



## EDP Finance B.V

### 4% Instruments 2012

– 2018 of CHF 125,000,000. –

<b>Programme for the Issuance of Instruments:</b>	The Instruments are issued under the EUR12,500,000,000 Programme for the Issuance of Debt Instruments (the «Programme») of the Issuer and EDP – Energias de Portugal S.A.
<b>Issuer's Name and registered office:</b>	EDP Finance B.V., Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands (the «Issuer» or «EDP B.V.»).
<b>Keep Well Provider:</b>	EDP – Energias de Portugal, S.A. («EDP», for details see “Relationship of EDP B.V. with EDP”, pages 90 to 92 of Annex A hereof).
<b>Amount:</b>	CHF 125,000,000.
<b>Interest Rate:</b>	4% p.a., payable annually in arrears on 29 November in each year; for the first time on 29 November 2013.
<b>Issue Price:</b>	The Lead Managers have subscribed the Instruments at the price of 100% of their nominal amount (before commissions and expenses).
<b>Placement Price:</b>	The Placement Price of the Instruments will be fixed in accordance with supply and demand.
<b>Issue Date:</b>	29 November 2012.
<b>Maturity Date / Redemption:</b>	29 November 2018, at par.
<b>Early Redemption:</b>	For tax reasons; at any time at par, with not less than 30 nor more than 60 days' notice (for details see Condition 7.2 of the Terms and Conditions of the Instruments).
<b>Reopening of the Issue:</b>	The Issuer reserves the right to reopen this Serie of Instruments at any time through the issuance of additional Instruments, which will be fungible with the Instruments (for details see Condition 17 of the Terms and Conditions of the Instruments).
<b>Denominations:</b>	CHF 5,000 and multiples thereof.
<b>Form of the Instruments:</b>	The Instruments will be represented by a Permanent Global Instrument. Holders of Instruments do not have the right to request the printing and delivery of definitive Instruments.
<b>Covenants and Relevant Clauses:</b>	Pari Passu Clause (for details see Condition 3 of the Terms and Conditions of the Instruments), Negative Pledge Clause (for details see Condition 4 of the Terms and Conditions of the Instruments) and Cross Default Clause (for details see Condition 10 of the Terms and Conditions of the Instruments).
<b>Listing:</b>	Listing will be applied for on the SIX Swiss Exchange. The Instruments have been provisionally admitted for trading on the SIX Swiss Exchange on 27 November 2012. The last trading day will be the third business day prior to the Maturity Date.
<b>Governing Law and Jurisdiction:</b>	The Instruments are governed by, and construed in accordance with English law. Place of jurisdiction for the Instruments and all related contractual documentation shall be the courts of England.
<b>Sales Restrictions:</b>	In particular U.S.A., U.S. persons, United Kingdom, EEA, The Netherlands, the Kingdom of Spain, Japan and Portugal.
<b>Rating:</b>	The Instruments issued under the Programme are rated «BBB-» by Fitch (credit watch negative outlook, «Ba1» by Moody's (credit watch negative outlook) and «BB+» by Standard & Poor's (credit watch negative outlook).
<b>Security Number/ ISIN/Common Code:</b>	19.784.155 / CH0197841551 / 085721054

## **SELLING RESTRICTIONS**

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**In particular U.S.A., U.S. persons, United Kingdom, EEA, The Netherlands, the Kingdom of Spain, Japan and Portugal. For further information and the full text, which is solely relevant, please refer to pages 175 – 178 of Annex A hereof.**

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## **GENERAL INFORMATION**

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### **Notice to Investors**

Except as otherwise specified herein, terms defined in the base prospectus dated 14 September 2012, as supplemented by the supplement to the base prospectus dated 9 November 2012 in respect of the Programme (together the «Base Prospectus») shall have the same meaning in this prospectus (the «Prospectus»). The Final Terms dated 27 November 2012 (the «Final Terms») and the Base Prospectus in Annexes A and B hereof form integral parts of this Prospectus.

The specific terms of these Instruments set out in the Final Terms of this Prospectus must be read in conjunction with the information provided in the Base Prospectus. Investors are advised to familiarise themselves with the entire content of this Prospectus.

The financial institutions involved in the issuance and offering of the Instruments are banks, which directly or indirectly have participated, or may participate, in financing transactions and/or may participate, in financing transactions and/or other banking business with the Issuer, which are not disclosed herein.

### **Documents Available**

Copies of this Prospectus and the documents incorporated by reference and listed in the following paragraph are available at UBS AG, Prospectus Library, P.O. Box, CH-8098 Zurich, Switzerland, or can be ordered by telephone (+41-44-239 47 03), fax (+41-44-239 69 14) or by e-mail [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com). Copies of documents incorporated by reference in this Prospectus also can be obtained from the registered office of the Issuer and the Keep Well Provider or on the internet website of EDP ([www.edp.pt/en/Investidores/publicacoes/relatoriocontas/Pages/RelatorioeContas.aspx](http://www.edp.pt/en/Investidores/publicacoes/relatoriocontas/Pages/RelatorioeContas.aspx)).

### **Documents incorporated by reference**

Pursuant to page 43 of Annex A hereof, the following documents shall be deemed to be incorporated in, and form part of, the Base Prospectus and, therefore, of this Prospectus (copies of the documents incorporated by reference are available upon request at the address indicated in the preceding paragraph):

- (a) in respect of EDP, the auditors report and audited consolidated annual financial statements for the financial years ended 31 December 2010 and 31 December 2011; the auditors' limited review report and the interim consolidated financial statements for the six months ended 30 June 2012; and the consolidated interim financial statements as of 30 September 2012;
- (b) in respect of EDP B.V., the auditors report and audited annual financial statements for the years ended 31 December 2010 and 31 December 2011; and the unaudited interim financial statements for the six months ended 30 June 2012; and
- (c) the memorandum and articles of association of the Issuer and EDP and the English translations thereof

### **Prospectus**

This Prospectus is available in English language only and provides information about the Issuer, EDP and the Instruments. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Instruments. The distribution of this Prospectus and the offering of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and include Instruments in bearer form that 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 U.S. persons. For a further description of certain restrictions on offerings and sales of the Instruments and on distribution of this Prospectus, see "Subscription and Sale" pages 175 – 178 of the Base Prospectus attached hereto as Annex A.

References herein to "Swiss Francs" or "CHF" are to the lawful currency of Switzerland.

No person has been authorized to give any information or make any representation in connection with the offering of the Instruments other than as stated herein and any other information or representation if given or made should not be relied upon as having been authorised by the Issuer, UBS AG, Credit Suisse AG (together

with UBS AG, the «Lead Managers») or any of the Dealers (as defined in the Programme). Neither the delivery of this Prospectus, nor the issue of the Instruments nor any sale thereof shall, in any circumstances, create any implication that there has been no material adverse change in the affairs of the Issuer since the date hereof.

### **Taxation – Portuguese Taxation**

The paragraphs in Annex A under the caption “Taxation – Portugal – 1. Instruments issued by EDP B.V.” (pages 160-161 of Annex A) should be read as including the tax rate changes arising out of Law no.55-A/2012 of 29 October 2012, which entered into force on 30 October 2012, in particular: (i) the applicable withholding tax on interest and investment income obtained by Portuguese resident individuals increased from 25 per cent to 26.5 per cent. from October 30, 2012; (ii) the applicable withholding tax on interest and investment income paid or made available to accounts in the name of one or more accountholders acting on behalf of undisclosed entities increased from 30 per cent to 35 per cent. from October 30, 2012; (iii) the applicable autonomous tax rate on interest and investment income not received through an entity located in Portugal increased from 25 per cent to 26.5 per cent. with effects as of January 1, 2012; and (iv) the capital gains obtained by Portuguese resident individuals tax rate increased from 25 per cent to 26.5 per cent. with effects as of January 1, 2012. The Portuguese 2013 Budget Law due to be approved by the Portuguese Parliament on November 27, 2012, might introduce amendments to the Portuguese legal matters summarised in the paragraphs of Annex A under the caption “Taxation – Portugal – 1. Instruments issued by EDP B.V”.

## **INFORMATION ABOUT THE INSTRUMENTS**

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### **Authorisation**

Further to an update of the Programme authorised by the Board of Directors of EDP dated 30 July 2012 and written resolutions of the management board of EDP B.V. dated 5 September 2012, and the Subscription Agreement dated 27 November 2012 between the Issuer, EDP and the Lead Managers, the Issuer has decided to issue 4% Instruments of CHF 125,000,000 to be issued on 29 November 2012 and maturing on 29 November 2018.

### **Use of Net Proceeds**

The net proceeds of the Instruments, being the amount of CHF 124,000,000 (the «Net Proceeds») will be on-lent to, or invested in, EDP Group companies. The Lead Managers shall have no responsibility for, or be obliged to concern themselves with, the application of the Net Proceeds of the Instruments.

### **Clearing**

The Instruments have been accepted for clearance through SIX SIS Ltd ("SIS").

### **Publication**

So long as the Instruments are listed on the SIX Swiss Exchange and so long as the rules of the SIX Swiss Exchange so require, all official notices in respect of the Instruments and the Issuer will be validly given (i) by means of electronic publication on the internet website of the SIX Swiss Exchange (current URL: [www.six-exchange-regulation.com/publications/published\\_notifications/official\\_notices\\_en.html](http://www.six-exchange-regulation.com/publications/published_notifications/official_notices_en.html)) or (ii) otherwise in accordance with the regulation of the SIX Swiss Exchange.

### **Representation**

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange, UBS AG has been appointed by the Issuer as representative to lodge the listing application with the SIX Swiss Exchange.

## **INFORMATION ON THE ISSUER AND EDP**

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### **Articles of Association of the Issuer**

The articles of association of the Issuer are dated 29 December 2006. The purpose article is article 3 of the articles of association. For further information on the purpose of the Issuer see also page 156 of Annex A.

### **Dividends**

The Issuer did not pay any dividends during the last five years.

### **Articles of Association of EDP**

According to article 3 of the articles of association of EDP dated 20 February 2012, the corporate purpose of EDP is the direct or indirect promotion, development and management of undertakings and activities in the energy sector, both at the national and international levels, with the goal of growing and improving the performance of its group's companies. Within the development of its corporate purpose, EDP shall, in relation to its group's companies:

- (a) formulate the common global strategy for those companies;
- (b) coordinate their activities, in such a manner as to ensure the attainment of the objectives entrusted to them at any given moment;
- (c) guarantee the joint representation of the interests that are common to those companies;
- (d) undertake, in global terms, the functions that are common to those companies, namely, in the financial area, with the aim of obtaining group synergies.

EDP may also acquire participating interests as a limited liability member in companies having corporate missions that differ from its own, even if such companies are regulated by special laws, or participate in complementary company groupings, European economic interest groupings, consortia or in any other types of association, temporary or permanent.

EDP may provide services and grant shareholder loans and other forms of loan to companies in which it has holdings, in accordance with the law.

### **Notices by EDP**

EDP publishes the information required by Portuguese law for an issuer of listed shares through several means, including on its website [www.edp.pt](http://www.edp.pt).

Further, in relation to notices to the holders of Instruments please refer to page 5 of this Prospectus.

### **Court, arbitral and administrative proceedings**

Save as disclosed in this Prospectus, or in the Base Prospectus, neither the Issuer nor EDP are or have been involved in court, arbitral or administrative proceedings (including any such proceedings which are pending or threatened of which the Issuer and/or EDP are aware) in the 12 months preceding the date of the Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or EDP.

### **Material changes since the most recent interim financial statements**

Except as disclosed in this Prospectus, there has been no material adverse change in the assets and liabilities, financial position and profit and losses of the Issuer since 30 June 2012 or of EDP since 30 September 2012 which would materially affect their ability to carry out their obligations under the Instruments.

## **Recent developments**

Due to the resignation as Chairman of the Board of Directors of Parpública - Participações Públicas (SGPS), S.A. ("Parpública"), Mr. José Joaquim de Oliveira Reis has presented by letter on the 11th October, his resignation as member of the General and Supervisory Board. The member of the General and Supervisory Board, Parpública, elected at the General Shareholders Meeting of February 20th, 2012, will announce soon the representative to exercise the office.

## **INFORMATION ON THE TRUSTEE / TRUST DEED**

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### **Deutsche Trustee Company Limited**

Deutsche Trustee Company Limited ("DTCL") is an English investment management firm registered under company number 338230 authorised and regulated by the Financial Services Authority. DTCL is a Trust Corporation and acts as trustee for eurobond issues, other forms of complex financing structures and loan capital issues as agent for the service of process.

### **Trustee's Retirement and Removal**

A trustee may retire at any time on giving not less than three months' prior written notice to the Issuer without giving any reason. The Holders may by Extraordinary Resolution remove any trustee or trustees. The retirement or removal of any such trustee shall not become effective until a successor trustee being a Trust Corporation is appointed and, if in such circumstances, no such appointment has become effective within four months' of the date of such notice or Extraordinary Resolution, the Trustee shall be entitled to appoint a Trust Corporation as trustee, but no such appointment shall take effect unless previously approved by an Extraordinary Resolution.

For detailed information, please refer to the Trust Deed dated 14 March 2001 as supplemented; and pages 59, 90, 179 to 182 of Annex A hereof.

### **Governing Law and Place of Jurisdiction**

The Trust Deed is governed by the laws of England. The courts of England have jurisdiction.



## **RESPONSIBILITY STATEMENT**

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Each of the Issuer and EDP accept responsibility for all information contained in this Prospectus and have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading, whether of fact or opinion.

Amsterdam, 27 November 2012

**EDP Finance B.V.**

By: Mr/Ms

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Lisbon, 27 November 2012

**EDP – Energias de Portugal, S.A.**

By: Mr/Ms

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## FINAL TERMS

27 November 2012

### EDP FINANCE B.V.

Issue of

**CHF 125,000,000 4.00 per cent. Instruments due 29 November 2018**

**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 14 September 2012, as supplemented by the supplement dated 9 November 2012 (together, the **Prospectus**). This document constitutes the Final Terms of the Instruments described herein and must be read in conjunction with the Prospectus and the Swiss Listing Prospectus dated 27 November 2012 (the **Swiss Prospectus**). In order to get full information on the Issuer and EDP and the offer of the Instruments the Prospectus, the Swiss Prospectus and these Final Terms must be read in conjunction. Copies of the Swiss Prospectus are available at UBS AG, Prospectus Library, P.O. BOX, CH-8098, Zurich, Switzerland or can be ordered by telephone (+41 44 239 4703), fax (+41 44 239 6914) or email (swiss-prospectus@ubs.com).

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|--|---|
| 1. Issuer:   | EDP Finance B.V.  |
| 2. (i) Series Number:  | 29  |
| (ii) Tranche Number:   | 1   |
| (iii) Date on which the Instruments will be consolidated and form a single series: | Not Applicable  |
| 3. Specified Currency or Currencies:   | Swiss Francs ( <b>CHF</b> )   |
| 4. Aggregate Nominal Amount:   | CHF 125,000,000   |
| – Tranche:   | CHF 125,000,000   |
| – Series:  | CHF 125,000,000   |
| 5. Issue Price:  | 100.00 per cent. of the Aggregate Nominal Amount  |
| 6. (i) Specified Denominations:  | CHF 5,000   |
| (ii) Calculation Amount:   | CHF 5,000   |
| 7. (i) Issue Date:   | 29 November 2012  |
| (ii) Interest Commencement Date (if different from the Issue Date):                | Not Applicable  |
| 8. Maturity Date:  | 29 November 2018  |
| 9. Interest Basis:   | 4.00 per cent. Fixed Rate<br>(see paragraph 14 below)   |
| 10. Redemption/Payment Basis:  | Unless previously redeemed or purchased and cancelled, the Instruments will be redeemed on the Maturity Date at 100 per |

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|--|-------------------------------|
|  | cent. of their nominal amount |
| 11. Change of Interest Basis:                                    | Not Applicable                |
| 12. Put/Call Options:  | Not Applicable                |
| 13. (a) Status of Instruments:                                   | Senior                        |
| (b) Date of Board approval for issuance of Instruments obtained: | 5 September 2012              |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

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|---|--|
| 14. Fixed Rate Instrument Provisions    | Applicable   |
| (i) Rate of Interest:                   | 4.00 per cent. per annum payable in arrear on each Interest Payment Date |
| (ii) Interest Payment Date(s):          | 29 November in each year up to and including the Maturity Date           |
| (iii) Fixed Coupon Amount(s):           | CHF 200 per Calculation Amount   |
| (iv) Broken Amount(s):                  | Not Applicable   |
| (v) Day Count Fraction:                 | 30/360   |
| (vi) Determination Date(s):             | 29 November in each year   |
| 15. Floating Rate Instrument Provisions | Not Applicable   |
| 16. Zero Coupon Instrument Provisions   | Not Applicable   |

**PROVISIONS RELATING TO REDEMPTION**

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|--|----------------------------------|
| 17. Issuer Call:   | Not Applicable                   |
| 18. Investor Put:  | Not Applicable                   |
| 19. Investor Put on Change of Control:   | Not Applicable                   |
| 20. Final Redemption Amount of each Instrument:  | CHF 5,000 per Calculation Amount |
| 21. Early Redemption Amount of each Instrument payable on redemption for taxation reasons or on event of default | CHF 5,000 per Calculation Amount |

**GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS**

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|------------------------------|---|
| 22. (i) Form of Instruments: | Bearer Instruments  |
|                              | The Instruments and all rights in connection therewith are documented in the form of a Permanent Global Instrument, substantially in the form scheduled to the Supplemental Agency Agreement dated 27 November 2012, between EDP Finance B.V. as Issuer, EDP and <i>inter alios</i> the Principal Swiss Paying Agent, which shall be deposited with SIX SIS Ltd ( <b>SIS</b> ) or any other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange Ltd (SIS or any such other intermediary, the <b>Intermediary</b> ) until final redemption of the Instruments, or the exchange of the Permanent Global Instrument for definitive Instruments and Coupons as set out |

below. Once the Permanent Global Instrument has been deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Instruments will constitute intermediated securities (*Bucheffekten*) (**Intermediated Securities**) in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

Each holder of the Instruments shall have a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global Instrument to the extent of his claim against the Issuer, provided that for so long as the Permanent Global Instrument remains deposited with the Intermediary the co-ownership interest shall be suspended and the Instruments may only be transferred by the entry of the transferred Instruments in a securities account of the transferee.

The records of the Intermediary will determine the number of Instruments held through each participant in that Intermediary. In respect of the Instruments held in the form of Intermediated Securities, the holders of the Instruments will be the persons holding the Instruments in a securities account (*Effektenkonto*) which is in their name, or in case of Intermediaries (*Verwahrungsstellen*), the Intermediaries (*Verwahrungsstellen*) holding the Instruments in a securities account (*Effektenkonto*) which is in their name.

Holders of the Instruments do not have the right to effect or demand the conversion of the Permanent Global Instrument into, or the delivery of, uncertificated securities (*Wertrechte*) or definitive Instruments (*Wertpapiere*).

No physical delivery of the Instruments shall be made unless and until definitive Instruments (*Wertpapiere*) are printed.

The Permanent Global Instrument shall be exchangeable in whole, but not in part, for definitive Instruments (*Wertpapiere*) only if the Principal Swiss Paying Agent deems the printing of definitive Instruments to be necessary, after consultation with the Issuer, or if, under Swiss or any other applicable laws and regulations, the enforcement of obligations under the Instruments can only be ensured by means of effective definitive Instruments. In such case, the Principal Swiss Paying Agent shall provide, at the cost and expense of the Issuer, for the printing and delivery of definitive Instruments (*Wertpapiere*) and Coupons attached in accordance with the rules and regulations of the Intermediary and without cost to the holders of the Instruments. Should definitive Instruments (*Wertpapiere*) and Coupons be so printed and delivered, the Permanent Global Instrument will immediately be cancelled by the Principal Swiss Paying Agent and the definitive Instruments (*Wertpapiere*) and Coupons shall be

delivered to the Holders against cancellation of the Instruments and Coupons in the Holders' securities accounts.

- (ii) New Global Note: No
23. Additional Financial Centre(s): Zurich and TARGET2
24. Talons for future Coupons or Receipts to be attached to definitive Bearer Instruments: No.
25. Details relating to Instalment Instruments:
- (i) Instalment Amount(s): Not Applicable
- (ii) Instalment Date(s): Not Applicable
26. Other terms or conditions:
- (i) Paying Agents
- UBS AG shall act as principal Swiss paying agent (the **Principal Swiss Paying Agent**) in respect of the Instruments and Credit Suisse AG shall act as a Swiss paying agent (together with the Principal Swiss Paying Agent, the **Swiss Paying Agents**). All references in the Conditions of the Instruments to the "Issue and Paying Agent", the "Paying Agent" or the "Paying Agents" shall be construed as references to the "Principal Swiss Paying Agent", "Swiss Paying Agent" and "Swiss Paying Agents" respectively, so far as the context permits.
- In respect of any Instruments denominated in Swiss Francs, the Issuer will at all times maintain a paying agent having a specified office in Switzerland and will at no time maintain a paying agent having a specified office outside Switzerland.
- (ii) Payments:
- Payments of principal and interest in respect of Instruments denominated in Swiss Francs will be made irrespective of any present or future transfer restrictions and without regard to any bilateral or multilateral payment or clearing agreement which may be applicable at the time of such payments in freely disposable Swiss Francs without collection costs in Switzerland and without any restrictions and irrespective of nationality, domicile or residence of the holder of a Instrument or Coupon and without requiring any certification, affidavit or the fulfilment of any other formality.
- The receipt by the Principal Swiss Paying Agent of the due and punctual payment of the funds in Swiss Francs in Zurich, in the manner provided by the Conditions and these Final Terms, shall release the Issuer from its obligation under the Instruments and Coupons for the payment of interest and principal due on the respective Interest Payment Dates and on the Maturity Date to the extent of such payment.
- Condition 6 of the Conditions of the Instruments shall be construed accordingly.
- (iii) Notices:
- So long as the Instruments are listed on the SIX Swiss Exchange Ltd and so long as the rules of the SIX Swiss Exchange Ltd so require, all notices in

respect of the Instruments shall be validly given through the Principal Swiss Paying Agent either (i) by means of electronic publication on the internet website of the SIX Swiss Exchange Ltd ([www.six-swiss-exchange.com](http://www.six-swiss-exchange.com), where the notices are currently published under the address [www.six-exchange-regulation.com/publications/published\\_notifications/official\\_notices\\_en.html](http://www.six-exchange-regulation.com/publications/published_notifications/official_notices_en.html)) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange Ltd. Any notices so given will be deemed to have been validly given on the date of such publication or if published more than once, on the first date of such publication.

Condition 15 of the Conditions of the Instruments shall be construed accordingly.

Signed on behalf of the Issuer:

By:.....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: Application has been made by the Issuer (or on its behalf) for the Instruments to be listed on the SIX Swiss Exchange Ltd.
- (ii) Date from which admission is expected to be effective: The Instruments have been provisionally admitted to trading on the SIX Swiss Exchange Ltd. with effect from 27 November 2012
- (iii) Estimate of total expenses related to admission to trading: CHF 8,250

### 2. RATINGS

- Ratings: The Instruments to be issued have been assigned the following ratings by:  
Moody's: Ba1  
Standard & Poor's: BB+  
Fitch: BBB-

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

Save for any fees payable to the Joint Lead Managers, so far as the Issuer is aware, no person involved in the issue of the Instruments has an interest material to the offer. The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

### 4. YIELD

- Indication of yield: 4.00 per cent. per annum
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield

### 5. OPERATIONAL INFORMATION

- (i) ISIN Code: CH0197841551
- (ii) Common Code: 085721054
- (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* SIX SIS Ltd, the Swiss Service Corporation in Olten, Switzerland  
Swiss Security Number: 19.784.155
- (iv) Names and addresses of additional Paying Agent(s) (if any): UBS AG  
Bahnhofstrasse 45  
8001 Zurich  
Switzerland

Credit Suisse AG  
Paradeplatz 8  
8001 Zurich  
Switzerland

**6 DISTRIBUTION**

(i) U.S. Selling Restrictions:

Reg. S Compliance Category 2 in  
accordance with usual Swiss Practice  
TEFRA D



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**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” and each an “Issuer”) may from time to time issue instruments (the “Instruments”) as agreed between the relevant 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 13 September 2012 and any additional Dealer appointed under the Programme from time to time by the Issuers (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. The Programme also permits Instruments to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, including, without limitation, Euronext Lisbon.*

*The London Stock Exchange’s regulated market and the Euronext Lisbon’s regulated market are regulated markets 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 certain other information which is 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 all Instruments to be admitted to the Official List, will be delivered to the UK Listing Authority and, where admitted to trading on the London Stock Exchange, the London Stock Exchange. Copies of Final Terms in relation to Instruments to be admitted to trading on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.*

*Instruments issued under the Programme may be rated or unrated by any one or more of the ratings agencies referred to below. The rating of a particular Tranche of Instruments to be issued under the Programme may be specified in the applicable Final Terms.*

*Each of EDP and EDP B.V. is rated Ba1 by Moody’s Investors Service Limited (“Moody’s”), BBB- by Fitch Ratings Ltd. (“Fitch”) and BB+ by Standard & Poor’s Credit Market Services France SAS, a Division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”). The Programme has been rated Ba1 in respect of Instruments with a maturity of more than one year by Moody’s, BBB- in respect of Instruments with a maturity of more than one year by Fitch and BB+ in respect of Instruments with a maturity of more than one year by Standard & Poor’s. A*

brief explanation of the meanings of these ratings is set out in "General Information". 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.

Each of Moody's, Fitch and Standard & Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). As such, each of Moody's, Fitch and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

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**Arranger for the Programme**

**MORGAN STANLEY**

**Dealers**

<i>Banco BPI, S.A.</i>	<i>Banco Espírito Santo de Investimento, S.A.</i>
<i>Banco Santander Totta</i>	<i>Barclays</i>
<i>BNP PARIBAS</i>	<i>Caixa-Banco de Investimento, S.A.</i>
<i>Citigroup</i>	<i>Commerzbank</i>
<i>Deutsche Bank</i>	<i>ING Commercial Banking</i>
<i>J.P. Morgan</i>	<i>Millennium Investment Banking</i>
<i>Mitsubishi UFJ Securities</i>	<i>Morgan Stanley</i>
<i>Société Générale Corporate and Investment Banking</i>	<i>The Royal Bank of Scotland</i>
	<i>UBS Investment Bank</i>

*14 September 2012*

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the "Prospectus Directive").

