementation of the EU Savings Directive were approved by Ministerial Order (*portaria*) no. 563-A/2005, of 28 June 2005, and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

## **The Netherlands**

### *General*

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Instruments, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. Reference in this summary to Instruments shall include Receipts and Coupons. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Instruments.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

- (i) holders of Instruments holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in an Issuer and holders of Instruments of whom a certain related person holds a substantial interest in an Issuer. Generally speaking, a substantial interest in an Issuer arises if a person alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued capital of an Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of an Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in an Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*); and
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.

Where this summary refers to a holder of Instruments, such reference is restricted to a holder holding legal title to as well as an economic interest in such Instruments.

### *Withholding Tax*

With respect to Instruments issued by EDP B.V., all payments made by EDP B.V. under the Instruments may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein provided that the Instruments do not in fact function as equity of EDP B.V. within the meaning of article 10, paragraph 1, under d of the Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

With respect to Instruments issued by EDP, all payments made by EDP under the Instruments may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

### *Corporate and Individual Income Tax*

#### (a) Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Instruments are attributable, income derived from the Instruments and gains realised upon the redemption, settlement or disposal of the Instruments are generally taxable in the Netherlands (at up to a maximum rate of 25.5 per cent.).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Instruments and gains realised upon the redemption, settlement or disposal of the Instruments

are taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Instruments are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Instruments are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Instruments that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Instruments, taxable income with regard to the Instruments must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4 per cent. of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Instruments less the fair market value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Instruments will be included as an asset in the individual's yield basis. The 4 per cent. deemed return on income from savings and investments will be taxed at a rate of 30 per cent.

(b) Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of the Netherlands), such holder is not taxable in respect of income derived from the Instruments and gains realised upon the settlement, redemption or disposal of the Instruments, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or a permanent representative the Instruments are attributable, or (2) is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Instruments are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25.5 per cent.

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Instruments are attributable or (2) realises income or gains with respect to the Instruments that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Instruments which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Instruments are attributable.

Income derived from the Instruments as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52 per cent. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market value of the share in the profits of the enterprise (which includes the Instruments) will be part of the individual's Netherlands yield basis.

### *Gift and Inheritance Tax*

(a) Residents of the Netherlands

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of the Instruments by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a donation within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a



resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a donation within a twelve months period after leaving the Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

(b) Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Instruments by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax, unless in the case of a gift of the Instruments by a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands.

*Value Added Tax*

In general, no value added tax will arise in respect of payments in consideration for the issue of the Instruments or in respect of a cash payment made under the Instruments, or in respect of a transfer of Instruments.

*Other Taxes and Duties*

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Instruments.

**EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payment of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld), deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

A number of non-EU countries including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

## SUBSCRIPTION AND SALE

Instruments may be sold from time to time by the Issuer to any one or more of Banco BPI, S.A., Banco Espírito Santo de Investimento, S.A., Banco Santander Totta, S.A., Barclays Bank PLC, Banco Comercial Português, S.A., BNP PARIBAS, Caixa-Banco de Investimento, S.A., Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, ING Bank N.V., J.P. Morgan Securities Ltd., Mitsubishi UFJ Securities International plc, Morgan Stanley & Co. International plc, The Royal Bank of Scotland plc, Société Générale and UBS Limited (the “Dealers”). The arrangements under which Instruments may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 24 September 2010 (the “Dealership Agreement”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

### United States of America

Regulation S Category 2; TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms; Rule 144A Eligible if so specified in the relevant Final Terms.

Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Instruments, (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Instruments comprising the relevant Tranche, as certified to the Issue and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Instruments to or through more than one Dealer, by each of such Dealers as to Instruments of such Tranche purchased by or through it, in which case the Issue and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each dealer to which it sells Instruments during the restricted period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to or for the account or benefit of U.S. persons.

In addition, until forty days after the commencement of the offering of Instruments comprising any Tranche, any offer or sale of Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Instruments or Dual Currency Instruments shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Instruments, which additional selling restrictions shall be set out in the applicable Final Terms.