EDP B.V. as Issuer and EDP in its capacity as Issuer and as Keep Well Provider accept responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Instruments issued under the Programme. 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.

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, in relation to any Tranche of Instruments which is the subject of Final Terms, such Final Terms 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 Issuers, 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 Issuers, 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 Issuers, 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.

## IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF INSTRUMENTS

### Restrictions on Public Offers of Instruments in Relevant Member States

Certain Tranches of Instruments with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "Public Offer". This Prospectus has been prepared on a basis that permits Public Offers of Instruments. However, any person making or intending to make a Public Offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") in reliance on this Prospectus may only do so if this Prospectus has been approved by the competent authority in that Relevant Member State (or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State) and published in accordance with the Prospectus Directive, and if the Issuer has consented to the use of this Prospectus in connection with such offer as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" and the terms of that consent are complied with by the person (the "Offeror") making the Public Offer of such Instruments.

Save as provided above, neither of the Issuers nor any Dealer have authorised, nor do they authorise, the making of any Public 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.

### Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)

Any person (an "Investor") intending to acquire or acquiring any Instruments from any Offeror other than the Issuers or a relevant Dealer should be aware that, in the context of a Public Offer of such Instruments, the relevant Issuer will be responsible to the Investor for this Prospectus under section 90 of the Financial Services and Markets Act 2000 (the "FSMA") only if the Issuers have consented to the use of this Prospectus by that Offeror to make the Public Offer to the Investor.

Neither of the Issuers, nor any Dealer, makes any representation as to the compliance by that Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer. Neither of the Issuers, nor any Dealer, has any responsibility or liability for the actions of that Offeror.

**Except as provided in paragraphs (i) to (iv) below, neither of the Issuers, nor any Dealer, has authorised the making of any Public Offer by any Offeror or consented to the use of this Prospectus by any other person in connection with any Public Offer of Instruments. Any Public Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.**

In connection with each Tranche of Instruments, the Issuers consent to the use of this Prospectus in connection with a Public Offer of such Instruments, subject to the following conditions:

- (i) the consent is only valid during the Offer Period specified in the applicable Final Terms;
- (ii) the only Offerors authorised to use this Prospectus to make the Public Offer of the relevant Tranche of Instruments are either:
  - (a) (1) if the applicable Final Terms names financial intermediaries authorised to offer the Instruments, the financial intermediaries so named; and
  - (2) if the Issuer appoints additional financial intermediaries after the date of the applicable Final Terms and publishes details of them on its website, each financial intermediary whose details are so published,in the case of (1) or (2) above, for as long as such financial intermediaries are authorised to make such offers under the Markets in Financial Instruments Directive; or
- (b) in any other case, any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive which states on its website that it is relying on this Prospectus to offer the relevant Tranche of Instruments during the Offer Period;

provided that, in the case of both (a) and (b) above, such financial intermediaries satisfy any conditions specified in the applicable Final Terms;

- (iii) the consent only extends to the use of this Prospectus to make Public Offers of the relevant Tranche of Instruments in Portugal, Spain and the United Kingdom; and
- (iv) the consent is subject to any other conditions set out in Part B of the applicable Final Terms.

**Any Offeror falling within sub-paragraph (ii)(b) above who meets all of the other conditions stated above and wishes to use this Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website a statement that it is relying on this Prospectus for such Public Offer with the consent of the relevant Issuer and in accordance with the conditions attached thereto.**

The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Prospectus. The Issuers accept responsibility, in the jurisdictions to which the consent to use the Prospectus extends, for the content of this Prospectus in relation to any Investor who acquires any Instruments in a Public Offer made by any person to whom consent has been given to use this Prospectus in that connection in accordance with the preceding paragraph, provided that such Public Offer has been made in accordance with all the conditions attached to that consent.

In the event that an investor intends to acquire or is acquiring any Instruments in a Public Offer from an Offeror other than the Issuer, it will do so, and offers and sales of such instruments to an investor by such Offeror will be made, in accordance with any agreements in place between such Offeror and such investor, including as to price, allocations and settlement arrangements. The Issuers will not be a party to any such arrangements with such investors in connection with the Public Offer or sale of the Instruments concerned and, accordingly, this Prospectus and any final terms will not contain such information. **THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. THE TERMS AND CONDITIONS OF THE PUBLIC OFFER SHALL BE PUBLISHED BY THAT OFFEROR ON ITS WEBSITE AT THE RELEVANT TIME.** Neither of the Issuers nor any Dealers have any responsibility or liability to an investor in respect of such information.

#### **IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF INSTRUMENTS GENERALLY**

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, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuers, 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, The Netherlands and Spain) and Japan, see "Subscription and Sale".

This Prospectus has been prepared on a basis that would permit an offer of Instruments with a denomination of less than €100,000 (or its equivalent in any other currency) in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as an "Exempt Offer". As a result, any Exempt Offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") must 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 Exempt Offer of Instruments in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuers 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.

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 consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has 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) has 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) has 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) understands thoroughly the terms of the Instruments and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate 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.

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.

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*").

#### **PRESENTATION OF INFORMATION**

In this Prospectus, all references to:

- U.S. dollars, U.S.\$ and \$ refer to United States dollars;
- to Sterling and £ refer to pounds sterling; and
- 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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## **STABILISATION**

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, ONE OR MORE RELEVANT DEALERS ("THE STABILISING MANAGER(S)") (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) 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.

## SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

### Section A – Introduction and warnings

Element		
A.1	Introduction and Warning	<p><b>This summary should be read as introduction to the Prospectus and any decision to invest in the Instruments should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court of a Member State of the European Economic Area, the plaintiff investor might, under the national legislation of that Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability may attach only to those persons who have tabled this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Instruments.</b></p>
A.2	Consent by Issuers for use of the Prospectus	<p>The Issuer consents to the use of this Prospectus in connection with a Public Offer of the Instruments and accepts responsibility for the content of the Prospectus in respect of any such Public Offers to any financial intermediary to which such consent is given (details of which are set out below). Public Offers of the Instruments pursuant to this consent may only be made between [ ] and [ ] (the "Offer Period").</p> <p>This consent only extends to the use of this Prospectus to make Public Offers of the relevant Tranche of Instruments in Portugal, Spain or the United Kingdom.</p> <p>This consent is subject to the following additional conditions: [ ].</p> <p>In the event that an investor intends to acquire or is acquiring any Instruments in a Public Offer from an Offeror (as defined below) other than the Issuer, it will do so, and offers and sales of such instruments to an investor by such Offeror will be made, in accordance with any agreements in place between such Offeror and such investor, including as to price, allocations and settlement arrangements. <b>THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. THE TERMS AND CONDITIONS OF THE PUBLIC OFFER SHALL BE PUBLISHED BY THAT OFFEROR ON ITS WEBSITE AT THE RELEVANT TIME.</b> Neither of the Issuers nor any Dealer has any responsibility or liability to an investor in respect of such information.</p> <p>The above consent to use this Prospectus to make the Public Offer of the relevant Tranche of Instruments applies only to either [ ] and any additional financial intermediaries the Issuer appoints after the date of the Public Offer, in the latter case, the details of such financial intermediaries will be published on the Issuer's website (the "Named</p>

Element	
	Offerors") or any financial intermediary which states on its website that it is relying on the Prospectus to offer the relevant Tranche of Instruments during the Offer Period (the "Unnamed Offerors" and, together with the Named Offerors, the "Offerors"), in each case provided that such Offerors are authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC). <b>ANY UNNAMED OFFEROR MUST STATE ON ITS WEBSITE THAT IT IS USING THE PROSPECTUS IN ACCORDANCE WITH THIS CONSENT AND THE CONDITIONS ATTACHED HERETO.</b>

### Section B – Issuers and Keep Well Provider

Element	Title																																																																								
B.1	Legal and commercial names of the Issuers	EDP – Energias de Portugal, S.A. ("EDP") EDP Finance B.V. ("EDP B.V.")																																																																							
B.2	Domicile/ legal form/ legislation/ country of incorporation	EDP is a limited liability company incorporated and domiciled in the Portuguese Republic under Portuguese law. EDP B.V. is a limited liability company incorporated and domiciled in The Netherlands under Dutch law.																																																																							
B.4b	Trend information	Not Applicable; there are no known trends affecting the Issuers and the industries in which they operate.																																																																							
B.5	Description of the Group	EDP is the parent company of the EDP Group. EDP B.V. is a wholly owned subsidiary of EDP.																																																																							
B.9	Profit forecast or estimate	Not Applicable; no profit forecast or estimate is made.																																																																							
B.10	Audit report qualifications	Not Applicable; there are no qualifications in the audit report on the historical financial information.																																																																							
B.12		<p>Selected historical key financial information:</p> <p><b>Income Statement</b></p> <p>The table below sets out summary information extracted from the EDP Group's audited comprehensive income statement for each of the two years ended 31 December 2010 and 31 December 2011 and from the EDP Group's unaudited comprehensive income statement for each of the six month periods ended 30 June 2011 and 30 June 2012, respectively:</p> <p><b>Consolidated Income Statement</b></p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Unaudited</th> <th colspan="3">Year Ended December 31,</th> </tr> <tr> <th colspan="2">Six Months Ended June 30,</th> <th>2011</th> <th>2010*</th> <th>2010</th> </tr> <tr> <th></th> <th>2012</th> <th>2011*</th> <th></th> <th></th> <th></th> </tr> <tr> <th></th> <th colspan="2">(Thousands of Euros)</th> <th colspan="3">(Thousands of Euros)</th> </tr> </thead> <tbody> <tr> <td>Turnover</td> <td>8,213,532</td> <td>7,542,984</td> <td>15,120,851</td> <td>14,170,742</td> <td>14,170,742</td> </tr> <tr> <td>Cost of electricity</td> <td>-4,172,342</td> <td>-3,665,848</td> <td>-7,320,373</td> <td>-6,808,261</td> <td>-6,808,261</td> </tr> <tr> <td>Cost of gas</td> <td>-713,096</td> <td>-634,358</td> <td>-1,328,068</td> <td>-945,270</td> <td>-945,270</td> </tr> <tr> <td>Changes in inventories and cost of raw materials and consumables used</td> <td>-538,852</td> <td>-455,031</td> <td>-1,035,935</td> <td>-1,012,880</td> <td>-1,012,880</td> </tr> <tr> <td></td> <td><u>2,789,242</u></td> <td><u>2,787,747</u></td> <td><u>5,436,475</u></td> <td><u>5,404,331</u></td> <td><u>5,404,331</u></td> </tr> <tr> <td>Revenue from assets assigned to concessions</td> <td>178,853</td> <td>195,460</td> <td>440,546</td> <td>392,017</td> <td>-</td> </tr> <tr> <td>Expenditure with assets assigned to concessions</td> <td>-178,853</td> <td>-195,460</td> <td>-440,546</td> <td>-392,017</td> <td>-</td> </tr> <tr> <td></td> <td><u>-</u></td> <td><u>-</u></td> <td><u>-</u></td> <td><u>-</u></td> <td><u>-</u></td> </tr> </tbody> </table>		Unaudited		Year Ended December 31,			Six Months Ended June 30,		2011	2010*	2010		2012	2011*					(Thousands of Euros)		(Thousands of Euros)			Turnover	8,213,532	7,542,984	15,120,851	14,170,742	14,170,742	Cost of electricity	-4,172,342	-3,665,848	-7,320,373	-6,808,261	-6,808,261	Cost of gas	-713,096	-634,358	-1,328,068	-945,270	-945,270	Changes in inventories and cost of raw materials and consumables used	-538,852	-455,031	-1,035,935	-1,012,880	-1,012,880		<u>2,789,242</u>	<u>2,787,747</u>	<u>5,436,475</u>	<u>5,404,331</u>	<u>5,404,331</u>	Revenue from assets assigned to concessions	178,853	195,460	440,546	392,017	-	Expenditure with assets assigned to concessions	-178,853	-195,460	-440,546	-392,017	-		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Cost of electricity	-4,172,342	-3,665,848	-7,320,373	-6,808,261	-6,808,261																																																																				
Cost of gas	-713,096	-634,358	-1,328,068	-945,270	-945,270																																																																				
Changes in inventories and cost of raw materials and consumables used	-538,852	-455,031	-1,035,935	-1,012,880	-1,012,880																																																																				
	<u>2,789,242</u>	<u>2,787,747</u>	<u>5,436,475</u>	<u>5,404,331</u>	<u>5,404,331</u>																																																																				
Revenue from assets assigned to concessions	178,853	195,460	440,546	392,017	-																																																																				
Expenditure with assets assigned to concessions	-178,853	-195,460	-440,546	-392,017	-																																																																				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>																																																																				

Element	Title					
	Other operating income / (expenses)					
	Other operating income	154,369	182,599	414,342	320,889	320,889
	Supplies and services	-445,589	-421,044	-901,048	-862,256	-862,256
	Personnel costs and employee benefits	-330,231	-321,061	-634,900	-643,468	-
	Personnel costs	-	-	-	-	-575,408
	Employee benefits	-	-	-	-	-153,362
	Other operating expenses	-282,683	-282,983	-559,281	-521,384	-521,384
		<u>-904,134</u>	<u>-842,489</u>	<u>-1,680,887</u>	<u>-1,706,219</u>	<u>-1,791,521</u>
		1,885,108	1,945,258	3,755,588	3,698,112	3,612,810
	Provisions	-6,751	-20,422	-692	-103,578	-103,578
	Depreciation, amortisation expense and impairment	-717,107	-724,122	-1,517,160	-1,469,002	-1,469,002
	Compensation of amortisation and depreciation	13,129	19,877	29,654	22,279	22,279
		<u>1,174,379</u>	<u>1,220,591</u>	<u>2,267,390</u>	<u>2,147,811</u>	<u>2,062,509</u>
	Gains /(losses) on the sale of financial assets	2,857	10,372	20,877	60,821	60,821
	Financial income	366,187	397,183	818,848	820,743	820,743
	Financial expenses	-719,228	-708,147	-1,534,235	-1,391,012	-1,305,710
	Share of profit in associates	10,464	11,789	19,477	23,470	23,470
	Profit before income tax	834,659	931,788	1,592,357	1,661,833	1,661,833
	Income tax expense	-158,940	-220,489	-260,378	-427,232	-427,232
	<b>Net profit for the period</b>	<u>675,719</u>	<u>711,299</u>	<u>1,331,979</u>	<u>1,234,601</u>	<u>1,234,601</u>
	<b>Attributable to:</b>					
	Equity holders of EDP	581,768	608,662	1,124,663	1,078,925	1,078,925
	Non-Controlling Interests	93,951	102,637	207,316	155,676	155,676
	Net profit for the period	<u>675,719</u>	<u>711,299</u>	<u>1,331,979</u>	<u>1,234,601</u>	<u>1,234,601</u>
	Earnings per share (Basic and Diluted) - Euros	0.16	0.17	0.31	0.30	0.30
	* Restated financial information for comparative purposes					

Element	Title					
	<b>Statement of Financial Position</b>					
	The table below sets out summary information extracted from the EDP Group's audited statement of financial position as at 31 December 2010 and 31 December 2011 and from the EDP Group's unaudited statement of financial position as at 30 June 2012:					
	<b>Consolidated Statement of Financial Position</b>					
		<b>Unaudited</b>		<b>Year ended December 31,</b>		
		<b>Six Months Ended June 30, 2012</b>	<b>Year ended December 31, 2011*</b>	<b>2011</b>	<b>2010*</b>	<b>2010</b>
		<small>(Thousands of Euros)</small>	<small>(Thousands of Euros)</small>	<small>(Thousands of Euros)</small>		
	<b>Assets</b>					
	Property, plant and equipment	20,673,304	20,708,313	20,708,313	20,323,583	20,323,583
	Intangible assets	6,575,196	6,800,478	6,800,478	6,614,139	6,614,139
	Goodwill	3,337,546	3,327,257	3,327,257	3,349,179	3,349,179
	Investments in associates	162,806	160,306	160,306	146,871	146,871
	Available for sale investments	160,865	171,313	171,313	443,965	443,965
	Deferred tax assets	386,954	511,414	511,414	515,332	515,332
	Trade receivables	94,397	108,610	108,610	117,442	117,442
	Debtors and other assets from commercial activities	2,482,138	2,108,393	2,108,393	1,438,199	-
	Other debtors and other assets	512,833	402,025	414,973	258,518	-
	Debtors and other assets	-	-	-	-	1,696,717
	<b>Total Non-Current Assets</b>	<b>34,386,039</b>	<b>34,298,109</b>	<b>34,311,057</b>	<b>33,207,228</b>	<b>33,207,228</b>
	Inventories	315,169	346,060	346,060	356,978	356,978
	Trade receivables	2,035,350	2,043,671	2,043,671	2,069,676	2,069,676
	Debtors and other assets from commercial activities	1,745,741	1,495,616	1,495,616	2,045,017	-
	Other debtors and other assets	319,620	505,694	505,694	514,609	-
	Debtors and other assets	-	-	-	-	2,636,565
	Tax receivable	450,117	644,819	644,819	640,485	640,485
	Financial assets at fair value through profit or loss	192	212	212	35,745	35,745
	Cash and cash equivalents	1,441,889	1,731,524	1,731,524	1,588,163	1,511,224
	Assets classified as held for sale	213,366	201,924	201,924	30,952	30,952
	<b>Total Current Assets</b>	<b>6,521,444</b>	<b>6,969,520</b>	<b>6,969,520</b>	<b>7,281,625</b>	<b>7,281,625</b>
	<b>Total Assets</b>	<b>40,907,483</b>	<b>41,267,629</b>	<b>41,280,577</b>	<b>40,488,853</b>	<b>40,488,853</b>
	<b>Equity</b>					
	Share capital	3,656,538	3,656,538	3,656,538	3,656,538	3,656,538
	Treasury stock	-106,467	-111,430	-111,430	-115,731	-115,731
	Share premium	503,923	503,923	503,923	503,923	503,923
	Reserves and retained earnings	3,291,159	2,935,840	2,935,840	2,730,903	2,730,903
	Consolidated net profit attributable to equity holders of EDP	581,768	1,124,663	1,124,663	1,078,925	1,078,925
	<b>Total Equity attributable to</b>	<b>7,926,921</b>	<b>8,109,534</b>	<b>8,109,534</b>	<b>7,854,558</b>	<b>7,854,558</b>

Element	Title					
	equity holders of EDP					
	Non-Controlling Interests	3,180,095	3,277,245	3,277,245	2,930,401	2,930,401
	Total Equity	<u>11,107,016</u>	<u>11,386,779</u>	<u>11,386,779</u>	<u>10,784,959</u>	<u>10,784,959</u>
	<b>Liabilities</b>					
	Financial debt	16,122,398	15,786,411	15,786,411	14,887,195	14,887,195
	Employee benefits	1,759,213	1,823,158	1,823,158	1,904,879	1,904,879
	Provisions	379,143	415,149	415,149	431,194	431,194
	Hydrological correction account	62,885	69,142	69,142	75,098	75,098
	Deferred tax liabilities	897,815	954,002	954,002	856,072	856,072
	Institutional partnerships in USA wind farms	1,792,163	1,783,861	1,796,809	1,644,048	-
	Trade and other payables from commercial activities	1,366,145	1,289,436	1,289,436	1,416,047	-
	Other liabilities and other payables	344,179	361,101	361,101	759,722	-
	Trade and other payables	-	-	-	-	3,819,817
	Total Non-Current Liabilities	<u>22,723,941</u>	<u>22,482,260</u>	<u>22,495,208</u>	<u>21,974,255</u>	<u>21,974,255</u>
	Financial debt	3,466,693	2,998,698	2,998,698	3,004,451	3,004,451
	Trade and other payables from commercial activities	2,663,658	3,296,680	3,296,680	3,489,294	-
	Other liabilities and other payables	464,102	535,077	535,077	683,538	-
	Trade and other payables	-	-	-	-	4,172,832
	Tax payable	458,342	546,806	546,806	552,356	552,356
	Liabilities classified as held for sale	23,731	21,329	21,329	-	-
	Total Current Liabilities	<u>7,076,526</u>	<u>7,398,590</u>	<u>7,398,590</u>	<u>7,729,639</u>	<u>7,729,639</u>
	Total Liabilities	<u>29,800,467</u>	<u>29,880,850</u>	<u>29,893,798</u>	<u>29,703,894</u>	<u>29,703,894</u>
	Total Equity and Liabilities	40,907,483	41,267,629	41,280,577	40,488,853	40,488,853
	* Restated financial information for comparative purposes					
	<b>Statements of no significant or material adverse change</b>					
	There has been no significant change in the financial or trading position of the EDP Group since 30 June 2012 and there has been no material adverse change in the financial position or prospects of the EDP Group since 31 December 2011.					
<b>B.13</b>	Events impacting the Issuers' solvency	Not Applicable; there are no recent events particular to the Issuers which are to a material extent relevant to the evaluation of the Issuers' solvency.				
<b>B.14</b>	Dependence upon other group entities	<p>Not Applicable; EDP is not dependent upon other entities within the EDP Group.</p> <p>EDP B.V. is funding vehicle for the EDP Group and its sole purpose is to raise finance in the international capital markets and provide funds and investment services to the EDP group companies. In order to meet its financial obligations, EDP B.V. relies on funds received from long term loans from external entities and short term loans from the other EDP Group companies. It does not have any other sources of revenue.</p>				
<b>B.15</b>	Principal activities	EDP's principal activities include the generation, distribution and supply of electricity. EDP also distributes gas and acts a wind power operator.				

Element	Title	
		<p>The principal activity of EDP B.V. is to raise funds in the international markets and to provide financial and investment services to the EDP Group.</p>
B.16	Controlling shareholders	<p>EDP B.V. is directly owned and controlled by EDP.</p> <p>EDP is neither directly nor indirectly owned or controlled by any one party.</p>
B.17	Credit ratings	<p>Each of EDP and EDP B.V. has been rated Ba1 by Moody's Investors Service Limited ("Moody's"), BBB- by Fitch Ratings Ltd. ("Fitch") and BB+ by Standard &amp; Poor's Credit Market Services France SAS, a Division of The McGraw-Hill Companies, Inc. ("Standard &amp; Poor's"). Instruments issued under the Programme with a maturity of more than one year have been rated Ba1 by Moody's, BBB- by Fitch and BB+ by Standard &amp; Poor's. Instruments issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above.</p>
B.18	Description of the Keep Well Agreement	<p>EDP - Energias de Portugal, S.A. ("EDP") has entered into a Keep Well Agreement with EDP B.V., pursuant to which EDP has agreed that, for so long as EDP B.V. has any Instruments outstanding under the Programme, it will make available to 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. 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 of Instruments do not have any direct rights against EDP. The Keep Well Agreement is not a guarantee and EDP has no obligation to pay any amounts due under the Instruments issued by EDP B.V.</p>
B.19	Information about the Keep Well Provider	<p>EDP - Energias de Portugal, S.A.</p> <p>EDP is a limited liability company incorporated and domiciled in the Portuguese Republic under Portuguese Law.</p> <p>There are no known trends affecting EDP and the industries in which it operates.</p> <p>EDP is the parent company of the EDP Group.</p> <p>No profit estimate or forecast is made regarding EDP.</p> <p>There are no qualifications in the audit report on the historical financial information.</p> <p>Historical key financial Information about EDP as Keep Well Provider is the same as the historical key information on the Issuer.</p> <p>There are no recent events particular to EDP which are to a material extent relevant to the evaluation of the Keep Well Provider's solvency.</p> <p>EDP is not dependent upon other entities within the EDP Group. EDP's principal activities include the generation, distribution and supply of electricity. EDP also distributes gas and acts as a wind power operator.</p> <p>EDP is neither directly nor indirectly owned or controlled by any one party.</p>

Element	Title	
		<p>EDP has been rated Ba1 by Moody's, BBB- by Fitch and BB+ by Standard &amp; Poor's. Instruments issued under the Programme with a maturity of more than one year have been rated Ba1 by Moody's, BBB- by Fitch and BB+ by Standard &amp; Poor's. Instruments issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above.</p>



## Section C – Securities

Element	Title	
C.1	Description of Instruments/ISIN	<p><b><i>Issuance in Series</i></b></p> <p>Instruments will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Instruments of each Series will all be subject to identical terms, except that the issue date 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.</p> <p><b><i>Forms of Instruments</i></b></p> <p><u>Bearer Instruments:</u></p> <p>Instruments may be issued in bearer form.</p> <p>Instruments in bearer form may initially be in the form of a Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for definitive bearer Instruments or a registered Instrument in definitive form in certain limited circumstances.</p> <p>Temporary Global Instruments may also be issued which are exchangeable for definitive bearer Instruments or registered Instruments on or after a specified date.</p> <p>Bearer Instruments in definitive form will, if interest bearing, have Coupons attached and, where the Instruments have more than 27 coupon payments, Talons for further Coupons.</p> <p>Each Bearer Global Instrument will be issued in either "Classic Global Note" or "CGN" form or in "New Global Note" or "NGN" form. CGN Instruments will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. and NGN Instruments will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p><u>Registered Instruments:</u></p> <p>Instruments may be issued in registered form.</p> <p>Instruments may initially be in the form of Global Registered Instruments, registered in the name of (i) a common depository for Euroclear and Clearstream, Luxembourg; or (ii) a common safekeeper for Euroclear and Clearstream, Luxembourg, and such Instruments will be exchangeable for registered Instruments in definitive form in certain limited circumstances.</p> <p>Each Tranche of Instruments represented by a Global Registered Instrument may or may not be held under the new safekeeping structure ("New Safekeeping Structure" or "NSS"). Instruments that are not held under NSS will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Instrument will be deposited on or about the issue date with the common depository. Instruments that are held under the NSS, will be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Registered Instrument will be deposited on or around the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p><u>Book Entry Instruments</u></p>

Element	Title	
		<p>Instruments issued by EDP may be issued in dematerialised book-entry form ("<i>forma escritural</i>").</p> <p>Such Instruments will be held through Interbolsa and will either be (i) <i>nominativas</i> (in which case Interbolsa, at the request of the Issuer, can ask for information regarding the identity of the holders of the Instruments and transmit such information to the Issuer); or (ii) <i>ao portador</i> (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.</p> <p>Form of the Instruments: [        ].</p> <p>Type of Instruments: [        ] Instruments.</p> <p>ISIN: [        ].</p> <p>Common Code: [        ].</p>
C.2	Currency	<p>The Instruments may be denominated in any currency agreed between the relevant Issuer and the relevant Dealer(s) at the time of the issue of such Series of Instruments (the "Specified Currency"), and the Book Entry Instruments will be denominated in Euro or such other currency as can be settled through Interbolsa, in all cases subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Specified Currency: [        ].</p>
C.5	Transferability	<p>Instruments will be freely transferable.</p>
C.8	Conditions of the Instruments	<p>Instruments (including Instruments) issued under the Programme will be subject to, amongst others, the following terms and conditions:</p> <p><b>Status</b></p> <p>Instruments will constitute direct, unconditional, unsubordinated and (subject to the provisions of the Issuer's negative pledge below) unsecured obligations of the 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 Issuer, from time to time outstanding.</p> <p><b>Taxation</b></p> <p>All payments in respect of Instruments will be made without deduction for or on account of withholding taxes imposed by the Issuer's country of incorporation. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.</p> <p><b>Negative pledge</b></p> <p>The terms of the Instruments will contain a negative pledge provision which restricts the right of the Issuers to create or have outstanding any mortgage, lien, pledge or other charge or to otherwise secure any obligations (subject to certain conditions and exceptions) over the whole or any part of their assets whilst the Instruments remain outstanding.</p> <p><b>Events of default</b></p> <p>(a) default in payment of any principal or interest due in respect of the Instruments, continuing for a specified period of time;</p> <p>(b) non-performance or non-observance by the Issuer (or, if the</p>

Element	Title	
		<p>Issuer is EDP B.V., by EDP) of any of its other obligations under the conditions of the Instruments, the Trust Deed, or, in the case of Book Entry Instruments, the Interbolsa Instrument, in certain cases continuing for a specified period of time;</p> <p>(c) any indebtedness (other than the Instruments) of EDP B.V. (if EDP B.V. is the Issuer), or EDP, or certain subsidiaries of EDP becomes due and payable prior to its stated maturity as a result of a default, such indebtedness is not paid at its maturity, a guarantee or indemnity in respect of such indebtedness given by such company is not honoured when due and called upon, or any security interest over the assets of such company becomes enforceable, in certain cases where the indebtedness amounts to at least US\$50,000,000; and</p> <p>(d) events relating to the insolvency or winding up of EDP B.V. (if EDP B.V. is the Issuer), EDP or certain subsidiaries of EDP;</p> <p>(e) 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 certain of its subsidiaries, or EDP and those certain subsidiaries (including EDP B.V.) taken as a whole cease or threaten to cease to carry on the whole or a major part of their business;</p> <p>(f) any requirements 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, for the validity or enforceability of any such obligations, 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;</p> <p>(g) in relation to certain of its subsidiaries, EDP ceases 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 or, in relation to EDP B.V. (if EDP B.V. is the Issuer), EDP ceases to own directly or indirectly 100 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership or EDP shall cease to have direct or indirect control of certain subsidiaries or EDP B.V.; and</p> <p>(h) the Keep Well Agreement ceases to be in full force and effect.</p> <p><b>Meetings</b></p> <p>The conditions of the Instruments will contain provisions for calling meetings of holders of such Instruments to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p><b>Governing law</b></p> <p>English law, except that with respect to Book-Entry Instruments only, the form 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.</p>
C.9	Interest/Redemption	<p><b>Interest</b></p> <p>The terms of the relevant Series of Instruments will be agreed between the relevant Issuer and the relevant Dealer(s) at the time of the</p>

Element	Title	
		<p>issue of such Series of Instruments.</p> <p>Nominal interest rate: [ ].</p> <p>Interest commencement date: [ ].</p> <p>Interest Payment date(s): [ ].</p> <p>Reference rate: [ ].</p> <p>Yield: [ ].</p> <p><b>Redemption, Maturity and Redemption Price</b></p> <p>The terms under which Instruments may be redeemed will be agreed between the relevant Issuer and the relevant Dealer at the time of issue of the relevant Instruments.</p> <p>Maturity: [ ].</p> <p>Redemption price: [ ].</p> <p>Provisions relating to early redemption: [ ].</p> <p><b>Representation of holders</b></p> <p>The Trustee, who represents the Instrumentholders, is: Deutsche Trustee Company Limited.</p>
C.10	Derivative component	Not Applicable; the Instruments will not have a derivative component.
C.11	Admission to trading / distribution	<p>Application has been made for Instruments to be admitted to trading on the London Stock Exchange. The Programme also permits Instruments to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, including without limitation, Euronext Lisbon.</p> <p>Application has been made for the Instruments to be admitted to trading on [ ] with effect from [ ].</p> <p>The Instruments are neither listed nor admitted to trading on or by any competent authority or stock exchange.</p>
C.21	Admission to trading / distribution	<p>Application has been made for Instruments to be admitted to trading on the London Stock Exchange. The Programme also permits Instruments to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, including without limitation, Euronext Lisbon.</p> <p>Application has been made for the Instruments to be admitted to trading on [ ] with effect from [ ].</p> <p>The Instruments are neither listed nor admitted to trading on or by any competent authority or stock exchange.</p>

## Section D – Risks

Element	Title	
D.2	Key risks regarding the Issuers	<p>The key risks that are specific to the Issuers are as follows.</p> <p><b>Regulation:</b> The EDP Group’s operating results are highly affected by laws and regulations implemented by public entities in the various jurisdictions in which it operates. Changes to such regulations may have an effect on concessions, licences and permits held by the EDP Group, taxes, levies and other charges to which it may be subject and also the development and profitability of renewable energy projects.</p> <p>In addition, changes to environmental, health and safety laws and regulations to which EDP is subject that would result in them becoming more restrictive or less favourable, or if a stricter interpretation of current regulations were to be applied, this 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.</p> <p>EDP’s cash flow is also subject to possible changes in the amounts and timings of the recovery of regulatory receivables from the electricity systems.</p> <p><b>Competition and demand:</b> EDP’s profitability, in particular from its supply activities may be affected by significant changes in energy demand in each of the countries where it operates. 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 certain of its power plants. 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 may also face competition as a result of the transmission of electricity from regions with excess capacity or lower energy prices. With respect to the development of wind power generation, EDP primarily faces competition in relation to bidding for or acquiring available sites and grid interconnection rights, and in setting prices for energy produced.</p> <p>In addition, the increase of competition in electricity and natural gas supply in recently liberalised markets in the Iberian Peninsula (where customers are free to choose their electricity supplier) may reduce EDP’s margins and reduce its ability to sell electricity and natural gas to value added final customers.</p> <p><b>Profit Margin:</b> The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration of market conditions. This may result from an adverse imbalance between supply and demand in the electricity and natural gas markets in which EDP operates, the performance of international and/or regional energy prices both for fuel and electricity prices together with CO<sub>2</sub> allowances and green certificates, higher cost of power plant construction, a change in the technological mix of installed generation capacity and administrative decisions imposed by legislative and regulatory authorities. Although EDP currently uses and may use various financial and commodity hedging instruments as well as bilateral Power Purchase Agreements, in order to mitigate market risks, there is no certainty that such strategies will successfully hedge all of these risks.</p> <p><b>Counterparty Risk:</b> EDP is exposed to counterparty risk in some of its businesses such as its electricity and natural gas supply to final customers,</p>

Element	Title	
		<p>its energy wholesale activities in the Iberian Peninsula and in international fuel markets, as well as its Power Purchasing Agreements in the United States and Brazil. 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.</p> <p><b>Finance:</b> EDP's financial position may be adversely affected by a number of factors including restrictions on its ability to borrow from the capital markets and other longer term lending sources and the cost of such borrowings which may be affected by changes to EDP's credit ratings and adverse changes and volatility in the global credit markets. EDP operates in a capital extensive business and in particular has significant construction and capital expenditure requirements. The recovery of its capital investment occurs on the long term. EDP expects to finance a significant part of its capital expenditure from its operating activities. If it is unable to do so it may need to finance these expenditures from outside sources. It may not be possible to raise funds from outside sources on acceptable terms or at all.</p> <p><b>Adjustment Programme for Portugal:</b> The measures envisaged by the Eurozone, European Union and International Monetary Fund (IMF) economic adjustment programme may affect EDP's businesses and activities directly (particularly as a consequence of the measures regarding the ongoing process of liberalisation of the electricity and gas markets) or indirectly through the impact on the Portuguese economy as a whole.</p> <p><b>Instruments issued by EDP B.V.:</b> The Instruments issued by EDP B.V. are obligations of EDP B.V. and not of EDP. The Keep Well Agreement entered into by EDP with EDP B.V., is not a guarantee and EDP has no obligation to pay any amounts due under the Instruments issued by EDP B.V.. Although under the terms of the Keep Well Agreement the Trustee may, on behalf of holders of any Instruments issued by EDP B.V., enforce EDP B.V.'s rights under that agreement against EDP to require it in certain circumstances to make available funds sufficient to enable EDP B.V. to meet its payment obligations in respect of the Instruments, holders of Instruments issued by EDP B.V. do not have any direct rights against EDP.</p>
D.3	Key risks regarding the Instruments	<p>Changes in interest rates will affect the value of Instruments which bear interest at a fixed rate – if market rates increase above the rate paid on the Instrument, the value of the Instrument will be adversely affected;</p> <p>If the Issuers have the right to redeem any Instruments at their option, this may limit the market value of the Instruments concerned. During any period when the Issuers may elect to redeem the Instruments, and potentially prior to this period, the market value of the Instruments will generally not rise above the price at which they can be redeemed. Investors may also be unable to reinvest redemption proceeds at an effective yield as high as the yield on the Instruments being redeemed;</p> <p>Fixed/Floating Rate Instruments which bear interest at a rate that converts, at the option of the Issuer, from a fixed rate to a floating rate, or vice versa, may be issued under the Programme. If the Issuer elects to exercise such option, this will affect the secondary market and the market value of the Instruments, since the Issuers may be expected to convert the rate to produce a lower overall cost of borrowing. This means that where the Issuers convert from a fixed rate to a floating rate, the spread on these Instruments may be less favourable than then prevailing spreads</p>

Element	Title	
		<p>on comparable Floating Rate Instruments tied to the same reference rate. The new floating rate may also be lower than the rates on other Instruments and where the Issuers convert from a floating rate to a fixed rate, the fixed rate may also be lower than then prevailing market rates;</p> <p>Instruments may be issued under the Programme at a substantial discount or premium to their principal amount and the market values of these Instruments tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest bearing securities. Generally, there will be greater price volatility the longer the term remaining on the Instrument.</p> <p>Inverse Floating Rate Instruments (where the interest rate is equal to a fixed rate minus a rate based on a reference rate) may be issued under the Programme and the market values of these Instruments will typically be more volatile than that of conventional Floating Rate Instruments. This is because in addition to decreasing the interest rate of the Instruments, an increase in the reference rate may reflect an increase in prevailing interest rates, which may further adversely affect the market value of these Instruments;</p> <p>An investor may not receive payment of the full amounts due in respect of Instruments as a result of amounts being withheld by the Issuer in order to comply with applicable laws;</p>

#### Section E – Offer

Element	Title	
<b>E.2b</b>	Reasons for the offer and use of proceeds	<p>The net proceeds from each issue of Instruments issued by EDP, will be applied by EDP for its general corporate purposes.</p> <p>The proceeds of Instruments issued by EDP B.V. will be on-lent to, or invested in, EDP Group companies.</p>
<b>E.3</b>	Terms and conditions of the offer	<p>Offer Price: [ ]</p> <p>Conditions to which the offer is subject: Public Offers may only be made in Portugal or Spain, or the United Kingdom and must be made during the Offer Period. Only [ ] for as long as they are authorised to do so under the Markets in Financial Instruments Directive or any financial intermediary which is authorised to do so under the Markets in Financial Instruments Directive may make a Public Offer of the Instruments so long as they comply with the following conditions: [ ]</p> <p>Offer Period: [ ]</p> <p>Description of the application process: [ ]</p> <p>Details of the minimum and/or maximum amount of application: [ ]</p> <p>Description of [ ]</p>

		<p>possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:</p> <p>Details of the method [       ] and time limits for paying up and delivering the Instruments:</p> <p>Manner in and date on [       ] which results of the offer are to be made public:</p> <p>Procedure for exercise [       ] of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:</p> <p>Whether tranche(s) [       ] have been reserved for certain countries:</p> <p>Process for notification [       ] to applicants of the amount allotted and the indication whether dealing may begin before notification is made:</p> <p>Amount of any [       ] expenses and taxes specifically charged to the subscriber or purchaser:</p> <p>Name(s) and [       ] address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.</p>
<b>E.4</b>	Interests material to the issue/offer	<p>There are no interest(s) material to issues of the Instruments under the Programme, save for any fees payable to the Dealer(s) acting as underwriters of issues of Instruments and that any Dealer and its affiliates may also have engaged, and may in the future engage in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuers and their affiliates in the ordinary course of business.</p> <p>The following additional interest(s) are material to issues of the Instruments: [       ].</p>
<b>E.7</b>	Expenses charged to the	No expenses will be charged to investors by the Issuers in connection with any Public Offer of Instruments.



	<p>investor by the Issuer or an offeror</p>	<p>In respect of any Public Offer of Instruments made by a Named Offeror, it is estimated that the amount of expenses that may be charged to an investor by any such Offeror in connection with such Public Offer is between 0 – 1 per cent. of the principal amount of the Instruments purchased by that investor.</p> <p>In respect of any Public Offer of Instruments made by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive and which states on its website that it is relying on the Prospectus to offer the relevant Tranche of Instruments during the Offer Period with the Issuer's consent and in accordance the conditions attached thereto, it is estimated that the amount of expenses that may be charged to an investor by any such Unnamed Offeror in connection with such Public Offer is between [ ] – [ ] per cent. of the principal amount of the Instruments purchased by that investor.</p>
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## 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 THE EDP GROUP'S BUSINESS WHICH MAY AFFECT THE ISSUERS' ABILITY TO FULFIL THEIR OBLIGATIONS UNDER THE INSTRUMENTS**

**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, France, Belgium, Poland, Romania 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>. 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 the stranded costs compensation mechanism approved under Decree-Law no. 240/2004, of 27 December 2004, designated as CMEC ("CMEC") have the right to allocate costs of CO<sub>2</sub> emissions into the system tariff until the original date of termination of the Power Purchasing Agreement ("PPA") concerning each plant, which will be at the end of 2017 in the case of 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 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.

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 the recovery of the 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 electricity distribution, generation and supply activities in Portugal, and 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 and any changes in the amount and timings of the recovery of such receivables may have an impact on EDP's cash flow. As at June 2012, 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 € 2,311 million, which includes the tariff adjustments and the annual revision mechanism under the CMEC.

With respect to distribution and supply 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 though 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 actually 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 been 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, 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 any 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 at June 2012, hydro power plants represented approximately one-third of EDP's total installed capacity of electricity generation, amounting to 7,236 MWs out of a total 22,515 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 at June 2012, 57 per cent. of EDP's total installed capacity from hydro power plants, totalling 4,094 MWs, was attributable 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 as until those 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 are rebalanced by payments made to or by all Portuguese electricity consumers through the use of the electricity system tariff. After such 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 at June 2012, 25 per cent. of EDP's total installed capacity of hydro power plants, totalling 1,794 MWs, was attributable 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 at June 2012, wind power plants represented 32 per cent. of EDP's installed capacity of electricity generation, amounting to 7,169 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, both those 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 combined cycle gas turbine power plants ("CCGTs") operated under market conditions 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 and such 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 indices 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'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 not as dependent on consumption levels, as it is instead dependent on fixed parameters set by *Entidade Reguladora dos Serviços Energéticos* ("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, such as supply 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 which are 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 which are 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 2011 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 term, 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 markets, 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 define 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 size of the liberalised markets increased considerably. In June 2012, accumulated electricity consumption in the liberalised market represented about 54 per cent. of total consumption. EDP maintained its leading position in the liberalised market, with a cumulative total consumption representing 38 per cent. of the total liberalised market. EDP operates as the "last resort" 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 2012 EDP had a cumulative total consumption representing 21 per cent. of the total liberalised market. EDP operates as the "last resort" 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 resort 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 resort supplier and several common suppliers in the liberalised market. EDP's subsidiary Naturgas is the last resort 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; for instance, the limitation of certain large clients' access to last resort 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 were transferred to the free market on 1 January 2011 in compliance with EU directives on electricity tariffs. Also, pursuant to Portuguese Legislation, last resort tariffs will not continue to be applicable to low-voltage customers (mainly households and small businesses), since 1 July 2012 to low voltage consumers with contracted power equal to or under 41.4 kVA and from 1 January 2013 to consumers with contracted power under 10.35 kVA.

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 resort 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 programme 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 entered 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 (1) EDP will have sufficient taxable income in the United States to utilise the benefits generated by these tax incentives or (2) 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, RPS provide support for EDP's business by mandating that a certain percentage of a utility's energy supplied to consumers within the state must come from renewable sources (typically between 15 per cent. and 25 per cent. by 2020 or 2025) and, in certain cases, make provision for various penalties for non-compliance. According to the Database of State Incentives for Renewables and Efficiency ("DSRE") as at August 2011, 37 U.S. states, the District of Columbia and Puerto Rico have RPS targets. While 29 of these have mandatory RPS targets, eight of these states 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 has 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 to sufficiently 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: (1) economic volatility; (2) exchange rate fluctuations and exchange controls; (3) differing levels of inflationary pressures; (4) differing levels of government involvement in the domestic economy; (5) political uncertainty; and (6) 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., 0.3 per cent., 19.4 per cent. and 0.2 per cent. in 2006, 2007, 2008, 2010 and 2011 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, 1 per cent. in 2009, 16.7 per cent. in 2010 and 4 per cent. in 2011. 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, to 3.5 per cent. in 2010, and to 4.1 per cent. in 2011, 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.

## **EDP's business and activities may be exposed to the potential impact of the IMF/Eurozone Stabilisation Programme**

In May 2011, the Portuguese government, with the support of the main Portuguese political parties, agreed to the IMF/Eurozone Stabilisation Programme (the "Stabilisation Programme"). The measures envisaged by the Stabilisation Programme could have an impact on EDP and/or in EDP's businesses and activities directly (notably as a consequence of the measures regarding the ongoing process of liberalisation of the electricity and gas markets, the sustainability of the national electricity system, energy policy instruments and taxation) or indirectly through the impact on the Portuguese economy as a whole. The detailed terms and conditions of implementation of the remaining measures of the Stabilisation Programme are as yet unknown, and when implemented they could have a material adverse effect on EDP's business, financial condition or results of operations. See "EDP Group – Regulatory Framework – IMF/Eurozone Stabilisation" for further information.

### **EDP B.V. is a funding vehicle for the EDP Group**

EDP B.V. is funding vehicle for the EDP Group and its sole purpose is to raise finance in the international capital markets and provide funds and investment services to EDP and its group companies. EDP B.V. does not engage in any other activity and does not have any other sources of revenue. In order to meet its obligations under the Instruments, EDP B.V. raises funds through long term loans from external entities and also short term loans from other EDP group companies. Therefore any risk factors affecting EDP and its group companies' ability to meet their financial obligations also affect EDP B.V. and should be read accordingly.

### **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 issued by EDP B.V. are obligations of 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 EDP B.V., which is not a guarantee. Under the Keep Well Agreement, EDP has agreed that, for so long as EDP B.V. has any Instruments outstanding under the Programme, it will make available to 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.)

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

### **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:

#### ***Risks applicable to all Instruments.***

**If the Issuers have the right to redeem any Instruments at their option, this may limit the market value of the Instruments concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.**

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.

**If the Issuers have the right to convert the interest rate on any Instruments from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Instruments concerned.**

***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 market rates.

**Instruments which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.**

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

**Inverse Floating Rate Instruments will have more volatile market values than conventional 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.

## **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:

**Investors who purchase Instruments in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Instruments are subsequently required to be issued.**



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 (as set out in the applicable Final Terms). 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 such Instruments in definitive form 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.

**The conditions of the Instruments contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Instrumentholders and without regard to the individual interests of particular Instrumentholders**

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 Instrumentholders and without regard to the interests of particular Instrumentholders (1) 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; (2) 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 (3) 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 relevant Issuer to the substitution in place of such Issuer as the principal debtor under the Instruments and the Trust Deed of another company, being a Subsidiary (as defined in "*Terms and Conditions of the Instruments*") 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 16 of "*Terms and Conditions of the Instruments*".

**The Instruments may be subject to withholding taxes in circumstances where the Issuers are not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Instruments.**

#### ***Withholding under the 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). The European Commission has proposed certain amendments to the Directive, which may, if implemented, 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 relevant Issuer nor any Paying Agent (as defined in the Conditions of the Instruments) 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.

**The value of the Instruments could be adversely affected by a change in English law or administrative practice.**

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 and any such change could materially impact the value of any Instruments affected by it.

## **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:

**An active secondary market in respect of the Instruments may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Instruments.**

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.

**If an investor holds Instruments which are not denominated in the investor's home currency, such investor will be exposed to movements in exchange rates adversely affecting the value of the holding. In addition, the imposition of exchange controls in relation to any Instruments could result in an investor not receiving payments on those Instruments.**

The Issuers will pay principal and interest on the Instruments in the Specified Currency (as set out in the applicable Final Terms). 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 or the ability of the Issuers to make payments in respect of the Instruments. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**The value of Fixed Rate Instruments may be adversely affected by movements in market interest rates.**

Investment in Fixed Rate Instruments involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Instruments, this will adversely affect the value of the Fixed Rate Instruments.

**Credit ratings assigned to the Issuers or any Instruments may not reflect all the risks associated with an investment in those Instruments.**

One or more independent credit rating agencies may assign credit ratings to the Issuers or 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, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009, as amended, (the "CRA Regulation") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

## 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 2010; the auditors report and audited consolidated annual financial statements for the financial year ended 31 December 2011 and the auditors' limited review report and the financial statements for the six months ended 30 June 2011 and for the six months ended 30 June 2012;
- (b) in respect of EDP B.V., the auditors report and audited annual financial statements for the financial year ended 31 December 2010; the auditors report and audited annual financial statements for the year ended 31 December 2011 and the unaudited interim financial statements for the six months ended 30 June 2011 and 30 June 2012;
- (c) 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), 7 October 2009, pages 45 to 69 (inclusive), 24 September 2010, pages 42 to 67 (inclusive) and 9 September 2011, pages 67 to 88 (inclusive)
- (d) the amendments to the Terms and Conditions of the Instruments on pages 67 to 88 (inclusive) of the Prospectus dated 9 September 2011, as set out in the supplement to the Prospectus dated 15 June 2012 on pages 3 to 5 (inclusive); and
- (e) the memorandum and articles of association of each of the Issuers and the English translations thereof.

Any information contained in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in 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. In respect of the documents referred to at (e) above, the Issuers confirm that the English translations of the memorandum and articles of association of each of the Issuers are true and accurate, however, in the case of a discrepancy between the original document and the English translation, the original document will prevail.

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.

Following the publication of this Prospectus a supplement may be prepared by the Issuers 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.

**FORM OF FINAL TERMS**

**INSTRUMENTS WITH A DENOMINATION OF LESS THAN €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY)**

[Date]

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

Issue of

[        ]  
[        ]

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

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (i) below, 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 the Instruments. Accordingly, any person making or intending to make an offer of the Instruments may only do so:

- (i) in those Public Offer Jurisdictions mentioned in Paragraph 8 of Part B below, provided such person is of a kind specified in that paragraph and that the offer is made during the Offer Period specified in that paragraph; or
- (ii) otherwise 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 to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances.]

The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

[The Prospectus referred to below (as completed by these Final Terms) 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 the Instruments. Accordingly, any person making or intending to make an offer in that Relevant Member State of the 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 the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances.]

## 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 14 September 2012 [and the supplement[s] to the Prospectus dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Prospectus”). This document constitutes the Final Terms of the Instruments described herein and has been prepared for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. In order to get full information on the Issuers and the offer of the Instruments both the Prospectus and these Final Terms must be read in conjunction. A summary of this issue of Instruments is annexed to these Final Terms. The Prospectus has been published in accordance with Article 14 of the Prospectus Directive on the website of the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

[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 [*original date*] which are incorporated by reference in the Prospectus dated [*current date*]. This document constitutes the Final Terms of the Instruments described herein and has been prepared for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus dated 14 September 2012 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Prospectus”), including the Conditions incorporated by reference in the Prospectus. In order to get full information on the Issuer and the offer of the Instruments both the Prospectus and these Final Terms must be read in conjunction . A summary of this issue of Instruments is annexed to these Final Terms. The Prospectus has been published in accordance with Article 14 of the Prospectus Directive on the website of the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

1. Issuer: [EDP – Energias de Portugal, S.A./EDP Finance B.V.]
2. [(i)] Series Number: [ ]  
 [(ii)] Tranche Number: [ ]  
 [(iii)] Date on which the Instruments will be consolidated and form a single Series: The Instruments will be consolidated and form a single Series with Tranche [ ] on [the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, as referred to in paragraph 26 below, which is expected to occur on or about [ ]]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
 – Tranche: [ ]  
 – Series: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (i) Specified Denominations: [ ]  
 [ ]  
 (ii) Calculation Amount: [ ]
7. [(i)] Issue Date: [ ]  
 [(ii)] Interest Commencement Date (if different from the Issue Date): [ /Issue Date/Not Applicable]
8. Maturity Date: [ / Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[ ] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
 (see paragraph [14/15/16] below)
10. Redemption: [Instalment]  
 Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11. Change of Interest Basis: [ ] [Not Applicable]
12. Put/Call Options: [Investor Put]  
 [Investor Put on Change of Control]  
 [Issuer Call]  
 [ [(see paragraph [17/18/19] below)]]
13. (a) Status of Instruments: [Senior/[Dated/Perpetual]]  
 (b) Date of Board approval for issuance of Instruments obtained: [ ]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]  
 (i) Rate[(s)] of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date

- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount(s):  
[ ] per Calculation Amount
- (iv) Broken Amount(s):  
[[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Date(s): [[ ] in each year] [Not Applicable]
- 15. Floating Rate Instrument Provisions** [Applicable/Not Applicable]
- (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]
- (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]
- (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 and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR/SONIA/EONIA]  
Relevant Financial Centre: [London/Brussels/ ]
- Interest Determination Date(s): [ ]
- Relevant Screen Page: [ ]
- (vii) ISDA Determination:  
Option:  
– Floating Rate [ ]  
– Designated Maturity: [ ]  
– Reset Date: [ ]  
(in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (viii) Margin(s): [+/-] [ ] per cent. per annum
- (ix) Minimum Rate of Interest: [ ] per cent. per annum



(x) Maximum Rate of [ ] per cent. per annum Interest:

(xi) Day Count Fraction: [[Actual/Actual – (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond basis] [30E/360 (ISDA)]

16. **Zero Coupon Instrument Provisions** [Applicable/Not Applicable]

(i) Accrual Yield: [ ] per cent. per annum

(ii) Reference Price: [ ]

(iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360] [Actual/360] [Actual/365]

#### PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: [Applicable/Not Applicable]

(i) Optional Redemption Date: [ ]

(ii) Optional Redemption Amount of each Instrument: [ ] per Calculation Amount

(iii) If redeemable in part:

(a) Minimum Redemption Amount: [ ]

(b) Maximum Redemption Amount: [ ]

18. Investor Put: [Applicable/Not Applicable]

(i) Optional Redemption Date: [ ]

(ii) Optional Redemption Amount of each Instrument: [ ] per Calculation Amount

19. Investor Put on Change of Control: [Applicable/Not Applicable]

20. Final Redemption Amount of each Instrument: [ ] per Calculation Amount

21. Early Redemption Amount of each Instrument payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

#### GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

22. (i) Form of Instruments: [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 ( )) [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*]

- (ii) New Global Note: [Yes/No]
23. Additional Financial Centre(s): [Not Applicable] [ ]
24. Talons for future Coupons or Receipts to be attached to definitive Bearer Instruments: [Yes /No.]
25. Details relating to Instalment Instruments:
- (i) Instalment Amount(s): [Not Applicable] [ ]
- (ii) Instalment Date(s): [Not Applicable] [ ]

**THIRD PARTY INFORMATION** [ ] *has been extracted from [ ]. 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) Application for admission to trading has [ ]  
been made to:

(ii) Date from which admission is expected [ ]  
to be effective:

(iii) Fungible instruments of the same Series [ ]  
admitted to trading on:

### 2. RATINGS

(i) Ratings: [The Instruments to be issued have not been  
specifically rated.]/[The Instruments to be issued have  
been assigned the following ratings by:

[Moody's: [ ]]

[Standard & Poor's:[ ]]

[Fitch: [ ]]

[(ii) Brief explanation of the meaning of the [ ]  
rating as published by the rating provider:

### 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. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] [ ]

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

[(i) Reasons for the offer: [ ]]

(ii) Estimated net proceeds: [ ]

(iii) Estimated total expenses: [ ]

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

Indication of yield: [ ]

### 6. HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/SONIA/EONIA] rates can be obtained from [Reuters].

### 7. 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] [ ]

(iv) Names and addresses of additional Paying Agent(s) (if any): [ ]

## 8. DISTRIBUTION

(i) Names and addresses of entities agreeing to underwrite the issue on a firm commitment basis: [Not Applicable] [ ]

(ii) Names and addresses of entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements: [Not Applicable] [ ]

(iii) Material features of the underwriting agreement: [ ]

(iv) Portion of the issue which is not underwritten: [Not Applicable] [[ ] per cent.]