### Portugal

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that the Prospectus has not been registered or filed with or approved by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, “CMVM”) nor has a prospectus recognition procedure been commenced with the Portuguese Securities Market Commission. The Instruments may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (*Código dos Valores Mobiliários*) enacted by Decree Law no. 486/99 of 13 November 1999 (as amended and restated from time to time) unless the requirements and

provisions applicable to the public offering in Portugal are met and the above mentioned registration, filing, approval or recognition procedure is made. In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Instruments in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (ii) all offers, sales and distributions by it of the Instruments have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code or other securities legislation or regulations, qualify as a private placement of Instruments only (*oferta particular*); (iii) it will comply with all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation implementing the Prospectus Directive and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Instruments by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including compliance with the rules and regulations that require the publication of a prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

### **The Netherlands**

Each Dealer has represented and agreed that any Instruments with a maturity of less than 12 months will either have a minimum denomination of EUR 50,000 or be offered in or outside the Netherlands only to professional market parties as defined in the Financial Supervision Act (*Wet op Financiële toezicht*) and the decrees issued pursuant thereto.

Zero Coupon Instruments (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either EDP, EDP B.V. or a member of Euronext Amsterdam N.V. in accordance with the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of 21 May 1985 (as amended) and, in addition thereto, if such Zero Coupon Instruments in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987 attached to the Royal Decree of 11 March 1987 (*Staatscourant* 129) (as amended) each transfer and acceptance should be recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Instruments. No such mediation is required in respect of (a) the transfer and acceptance of Zero Coupon Instruments whilst in the form of rights representing an interest in a Zero Coupon Instrument in global form; or (b) the initial issue of Zero Coupon Instruments in definitive form to the first holders thereof; or (c) transfer and acceptance of Zero Coupon Instruments in definitive form between individuals not acting in the conduct of a business or profession, or (d) the transfer and acceptance of such Zero Coupon Instruments within, from or into The Netherlands if all Zero Coupon Instruments (either in definitive form or as rights representing an interest in a Zero Coupon Instrument in global form) of any particular Series or Tranche are issued outside The Netherlands and are not distributed within The Netherlands in the course of initial distribution or immediately thereafter. In the event that the Savings Certificate Act applies, certain identification requirements in relation to the issue and transfer of and payments on Zero Coupon Instruments have to be complied with. For the purposes of this paragraph “Zero Coupon Instruments” are Instruments that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the Issuer;
- (2) in relation to any Instruments having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer

or sell any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal and agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of section 19 of the FSMA by the Issuer; and

- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Instruments in, from or otherwise involving the United Kingdom.

## **Japan**

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the “FIEA”) and, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Instruments directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, ministerial guidelines and regulations of Japan.

## **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Instruments to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospective Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Instruments referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Instruments to the public” in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## **General**

Other than with respect to the listing of the Instruments on such stock exchange as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable

laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “General” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Instruments) or (in any other case) in a supplement to this document.

## GENERAL INFORMATION

1. The admission of Instruments to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Instruments which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Instrument or Instruments initially representing the Instruments of such Tranche. Application has been made to the UK Listing Authority for Instruments issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Instruments to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Instruments is expected to be granted on or around 29 September 2010.
2. The establishment of the Programme was authorised by the Board of Directors of EDP at a meeting held on 21 September 1999 and by the management board of EDP B.V. at a meeting held on 8 October 1999. The increase in the amount of the Programme to EUR 5,000,000,000 and the entering into of the Trust Deed and the Keep Well Agreement was authorised by the Board of Directors of EDP at a meeting held on 13 March 2001 and by the management board of EDP B.V. at a meeting held on 8 March 2001. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 2 February 2004 and by the management board of EDP B.V. at a meeting held on 17 December 2004. The update of the Programme and the increase of the nominal amount of the Programme to EUR 7,000,000,000 was authorised by the Board of Directors of EDP at a meeting held on 22 November 2005 and by the management board of EDP B.V. at a meeting held on 23 November 2005. The update of the Programme and the increase of the nominal amount of the Programme to EUR 12,500,000,000 was authorised by the Board of Directors of EDP at meetings held on 19 June 2007 and 9 October 2007 and by the management board of EDP B.V. at a meeting held on 18 October 2007. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 16 September 2008 and by the management board of EDP B.V. at a meeting held on 9 October 2008. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 8 September 2009 and by the management board of EDP B.V. at a meeting held on 17 September 2009. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 31 August 2010 and by written resolutions of the management board of EDP B.V. on 20 September 2010. The Issuers have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Instruments and their respective obligations under the Trust Deed and the Keep Well Agreement.
3. The Instruments (other than Book Entry Instruments) have been accepted for clearance through Euroclear Bank and Clearstream, Luxembourg (which are the entities in charge of keeping records in respect of such Instruments). The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the Final Terms relating thereto. The Book Entry Instruments will be cleared through the clearing system operated by Interbolsa. The appropriate identification reference for a Tranche of Book Entry Instruments will be specified in the applicable Final Terms. Book Entry Instruments shall only be denominated in euros or in such other currency as accepted for registration and settlement purposes by Interbolsa. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of Interbolsa is Avenida da Boavista, 3433-4100-138 Porto, Portugal.
4. Bearer Instruments (other than Temporary Global Instruments) with an initial maturity of more than one year and any Coupon appertaining thereto, will bear a legend substantially to the following effect: *"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."*
5. For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available from the registered office of EDP, EDP B.V. and from the specified offices of the Paying Agents for the time being in London and Lisbon (together with English translations in the case of paragraphs (i), (ii) and (iii) below):