(v) Indication of the overall amount underwriting commission and placing commission: [ ]

(vi) Date of the [Subscription] Agreement: [ ]

[(vii) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]

(viii) Public Offer

(a) Named financial intermediaries authorised to offer the Instruments: [ ] for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) [Not Applicable]

(b) Country(ies) where the Public Offer may take place: [Portugal/Spain/United Kingdom] [Not Applicable]

## 9. TERMS AND CONDITIONS OF THE OFFER

**Offer Price:** [Issue Price/Not applicable] [ ]

**Conditions to which the offer is subject:** [Not applicable] [ ]

**Offer Period:** [Not applicable] [ ]

**Description of the application process:** [Not applicable] [ ]

<b>Details of the minimum and/or maximum amount of application:</b>	<b>[Not applicable] [</b>	<b>]</b>
<b>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:</b>	<b>[Not applicable] [</b>	<b>]</b>
<b>Details of the method and time limits for paying up and delivering the Instruments:</b>	<b>[Not applicable] [</b>	<b>]</b>
<b>Manner in and date on which results of the offer are to be made public:</b>	<b>[Not applicable] [</b>	<b>]</b>
<b>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:</b>	<b>[Not applicable] [</b>	<b>]</b>
<b>Whether tranche(s) have been reserved for certain countries:</b>	<b>[Not applicable] [</b>	<b>]</b>
<b>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:</b>	<b>[Not applicable] [</b>	<b>]</b>
<b>Amount of any expenses and taxes specifically charged to the subscriber or purchaser:</b>	<b>[Not applicable] [</b>	<b>]</b>
<b>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.</b>	<b>[None] [</b>	<b>]</b>

## FORM OF FINAL TERMS

INSTRUMENTS WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE

[Date]

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

Issue of

[     ]  
[     ]

**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 14 September 2012 [and the supplement[s] to the Prospectus dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Prospectus”). This document constitutes the Final Terms of the Instruments described herein and has been prepared for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. In order to get full information on the Issuers and the offer of the Instruments both the Prospectus and these Final Terms must be read in conjunction. A summary of this issue of Instruments is annexed to these Final Terms. The Prospectus has been published in accordance with Article 14 of the Prospectus Directive on the website of the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) websites.]

[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 [*original date*] which are incorporated by reference in the Prospectus dated [*current date*]. This document constitutes the Final Terms of the Instruments described herein and has been prepared for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus dated 14 September 2012 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Prospectus”), including the Conditions incorporated by reference in the Prospectus. In order to get full information on the Issuer and the offer of the Instruments both the Prospectus and these Final Terms must be read in conjunction. A summary of this issue of Instruments is annexed to these Final Terms. The Prospectus has been published in accordance with Article 14 of the Prospectus Directive on the website of the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

1. Issuer: [EDP – Energias de Portugal, S.A./EDP Finance B.V.]
2. [(i)] Series Number: [ ]  
 [(ii)] Tranche Number: [ ]
- (iii) Date on which the Instruments will be consolidated and form a single series: The Instruments will be consolidated and form a single Series with Tranche [ ] on [the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, as referred to in paragraph 24 below, which is expected to occur on or about [ ]]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
 – Tranche: [ ]  
 – Series: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (i) Specified Denominations: [ ]  
 (ii) Calculation Amount: [ ]
7. [(i)] Issue Date: [ ]  
 [(ii)] Interest Commencement Date (if different from the Issue Date): [ /Issue Date/Not Applicable]
8. Maturity Date: [Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[ ] +/- [ ] per cent. Floating Rate]  
 [ ]  
 (see paragraph [14/15/16] below)
10. Redemption[/Payment] Basis: [Instalment]  
 Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11. Change of Interest Basis: [ ] [Not Applicable]
12. Put/Call Options: [Investor Put]  
 [Investor Put on Change of Control]  
 [Issuer Call]  
 [(see paragraph [17/18/19] below)]
13. (a) Status of Instruments: [Senior/Dated/Perpetual]  
 (b) Date of Board approval for issuance of Instruments obtained: [ ]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date

- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount
- (iv) Broken Amount(s): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Date(s): [[ ] in each year] [Not Applicable]
15. **Floating Rate Instrument Provisions** [Applicable/Not Applicable]
- (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]
- (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]
- (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 and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR/SONIA/EONIA]  
Relevant Financial Centre: [London/Brussels/ ]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]
- (vii) ISDA Determination:
- Floating Rate [ ]
  - Designated [ ]
  - Reset Date: [ ]
- Option: (in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- Maturity:
- (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/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond basis]]



[30E/360 (ISDA)]

16. **Zero Coupon Instrument Provisions** [Applicable/Not Applicable]

(i) Accrual Yield: [ ] per cent. per annum

(ii) Reference Price: [ ]

(iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [30/360]  
[Actual/360]  
[Actual/365]

#### PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: [Applicable/Not Applicable]

(i) Optional Redemption Date: [ ]

(ii) Optional Redemption Amount of each Instrument: [ ] per Calculation Amount

(iii) If redeemable in part:

(a) Minimum Redemption Amount: [ ]

(b) Maximum Redemption Amount: [ ]

18. Investor Put: [Applicable/Not Applicable]

(i) Optional Redemption Date: [ ]

(ii) Optional Redemption Amount of each Instrument: [ ] per Calculation Amount

19. Investor Put on Change of Control: [Applicable/Not Applicable]

20. Final Redemption Amount of each Instrument: [ ] per Calculation Amount

21. Early Redemption Amount of each Instrument payable on redemption for taxation reasons or on event of default [ ] per Calculation Amount

#### GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

22. (i) Form of Instruments: [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 ( )) [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*]

- (ii) New Global Note: [Yes/No]
23. Additional Financial Centre(s): [Not Applicable] [ ]
24. Talons for future Coupons or Receipts to be attached to definitive Bearer Instruments: [Yes/No.]
25. Details relating to Instalment Instruments:
- (i) Instalment Amount(s): [Not Applicable] [ ]
- (ii) Instalment Date(s): [Not Applicable] [ ]

**THIRD PARTY INFORMATION** [[ ] has been extracted from [ ]. 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) Application for admission to trading [ ]  
has been made to:

(ii) Date from which admission is [ ]  
expected to be effective:

(iii) Estimate of total expenses related [ ]  
to admission to trading:

### 2. RATINGS

Ratings: [The Instruments to be issued have not been  
specifically rated.]/[The Instruments to be issued have  
been assigned the following ratings by:

[Moody's: [ ]]

[Standard & Poor's: [ ]]

[Fitch: [ ]].

### 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. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business] [ ]

### 4. YIELD

Indication of yield: [ ]

### 5. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Any clearing system(s) other than [Not Applicable] [ ]  
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*

(iv) Names and addresses of additional [ ]  
Paying Agent(s) (if any):

### 6. DISTRIBUTION

(i) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA  
C/TEFRA not applicable]]

## 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, 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 on or around 13 September 2012 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 on or around 13 September 2012 (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 (1) expressed to be consolidated and form a single series and (2) 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 13 September 2012 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. References to the "Final Terms" are, unless otherwise stated, 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 13 September 2012 at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified office of each of the Paying Agents. If the Instruments are to be admitted to trading on the regulated market of the London Stock Exchange plc the Final Terms will be published on the website of

the London Stock Exchange through a regulatory information service. 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 or a Zero Coupon 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 Instalment Instrument, 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 Instrument holder 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 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 Instalment Instrument, 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 (1) 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 (2) 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: (1) such Security Interest was created by the Combining Company over assets owned by it (2) such Security Interest is existing at the time of such consolidation or merger (3) such Security Interest was not created in contemplation of such consolidation or merger and (4) 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**

The Final Terms will indicate whether the Instruments are Fixed Rate Instruments, Floating Rate Instruments or Zero Coupon Instruments.

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

This Condition 5A applies to Fixed Rate Instruments only. The Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5A for full information on the manner in which interest is calculated on Fixed Rate Instruments. In particular, the Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

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. In respect of each definitive Fixed Rate Instrument, interest will be calculated on its outstanding nominal amount. Interest on Fixed Rate Instruments which are Book Entry Instruments will be calculated on the full outstanding nominal amount of the Fixed Rate Instruments 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 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
- (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 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 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**

This Condition 5B applies to Floating Rate Instruments only. The Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 5B for full information on the manner in which interest is calculated on Floating Rate Instruments. In particular, the Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Issuing and Paying Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where

Screen Rate Determination applies to the calculation of interest, the Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

**5B.1** *Interest Payment Dates:* Each Floating Rate 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. In these Terms and Conditions, "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). For so long as any of the Floating Rate 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. In respect of each definitive Floating Rate Instrument, interest will be calculated on its outstanding nominal amount. Interest on Floating Rate Instruments which are Book Entry Instruments will be calculated on the full outstanding nominal amount of the Floating Rate Instruments 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 (which, if the Specified Currency is Australian dollars, shall be Sydney) 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 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 the day 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. (Relevant Financial Centre time) 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.

**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 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.

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

The Issuing and Paying Agent will calculate the amount of interest ("Interest Amount") payable on the Floating Rate Instruments for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Instruments which are represented by a Global Instrument, the aggregate outstanding nominal amount of the Instruments represented by such Global Instrument; or

(B) in the case of Floating 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 Floating Rate 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 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 (1) that day is the last day of February or (2) 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 (1) that day is the last day of February but not the Maturity Date or (2) 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 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 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 defaults in its obligations to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with the provisions of Conditions 5B.3 or 5B.4 above, 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.

**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 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 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 the Trustee in

connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

## **5C. 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 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 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 (1) 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 (2) 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 7.6); 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 outstanding nominal amount in the relevant Specified Currency on the Maturity Date.

**7.2** *Redemption for tax reasons:* Subject to Condition 7.6, the Instruments may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Instrument is not a Floating Rate Instrument) or on any Interest Payment Date (if this Instrument is a Floating Rate 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 (1) 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 (2) 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 7.6 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):* This Condition 7.3 applies to Instruments which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an "Issuer Call". The Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7.3 for full information on any Issuer Call. In particular, the Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Instruments which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the Final Terms, the Issuer may, having given:

- (i) not less than 15 days nor more than 30 days' notice 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 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 Maximum 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):* This Condition 7.4 applies to Instruments which are subject to redemption prior to the Maturity Date at the option of the Instrumentholder, such option being referred to as an "Investor Put". The Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7.4 for full information on any Investor Put. In particular, the Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable 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, 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.

To exercise the right to require redemption of this Instrument the holder of this Instrument must deliver (1) (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 (2) (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 depository 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** *Redemption at option of Holders on Change of Control (Investor Put on Change of Control):* If at any time while any Instruments remain outstanding there occurs a Change of Control and within the Change of Control Period a Rating Downgrade as a result of that Change of Control occurs (together, a "Put Event"), each Holder will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Instruments in accordance with Condition 7.2 (*Redemption for tax reasons*)) to require the Issuer to redeem each of the Instruments held by such Holder on the Mandatory Redemption Date

at its principal amount together with interest accrued to but excluding the Mandatory Redemption Date, such option being referred to as an "Investor Put on Change of Control".

Upon EDP becoming aware that a Put Event has occurred EDP shall promptly notify the Issuer of such fact and the Issuer shall give notice (a "Put Event Notice") to the Holders in accordance with Condition 15 (*Notices*) specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option set out in this Condition 7.5.

To exercise the option to require redemption of an Instrument under this Condition 7.5 the holder of this Instrument must, if this Instrument is in definitive form and held outside Euroclear Bank and Clearstream, Luxembourg, deliver such Instrument, on any business day in the city of the specified office of the relevant Paying Agent falling within the Put Period, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "Put Option Notice") and 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 7.5. The Instrument should be delivered together with all Coupons appertaining thereto maturing after the Mandatory Redemption Date failing which an amount will be deducted from the payment to be made by the Issuer on redemption of the Instruments corresponding to the aggregate amount payable in respect of such missing Coupons.

If this Instrument is represented by a Global Instrument or is in definitive form and held through Euroclear Bank or Clearstream, Luxembourg, to exercise the right to require redemption, purchase of an Instrument under this Condition 7.5 the holder of the Instrument must, within the Put Period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of Euroclear Bank and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear Bank or Clearstream, Luxembourg or any common depository for them to the Paying Agent by electronic means) in a form acceptable to Euroclear Bank and Clearstream, Luxembourg from time to time and, if this Instrument is represented by a Global Instrument, at the same time present or procure the presentation of the relevant Global Instrument to the Paying Agent for notation accordingly.

The Paying Agent to which such Instrument and Put Option Notice are delivered will issue to the holder concerned a non transferable receipt (a "Put Option Receipt") in respect of the Instrument so delivered. The Issuer shall redeem the Instruments in respect of which Put Option Receipts have been issued on the Mandatory Redemption Date, unless previously redeemed and purchased. Payment in respect of any Put Option Receipt will be made on the Mandatory Redemption Date by transfer to the bank account (if any) specified in the Put Option Notice and in every other case on or after the Mandatory Redemption Date, in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 7.5.

For the purposes of this Condition:

A "Change of Control" shall be deemed to have occurred at each time (whether or not approved by the Management Board or Supervisory Board of EDP) that any person (or persons) ("Relevant Person(s)") acting in concert or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly:

- (i) acquires or becomes entitled to exercise control over EDP; or
- (ii) acquires or owns, directly or indirectly more than 50 per cent. of the issued voting share capital of EDP,

provided that the foregoing shall not include the control, or ownership of issued voting share capital, exercisable by and/or owned by the Portuguese Republic, or by the Portuguese Republic and/or by any entity or entities (together or individually) controlled by the Portuguese Republic from time to time, or in respect of which the Portuguese Republic owns directly or indirectly more than 50 per cent. of the issued voting share capital.

A Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person(s) are also, or immediately prior to the event which would otherwise constitute a Change of Control were, all of the shareholders of EDP.

"Change of Control Period" means the period ending 120 days after the Date of Announcement.

"Date of Announcement" means the date of the public announcement that a Change of Control has occurred.

"Investment Grade Rating" means a rating of at least BBB- (or equivalent thereof) in the case of S&P or a rating of at least BBB- (or equivalent thereof) in the case of Fitch or a rating of at least Baa3 (or equivalent thereof) in the case of Moody's or the equivalent in the case of any other Rating Agency.

"Investment Grade Securities" means Rated Securities which have an Investment Grade Rating from each Rating Agency that assigns a rating to such Rated Securities.

"Mandatory Redemption Date" is the seventh day after the last day of the Put Period.

"Put Period" means the period of 45 days from and including the date on which a Put Event Notice is given.

"Rated Securities" means:

- (i) the Instruments; or
- (ii) such other comparable long-term debt of the Issuer or EDP selected by the Issuer from time to time for the purpose of this definition which possesses a rating by any Rating Agency.

"Rating Agency" means Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), Fitch Ratings Limited ("Fitch") and Moody's Investors Services Limited ("Moody's") or any of their respective successors or any other rating agency of equivalent international standing specified from time to time by EDP.

"Rating Downgrade" means either:

- (i) within the Change of Control Period:
  - (a) any rating assigned to the Rated Securities is withdrawn; or
  - (b) the Rated Securities cease to be Investment Grade Securities; or
  - (c) (if the rating assigned to the Rated Securities by any Rating Agency which is current at the Date of Announcement is below an Investment Grade Rating) that rating is lowered one full rating notch by any Rating Agency (for example from BB+ to BB by S&P or Fitch and Ba1 to Ba2 by Moody's or such similar lower of equivalent rating),

provided that no Rating Downgrade shall occur by virtue of a particular withdrawal of or reduction in rating unless the Rating Agency withdrawing or making the reduction in the rating announces or confirms that the withdrawal or reduction was the result, in whole or in part, of the relevant Change of Control; or

- (ii) if at the time of the Date of Announcement, there are no Rated Securities and either:
  - (a) EDP does not use all reasonable endeavours to obtain, within 45 days of the Date of Announcement, from a Rating Agency a rating for the Rated Securities; or
  - (b) if EDP does use such endeavours, but, as a result of such Change of Control, at the expiry of the Change of Control Period there are still no Investment Grade Securities and the Rating Agency announces or confirms in writing that its declining to assign an Investment Grade Rating was the result, in whole or in part, of the relevant Change of Control.

**7.6** *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 the Final Terms or, if no such amount 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 the Day Count Fraction specified in the Final Terms which will be either (1) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) 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 and the denominator will be 360) or (2) Actual/360 (in which case the

numerator will be equal to the actual number of days 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 and the denominator will be 360) or (3) Actual/365 (in which case the numerator will be equal to the actual number of days 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 and the denominator will be 365).

**7.7** *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 7.6.

**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, 7.4 or 7.5 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 7.6(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 (1) 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 (2) 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, notarisisation 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 7.6), 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 7.6 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%) 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 related 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. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the Final Terms.

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 13 September 2012 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 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 Final Terms specify 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 depositary 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 Final Terms (or registered in the name of a nominee of, and deposited with, a common depositary 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 account holders 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) *Holders' 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.

## 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 (1) the issue account, opened by the relevant issuer in the centralised system and which reflects the full amount of issued securities; and (2) 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 their 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 (1) 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 (2) 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 Trust 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

### OVERVIEW

EDP – Energias de Portugal, S.A. (“EDP” and together with its subsidiaries, the “Group” or the “EDP Group”) is a listed company (*sociedade aberta*), whose ordinary shares are publicly traded on 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 1991, and Decree-Law no. 78-A/97, of 7 April 1997.

As a result of the privatisation of EDP’s share capital, which has already involved eight phases – the first of which took place in 1997 and the most recent of which was concluded in May 2012 – the most significant shareholdings in EDP’s share capital (i.e. shareholdings equal to or higher than 2 per cent.) are, as at 1 August 2012: China Three Gorges (“CTG”), owning 21.35 per cent.; Iberdrola – Participações, SGPS, S.A., owning 6.79 per cent.; Liberbank, owning 5.01 per cent.; José de Mello Energia, S.A., owning 4.64 per cent.; the Portuguese Republic, through Párpública – Participações Públicas, SGPS, S.A., owning 4.14 per cent.; Senfora, SARL owning 4.06 per cent.; Banco Comercial Português, S.A. (“BCP”) and BCP Group Pension Fund, owning 3.36 per cent.; Banco Espírito Santo, S.A. owning 2.45 per cent.; Qatar Holding LLC, owning 2.27 per cent.; and Sonatrach owning 2.23 per cent.. The share capital of EDP is €3,656,537,715, corresponding to 3,656,537,715 shares with a nominal value of €1 each, represented by ordinary shares (approximately 96 per cent.) and B shares, which are subject to privatisation and may only be held by the Portuguese state or Government related entities.

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, Poland and Romania, and is developing wind farms in the UK and Italy. It also has electricity distribution, generation and supply 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. (“Hidrocantábrico”), 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 Hidrocantábrico) 95 per cent. of Naturgas Energia (“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 increased from 63.5 per cent. to 95 per cent. 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 Hidrocantábrico). 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 7.2

GW of generation assets, comprising on-shore wind farms in Spain, Portugal, the United States, France, Belgium, Romania 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 and the UK. At present, EDP Renováveis is actively engaged in expanding its activities into other countries.

In Brazil, in addition to a 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 51.0 per cent. stake in EDP Brasil, a company listed on the São Paulo Stock Exchange. In July 2011, EDP sold 21.9 million shares of EDP Brasil in a secondary distribution offer (reducing its stake from 64.8 per cent. to 51.0 per cent.), at a price per share of R\$37.00, resulting in receipt of gross proceeds of approximately R\$811 million. 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 Eléctricas (“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. Management of EDP believe that partnership with CTG will reinforce these strategic pillars.

### **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 either long-term contracted activities or regulated activities, where revenues are dependent on the outcome of regulatory decisions by governments and other authorities. As a result, EDP is in regular 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.

Some 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 these sources of volatility, EDP runs 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, based either 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 2011, EDP launched a new programme to reduce the operating costs of its activities worldwide, involving over 150 initiatives. The stated goal of this new programme is to further optimise cost structure and to improve operating margins across the Group’s businesses and geographies. The programme is targeting annual savings of approximately €130 million by 2015, primarily resulting from lower supplies and services through: (1) an optimisation of EDP’s IT costs through an integrated and multigeography management; and (2) optimisation of plant maintenance and increased integration of technical services for EDP’s businesses.

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, reduce dependence on fossil fuels and increase the use of endogenous energies, governments 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. Having said this, difficulties experienced by governments across Europe and in the United States in the recent past, either in controlling public deficits or in successfully promoting economic growth means that there is lower visibility over the profitability of future new renewable projects.

EDP plans to continue developing new wind power capacity as part of its targeted growth plan. EDP is already the third largest wind power operator worldwide, with 7,169 MW of wind power capacity installed by June 2012 and 468MW under construction as at June 2012. The expansion plans primarily entail the execution of EDP's pipeline in its existing markets (Spain, Portugal, the United States, Poland, Romania, Italy, Brazil, France and Belgium). The pace of pipeline execution is adjusted to reflect the existing visibility over the profitability of different projects, depending on different market's tariff regimes and investment incentives, although the focus is now moving towards Eastern European markets.

### **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 interconnection 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 has completed repowering works in two hydroelectric plants in Portugal in the last quarter of 2011 (Picote II and Bemposta II, totalling 437 MW). Furthermore, EDP is currently building three new hydroelectric power plants (two of which with pumping) and repowering three hydroelectric plants (all with pumping) with a total capacity of 1,702 MW that are expected to be completed by 2015, involving a capital expenditure of approximately €1.8 billion. All of these new hydroelectric plants will operate under liberalised market conditions.

### **Electricity generation in Brazil**

EDP believes that Brazil will experience steady growth in its domestic energy demand, particularly in light of increasing consumption per capita. At present, EDP's main investments in Brazilian electricity generation are (1) the 720 MW Pecém coal plant, where its subsidiary EDP Brasil holds a 50 per cent. share (the remaining 50 per cent. is owned by MPX Mineração e Energia); and (2) the 373 MW Santo Antônio do Jari hydropower plant, for which concession rights were acquired in June 2011 and operations are planned to start in 2015. The terms of EDP's investment in Pecém coal plant, 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 the third quarter of 2012 for the first phase and in the fourth quarter of 2012 for the second phase, encompassing a gross margin of R\$417 million per year (at 2007 nominal prices, to be adjusted for inflation) with the full pass-through of fuel costs. As for EDP's investment in Santo Antônio do Jari hydroelectric plant, EDP Brasil has already contracted a 30-year PPA with the Brazilian system, at a price of R\$104/MWh. Total expenditure relating to Jari project is forecasted to be between R\$1,270 million and R\$1,410 million.

### **Strategic Partnership with China Three Gorges**

The completion of the 8<sup>th</sup> privatisation phase of EDP in May 2012 resulted in the sale by the Portuguese government of a 21.35 per cent. share position in EDP to CTG. CTG is China's largest clean energy group with a significant renewable energy expansion plan worldwide, with 25.2 GW of installed capacity (mostly hydroelectric based) and 49.6 GW of capacity under construction.

In the wake of the privatisation process, EDP and CTG established a strategic partnership based on three main pillars: (1) CTG commits to invest €2 billion by 2015 (€800m by May 2013) in the acquisition of minority stakes



(between 34 per cent. and 49 per cent.) and co-investment in 1.5 GW (net) of wind power projects; (2) a Chinese financial institution is committed to provide a €2bn credit facility to EDP for up to 20 years; (3) EDP and CTG will jointly develop new growth opportunities worldwide.

Management believe that this strategic partnership stands as a key opportunity for EDP, as it combines CTG's strong financial position, extensive expertise in hydro and well established presence in Asia with EDP's expertise in the wind business, proven internationalisation capabilities and established presence in Europe, the United States of America, Brazil and access to selected African countries.

Furthermore, this partnership stands as a key reinforcement of EDP's 3-pillar strategy of controlled risk, superior risk and focused growth: it translates into a stronger financial liquidity position, improved shareholder stability and creates room for new sustained long term growth drivers, either in terms of technologies or geographies.

## **INVESTMENTS/DIVESTMENTS**

EDP Group's total capital expenditure amounted to €690 million in the first six months of 2012 following a deceleration in expansion capex driven by lower investment in wind. In line with EDP's strategy to invest in risk controlled activities, regulated/long-term contracted activities accounted for 68 per cent. of such capital expenditure. The maintenance capital expenditure totalled €288 million in the first six months of 2012, while expansion capital expenditure amounted to €402 million, 72 per cent. of which was in CO<sub>2</sub>-free technologies, hydro and wind power capacity.

The capital expenditure relating to new wind capacity was invested by EDP Renováveis and amounted to €109 million in the first six months of 2012 (27 per cent. of expansion capital expenditure) and was mainly invested in the construction of new capacity in the United States (34 per cent.), Spain (18 per cent.), Romania (14 per cent.), Poland (11 per cent.), Portugal (8 per cent.) and France (5 per cent.). EDP Renováveis has so far invested €562 million (€80 million in 1H12) in 468MW currently under construction (all under long term/regulated tariff regimes): 215MW in the United States (State of New York), 100MW in Spain, 80MW in Poland, 40MW in Italy, 26MW in Romania and 8MW in France. New wind capacity additions planned to complete in 2012 total 500 MW, the majority of which are located in Europe.

The capital expenditure in new hydro capacity amounted to €178 million in the first six months of 2012 (45 per cent. of expansion capital expenditure), the majority of which (€159 million) related to construction/repowering works in 6 plants in Portugal (1,710MW due to commence operations between 2012 and 2015): 3 repowerings (1,203MW) and 3 new plants (507MW). Alqueva II (256MW, 84 per cent. of capital expenditure already incurred), is due to come on stream in the fourth quarter of 2012.

In Brazil, EDP has already invested €589 million in 360 MW Pecém coal plant, with the first phase due to commence operations by the third quarter of 2012 and the second phase by the fourth quarter of 2012; and €80 million in the repowering of Mascarenhas (5 MW), due to commence operations in 2013 following the start of 4MW in the second quarter of 2012 and initial construction works of hydro plant Jari (373 MW) due to commence operations in 2015.

Overall, EDP continues to execute its low-cost, CO<sub>2</sub>-free pipeline, having already invested €2.0 billion in 2.9 GW under construction. EDP has a total planned capital expenditure spend of €2.0 billion in 2012, 80 per cent. of which is expansion capital expenditure mainly in wind and hydro capacity.

Net Financial Investments/(Divestments) amounted to €43 million in the first six months of 2012, mainly related to success fees related to the development of Jari hydro plant and wind projects previously acquired.

In July 2012, EDP, through its gas sector subsidiary in Spain (Naturgas), has reached an agreement with Enagás, S.A, the Spanish gas transmission system operator, for the sale of the gas transmission business owned by the EDP Group in Spain. The agreed transaction price represents an enterprise value of €262.5 million and the completion of the transaction is subject to certain conditions, including authorisations by antitrust and relevant regulatory authorities.

## **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 generation, distribution and supply 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 *Entidade Reguladora dos Serviços Energéticos* ("ERSE"). As at 30 June 2012, the Group accounted for approximately 54.7 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 2012 reached 24.8 TWh, representing a year-on-year decrease of 3.3 per cent. The decrease reflects the slowdown in Portuguese economic activity, resulting in lower consumption by the residential and SMEs segments.

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 (11.1 per cent. of total electricity generation), coal (24.5 per cent.) and hydroelectric power (10.3 per cent.). The contribution made by special regime generation from renewable energy sources increased from 35.7 per cent. in the six months ended 30 June 2011 to 38.0 per cent. in the six months ended 30 June 2012, related to strong wind production in the second quarter of 2012. Due to an energy trade balance with Spain that favoured importation, these sources accounted for 18.5 per cent. of Portugal's energy consumption in the six months ended 30 June 2012.

Based on the monthly Red Electrica de España S.A. ("REE") reports, total energy consumption in mainland Spain reached 127,637 GWh in the six months ended 30 June 2012, representing a year-on-year decrease of 0.5 per cent. due to temperature and calendar effects (adjusted for these, demand decreased by 1.7 per cent.).

In terms of sources of electricity generation in mainland Spain, hydroelectric power generation totalled 9,683 GWh in the six months ended 31 June 2012, representing a decrease of 47.4 per cent. compared to the same period in the previous year, and approximately 7.6 per cent. of Spain's total energy demand.

Nuclear power generation reached 30,332 GWh in the six months ended 30 June 2012, an increase of 11.0 per cent. compared to the same period the previous year. Overall, nuclear power generation represented 23.8 per cent. of electricity consumption in the country. Coal generation totalled 28,119 GWh in the six months ended 30 June 2012, which reflected an increase of 67.0 per cent. compared to the same period the previous year as a result of the implementation of the Royal Decree Law 1221/2010. Electricity generation through gas combined cycle reached 19,325 GWh in the six months ended 30 June 2012, a 15.1 per cent. decrease compared to the same period in the previous year.

Special regime generation in Spain totalled 52,376 GWh in the six-month period ended 31 June 2012, a 8.7 per cent. increase compared to the same period in the previous year. Of this amount, 24,840 GWh came from wind power, an increase of 12.2 per cent. over the previous year, representing 18.3 per cent. of total energy produced.

In the six months ended 31 March 2012, Spain's cross-border energy trade favoured exportation totalling 5,680 GWh for that period, which reflected an increase of 64.5 per cent. compared to the same period the previous year.

### ***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 2012, EDP Produção's generating facilities in Portugal, excluding special regime and wind, had a total maximum capacity of 9,345 MW, 53.7 per cent. of which was represented by hydroelectric facilities, 33.7 per cent. by fuel oil and natural gas facilities and 12.6 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 38 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 95 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 Peso da Régua, Portugal.

In April 2008, EDP paid €759 million for concession rights after the end of PPAs (Power Purchase Agreements)/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 (259 MW), Fridão & Alvito (466 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 1970s 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), Venda Nova (740 MW) and Salamonde (207 MW) hydroelectric generation plants. The power reinforcements of Picote and Bemposta were commissioned at the end of 2011, and Alqueva power reinforcement is expected to become operational during 2012, and Venda Nova and Salamonde power reinforcements by 2015. EDP is currently building three new hydroelectric plants at Baixo Sabor (171 MW), Ribeiradio (71 MW) and Foz Tua (259 MW), with commissioning currently expected during 2014 for Baixo Sabor and Ribeiradio and 2015 for Foz Tua.

EDP's thermal infrastructure and operations are located in southern Portugal and consist of six power stations, the largest being the coal-fired power stations in Sines, the oil-fired power stations in Setúbal, the Ribatejo CCGT at Carregado and the Lares CCGT in Figueira da Foz. This last one entered into service with its two generating units in October and November of 2009 with an installed capacity of 863 MW. The oil-fired power station of Carregado was transferred to the liberalised market and Tunes oil-fired power station only operates as a backup facility. The Barreiro oil-fired power station (56 MW) was decommissioned in 2010 and the Carregado power station (710 MW) was decommissioned in April 2012.

To reduce the emissions from its existing thermal plants, EDP expects to decommission another plant in the Iberian Peninsula by the beginning of 2013 (the oil-fired power station in Setúbal). EDP has also installed DeSOx and DeNOx equipment, used to control emissions from operations, in Sines. EDP is also currently evaluating new CO2 sequestration technologies.

Performance in the Iberian Peninsula's electricity market is managed centrally by the Energy Management Business Unit, which monitors the financial position of the region's electricity power plants, as well as short- and medium-term risk profiles. Apart from plants in the deregulated 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

In the six months ended 30 June 2012, net electricity generation from HC Energía reached 4,869 GWh under the ordinary regime, which represented a year-on-year increase of 4 per cent. The total net ordinary generation in the Spanish mainland market in the six months ended 30 June 2012 was 87,541 GWh (136,005 GWh including special regime).

As at 30 June 2012 HC Energía had a total installed capacity of 3,856 MW under the ordinary regime, with approximately 39,8 per cent. corresponding to coal-fired facilities, 44.6 per cent. to CCGT facilities and 11.2 per cent. to hydroelectric facilities. HC Energía 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. HC Energía's installed capacity represents 6 per cent. of Spain's mainland electricity generation capacity under the ordinary regime (special regime facilities are excluded).

To reduce the emissions from its existing thermal plants, EDP has installed DeSOx and DeNOx equipment, used to control emissions from operations, in Soto and Aboño coal-fired plants.

The results of both of HC Energía's power plants show the company's continuous efforts to maintain a high level of efficiency and availability. In terms of HC Energía's power plants, the technical availability of its coal units in the first six months of 2012 was more than 87 per cent. and the technical availability of its gas plants reached 91 per cent.

#### *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, Energin and Fisigen, 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 2012, the Group had special regime generation installed capacity of 355 MW, 44.1 per cent. of which was represented by mini hydroelectric power stations, 38.1 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.

#### Spain

In Spain, net generation under the special regime (excluding wind energy) amounted to 27.536 GWh for the six months ended 30 June 2012, representing a year-on-year increase of 5.7 per cent.

As at 30 June 2012, HC Energía had holdings in fifteen thermal power stations in Spain, which together represent 142 MW of installed capacity, 57.9 per cent. of which was represented by waste to energy facilities, 39.8 per cent. by cogeneration facilities and 2.3 per cent. of biomass.

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

##### *Portugal*

EDP Distribuição is EDP's regulated Portuguese electricity distribution company acting under a public service concession.

In its distribution activities, EDP Distribuição carries out approximately 99.7 per cent. of Portugal's local electricity distribution. In the three months ended 30 June 2012, EDP Distribuição provided more than six million customers with 22,237 GWh of electricity.

Electricity inflow into the grid decreased 4.0 per cent. year-on-year to 22,335 GWh in the first half of 2012 (minus 3.0 per cent. adjusted for temperature and working days), reflecting lower consumption, particularly in the residential and SME segments.

#### 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 2012, TIEPI went down 18 minutes year-on-year to 21 minutes, as a result of investment in improving the quality of service and less severe 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.

#### Inovgrid

EDP Distribuição's strategy to meet future challenges and become a European reference in electricity distribution is focused on the implementation of smart grids and all the subsequent services these enable. InovGrid is a smartgrids project that addresses the technical challenges posed by some new technologies, while contributing to the ever-present challenges of efficiency and quality of service. The year 2011 was an important milestone in the development of this project with the completion of the installation of the pilot InovCity in Evora, which is already operational. During 2012, EDP Distribuição will continue to develop a comprehensive plan to test the potential of competing technologies and further develop business cases, installing devices in different locations with different network characteristics.

#### 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 935 in June 2004 to 1,722 as at 30 June 2012. At the same time, the indicator for energy distributed per employee almost doubled between the first half of 2004 (3.3 MWh) and the first half of 2012 (6.2 MWh).

## *Spain*

HC Energía 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 22,850 kilometres. Electricity distributed in the six months ended 30 June 2012 through HC Energía's own network amounted to 4,717 GWh, a 4.7 per cent. decrease, mainly due to lower electricity demand of customers connected to the high and medium voltage in Asturias.

Distribution in high voltage (HV) amounted to 3,455 GWh, a 4.6 per cent. year-on-year decrease. Distribution in the low voltage (LV) sector was 1262 GWh, a 5.1 per cent. year-on-year decrease.

As at June 30, 2012, HC Energía's distribution business had 657,000 supply points, a 0.4 per cent. year-on-year increase, out of a total of 26,700,000 customers in mainland Spain, according to CNE.

### Service Quality

The investments carried out in recent years, as well as good working practices, allowed interruption to supply to continue to decrease. Despite the unfavourable topographical features in most of its market, HC Energía continues to lead the quality of service in the Spanish Electricity System. In the six months ended 30 June 2012, TIEPI reached a total of 15,24 minutes. This value is the best in its historical record.

### Efficiency of operations

The results of HC Energía's distribution network show the company's continuous efforts to maintain a high level of efficiency. In the distribution area, staff productivity in 2011 remained high, with 29.1GWh distributed per employee, and 2,006 supplies per employee. Furthermore, HC Energía has maintained high network availability levels, as shown by the above mentioned TIEPI, with 15,24 minutes in the first six months of 2012 (equivalent to more than 99.81 per cent. network availability).

## *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

#### Portugal

The Portuguese government has enacted Decree Law 104/2010 of September 29 establishing the end of last resource supply tariffs for large clients (Very High, High, Medium and Special Low Voltage) from 2011 onwards, and a transitory last resort supply tariff for these clients has been in place since then. This transitory last resort tariff (all segments except normal low-voltage) is intended to encourage Portuguese customers to switch to the liberalised electricity market, a process which will also be applied to low voltage customers, starting from the second half of 2012 (Decree Law 75/2012, March 26). Hence, non low voltage consumption supplied by the regulated market, in the first six months of 2012, fell from 3.0TWh in 2011 to 1.6TWh in 2012. These clients represent 15 per cent. of consumption supplied by EDP Serviço Universal ("EDPSU").

During the first six months of 2012, the overall number of customers in the regulated market in Portugal fell as a result of the net outflow of 216 thousand customers to the liberalised market. 46 high voltage and very high voltage customers (50 per cent. and 25 per cent., respectively) and 2,429 medium voltage customers left the regulated market, whereas Special Low Voltage customers fell by 4,451. In the case of low voltage, 209,041 switched to the liberalised market.

In the first six months of 2012, volumes supplied by EDPSU fell 20.7 per cent. year-on-year to 10.2TWh, essentially due to clients switching to liberalised suppliers. EDPSU market share in Portuguese electricity supply fell from 51 per cent. in the first six months of 2011 to 46 per cent. in the first six months of 2012.

## *Spain*

[As a result of] 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 every three months.

As at 30 June 2012, HC Energía Comercializadora de Último Recurso had 297,000 customers. These customers consumed 390 GWh for the six months ended 30 June 2012, representing a 12 per cent. year-on-year decrease. The figure is continuously decreasing as more customers migrate to the liberalised market.

The electricity supply activities performed by HC Energía and Naturgas include both options for 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 liberalised market

#### *Portugal*

EDP Comercial retained its Portuguese liberalised market leadership in market share of clients for electricity, despite a strong increase in competition. Currently, the company is divided into three business units: one focused on companies and institutions (B2B business unit), one targeting residential and small business customers (B2C business unit), and one aimed at the energy services business – Group Company EDP Serviços. This business unit was reintegrated in EDP Comercial's management scope in June 2012, following a spin-off that occurred at the end of the year 2010, primarily intended to increase the focus in the development of the services business.

The 12.0 TWh of energy supplied during the six months ended 30 June 2012 in the liberalised market represented 54.0 per cent. of the total electric energy supplied in Portugal during this period, which compares to 51.0 per cent. for the same period the previous year. The energy sold by EDP Comercial in the six months ended 30 June 2012 amounted to 4.628 GWh, representing 38.5 per cent. of the total energy sold in the liberalised market in Portugal in the period, while in the six months ended 30 June 2011 this figure only totalled 4.442 GWh, representing then 41.5 per cent. of the liberalised supply. This reduction in market share reflects tough competition in the liberalised market, especially in the industrial segment, and unattractive market conditions in the residential segment compared to regulated tariffs, along with EDP's focus in the most attractive segments.

By 30 June 2012, EDP Comercial supplied 444,000 customers (or approximately 76 per cent. of total customers in the liberalised market, 96 per cent. of which were connected at standard low voltage). This represented a strong 48 per cent. increase from June 2011 (with approximately 301,000 customers), which mainly resulted from a B2C marketing campaign (EDP Continente) launched in January 2012 in partnership with a major retail group. This is in contrast to what happened in previous years when customer inflow from the regulated market was steady but slow paced.

Companies and institutions (B2B 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 became possible once again, namely in the B2B segment. On 29 September 2010, the Portuguese government enacted a Decree-Law no. 104/2010 extinguishing with effect from 1 January 2011 the regulated tariffs for B2B clients and introducing a transitory last resort tariff that includes a premium component to allow for these clients to gradually switch to the liberalised market. In addition, as of the enactment of this decree-law, any client who opts out of the regulated market cannot return to it and is bound to be permanently supplied in the liberalised market by one of the existing supply companies. However, because the regulator has been delaying increases on the premium component, the incentive for consumers to switch to the liberalised market has, so far, been limited. As at June 2012, there still remain circa 18,400 B2B clients supplied under this transition tariff.

At the end of June 2012, the B2B business unit of EDP Comercial had a client portfolio amounting to 18,000 facilities, which compares to almost 13,500 one year earlier, to which it had supplied 3.947 GWh by the end of June 2012, which compares to 3.787 GWh for the same period the previous year. EDP Comercial was the supplier of 46 per cent. of all B2B facilities in the Portuguese liberalised market at the end of June 2012.

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 transition tariffs. This results from the fact that the transition tariffs set by the regulator do not create the necessary incentive for customers to move to the liberalised market.

## Residential and small business customers (B2C business unit)

The standard low voltage segment was fully opened 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.

Pursuant to the Memorandum of Understanding underwritten by the Portuguese Government, the European Union, the International Monetary Fund and the European Central Bank, the Resolution of the Council of Ministers no. 31/2011, dated 23 July 2011, approved the calendar for the extinction of the regulated tariffs and the introduction of transitory tariffs for standard low voltage electricity consumers, which resulted in the enactment, in June 2012, of legislation to enforce this measure. This legislation establishes the end of the regulated tariffs for the electricity supplied to low voltage consumers with contracted power equal to or under 41,4 kVA and equal to or higher than 10,35 kVA by 1 July 2012 and to consumers with contracted power under 10,35 kVA by 1 January 2013. After these dates, a transitory last resort tariff with a gradually increasing premium component will be introduced to promote full switching to the liberalised market until 31 December 2015.

By the end of June 2012, the B2C business unit of EDP Comercial had a client portfolio amounting to more than 426,700 residential and small business customers ("B2C"), compared to circa 287,000 by the end of June 2011 (a 48 per cent. increase) to which it supplied 681 GWh in the six months ended 30 June 2012, which accounts for a 4.0 per cent. year-on-year increase. Since 2006, EDP Comercial has remained the most active B2C supplier in the liberalised market, with market shares in this segment by June 2012 of 78 per cent. in terms of number of clients and 84 per cent. of the energy supplied.

### Energy services

Management of EDP consider that this business unit will play an increasingly important role in retaining customers and strengthening their long term partnership bond with EDP.

Its activity consists of 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 this unit that EDP deploys its initiatives under the Plan for Promoting Consumption Efficiency ("PPEC"), an ambitious energy efficiency plan promoted by the Regulator.

### Spain

For the six months ended 30 June 2012, the total number of electricity customers in the liberalised market supplied by HC Energía and Naturgas was 715.921 (including CHC) and these customers were invoiced for 10,021 GWh of electricity supply for the six months ended 30 June 2012, a 4.1 per cent. decrease over the same period of the last year. The energy sold represents 12 per cent. of the total energy sold in the liberalised market in Spain for this period (and therefore EDP's share in the supply market is double its share in generation).

The B2B segment recorded sales of 9,088 GWh, a decrease of 5.1 per cent. from the previous year.

Within the B2C operation, sales of 854 GWh were achieved, representing an increase of 1.8 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 and a maintenance service through the *Funciona* programme, resulting in 314,056 contracts as at 30 June 2012.

The supply company CHC Energía, of which 50 per cent. is owned by HC Energía, established in 2009 with the small electricity distributors ("CIDE"), supplied in the first six months of 2012, 720 GWh; a year-on-year decrease of 5.5 per cent. for a total of 446,000 customers.

### EDP Renováveis

EDP Renováveis is a global leader in renewable energy with all of its revenue coming from wind energy activities. It develops, builds and operates renewable energy assets in Europe (Portugal, Spain, France, Belgium, Poland, Romania, UK and Italy), North America (United States and Canada) and South America (Brazil).

EDP Renováveis is a publicly traded company, listed on "Eurolist by NYSE Euronext Lisbon", following a successful IPO process in June 2008.

Management of EDP Renováveis considers that the company has a comprehensive risk management strategy, a competitive turbine supply strategy, a geographically well balanced portfolio, a strong track record in execution and first class assets with above average wind resources.

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.

#### *Business Overview*

As at June 2012, EDP Renováveis had a total consolidated (including ENEOP Eólicas de Portugal, S.A.) installed capacity in excess of 7.5 GW (332 MW attributable to ENEOP), spread between its European platform (3,996 MW 5 per cent. year-on-year growth), North American platform (3,422 MW with 4 per cent. year-on-year growth) and Brazilian platform (84 MW).

Regarding the efficiency of its global wind assets, in the first six months of 2012, EDP Renováveis' average load factor was 0.7 percentage points ("p.p.") above its average load factor for the first six months of 2011, to 32 per cent. in the first six months of 2012. In the United States of America, the wind resource registered a strong recovery in the first six months of 2012, leading to an accumulated load factor in such period of 38 per cent. (a 1 p.p increase year-on-year). In Europe, the load factor increased to 27 per cent. as a result of the strong wind resource in the second quarter of 2012 in Spain and in the rest of Europe when compared to the first six months of 2011.

As a result of increased capacity and positive load factor performance, electricity output in the first six months of 2012 increased 13 per cent. year-on-year, totalling 9,918 GWh. Energy output in the US performed favourably (10 per cent. year-on-year increase), on the back of higher installed capacity and outstanding wind resource in the first three months of 2012. In Europe, in the first half of 2012, electricity generation improved by 15 per cent. when compared with the first six months of 2011, this performance was strongly supported by Central and Eastern European Markets.

In the first six months of 2012, EDP Renováveis continued to focus its growth strategy on obtaining flexible contracts in terms of time and geography to take full benefit of optionalities. The portfolio of projects under construction was, at the end of June 2012, 515 MW (46 MW relating to the ENEOP – Eólicas de Portugal consortium, equity consolidated), whilst projects under development (segmented in pipeline and prospects) accounted for circa 21,379 MW at the same date. These figures suggest that EDP Renováveis will be able to benefit from a stable source of future growth opportunities.

Concerning spot price exposure, in line with the company's comprehensive risk management strategy, the vast majority (90 per cent.) of energy output in the first six months of 2012 was sold under long-term remuneration schemes. This provides a stable revenue stream whilst effectively managing exposure to spot electricity prices. It is expected that exposure to spot electricity prices will further decrease once new Power Purchase Agreements ("PPAs") in the United States come into effect in the second half of 2012.

#### *Europe*

EDP Renewables Europe ("EDPR EU") from last year to 30 June 2012 increased its installed capacity by 195 MW (57 MW relating to ENEOP), closing the period with 3,996 MW (332 MW relating to ENEOP), spread over six countries: Spain, Portugal, France, Belgium, Poland and Romania.

Electricity generation in the first six months of 2012 increased by 15 per cent. year-on-year to 4,217 GWh. This change comes as the result of the capacity increase coupled with a higher average load factor. The average load factor for the first six months of 2012 increased by 0.9 p.p. compared to the same period of the previous year, first half of 2012 was strongly influenced by the solid second quarter of 2012 load factor.

As at 30 June 2012 EDP Renováveis had 299 MW (46 MW attributable to ENEOP) under construction in EU.

#### *Spain*

In Spain, EDP Renováveis' wind installed capacity as at June 2012 amounted to 2,211 MW constituting an increase of 21 MW year-on-year. As at June 2012, 100 MW were under construction in Spain.



EDP Renováveis' load factor in Spain increased by 1 p.p. to 28 per cent. for the first six months of 2012, compared with the first half of 2011. Electricity output grew by 11 per cent. year-on-year during the six month period to 30 June 2012, amounting to 2,639 GWh during the period.

Aligned with EDP Renováveis' commitment to stable income generation and comprehensive risk management, more than 83 per cent. of the 2,639 GWh generated in Spain was sold through hedges, fixed tariffs or at the fixed floor price mechanism. These long-term contracts mitigate the risks to the business from the volatility of spot energy market prices.

#### *Portugal*

In Portugal, EDP Renováveis' installed wind capacity as at June 2012 totalled 615 MW of consolidated capacity plus 332 MW equity consolidated through its interest in the Eólicas de Portugal consortium. Installed capacity increased by 73 MW (57 MW attributable to ENEOP) over the 12 months ended June 2012.

EDP Renováveis' load factor in Portugal in the first six months of 2012 reached 27 per cent., in line with the first six months of 2011, following a very strong wind resource in the second quarter of 2012 more than offsetting the below average wind resource in the first three months of 2012. Such performance, despite the capacity increase, led to a 1 per cent. year-on-year increase in electricity generation amounting to 707 GWh, supported by 30 per cent. year-on-year growth in the second quarter of 2012.

#### *Rest of Europe*

At the end of June 2012, EDP Renováveis had 306 MW installed in France, 285 MW in Romania, 190 MW in Poland and 57 MW in Belgium. This amounts to 101 MW year-on-year increase to 838 MW in the listed geographies. By June 2012, a total of 154 MW were under construction in the Rest of Europe: 80 MW in Poland, 40 MW in Italy, 26 MW in Romania and 8 MW in France.

Electricity output increased by a sound 49 per cent. to 871 GWh on the back of capacity installed over the last 12 months, particularly in Central and Eastern Europe.

#### *North America*

In the US, EDP Renováveis' installed wind capacity as at June 2012 totaled 3,422 MW and spread throughout 11 different states. Over the 12 months ending 30 June 2012, 144 MW were installed in the country. Regarding future additions, there were 215 MW under construction from the Marble River wind farm as at 30 June 2012.

The average load factor in the first six months of 2012 was 38 per cent., having improved by 2 p.p. compared to the same period of the previous year, given the better wind resource in Central and Eastern regions. Following the increase in installed capacity and positive load factor performance, electricity output in the first six months of 2012 increased by 10 per cent. year-on-year, reaching a total of 5,607 GWh.

#### *Brazil*

EDP Renováveis installed wind capacity in Brazil totalled 84 MW by June 2012. The company's installed capacity in Brazil is fully under the PROINFA program, with long-term contracts to sell the electricity produced for 20 years, which translates into a stable and visible cash-flow generation throughout the useful life of the projects.

Electricity output increased three-fold to 93 GWh in the first six months of 2012, following the short period of operation in the first six months of 2011 of the 70 MW Tramandaí windfarm which was concluded in May 2011. The capacity brought into operation during the last twelve months had an average load factor of 25 per cent.