- (i) the constitutional documents of EDP and EDP B.V.;
- (ii) the audited consolidated financial statements of EDP in respect of the financial years ended 31 December 2008 and 31 December 2009 and the audited financial statements of EDP B.V. in respect of the financial years ended 31 December 2008 and 31 December 2009, in each case with the audit reports prepared in connection therewith;
- (iii) the most recently published audited annual financial statements of EDP and EDP B.V. and the most recently published unaudited interim financial statements (if any) of EDP and EDP B.V. in each case together with any audit or review reports prepared in connection therewith;
- (iv) the Dealership Agreement, the Trust Deed, the Interbolsa Instrument, the Keep Well Agreement, the Agency Agreement and the forms of the Instruments, the Receipts, the Coupons and the Talons;
- (v) a copy of this Prospectus;
- (vi) any future information memoranda, prospectuses, offering circulars and supplements including Final Terms (save that Final Terms relating to an Instrument which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Instrument and such holder must produce evidence satisfactory to the relevant Paying Agent, as the case may be, as to its holding of Instruments and identity) to this Prospectus and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of Instruments admitted to trading on the London Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, this Prospectus is also available at the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/en-gh/pricenews/marketnews/](http://www.londonstockexchange.com/en-gh/pricenews/marketnews/).

6. There has been no significant change in the financial or trading position of EDP, EDP B.V. or the EDP Group since 30 June 2010, and there has been no material adverse change in the prospects of EDP, EDP B.V. or the EDP Group since the date of the last audited annual accounts being 31 December 2009.
7. None of EDP, EDP B.V. and any other member of the EDP Group is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which EDP or EDP B.V. is aware) in the 12 months preceeding the date of this document which may have or have had a significant effect on the financial position and profitability of EDP, EDP B.V. or the EDP Group.
8. The auditors of the EDP are KPMG & Associados, SROC, SA, independent certified public accountants, who have audited EDP's accounts, without qualification, in accordance with generally accepted auditing standards in Portugal for the financial year ended on 31 December 2009. The auditors of EDP have no material interest in EDP.

The current auditors of EDP B.V. are KPMG Accountants N.V. who audited EDP B.V.'s accounts, without qualification, in accordance with generally accepted auditing standards in The Netherlands for the financial year ended on 31 December 2009. The auditors of EDP B.V. have no material interest in EDP B.V. KPMG Accountants N.V. are chartered accountants ("register accountants") in The Netherlands.

The Trust Deed will provide that the Trustee may rely on any certificate or report by the auditors of the relevant Issuer or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the relevant Issuer or such other person in respect thereof.

9. The price and amount of Instruments to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
10. Save as set out in the Final Terms, the Issuers do not intend to provide any post-issuance information in relation to any issues of Instruments.

11. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuers and their affiliates in the ordinary course of business.



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HEAD OFFICE OF EDP**  
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**DEALERS**

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**Banco Comercial Português, S.A.**  
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**Banco Santander Totta, S.A.**  
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**Mitsubishi UFJ Securities International plc**  
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**Morgan Stanley & Co. International plc**  
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**The Royal Bank of Scotland plc**  
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**UBS Limited**  
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*To EDP*  
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*To EDP B.V.*  
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Burgemeester  
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## TRUSTEE

**Deutsche Trustee Company Limited**  
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1 Great Winchester Street  
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## ISSUE AND PAYING AGENT

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## REGISTRAR AND PAYING AGENT

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## PORTUGUESE PAYING AGENT

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## LEGAL ADVISERS

*To EDP as to English law*  
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*To EDP as to Portuguese law*  
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