In the first half of 2012, EDP Renováveis' average load factor in Brazil increased 1p.p. year-on-year to 25 per cent. in part due to the positive contribution of the 70 MW added in May 2011, however, this was offset by lower wind resources in the second quarter of 2012.

EDP Renováveis has 1,414 MW of additional pipeline in different stages of maturity.

In December 2011, the company secured in the energy A-5 auction 20-year PPAs for 120 MW, which reinforced EDP Renováveis' presence in a market with a low risk profile, attractive wind resource and strong growth prospects. In October 2012, EDP Renováveis intends to participate in the upcoming expected A-3 and A-5 auctions in order to secure the development of pipeline and to strengthen its position in the Brazilian market.

## *EDP's energy business in Brazil*

### *Generation*

Generation activities by EDP Brasil include the management of hydroelectric power stations, mini-hydro power stations, Wind Generation (through a 45 per cent. stake in EDP Renováveis Brasil, S.A.), located in the states of Espírito Santo, Mato Grosso do Sul, Tocantins, Santa Catarina and Rio Grande do Sul. These facilities had a total installed capacity of 1.832 MW as at 30 June 2012, representing an increase of 4 MW compared to the figure as at 30 June 2011, resulting from the additions from the repowering of Mascarenhas Hydro Plant.

The volume of energy sold by the Group's plants in Brazil in the first six months ended 30 June 2012 reached 4,179.2 GWh, 4.1 per cent. higher than the same period of the previous year, as a result of the sales contracts seasonalisation strategy, allocating more energy in the first half of this year. The clients themselves establish their contractual seasonalisation energy strategy for the year every December of the preceding year. The decision on seasonalisation for 2012 - taken at the end of 2011 - was impacted by uncertain hydrological conditions in relation to the rainy season in early 2012 and indicating corresponding spot price ("PLD") volatility. Consequently, seasonalisation accompanied this profile by protecting the first six months of 2012 with the allocation of larger volumes and a lesser concentration of volume in the second half.

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. 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 price reached at the auction was R\$ 125.95 per MWh, for a contract with a validity period of 15 years. The first phase is expected to be operational by the third quarter of 2012 and the second phase by the last quarter of 2012.

As announced on June 2011, EDP Brasil acquired Santo Antônio do Jari Hydro Power Plant ("HPP"), located on the border of Pará and Amapá states. Santo Antônio do Jari HPP has an installed capacity of 373 MW and assured energy of 196.1 average MW (Related to 300 MW of installed capacity. Assured energy of 73 MW capacity expansion is still pending the regulators' approval.), corresponding to a utilization factor of 65 per cent., already approved by the National Electric Energy Agency ("ANEEL"), of which 190 average MW were sold in the A-5 Auction of December 2010 for the period of 30 years ending 31 December 2044 (termination of the concession).

### *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 free customers, who choose a different electricity supplier and pay the distributor only for the use of the distribution network.

The distribution activities are currently developed by two concessionaires, which attend to around 2.8 million customers, in regions where the total population is of approximately 8 million people:

- **Bandeirante** – Supplies energy to almost 1.6 million customers in the regions of Alto Tietê, Vale do Paraíba and Litoral Norte from the state of São Paulo, where approximately 4.5 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 3.5 million inhabitants in 70 of the 78 municipalities from the state of Espírito Santo, supplying electricity to almost 1.3 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 12.5 TWh in the first half of 2012 ended on 30 June, representing a 1.5 per cent. year-on-year increase.

The volume of electricity sold to final costumers increased by 3.2 per cent. in the first half of 2012 compared to the first half of 2011. In the residential and commercial segment, the volume sold in the first half of 2012 rose 4.4 per cent. and 7.9 per cent. respectively year-on-year reflecting: (1) the impact of continued increases in income (average national per capita household income rose 7.4 per cent. in the rolling twelve month period to May 2012 against the equivalent period in 2011) and (2) a decline in unemployment (the

average accumulated unemployment rate for the twelve months ending May 2012 measured 5.8 per cent.). An expanded customer base, particularly in the case of the commercial class, also contributed to the result. In the industrial segment, the fall in the volume of electricity sold by 3.9 per cent. in the first half of 2012 compared with the previous year was due to the migration of customers to the free market and deceleration in domestic industrial output, principally in the state of São Paulo. As for electricity distributed (but not sold) to liberalized market clients (essentially large industrial consumers supplied directly in the free wholesale market from which EDP collects only third party access tariffs), the volume decreased 2.0 per cent. year-on-year in the first half of 2012, reflecting maintenance downtimes and the resuming of energy cogeneration of relevant customers in the state of Espírito Santo.

### *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 showed growth in the volume of energy supplied in the first half of 2012 ended 30 June 2012, trading 5,213.5 GWh, which was 4.7 per cent. higher than in the first half of 2011, ended 30 June 2011, thus ranking it as the third largest private sector electricity energy commercialisation company in Brazil.

### Gas

In the six months ended 30 June 2012, EDP was one of the largest gas distributors in the Iberian Peninsula, supplying a total of 8.6 TWh and 2.1TWh of gas to customers in Spain and Portugal, respectively. As for gas distribution, EDP distributed 17,2 TWh and 2.9 TWh to customers in Spain and Portugal, reaching a total of 770,000 customers and 1,270,600 supply points.

### Procurement of gas

#### 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 2012, Portgás had 274,600 supply points and 4,219 kilometres of distribution grid. Gas volumes distributed increased by 9.5 per cent. year-on-year supported by the 9 per cent. year-on-year increase in the number of supply points, following a systematic effort of client connection on existing grids in the region operated by EDP.

In addition, EDP subsidiary EDP Gás Com – Comércio de Gás Natural, S.A. is licensed to operate in the Portuguese liberalised market. As at 30 June 2012 it had a 16 per cent. B2B market share.

#### Spain

In Spain, EDP operates in the natural gas market through its ownership of Naturgás, held through Hidrocantábrico.

Combined with the positions already held in Portugal, this makes EDP one of the largest companies in the natural gas distribution market in the Iberian Peninsula, with more than 1,200,000 points of supply as at 30 June 2012. The network length now exceeds 14,000 kilometres.

In July 2009, Naturgas Energia 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 reinforced 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, Ente Vasco de la Energía ("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 Hidrocantábrico and EVE pursuant to which Hidrocantábrico will purchase from EVE 29.43 per cent. of the share capital of Naturgas. By June 2012, Hidrocantabrico had already acquired 19.43 per cent while the acquisition of the remaining 10 per cent. will not be completed until the end of the first six months of 2013. The completion of this transaction will allow

Hidrocantabrico to increase its holding in Naturgas to 95 per cent. Hidrocantábrico 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.

In July 2012, Naturgás agreed to sell its transmission business, approximately 445 kilometers of pipeline mainly located in the Basque Country, to Enagas (90 per cent.) and EVE (10 per cent.). The agreed price was €262.5 million (enterprise value) and the completion of the transaction is still dependent on certain conditions, including authorisations by antitrust and relevant regulatory authorities.

The natural gas marketed by Naturgas in the six months ended 30 June 2012 was 15,462 GWh, representing a 2 per cent. year-on-year increase, to a total of 766,000 clients.

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).

Gas invoiced in the six months ended 30 June 2012 to the Spanish regulated market amounted to 31.3 TWh, representing a 21 per cent. year-on-year increase from 25.8 TWh, backed by a 1 per cent. increase in the number of supply points and a 2 per cent. increase of the network's extension. The total number of gas consumers that are connected to Hidrocantábrico's distribution network increased from 641,336 in 2006, to 1,001,611 in June 2012.

## **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 and a 21.2 per cent. interest in Companhia de Electricidade de Macau, located in Macau, China.

## **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 since 1998 ("MIBEL Agreements").

Under the MIBEL Agreements, MIBEL's purpose is to be the common electricity trading space in Portugal and Spain, comprising of: (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 have 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 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").

Pursuant to the provisions of the aforementioned agreements, which entered into force on 1 July 2011, the segregation process affecting the Spanish market operator - Operador del Mercado Ibérico de Energía, Polo Español, S.A., ("OMEL") has been completed. This has involved the transfer of a section of OMEL's business, which involved the operation of the electricity market and other energy-based products, to OMI Polo español, S.A. ("OMIE").

Further to this transfer, as from 1 July 2011, OMIE will assume the management of the bidding system for the purchase and sale of electricity on the spot market within the sphere of MIBEL, whilst OMEL has become a holding company, owning 50 per cent. of each of OMIE and OMIP and 10 per cent. of the Portuguese parent company, OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP, SGPS"). OMIP SGPS also holds 50

per cent. of each of OMIE and OMIP and has diversified its shareholder base in October 2011, by reduction of the Portuguese TSO stake from 90 per cent. to 45 per cent. by sale to several market agents.

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 OMIE, 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 OMIE, 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 supply, 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 two requirements, which are that by 2020: (1) 20 per cent. of EU-wide energy consumption will be generated from renewable sources and (2) at least 10 per cent. of transport petrol and diesel consumption in each Member State will be originated from bio fuels.

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 Directives 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 set out at the European Council of March 2007, as described above.

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 bio fuels and bio liquids. The Renewable Energy Directive was required to 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 progressively deregulated with the unbundling of the power transmission network and the liberalisation of power generation and supply. The current organisation of the Portuguese energy sector is mostly the result of a significant restructuring initiated with the National Strategy for the Energy sector (the "NSE") established firstly by Resolution of the Council of Ministers no. 169/2005 of 24 October 2005, as later amended and updated by Resolution of the Council of Ministers no. 29/2010, of 19 March 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 technological skills and know-how 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 (iii) 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 no. 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 2006 ("Decree-Law no. 172/2006"), as amended, further developed this legal framework (together with Decree-Law no. 29/2006 the "Electricity Framework") and established rules for activities in the electricity sector.

Following implementation of this new Electricity Framework, the former organization of the Portuguese Electricity System was 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 or simple registration in the case of the liberalised supply. 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 2009, while transposing Directive no. 2006/32/CE of the European Parliament and of the Council, of 5 April 2006, 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 legislation, 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.

Directive 2009/72/EC was transposed into Portuguese national law by Decree-Law no. 78/2011, of 20 June 2011 ("Decree-Law no. 78/2011"), which amended Decree-Law no. 29/2006 and introduced changes into the Electricity Framework.

Following the amendments introduced by Decree-Law no. 78/2011, the Electricity Framework now adopts a regime of stricter separation between the entities acting in the generation and supply of energy and the transmission and distribution system operators, by attributing new powers to the national energy regulator and reinforcing the protection rights of consumers.

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

Under the Electricity Framework, the Portuguese Electricity System is divided into six major functions: generation, transmission, distribution, supply, 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 necessary resources and in accordance with the principles of competition, environmental sustainability and consumer protection, with the purpose of increasing competition and efficiency in the Portuguese Electricity System, in the context of the creation of the internal energy market.

### ***Electricity generation***

Electricity generation is 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 hydropower plants with large generation capacity). Special regime generation is subject to different licensing requirements and, in general, benefit from a feed-in tariff system. A last resort 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.

Decree-Law no. 141/2010, of 29 December 2010, which transposes Directive 2009/33/CE of the European Parliament and of the Council, of 23 April 2009, established that, as an indicative objective, the use of renewable energy sources must constitute at least 31 per cent. of end-use electricity consumption by 2020.

### ***Ordinary Regime***

On 30 June 2007, all of the long term PPAs that had been previously executed by EDP during the 1990s were terminated early pursuant to Decree-Law no. 240/2004, of 27 December 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 2007. 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.

Governmental Order no. 765/2010, of 20 August 2010 ("Governmental Order no. 765/2010"), established a new regime applicable to generators operating in the liberalised market, that remuneration may be awarded to generators that provide 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 provision of an investment incentive for a period of ten years, currently amounting to €20,000 per MW installed was established, to be used in generation capacity in the ordinary regime (not less than 50 MW).] Power plants that used to benefit from PPAs early terminated in 1 July 2007 and that are currently subject to a stranded costs compensation mechanism, designated as the CMEC mechanism, had been excluded from such incentive benefits. New capacity increases of hydro power plants with reversible systems were also covered by this measure. The availability incentive provided for a payment for the availability of certain generation 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 were to be made and managed by the system operator and supported by the electricity tariffs as set in the Tariff Regulation enacted by the Portuguese Energy Services Regulatory Authority (*Entidade Reguladora dos Serviços Energéticos*, "ERSE"), an autonomous public entity.

Following the Memorandum of Understanding on Specific Economic Policy Conditionality entered into by the Portuguese State with the International Monetary Fund, the European Union and the European Central Bank (the "Financial Assistance Program"), the Portuguese capacity remuneration mechanism was recently reviewed. In fact, Governmental Order no. 139/2012, of 14 May 2012, revoked Governmental Order no. 765/2010 and terminated, with effects as from 1 June 2012, the capacity remuneration mechanism as described above and establishes the guiding principles of the substitute regulatory regime. In particular, the capacity mechanism ceased to be applicable to thermal power plants until 2013, reflecting the date for completion of the measures set forth in the Financial Assistance Program for the energy sector, although after such date the capacity amount shall correspond to € 6000/MW per year. The capacity payments are also maintained for new hydro power plants, during a period of 10 years, in an amount calculated on the basis of the current criteria for national supply coverage set out in regulations, which shall be reduced in 50 per cent. for capacity repowering in hydro plants with reversible pumping (10,000 €/MW.year).

### **Special Regime**

The Portuguese legal provisions applicable to the generation of electricity based on renewable resources and to cogenerators (special regime generation) is primarily governed by Decree-Law no. 189/88, of 27 May 1988 ("Decree-Law no. 189/88"), and the amendments thereto, including Decree-Law no. 312/2001, of 10 December 2001 and, in respect of tariffs, Decree-Law no. 168/99, of 18 May 1999, Decree-Law no. 339-C/2001, of 29 December 2001, Decree-Law no. 33A/2005, of 16 February 2005 ("Decree-Law no. 33-A/2005"), and Decree-Law no. 225/2007, of 31 May 2007, as amended by Decree-Law no. 51/2010, of 20 May 2010. Special regime generation is also affected by Decree-Law no. 29/2006 and Decree-Law no. 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 no. 23/2010, of 25 March 2010"), as amended by Law no. 19/2010, of 23 August 2010 ("Law no. 19/2010, of 23 August 2010"),

provides for a new cogeneration regime in respect of, among others, licensing and tariffs. The specific terms of the reference tariff remuneration regime were recently defined by the Governmental Order no. 140/2012, of 14 May 2012.

### **Licences**

Decree-Law no. 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 no. 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. 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 no. 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. 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.

The cost of providing such remuneration to the generators is allocated in accordance with Decree-Law no. 90/2006, of 24 May 2006. Additionally, Decree-Law no. 312/2001, of 10 December 2006, establishes the obligation of certain entities, such as REN - Rede Eléctrica Nacional, S.A. ("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 resort suppliers who are required to purchase electricity under the special regime pursuant to article 55 of Decree-Law no. 172/2006. However, neither the right of the special regime operator, nor the correspondent obligation of the last resort supplier, limits 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 resort supplier, it will receive an amount corresponding to the tariff applicable to special regime generation for the electricity sold.

### **Cogeneration**

Decree-Law no. 23/2010, as amended by Law no. 19/2010, which transposes Directive 2004/8/EC of the European Parliament and Council of 11 February 2004, 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. The new remuneration mechanism is based on two methods subject to the choice of the cogeneration generator: a general regime whose compensation is defined by market value plus a transitory market participation premium and a special regime that is only available for generators with installed capacity less than or equal to 100 MW, defined by a temporary reference tariff plus an efficiency premium. During a transitory period, generators with a 15-year operation period or less are able to choose between the previous and the new regime.

The terms of calculation of the new reference tariff and the specific characterization of the transitory remuneration scheme were recently enacted by the Governmental Order no. 140/2012, of 14 May 2012.

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

Until 1 July 2007, electricity generated by EDP Produção's power plants and other power plants 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.

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 defining 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 early terminated 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").

On 17 May 2012, the Portuguese Government, acting through the Ministry of Economy and Employment, announced that an adjustment had been set to the interest rate applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the contractual balance ("CMEC"), which, on average for the period 2013 to 2027, is €13 million per year, corresponding to a present value of €120 million. This adjustment shall result from the amendment to the mechanism for calculation of the fixed amount interest rate under Decree-Law no. 240/2004, of 27 December 2004.

### **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 is awarded to REN - Rede Eléctrica under article 69 of Decree-Law no. 29/2006, following the concession already awarded to REN - Rede Eléctrica under article 64 of Decree-Law no. 182/95, of 27 July 1995.

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, among others, restrictions on the possibility of exercising control over the transmission system operator or by the transmission system operator in other companies operating in the generation or supply of electricity, including restrictions in the appointment of corporate bodies in or by the transmission system operator and restrictions on the ownership of the transmission system operator's share capital. No person or entity may directly or indirectly hold more than 25 per cent. of the concessionaire's share capital. The limitations are not applicable to the Portuguese State, or entities controlled by the Portuguese State, nor does it prevent the

development of a dominant position with respect to the company group in which the concessionaire is integrated as of May 2012.

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.).

The Electricity Framework also establishes a certification procedure for the transmission system operator, which shall be carried out by ERSE and which has the objective of evaluating the fulfilment of the referred independence criteria.

### ***Electricity Distribution***

Electricity distribution under the 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, pursuant to article 70 of Decree-Law 29/2006, as a result of converting the licence held by EDP Distribuição under the former regime 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 no. 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 no. 172/2006 it is expected that new concessions may have to be entered into after a competitive procedure to be implemented 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. The minimum criteria for ensuring this independence are set out in the Electricity Framework and include, among others, restrictions aimed at ensuring that the entities carrying out electricity distribution activities have an independent and effective decision making power and obligations ensuring that their respective trademark and communications are distinct from the trademark and communications of all the other entities acting in the energy sector. Operators of distribution networks at low voltage who supply fewer than 100,000 customers are not subject to the independence criteria set out in the Electricity Framework. Nonetheless they must ensure that their respective trademarks and communications are distinct from the trademark and communications of all the other entities acting in the energy sector.

Entities carrying out electricity distribution activities which supply more than 100,000 customers and who are vertically integrated as a company or a group shall establish and implement a compliance programme, subject to prior approval by ERSE, which sets out the measures taken in order to ensure that discriminatory conduct is excluded, and ensure that compliance with that programme is adequately monitored.

### ***Electricity Supply***

Electricity supply is open to competition, subject only to a prior registration regime. Suppliers may freely 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 ERSE.

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 no. 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 Electricity Framework sets out 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 supplier of electricity for the liberalised market is its subsidiary EDP Comercial.

As required by the Electricity Directive, the Electricity Framework also establishes a last resort supplier that is subject to licensing by DGEG and regulation by ERSE. The last resort 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 who purchase electricity under regulated tariffs and is subject to universal service obligations. The last resort 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 resort supplier has been undertaken by an independent entity, 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 2007, the last resort supplier is further required to buy forward energy in the markets managed by OMIP and OMI Clear 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 resort 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 resort 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) OMIE, 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 OMI Clear 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 OMIE 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, which process should not take more than three weeks, and without limit for the number of switches. 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.

### ***Electricity Tariffs***

The prices that EDP charges for electricity and access to the networks are subject to extensive regulation. In February 1997, ERSE was appointed as the electricity 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 resort 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 resort 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 resort 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 2006, 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.

On 1 September 2007 and as a result of the early termination of EDP’s PPA’s, ERSE has also adjusted the last resort supplier’s tariffs to final customers and access charges.

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 2008 (“Decree Law no. 165/2008”) defined the rules applicable to tariff adjustments referring to electric energy acquired by the last resort 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.

Towards the end of 2010, two relevant pieces of legislation were enacted with respect to tariffs: Decree-Law no. 110/2010, of 14 October 2010 (“Decree-Law no. 110/2010”), which determined the termination of hydraulicity correction mechanism; and Decree-Law no. 138-A/2010, of 28 December 2010 (“Decree-Law no. 138-A/2010”), which created the social tariff and its respective legal framework. On 29 September 2011, the Decision of the Secretary of State of Energy no. 13031/2011, fixed a cap variation of this tariff for 2012.

In order to protect vulnerable electricity clients, the Portuguese Government through the Decree-Law no. 138-A/2010, of 28 December 2010, regulated by Governmental Orders no. 1334/2010, of 31 December 2010, has established the electricity social tariff, providing a percentage discount applied to the low voltage access tariff. Another support mechanism was implemented through Decree-Law no. 102/2011, of 30 September 2011, regulated by Governmental Orders no. 275-A/2011 and no. 275-B/2011, of 30 September 2011, establishing an extraordinary social support mechanism for energy clients (“ASECE”), corresponding to a percentage discount applied to the invoice without VAT or other taxes.

For the purposes of the calculation of the tariffs for 2012, the over costs resulting from the generation under the special regime, including the adjustments which result from the two prior years, will be reflected in the profits to

be recovered by the regulated companies in a 5 year period provided for in the Decree Law no. 78/2011, of 20 July 2011. Moreover, Decree Law no. 109/2011, of 18 November 2011, defers to 2013 the variable charge of the costs for the maintenance of the contractual balance ("CMEC") from 2010. This mechanism may also be applied by ERSE to the subsequent years, taking into account the tariff stability necessities.

Through Decree-Law no. 104/2010, of 29 September 2010 ("Decree-Law no. 104/2010"), the Portuguese Government established the end of last resort supply tariff for large clients (Very High, High, Medium and Special Low Voltage) starting at the beginning of 2011. During 2011, a transitory last resort supply tariff for large clients was available. The end of this transitory last resort supply tariff (all segments except normal low-voltage) was scheduled to occur on 1 January 2012 but, nevertheless, ERSE has defined new transitory tariffs until the end of 2012.

On 28 July 2011, pursuant to the Financial Assistance Program, Resolution of the Council of Ministers no. 34/2011, of 1 August 2011 ("Resolution of the Council of Ministers no. 34/2011"), approved a calendar for the end of the regulated tariffs and the introduction of transition tariffs for standard low voltage electricity consumers and set the beginning of December 2011 as the deadline for the enactment of all necessary legislation to enforce this measure. The Resolution of the Council of Ministers provides for the end of the regulated tariffs for the electricity supplied to low voltage consumers with contracted power equal to or under 41.4 kVA and equal to or higher than 10.35 kVA by 1 July 2012 and consumers with contracted power under 10.35 kVA by 1 January 2013.

Giving effect to this Resolution of the Council of Ministers, Decree-Law no. 75/2012, of 26 March 2012, establishes the extinction of the electricity regulated tariffs, approves the application of an aggravating factor to encourage the transition to free market and extinguishes the transitory regime of the regulated tariffs for clients above normal low-voltage. For the present regulatory period 2012-2014, ERSE has made some important improvements to the regulatory framework regarding distribution activities and last resort supply of electricity. In respect of the electricity distribution activities, CAPEX is no longer contained in the price cap mechanism, but is now valued autonomously and adjusted at real values two years after it has been incurred. The stability afforded to permitted revenues as a result of this improvement was also seen in OPEX, where only 40 per cent. of the variable component of the price cap is now dependent on electricity consumption, compared with 100 per cent. in previous years. In respect of last resort supply activity, and based on a cost incentive form of regulation, ERSE has reviewed the structure of OPEX in terms of fixed and variable components (now calculated on a 50 per cent./50 per cent. basis, rather than the previous 20 per cent./80 per cent. split) and introduced a new factor for this component, the number of services, in addition to the existing factor, number of customers.

### ***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 2006 ("Decree-Law no. 30/2006"), and Decree-Law no. 140/2006, of 26 July 2006 ("Decree-Law no. 140/2006"), (together, the "Natural Gas Framework"), both amended by Decree-Law no. 66/2010, of 11 June 2010 ("Decree-Law no. 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 10,000 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 no. 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 resort 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 no. 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 no. 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 resort 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 a minority stake in Setgás, which is the concessionaire for the distribution of natural gas in the South of Lisbon region.

### ***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 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 no. 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, on a transitional basis.

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 resort 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 themselves.

Last resort 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. EDP's last resort supplier activity is undertaken by its subsidiary EDP Gás Serviço Universal in the concession area of its gas distribution company EDP Gás

Distribuição/Portgás.

### **Natural Gas Tariffs**

Since 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 no. 10423/2010, of 22 June 2010, set 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 no. 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 natural gas suppliers other than last resort suppliers.

Resolution of the Council of Ministers no. 34/2011, establishes as an objective that regulated sales tariffs for natural gas final customers with annual consumption between 10,000 cubic meters and 500 cubic meters should terminate as from 1 July 2012, making the sale of natural gas to final customers with annual consumption between 10,000 cubic meters and 500 cubic meters subject to market prices.

According to such Resolution, the regulated sales tariffs for natural gas to final customers with annual consumption under 500 cubic meters should also be terminated as from 1 January 2013, making their sale subject to market prices.

Giving effect to the Resolution of the Council of Ministers no. 34/2011, Decree-Law no. 74/2012, of 26 March 2012, establishes the extinction of the natural gas regulated tariffs and approves the application of an aggravating factor to encourage the transition to the liberalized market.

In order to protect vulnerable natural gas clients, the Portuguese Government through the Decree-Law no. 101/2011, of 30 September 2011, has established the gas social tariff, providing a percentage discount applied to the low pressure access tariff. Another support mechanism was implemented through the Decree-Law no. 102/2011, of 30 September 2011, regulated by Governmental Orders no. 275-A/2011 and no. 275-B/2011, of 30 September 2011, establishing an extraordinary social support mechanism for energy clients ("ASECE"), corresponding to a percentage discount applied to the invoice without VAT or other taxes.

### **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 since then. In March 2006, DGEG published, through Decision 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 approved by Ministerial Order no. 596/2010.

- 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 approved by Ministerial Order no. 596/2010.

### **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 no. 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 no. 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, since then, it has been subject to several amendments.

The Tariff Regulation was amended in December 2010, in order to incorporate changes introduced by legislation issued during 2010, namely, Governmental Order no. 765/2010 that establishes the capacity payment regime for the generators belonging to the Electricity National System; Decree-Law no. 104/2010 that imposes the termination of the regulated tariffs for final clients with contracted power above 41.4 kW, beginning on 1 January 2011; Decree-Law no. 110/2010, which determines the termination of the hydraulicity correction mechanism; and Decree-Law no. 138 A/2010, which creates the social tariffs and the respective legal framework.

In July 2011, with the approach of a new regulatory period (2012-2014), the Tariff Regulation was again updated and aims at three major objectives, namely: (1) amending the Tariff Regulation in accordance with the changes introduced by Decree-Law no. 78/2011, which transposed Directive 2009/72/EC; (2) the introduction of improvements to the applicable regulatory methodologies from the perspective of the regulated activity; and (3) the achievement of greater levels of efficiency by the companies. The Tariff Regulation was finally amended in December 2011 by ERSE Directive 6/2011 to reflect the enactment of Ministerial Order no. 279/2011, and Decree-Law no. 109/2011.

- The Commercial Relations Regulation

The Commercial Relations Regulation governs commercial relations between entities within the electricity sector. The first Commercial Relations Regulation was issued in December 1998 and has since then been subject to several amendments.

Major amendments were implemented in August 2008, in order to improve the full liberalisation of the electricity market, notably by ensuring 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 further in August 2009 to incorporate the new rules regarding tariff adjustments established by Decree-Law no. 165/2008.

In July 2011, the Commercial Relations Regulation was further amended in order to accommodate the changes arising out of Decree-Law no. 78/2011 and other legislation enacted during 2010 and 2011.

- The Access to the Network and 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 then been subject to several amendments. The most recent amendment occurred in July 2011 following the enactment of legislation during 2010 and 2011.

- 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, and published by ERSE in December 2010.

- 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 resort 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 no. 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 2011, with the changes introduced by Decree-Law no. 101/2011, which created the social tariff for the supply of natural gas for vulnerable natural gas clients, and Decree-Law 102/2011, which has established an extraordinary social support mechanism for energy clients ("ASECE"), corresponding to a discount over electricity and natural gas prices, as well as in 2012, the changes in the Regulation reflecting the enactment of Decree-Law no. 74/2012, a new tariff option for the Use of the Distribution Network Tariff, and the implementation of a joint mechanism in the attribution of capacity in the Portugal Spain interconnections

- 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.

Subsequently, ERSE issued some other amendments to the complementary regulatory legislation, such as the commercial conditions for the connections to natural gas grids and the general conditions of the supply agreements.

- 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 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 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.

In April 2011, ERSE issued the Manual of Logistics Management Supply of LNG Autonomous Units (“UAG”), which is part of the Procedural Manual of Management and Operation of Networks for Local Distribution, foreseen in the Infrastructure Operation Regulation, aiming to establish the criteria and procedures for managing the logistics of the supply of LNG to the UAG.

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

From the 8<sup>th</sup> of July 2012, Portugal has in place a new competition act, approved by Law no. 19/2012, of 8 May, which repealed former Law no. 18/2003, of 11 June.

The new competition act follows closely the wording of the fundamental anti-trust provisions contained in the Treaty on the Functioning of the European Union and of the EU Merger Control Regulation.

Competition rules in Portugal are enforced by an independent agency, the Portuguese Competition Authority, enacted in 2003 by Decree-Law no. 10/2003, of 18 January. The Authority is 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 resources and the interests of consumers.

To that end, the Portuguese Competition Authority enjoys a number of sanctioning, supervisory and regulatory powers which include investigative prerogatives to perform inquiries of legal representatives of companies or associations of companies, request documents or information and conduct searches at business and non-business premises, including private domiciles. It may also impose severe fines on companies and individuals that do not comply with competition rules. Penalties can amount to 10 per cent. of a group’s annual turnover or 10 per cent. of an individual’s annual income.

Since 1 May 2004, all national competition authorities within the EU, including the Portuguese Competition Authority, are empowered to apply fully the anti-trust provisions of the Treaty on the Functioning of the European Union (Articles 101 and 102) in order to ensure that competition is not distorted or restricted. National courts may also apply these provisions so as to protect the individual rights conferred on citizens (companies and individuals) 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 made up 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 and 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. However, since January 2012 special tariffs applied to special regime generators have been suspended. 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 OMIE (see “– Iberian Peninsula – MIBEL Overview”), while REE is operator and manager of the transmission grid and sole transmission agent. REE as transmission company, together with regulated distributors, provide network access to all consumers. However, consumers must pay an access tariff or toll to the distribution companies if such access is provided, directly as a qualified consumer or through a liberalised supplier.

Liberalised suppliers are free to set a price for their customers. 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 have not been permitted to supply electricity.

Royal Decree-Law no. 6/2010, of 9 April 2010, amends (pursuant to Article 23) Articles 1, 9, 11 and 14 of Law no. 54/1997, in order to legally enable the office of the system manager, whose development has taken place, in regulatory terms, through the Royal Decree no. 647/2011, of 9 May 2011 which specifies the rights and obligations of the new players in the electricity supply market, who will be responsible for developing the activity of energy supply for recharging electric vehicles.

As part of the unbundling of the transmission system operator, Endesa, Gas Natural Fenosa and Hidrocantábrico sold their remaining transmission assets to REE, completing the process required by Law 17/2007 which established REE as the sole transmission agent.

Through Royal Decree-Law no. 13/2012 the Directive 2009/72/CE has been partially included in Spanish regulation.

### **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, international transactions and energy suppliers for recharging electric vehicles);
- 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. Royal Decree-Law no. 13/2012 has built upon the achievement of that target by including Directive 2009/72/CE in the Spanish regulation.

### ***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 2011, 71.87 per cent. of the total demand for electricity in Spain was provided for under the Spanish ordinary regime (hydro 10.23 per cent., nuclear 21.33 per cent., coal 17.17 per cent. and gas 20.37 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, suppliers and direct consumers and, until 30 June 2009, distributors) in the daily and intra-day 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, could be 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 also been permitted to hold energy auctions to purchase electricity. Prices of the auctions are used to establish last resort tariffs. 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. Ordinary regime power plants must also participate in ancillary services markets managed by the system operator REE. Order no. ITC 2794/2007 established a new regime of fixed payments applicable to generators operating in the ordinary regime. The new regime established the attribution, for a period of ten years, of an investment incentive, currently in an initial amount of €20,000 per MW installed, increased up to €26,000 per MW installed by Order ITC/3127/2011 and transitorily fixed at €23,400 per MW installed. Referred Order ITC/3127/2011 has also regulated an incentive regarding the availability of the certain facilities in the short term.

In February 2010, Royal Decree no. 134/2010, modified by Royal Decree no. 1221/2010, laid down the procedure for resolution of supply security restrictions as a means to promote consumption of indigenous coal. This procedure was approved by EU competition authorities under Article 108.3 of the Treaty of Lisbon in September 2010. Costs recovery is guaranteed for power plants working under this regime. Soto de Ribera 3 power plant, owned by EDP/HC Energía, belongs to this regime.

### ***Spanish Special Regime***

According to REE, 34.56 per cent. of the electricity demand in Spain in 2011 was provided by facilities that were governed by the Spanish special regime. Electricity produced from wind alone represented 15.56 per cent. of the total electricity demand in 2011 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 no. 661/2007, established the current regulation of the Spanish special regime. Royal Decree no. 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 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 no. 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 no. 661/2007.

Royal Decree-Law no. 14/2010 (1) has obliged generators (special and ordinary regime) to pay a toll for the use of the networks of €0,5 per MW per hour, (2) has limited the hours that photovoltaic facilities may receive special tariffs but, in compensation, has increased the number of years to obtain incentives (from 25 to 28 years).

Royal Decree-Law no. 1/2012, has temporarily suspended the fixed tariffs, plus a premium and “pre-assignment” procedure for new special regimen projects. These suspensions do not affect those projects which were included in the “pre-assignment” register.

#### *Electricity tariffs, supply and distribution*

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 (Law 17/2007 that amended the Electricity Sector Act in order to adapt it to Directive 2003/54/EC), the regulated 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. According to Royal Decree no. 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 three months), (2) access tariffs and (3) costs of supply management. Last resort consumers can choose between being supplied at last resort tariffs or being supplied in the liberalised market.

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 no. 2017/1997 (as amended by Royal Decree no. 1432/2002, Royal Decree no. 222/2008, Royal Decree no. 485/2009, Royal Decree-Law no. 13/2012 and Royal Decree-Law 20/2012).

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; from 1 January 2011, all facilities are obliged to pay tolls for the energy they generate (Royal Decree-Law no. 14/2010).

Access tariffs, are set by the Minister of Industry, Energy and Tourism based on the costs of regulated activities, including transmission and distribution costs, special regime premiums, other permanent costs and diversification and security of supply costs. Access tariffs are uniform throughout the entire country although regional extra costs if approved, have to be added to tariffs by the Ministry of Industry (Royal Decree-Law 20/2012). The access tariffs should be enough to cover all regulated costs but some deficit is permitted until 2013 (Royal Decree-Law no. 6/2009 and Royal Decree-Law no. 14/2010).

On the other hand, on 1 July 2009 the regulated system of electricity tariffs was extinguished. Since then, distributors have ceased to supply electricity, becoming merely network operators. Accordingly, from that date, all consumers have been in the liberalised market. However, Royal Decree no. 485/2009, provides that the low voltage final consumers who hired 10 kW or less are eligible for the tariff of last resort, which applies a regulated price to that supply. This tariff will be applied by the designated suppliers of last resort, among which is EDP/HC Naturgas Comercialización Último Recurso, S.A.

Following the approval of Act 25/2009, prior to commencing supply activity electricity, suppliers are obliged to provide a statement to the Ministry of Industry or to the respective regional authority where they wish to engage in supply activity (who will transfer the information to the Comisión Nacional de Energía) which includes a confirmation of (a) the dates for commencing (and ending) their activity, (b) proof of their capacity for the development of the activity, and (c) the guarantees required. The Comisión Nacional de Energía is

entitled to publish on its web site an up-to-date list of electricity suppliers that have communicated the exercising of their activities.

Law no. 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 per cent.), distributors of natural gas (15 per cent.), suppliers of electricity (35 per cent.) and suppliers of natural gas (35 per cent.).

### **Social Bono**

Royal Decree Law no. 6/2009, has created the Social Bono for some consumers benefiting from the tariff of last resort ("TUR") who comply with the social, consumer and economic conditions as determined by the Ministry of Industry, Energy and Tourism. 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 electricity system. From 1 July 2009, individual consumers with a contracted capacity of less than 3 kW in their residence, consumers over 60 years old with minimum pensions, large families and families of which all the members are unemployed shall be entitled to the Social Bono.

### **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 registration, permits and licences are generally required for the construction, enlargement, modification and operation of power plants and ancillary installations. In addition, power plants included in the special regime must receive prior approval of the relevant autonomous community authorities and be registered on the "pre-asignación" register maintained by the Minister of Industry, Energy and Tourism before the power plant is entitled to make use of the Spanish special regime. However this register is temporarily suspended (Royal Decree-Law 1/2012).

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.

However, interconnection authorisation can only be denied due to lack of current or future network capacity.

Royal Decree no. 1699/2011, regulating the connection of small power plants, aims to streamline administrative procedures to speed up the connection of small power plants (renewable energy power plants below 100 kW and CHP installations below 1.000 kW) to the electricity grid.

### **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 no. 949/2001, of 3 August 2001 and Royal Decree no. 1434/2002, of 27 December 2002.

The approval of Act no. 12/2007, of 2 July 2007, which modifies the Hydrocarbons Act, in order to adapt it to EU Directive 2003/55/EC has continued the process of deregulation that was started in the sector in 1998, and Royal Decree-Law no. 13/2012 has completed this process by including Directive 2009/73/CE in the Spanish regulation. The regulated supply system ended on 1 July 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 a result, by Decision no. 12/02/2009 of the 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 whenever they are independent at least in terms of their legal form, organization and decision making in respect of other activities not relating to transmission, distribution and storage (Laws 34/1998 and 12/2007). Recently, Royal Decree-Law no. 13/2012 incorporated new rules from Directive 2009/73/CE to achieve an effective separation between regulated activities and non-regulated activities carried out by Spanish companies. This Royal Decree-Law also establishes the ownership unbundling model for the gas transmissions system operator in relation to the main network for the primary transmission of natural gas transmission pipeline/grid, "red troncal". However, any vertically integrated company established prior to 3 September 2009 may opt between an ownership unbundling model or the ISO model.

The Spanish gas market structure is involved in market changes due to several mergers and acquisitions. As a consequence of these changes, 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 included the purchase of high-pressure networks in the Basque Country, Cantabria and Asturias. 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.

In 2011, the total demand for natural gas was 372 TWh, representing a decrease of 7.0 per cent. The overall consumption of domestic and commercial markets and industry remained at a similar level to that in 2010 with a decrease of 0.8 per cent. However, the power generation market shrank by 19 per cent. between 2010 and 2011.

#### *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, Castilla-Leon and Navarra-Leon) 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 (for example, an activity licence, opening licence and works licence).

Preliminary authorisation is granted by either the Ministry of Industry, Energy and Tourism if the proposed facilities are basic transportation facilities, or, if they affect more than one autonomous community, 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 Energía Distribucion and Tolosa Gasa, is involved in the distribution of natural gas in eight regions (Asturias, Cantabria, 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 legal entity with Spanish nationality or any member of the EU 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 Energía Comercializadora, S.A.U., and in the last resort market through its subsidiary HC - Naturgas Comercializadora



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.

Following the approval of Act 25/2009, prior to commencing supply activity gas suppliers are obliged to provide a statement to the Ministry of Industry or to the respective regional authority where they wish to engage in supply activity (who will transfer the information to the *Comisión Nacional de Energía*) which includes confirmation of: (a) the dates for commencing (and ending) their activity, (b) proof of their technical capacity for the development of the activity, and (c) 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 a country outside 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 no. 104/2010, of 5 February 2010 and Royal Decree-Law no. 13/2012 which has partially included Directive 2009/73/CE in the Spanish regulation.

## **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 regulatory and supervisory capacity. Following the adoption of the Law 10.848/2004 (“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 2004 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 markets for the trading of electricity:
  - o the regulated contracting market for the sale and purchase of electricity destined for distribution companies, which is operated through electricity purchase auctions; and
  - o the unregulated market or free contracting market for the sale and purchase of electricity destined for generators, free consumers and electricity trading companies.
- The 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 concessionaires 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, transmission costs as well as tariff charges. Portion B costs consist of the distribution company's operating costs, taxes, depreciation and return on investment, accepted by the regulator.

The required revenue of EDP's electricity distribution companies is calculated on an annual basis and regards a revenue flow compatible with the regulatory economic costs calculated according to specific rules established by ANEEL, over a past 12-month period called test year. The regulatory regime in Brazil provides for price-caps, and if the estimated required revenue for the year under analysis is different from the actual revenue of the concessionaire for that year, the risk is allocated to the concessionaire. Recent modifications in the tariff methodology have reduced this risk, called market risk, and for almost all of Portion A costs the market risk has been allocated to the customers: if the revenue is higher than expected, the tariff for the next year is reduced, and vice-versa.

Periodic tariff revisions are conducted every three years for Espirito Santo Contrais Eléctricas S.A. (Escelsa) and every four years for Bandeirante Energia, S.A.

#### ***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 the 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, called Factor X.

## **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 wholesale power sales and the transmission of electricity in interstate commerce through the Federal Energy Regulatory Commission ("FERC"), which draws its jurisdiction from the Federal Power Act, as amended (the "FPA"), and from other federal legislation such as the Public Utility Regulatory Policies Act of 1978, as amended ("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 the Group's project companies in the United States operate as exempt wholesale generators ("EWGs") under PUHCA 2005 or as owners of qualifying facilities ("QFs") under PURPA 1978 or are dually certified. In addition, most of the project companies are regulated by FERC under Parts II and III of the FPA and have market-based rate authorisation from FERC. Such market-based rate authorisation allows the project

companies to make wholesale power sales at negotiated rates to any purchaser that is not an affiliated public utility with a franchised electric service territory.

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 or engage in other business activities that are not incidental to the generation and sale of electric energy at wholesale. An EWG may own or operate only those limited interconnection facilities necessary to connect its generating facility to the grid.

Under the FPA, FERC has exclusive rate-making jurisdiction over "public utilities" that engage in wholesale sales of electric energy or the transmission of electric energy in interstate commerce. With certain limited exceptions, the owner of a renewable energy facility that has been certified as an EWG in accordance with FERC's regulations is subject to the FPA and to FERC's rate-making jurisdiction. 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 it cannot otherwise erect barriers to market entry. Currently, none of the Group's project companies or their affiliates has been found by FERC to have the potential to exercise market power in any U.S. markets. 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 generally grants EWGs with market-based rate authority waivers from many of the accounting requirements that are otherwise imposed on traditional public utilities under the FPA. However, 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 FERC-jurisdictional facilities under FPA section 203, regulation of securities issuances and assumptions of liability under FPA section 204 (subject to certain blanket preauthorisations), and supervision of interlocking directorates under FPA section 305. FERC has authority to assess substantial civil penalties (i.e. up to \$1 million per day per violation) for failure to comply with the conditions of market-based rate authority and the requirements of the FPA.

Certain small power production facilities may qualify as QFs under PURPA 1978. A wind-powered generating facility with a net generating capacity of 80 MW or less (or the aggregation of all such facilities owned or operated by the same person or its affiliates and located within one mile of each other) may be certified by FERC or self-certified with FERC as a QF. Certain QFs, including renewable energy facilities with a net generating capacity of 30 MW or less, are exempt from certain provisions of the FPA, including the accounting and reporting requirements. Additionally, renewable energy QFs with a net generating capacity of 20 MW or less are exempt from FERC's rate-making authority under the FPA. QFs that are not located in competitive markets have the right to require an electric utility to purchase the power generated by such QFs. QFs also have the right to require an electric utility to interconnect it to the utility's transmission system, and to sell firm power service, back-up power, and supplementary power to the QF at reasonable and non-discriminatory rates. Finally, a renewable energy QF with a net capacity of 30 MW or less is exempt from regulation under PUHCA 2005 and 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 own or control 10 per cent. or more of the 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"), such as the Midwest, California, New York, PJM Interconnection, and New England ISOs.

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. 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 additional 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 are subject to 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 programme is the production tax credit ("PTC"), which was established by the U.S. Congress as part of EPACT 1992. The PTC for eligible wind projects is currently set to expire at the end of 2012. Other incentive programmes available in prior years have expired for wind projects not yet under construction. As part of the American Recovery and Reinvestment Act of 2009 ("ARRA"), cash grants are available for eligible wind projects that commenced construction before the end of 2011 and are placed in service by the end of 2012. In addition, an investment tax credit ("ITC") is available in place of the PTC for renewable projects that commenced construction before December 2011 and are placed in service by December 2012. There is also a depreciation bonus on new equipment placed in service allowing businesses to depreciate a higher percentage of the cost of the project (less 50 per cent. of the ITC) in the year that it is placed in service. This bonus depreciation is 50 per cent. for 2012. In addition, most renewable energy projects qualify for the Modified Accelerated Cost Recovery System ("MACRS"), which allows for the accelerated depreciation of the qualified cost of the project (the remaining cost after bonus depreciation is taken) 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 15 per cent. to 25 per cent.) by 2020 or 2025, 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 at May 2012, 29 states and the District of Columbia and Puerto Rico have implemented mandatory RPS targets. Eight 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 production tax credits, 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 require some federal license or permit, or federal funding, generally require that the appropriate federal agency prepare an environmental document describing the environmental impacts of the project and alternatives. Such a document 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. In addition, federal agency guidelines have been implemented to deal with endangered and other species. Regulations exist that govern waters of the United States and may require permits from the U.S. Army Corps of Engineers. It is possible that wind farms may in the future be subject to further federal restrictions intended to minimise interferences with military radar systems and endangered and other species.

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.

### **IMF/EUROZONE STABILISATION PROGRAMME**

In May 2011, the Portuguese government, with the support of the main Portuguese political parties, agreed to the IMF/Eurozone Stabilisation Programme (the "Stabilisation Programme").

The Stabilisation Programme is expected to provide significant financial support of EUR 78 billion over the next three years in the form of a cooperative package of IMF and EU funding. On 10 May 2011, the European Commission approved the Stabilisation Programme and, on 16 May 2011, EU finance ministers approved it too. The funding is subject to quarterly reviews for the duration of the Stabilisation Programme to ensure the conditions of the Stabilisation Programme are being met.

The Stabilisation Programme is based on a three-prong strategy as follows:

Restoring competitiveness. The first priority is to tackle structural problems that have caused Portugal to have low rates of growth over the past decade. This includes measures to reduce public sector involvement in the Portuguese economy and to address the issue of rent-seeking behaviour and excessive profits in the non-tradable sector. These measures may enable an easier entry in the telecommunications market, may include cutting subsidies in the electricity sector, and may reduce the number of regulated professions. In addition, the Stabilisation Programme provides for a major reduction in social security contributions (offset by other tax and

expenditure adjustments) aimed at significantly reducing labour costs and making Portugal's goods and services more competitive.

Strengthening fiscal policy. Under the terms of the Stabilisation Programme, a mix of measures amounting to approximately 10 per cent. of Portugal's GDP (including those in the 2011 budget) are aimed at reducing Portugal's budget deficit to 3 per cent. of GDP by 2013 and stabilising public sector debt. These measures include reducing public subsidies and transfers, better prioritisation of capital spending, shifting the composition of taxation toward indirect and property taxes, broadening Portugal's income tax base and implementing significant savings in current expenditure at all levels of public administration (i.e., general government, local and regional government and state-owned enterprises).

Ensuring the stability of the financial sector. The Stabilisation Programme provides for increasing Portuguese banks' capital positions, strengthening regulation and supervision in the sector and introducing a new solvency support mechanism (fully funded under the Stabilisation Programme).

The measures envisaged by the Stabilisation Programme might have an impact on EDP and/or in EDP's businesses and activities directly or indirectly through the impact on the Portuguese economy as a whole.

Below are the key measures, as extracted from the fourth and latest review of the Memorandum of Understanding on Specific Economic Policy Conditionality dated 27 June 2012, in connection with the Stabilisation Programme, that may directly impact EDP and/or EDP's business and activities:

*"[...] Energy markets*

*[...]*

#### *Liberalisation of electricity and gas markets*

*5.1. Take further steps towards the full transposition of the Third EU Package. In particular, submit to Parliament the law on the penalty system of the regulator and adopt the decree-laws transposing the electricity and gas directives by Q2-2012. This will ensure the National Regulatory Authority's independence and all powers foreseen in the package.*

*5.2. Take measures to accelerate the establishment of a functioning Iberian market for natural gas (MIBGAS), through regulatory convergence and the harmonisation of the tariff structures in Portugal and Spain, In particular, in accordance with the roadmap of 30 September 211 agreed with the Spanish authorities, the regulators of each country will:*

*i. present proposals to harmonise the tariffs for access to the interconnection networks taking into account the outcome of the public consultation conducted in January 2012 [Q3-2012];*

*ii. prepare a report analysing and developing options to improve the harmonised mechanism for capacity allocation and congestion management of cross-border flows with Spain, including the introduction of virtual reverse flows and other mechanisms allowing smaller players to make efficient use of the LNG Sines facility [Q1-2013];*

*iii. apply a harmonised allocation and congestion management mechanism to all the interconnection capacity between Portugal and Spain, in line with the EU network codes and guidelines in this respect [Q4-2012]*

*5.3. Clarify the national legal framework with respect to the scope of competencies of the logistics operator and define based on a cost-benefit analysis a way of convergence of the existing two platforms for electricity and natural gas. [Q4-2012]*

#### *Ensure sustainability of the national electricity system*

*5.4. Implement the measures approved in the Council of Ministers on 17 May 2012 to reduce excessive rents and to address the sustainability of the national electricity system. Cost reduction measures address the following compensation schemes: power guarantee, special regime (renewables -excluding those granted under tender mechanisms – and cogeneration), CAE's (power purchase agreements) and CMECs, and will reduce policy cost by at least EUR 1275 million in Net Present Value (NPV) 8 [July-2012]. The updated estimation of cost reductions that will be achieved as well as progress towards elimination of the tariff debt (défice tarifário) by 2020 will be presented and assessed in the fifth review.*

*5.5. Implement the announced measures to limit the policy costs embedded in CMECs and PPAs. In particular, as an element in revising the rate of return to bring it in line with the cost of capital at the moment the CMEC*

compensation was defined plus, if warranted, a risk premium of the assets that the mechanism remunerates: (i) reduce the CMEC annuity discount rate from 7.55% to 5% (yielding a NPV of EUR 120 million); and (ii) set a compensation for the extension of exploitation licenses of the power plants in Sines and Pego yielding NPVs of EUR 55-75 million and EUR 30-50 million respectively, providing details on the valuation methodology leading to these figures. The updated estimation of cost reductions that will be achieved will be presented and assessed in the **fifth review**

5.6. Present a report on the CMEC scheme including the foreseen annual compensation amounts to each beneficiary and past payments since 2007 and the forecast of future payments. The report will also describe the process for the extension of the concession of the public hydro resource by the former CAE hydro power plants, its correspondent economic valuation, and the rationale for the direct award instead of a tender process. The report will assess and consider all the information available within the governmental and the official bodies (General Directorates, Regulator, State representative in the contracts). **[Q3-2012]**

5.7. Implement the announced measures to limit the policy costs of renewables under the special regime – excluding those granted under tender mechanisms, in particular (i) the compensation to be paid by the generators (yielding a NPV of EUR 75 to 150 million); and (ii) the introduction of a maximum duration for the feed in tariff in small hydro plants (yielding an NPV of EUR 200 to 250 million). The updated estimation of cost reductions that will be achieved will be presented and assessed in the **fifth review**.

5.8. Accelerate convergence to market-based pricing for co-generation operators in parallel with electricity market developments under the EU internal electricity and gas market legislation. The remuneration scheme for co-generation will be further revised to improve efficiency of the support system in ensuring continued guaranteed access of operators to electricity networks and markets with the calculation of explicit subsidies based on relevant price factors in the context of a competitive electricity market. The revision should ensure that the design of the support scheme allows a dynamic correlation between electricity market prices and the efficiency premium when the values of avoided externalities are not adequately reflected in electricity and other factor prices. **[Q4-2012]**. Ensure through annual audits that plants not fulfilling the requirements for co-generation do not receive the support, and report on the progress. **[Q2-2012, Q2-2013]**

5.9. Establish the new subsidy regime under the Power Guarantee mechanism, taking into account the principles established in the Executive Order (Portaria 139/2012) of 14 May 2012 that has revoked the former scheme, namely the differentiated approach for thermal and hydro power plants. Incentives to build additional generating capacity in the future will take into account adequate security of supply levels and the existence of other mechanisms, such as interruptibility services. This new regime, replacing the one eliminated by Executive Order is estimated to reduce policy costs by about EUR 37 million in 2012, EUR 64 million in 2013 and 2014, EUR 52 million per year in 2015 and 2016, EUR 38 million in 2017, and EUR 25 million per year from 2018 to 2020 **[Q2-2012]**. The updated estimation of cost reductions that will be achieved with the new Power Guarantee mechanism will be presented and assessed in the **fifth review**.

5.10. For new contracts in renewables, revise downward the feed-in tariffs and ensure that the tariffs do not over-compensate producers for their costs and they continue to provide an incentive to reduce costs further, through digressive tariffs. For more mature technologies develop alternative mechanisms (such as feed-in premiums). Reports on action taken will be provided annually in **Q3-2012** and **Q3-2013**.

5.11. Decisions on future investments in renewables, in particular in less mature technologies. will be based on a rigorous analysis in terms of its costs and consequences for energy prices. International benchmarks will be used for the analysis and an independent evaluation will be carried out. Reports on action taken will be provided annually in **Q3-2012** and **Q3-2013**.

#### Energy policy instruments and taxation

5.12. Modify tax and energy policy instruments to ensure that they provide incentives for rational use, energy savings and emission reductions. In particular:

i. subject to a cost-benefit analysis, eliminate the exemption from the tax on oil and energy products (ISP) applicable to certain industrial fuels used in cogeneration, which overlaps with the feed-in-tariff: as well as other energy and tax policy instruments. i.e. accelerated depreciation rate under the corporate income tax **[Q2-2012]**;

ii. conduct a cost-benefit analysis to evaluate the effectiveness of the System for the Management of Energy-Intensive Consumption and the associated exemption from the tax on oil and energy products (ISP) for industrial fuels **[Q2-2012]**;

*iii. review, based on a cost-benefit analysis, the effectiveness of the other exemptions and reduced rates of the tax on oil and energy products (ISP) under the Excise Tax Code [Q2-2012];*

*iv. take measures to eliminate possible overlaps, and foster synergies, between the Plan for Promoting Efficient Consumption (PPEC) and the Energy Efficiency Fund (EEF). [Q2-2012]"*

The detailed terms and conditions of implementation of the remaining measures of the Stabilisation Programme are as yet unknown.

## **MANAGEMENT**

### **Corporate governance model**

EDP's shareholders approved its current corporate governance model at the Annual General Shareholders Meeting held on 30 March 2006, which entered into force on 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 whom undertake executive positions. For the current mandate of 2012-2014, the Executive Board of Directors is composed of seven directors who were elected at the Annual General Shareholders Meeting held on 20 February 2012. 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 2012-2014, the General and Supervisory Board is composed of 23 members who were elected by the shareholders at the Annual General Shareholders Meeting held on 20 February 2012. EDP complies with the corporate governance provisions included in the Portuguese Securities Code. Furthermore, EDP adopted in full the corporate governance recommendations contained in the Corporate Governance Code approved by the Portuguese Securities Market Commission (the "CMVM"), with the exception of the two following recommendations:

(a) Companies shall ensure proportionality between voting rights and shareholder participation, preferably through a statutory provision ensuring one vote per share. The companies which do not meet the proportionality requirements are those which, in particular: (1) have shares without voting rights; (2) establish that, above a certain threshold, voting rights cast by one single shareholder or related to him/her, should not be accounted for.

(b) Measures adopted to prevent the success of takeover bids shall respect the interests of the company and its shareholders. Companies Articles of Association which, while respecting the principle set forth in the previous paragraph, limit the number of votes that can be held or exercised by a single shareholder, individually or jointly with other shareholders, shall also set forth that, at least every five years, the maintenance or not of that statutory provision shall be put to deliberation by the General Meeting – without the need for a quorum greater than the legal quorum – and that, all the votes cast shall count in this deliberation without that limitation

Even though it is EDP's understanding that adequate shareholder participation is ensured through the statutory principle of one vote per share, EDP did not fully adopt recommendation (a) above in the sense that there may be limits on the number of shares with which each shareholder can vote in a General Meeting. However, the principle of proportionality between the number of shares held and the corresponding voting rights must be assessed in relative terms rather than in absolute terms. The limit specified in Article 14(3) of EDP's Articles of Association reflects the shareholders' choice to protect specific interests of the company.

On the basis of the foregoing considerations:

a) At the General Meeting held on 25 August 2011, the shareholders resolved to maintain such restriction on the counting of voting rights but increased its threshold from 5 per cent. to 20 per cent.. Such General Meeting also resolved to remove the special rights granted to B shares, which are subject to privatisation and may only be held by the Portuguese state or Government-related entities. Holders of 72.25 per cent. of the share capital participated in such General Meeting, and 94 per cent. of votes cast approved the motion. Further to the removal of the special rights granted to B shares, both ordinary shares and B shares were subject to the 20 per cent. limitation.



b) The current Articles of Association of EDP were amended by the General Meeting held on 20 February 2012, which maintained the restriction on the counting of the voting rights but increased its threshold from 20 per cent. to 25 per cent. (article 14, no. 3 of the Articles of Association). Holders of 71.5245 per cent. of the share capital were present or represented – including votes by correspondence – representing 66.0318 per cent. of the voting rights, and 89.6523 per cent. of votes cast approved the motion. Such General Meeting also resolved to amend article 10 of EDP’s By-Laws through the inclusion of a new number 10, which establishes that a shareholder that individually holds at least 20 per cent. of the share capital of EDP, and that, directly or through a legal person which is in a domain relationship with it, enters into and maintains a medium or long term strategic partnership of business cooperation in the activities of generation, distribution or supply of electricity or natural gas, approved in accordance with legal and corporate provisions, with prior favourable opinion of the General and Supervisory Board shall not be deemed to be a legal person that is a competitor of EDP. Holders of 71.5247 per cent. of the share capital were present or represented – adding the correspondence votes – representing 66.0319 per cent. of the voting rights, and 89.6869 per cent. of votes cast approved the motion.

EDP did not adopt recommendation (b) above on the basis that it does not seem reasonable to link the principle reflected in this recommendation to the existence of limitation mechanisms in respect of the exercise of voting rights (which is, in fact, dealt with in recommendation (a) above). Therefore, the interests of EDP’s shareholders, reflected in the limitation set out in article 14 of the Articles of Association, justify the non adoption of such recommendation. In addition, in terms of EDP’s control measures, the Executive Board of Directors and the General and Supervisory Board of EDP understand that: (1) in the face of a takeover bid, the Executive Board of Directors and the General and Supervisory Board shall assess the referred proposal in the light of EDP’s interests; (2) the position to be taken by the Executive Board of Directors will be subject to favourable prior opinion from the General and Supervisory Board and (3) the Executive Board of Directors and the General and Supervisory Board shall avoid taking any measure or position that may unfairly constitute an obstacle to the proper weighting of the takeover bid.

#### **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:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Year Originally Elected</b>	<b>Last Election</b>
António Luís Guerra Nunes Mexia	54	Chief Executive Officer	2006	2012
Nuno Maria Pestana de Almeida Alves	53	Chief Financial Officer	2006	2012
João Manuel Manso Neto	53	Executive Director	2006	2012
António Manuel Barreto Pita de Abreu	61	Executive Director	2006	2012
António Fernando Melo Martins da Costa	50	Executive Director	2012	2012
João Manuel Veríssimo Marques da Cruz	50	Executive Director	2012	2012
Miguel Stilwell de Andrade	35	Executive Director	2012	2012

**António Luís Guerra Nunes Mexia** was appointed as EDP’s Chief Executive Officer in March 2006 and was last reappointed in February 2012. 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., 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.

**Nuno Maria Pestana de Almeida Alves** was appointed EDP's Chief Financial Officer in March 2006 and was last reappointed in February 2012. He is also the Chairman of EDP Imobiliária and EDP – *Estudos e Consultoria*. 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.

**João Manuel Manso Neto** was appointed to EDP's Executive Board of Directors in March 2006 and was last reappointed in February 2012. Mr. Manso Neto is also the CEO of the board of directors of EDP Renováveis and Chairman of its executive committee. He joined EDP in July 2003 as a General Manager. He was Chairman of the board of directors and Chairman of the executive committee of EDP Produção and CEO of Hidrocantábrico. 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.

**António Manuel Barreto Pita de Abreu** was appointed to EDP's Executive Board of Directors in March 2006 and was last reappointed in February 2012. He is a member of the board of EDP – *Estudos e Consultoria* and Chairman of the board of Directors of EDP Produção and EDP Serviner. 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, Onitelecom (1998-2000), Oni Açores, Onisolutions (1999-2000), Edinet (1997-1999), ACE, MRH (2000-2001), Sãvida (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). He was Vice-Chairman of the board of directors of EDP Brasil. Mr. Pita de Abreu holds a degree in electrotechnical engineering from Instituto Superior Técnico de Lisboa.

**António Fernando Melo Martins da Costa** was appointed to EDP's Executive Board of Directors in March 2006 and was last reappointed in February 2012. He is also the Chairman of EDP – Soluções Comerciais and EDP Gás SGPS. 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).

**João Manuel Veríssimo Marques da Cruz** was appointed to EDP's Executive Board of Directors in February 2012. He is also the Chairman of EDP Valor. Born on May 23rd, 1961, Mr. Marques da Cruz holds a degree in Management (1984) from Lisbon's Instituto Superior de Economia da Universidade Técnica de Lisboa, a MBA (1989) from Universidade Técnica de Lisboa and a post graduate qualification in Marketing and Management of Airlines (1992) from the Bath University/International Air Travel Association, UK. He began his career at the TAP Group (*Transportes Aéreos de Portugal*) in 1984 and held several positions until becoming General Director. Between 1997 and 1999 he was a Board Member of TAPGER. Between 2000 and 2002, he was a member of the Board of several companies within CP – Portuguese Railways, including EMEF. From 2002 and 2005, he became CEO of an airline company AirLuxor and from 2005 and 2007 he was chairman and CEO of ICEP – *Instituto do Comércio Externo de Portugal*, a Portuguese state owned agency for international trade and promotion. Mr. Marques da Cruz was a board member of EDP Internacional S.A. and in 2009 he was nominated Chairman of the Board of Directors of CEM – Macao Electrical Company.

**Miguel Stilwell de Andrade** was appointed to EDP's Executive Board of Directors in February 2012. He is also the Chairman of EDP Comercial and EDP Serviços. Mr. Stilwell de Andrade gained a M.Eng with Distinction in Mechanical Engineering at the University of Strathclyde (Glasgow, Scotland) and has a MBA from MIT Sloan (Boston, USA). He initiated his career at UBS Investment Bank in London, UK, where he worked primarily in M&A and participated in various projects in Europe (including Portugal) as well as in Japan, Thailand and Brazil. He lived in Scotland, Italy, England, Portugal and USA between 1994 and 2003. In 2000 Mr. Stilwell de Andrade joined EDP, where he has held several roles within the Group. Between 2005 and 2009 he was Head of the Corporate Development/M&A team for the EDP Group. During this period, he coordinated and managed various M&A and capital market transactions for EDP. Key transactions in which he participated or coordinated include the acquisition of many of the companies that gave rise to EDP Renewables; the acquisition of Hidrocantábriço; the share capital increase in 2004; the different phases of EDP's privatisation; the divestment of many of EDP's non-core assets; the EDP Energias do Brazil IPO in 2005; and the EDP Renewables IPO in 2008. Between 2009 and 2011, he was also Chairman of InovGrid ACE. Mr. Stilwell de Andrade is currently a member of the EDP Distribution Board of Directors, having been nominated in January 2009. He is also a non-executive member of the Board of Directors of EDP Innovation, EDP Ventures and EDP Gas Distribution.

### 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 five 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:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Year Originally Elected</b>	<b>Last Election</b>
Eduardo de Almeida Catroga	69	Chairman	2006 (as a Member)	2012
China Three Gorges Corporation (represented by Dingming Zhang)	49	Vice-Chairman	2012	---
China International Water & Electric Corp. (represented by Guojun Lu)	56	Member	2012	---
China Three Gorges New Energy Co., Ltd. (represented by Ya Yang)	50	Member	2012	---
China Three Gorges International (Europe), S.A. (represented by Shengliang Wu)	41	Member	2012	---
Parpública – Participações Públicas (SGPS), S.A. (represented by Joaquim José de Oliveira Reis)	54	Member	2011	2012
Cajastur Inversiones, S.A. (represented by Felipe Fernández Fernández)	60	Member	2008	2012
José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira)	68	Member	2011	2012
Senfora, SARL (represented by Mohamed Al Fahim)	36	Member	2010	2012
Carlos Jorge Ramalho dos Santos Ferreira	63	Member	2008	2012
Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la	40	Member	2007	2012

Name	Age	Position	Year Originally Elected	Last Election
Commercialisation des Hydrocarbures (Sonatrach) (represented by Abderezak Harket)				
José Maria Espírito Santo Silva Ricciardi	57	Member	2006	2012
Alberto João Coraceiro de Castro	59	Member	2006 (as Vice-Chairman)	2012
António Sarmiento Gomes Mota	53	Member	2009	2012
Maria Celeste Ferreira Lopes Cardona	60	Member	2012	---
Fernando Masaveu Herrero	45	Member	2012	---
Ilídio da Costa Leite de Pinho	73	Member	2012	---
Jorge Braga de Macedo	65	Member	2012	---
Manuel Fernando de Macedo Alves Monteiro	54	Member	2006	2012
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	51	Member	2012	---
Vasco Joaquim Rocha Vieira	72	Member	2012	---
Vítor Fernando da Conceição Gonçalves	56	Member	2006	2012
Chairman of the General Meeting (Rui Eduardo Ferreira Rodrigues Pena)	72	Member	2007	2012

**Eduardo de Almeida Catroga**, currently the Chairman of EDP's General and Supervisory Board (appointed on February 2012) was previously appointed as a member of this Board, in 2006 and 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.

**Dingming Zhang** was appointed to EDP's General and Supervisory Board on May 2012, as a representative of China Three Gorges Corporation. Mr. Zhang was born in 1963 in Hubei, China. He received his bachelor's degree in Power System and Automation from Huazhong University of Science and Technology in 2001. From 1984 to 1994, he served as an associate and then Deputy Division Chief in the Key Project Construction Department of the State Planning Commission of China, working in Germany between 1992 and 1993. He then worked as Deputy Division Chief, Division Chief and Deputy Director of Capital Planning Department of the Three Gorges Construction Committee under the State Council (1994 – 2002) before he became Deputy Director of Power Production Department of China Three Gorges Corporation. He then worked as Executive Vice President of China Yangtze Power Company (2002 – 2011) and President of Beijing Yangtze Power Capital Co. Ltd. (2008 – 2011). His past experience also includes being a Director of the Board of Guangzhou Development Industry (Holding) Co., Ltd and a Director of the Board of Yangtze Three Gorges Technology and Economy Development. In 2011, he began to serve as Board Secretary, Director of Strategic Development Department and Director of Marketing Department in China Three Gorges Corporation.

**Guojun Lu** was appointed to EDP's General and Supervisory Board on May 2012, as a representative of China International Water & Electric Corp. Mr. Lu was born in 1956 in Jiangsu, China. He has a bachelor's degree in Engineering from East China Institute of Water Resources Engineering and a PhD in Economics from Central University of Finance and Economics in China. He served for China International Water and Electric Corporation from 1982 to 2010, starting as Deputy Chief of the Sri Lanka Office, Manager of the Pakistan Project Department and Deputy Chief of the Hydropower Department 1. He then served as Vice President and President of China International Water and Electric Corporation and Executive Vice President of China Water Investment Group Corporation. Currently, he is Assistant President of China Three Gorges Corporation, President/CEO of China Three Gorges International Corporation and Director of International Department of China Three Gorges Corporation.

**Ya Yang** was appointed to EDP's General and Supervisory Board on May 2012, as a representative of China Three Gorges New Energy Co., Ltd. Mr. Yang was born in China in 1962. He received his bachelor's degree in Finance from Changsha University of Electricity. He later got his DESS from the Business School of the University of Montreal, Canada and EMBA from HEC Paris. He served a series of posts before devoting to the China Three Gorges Project. He was Project Officer of the Bureau of Hydropower Construction of Ministry of Water Resources & Hydropower; and Auditor of Beijing Office of PricewaterhouseCoopers. Currently he is the Chief Accountant & Corporate Controller of China Three Gorges Corporation and Chairman of Supervisory Committee of China Yangtze Power Company.

**Shengliang Wu** was appointed to EDP's General and Supervisory Board on May 2012, as a representative of China Three Gorges International (Europe), S.A.. Mr. Wu was born in 1971 in Anhui, China. He received a Bachelor's degree in Engineering from Wuhan University of Hydraulic and Electrical Engineering in 1992 and a Master's degree in Technical Economics and Management from Chongqing University in 2000. He served as a technician and an engineer in Gezhouba Hydropower Plant (1992-1998), as Secretary of Corporate Affairs Department in Gezhouba Hydropower Plant (1998-2002), as Financial Manager of Capital Operating Department of China Yangtze Power Company (2002-2003), as Information Disclosure Manager and then Deputy Director of Office of the Board of China Yangtze Power Company (2004-2006) as Deputy Director and as Director of Capital Operating Department of China Yangtze Power Company (2006-2011). His past experience also includes serving as Director of the Board of Daye Non-ferrous Metals Co., Ltd. (2008-2011) and as Executive Vice President of Beijing Yangtze Power Capital Co., Ltd. (2008-2011). In 2011, he served as Deputy Director of Strategic Planning Department in China Three Gorges Corporation.

**Joaquim José de Oliveira Reis** was first appointed to EDP's General and Supervisory Board in 2011 and reappointed on February 2012, as Parpublica – Participações Públicas (SGPS), S.A, representative, a company in which he has been the CEO since 2010. He was born on 16 March 1958. Mr. Joaquim Reis was Chairman of Metropolitano de Lisboa, E.P.E. from 2006 until 2010; between 2005 and 2006, Mr. Reis was director Transtejo, S.A. and, between 2003 and 2005, he was director at Lisbon Brokers, AS and member of Euronext Lisbon, Paris, Amsterdam and Madrid; between 1998 and 2003, Mr. Joaquim Reis was director at Central Investimentos, SC/NCO and, between 1993 and 1998, he was general director of Central de Investimentos, Sociedade Financeira de Corretagem, AS; between 1992 and 1993, Mr. Joaquim Reis was head of financial intermediation at Socifa & Beta – Sociedade Financeira de Corretagem, S.A.. Between 1989 and 1991, he was head of financial and IT at Socifa and Beta, S,A, and, between 1986 and 1989 he was a member of the financial and accountability of BCP. Mr. Reis has a degree in economics from ISEG and a post graduate degree on european studies from Universidade Católica.

**Felipe Fernández Fernández** was appointed to EDP's General and Supervisory Board on February 2012, as Cajastur Inversiones, S.A, representative. He was born on 21 December 1952 in Salas, Asturias. He has a degree in Economics and Business Administration (1975) from the Faculty of CC.EE. at the University of Bilbao (*Universidad de Bilbao*). He lectured Statistics and Econometric Analysis at the School of Economics and Business at Universidad of Oviedo between 1979 and 1984. He was Chairman of CUOTA (Commission of Urban Planning and Territory Planning of Asturias) between January 1990 and July 1991. From July 1986 to January 1990 he was a member of the Board of Directors and Vice-Chairman of the Society Asturian of Economic Studies and Industrial Studies. He was also Member of the Board of Directors and Vice-Chairman of the construction company SEDES, S.A. between May 1988 and January 1990. He was a member of the Board of Directors and the Executive Committee of Caja de Ahorros of Asturias (October 1986 - January 1990), Regional Director of Economy and Planning of the Principality of Asturias (1984 – 1990) and Advisor for Territory Planning, Urbanism and Habitation of the Principality of Asturias (January 1990 – July 1991). He was Advisor for Rural and Fisheries of the Principality of Asturias (July 1991 – June 1993). Between 1993 and 1998 he was Head of Management Control of HidroCantábrico, Head of Management Control, Supply and Quality (1998 – 2001) and was Chairman of Gás of Asturias (June 2001 - February 2003). Between June 2001 and June 2002, he was

the Head of the Areas of Support and Control of HidroCantábrico. Between June 2002 and January 2004, he was Head of Administration and Finance of HidroCantábrico and has been Chairman of Capital, Sole Director of Hidrocantábrico Servicios, Adviser for Naturcorp, Gas de Asturias, SINAIE, Canal Energía, Telecable and Sociedad Regional de Promoción of Asturias. He is currently Head of Business Corporation of Liberbank, Principal Manager of Caja de Ahorros de Asturias, Chairman of Infocaja, Adviser for HC Energía, Ahorro Corporación, Indra, Tudela Veguín and Sociedad Promotora de las Comunicaciones of Asturias. He was appointed as Member of the General and Supervisory Board of EDP, representing Cajastur Inversiones, S.A., on 20 February 2012.

**Luís Filipe da Conceição Pereira** was appointed to EDP's General and Supervisory Board as José de Mello Energia S.A. as representative in 2011, and reappointed on February 2012. He was born on 29 October 1944. Since 2006, Mr. Pereira has been CEO of Efacec; previously he was CEO of ADP (1997-2002) and CUF (since 2005); Mr Pereira was, between 1998 and 2000, non-executive director of Banco Mello and previously he was vice chairman of the board of directors of EDP (1991-1995) and of Quimigal Adubos (1996-1997). In this last company he was deputy general director (1984-1986) and head of planning and financial and administrative management (1979-1984). Previously, Mr. Pereira was the head of financial, administrative and human resources at Sovena (1973-1979). Mr. Luís Filipe Pereira is an invitee professor at Instituto Universitário de Lisboa (since 1979) and taught at Instituto Superior de Economia e Gestão (1978-1979). Mr. Pereira was designated for several offices at Portuguese government: he was Minister Health of the 15<sup>th</sup> and the 16<sup>th</sup> constitutional governments, secretary of state of Energy of the 12<sup>th</sup> constitutional government and secretary of state of Social Security of the 10<sup>th</sup> and 11<sup>th</sup> constitutional governments. He is president of Associação Portuguesa dos Industriais Grandes Consumidores de Energia Eléctrica (1996-2011 and from 2005). Mr. Luís Filipe Pereira holds a degree in economy.

**Mohamed Ali Al-Fahim** was appointed to EDP's General and Supervisory Board on 23 April 2010 as representative of the shareholder SENFORA, SARL, and he was reappointed on February 2012. 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.

**Carlos Jorge Ramalho dos Santos Ferreira** was first 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), and his last reappointment was on February 2012. 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 Eureka 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).

**Abderezak Harkat** was appointed Member of the EDP General and Supervisory Board, representing Sonatrach, on 20 February 2012. He is 40 years old. He has a bachelor's degree in Mathematics and a degree in Industrial Engineering from the Polytechnic School in Algiers, Algeria. Moreover, he has a post-graduate masters in Finance-Banking obtained from the Institute of Finance and Development in Tunis, Tunisia. From 1998 to 2009 his work comprised of financing projects and investment budgeting. From 2007 to 2009 he was Board member of Enterprise de Gestion de la Zone Industrielle Skikda, in Algeria, and from December 2008 to November 2009 he was President of the Board of Sonatrach International Finance & Development in

Luxembourg. He was General Manager of Sonatrach International Petroleum Exploration & Production. Currently he is President of the Board of Sonatrach Gas Comercializadora in Spain (since 2006), Board member of Sofert, in Algeria (2009) and General Manager of Sonatrach International Holding Corporation (since January 2012).

**José Maria Ricciardi** was appointed to EDP's General and Supervisory Board in 2006 and his last reappointment was on February 2012. 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 appliqués* 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*

**Alberto Castro** was appointed to EDP's General and Supervisory Board in 2006 and his last reappointment was on February 2012. 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 Quatenaire 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, 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 PhD. in economics from the University of South Carolina.

**António Sarmiento Gomes Mota** was appointed to EDP's General and Supervisory Board in 2009 and was reappointed on February 2012. 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 PhD 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.

**Maria Celeste Ferreira Lopes Cardona** was appointed to EDP's General and Supervisory Board on February 2012. Born on 30 June 1951, she holds a doctorate degree in law from the Faculdade de Direito da Universidade de Lisboa, having been an Assistant Professor in the same university. Within the Ministry of Finance, she was a member of the Fiscal Study Center and a Portuguese representative on the OECD. She was Minister of Justice of the XV Constitutional Government. She was awarded the degree of Grande Oficial da Ordem do Infante D. Henrique, attributed in 1998 by his Excellency the President of the Portuguese Republic. She was also a non-executive Board Member of Caixa Geral de Depósitos, S.A.. Mrs. Celeste Cardona has published articles and opinions in specialty magazines, namely in *Ciência e Técnica Fiscal*. She is also author of several monographs and varied studies, such as “As agências de regulação no Direito Comunitário”, “O

problema da retroactividade na lei fiscal e na Constituição”, “A prescrição da obrigação tributária e a caducidade da liquidação de impostos” and “A natureza e o regime das empresas de serviço público”. She is currently a lawyer and a senior partner in M.C. Cardona & Associados, a law firm, and also a non-executive member of BCI, headquartered in Maputo, Mozambique, a member of the Fiscal Council of SIBS and a legal and fiscal consultant for several financial and non-financial institutions.

**Fernando Masaveu Herrero** was appointed to EDP’s General and Supervisory Board on February 2012. He was born in Oviedo in 1966. He received a law degree from the University of Navarra. He started to work at Masaveu Group in 1993 where he held various roles. He currently holds the following positions, among others: Chairman of Masaveu Corporation; Chairman of Cementos Anónima Tudela Veguín; Chairman of Masaveu International, Advisor at Hidrocantábrico, Chairman of the Audit Committee at Hidrocantábrico; Advisor at Naturgas Energía; Advisor at Bankinter; Member of the Executive Committee of Bankinter; Member of the Audit Commission of Bankinter; Member of International Advisory Board of the Santander Group; Advisor at EGEO, S.G.P.S.; Chairman of Masaveu de Investigación y desarrollo; Advisor at OLMEA; Chairman of Beluga Holding Limited; Chairman of the Maria Cristina Masaveu Foundation; Chairman of the Foundation San Ignacio de Loyola; patron and member of the Executive Committee of the Príncipe de Asturias foundation; patron and member of the heritage of Príncipe de Asturias Foundation; Patron of the Príncipe de Asturias Awards; International patron of Asociación Amigos Museo del Prado; and Patron of Sociedad Internacional de Bioética. Additionally, he is director of several companies of Masaveu group. Formerly, he also made relevant contributions in several sectors, particularly in the R&D sector, the beverage sector, the health sector, the financial sector, the transportation sector, the environmental sector, the press sector, the real estate sector, as well as significant assistance in several foundations focus on social responsibility.

**Ilídio da Costa Leite de Pinho** was appointed to EDP’s General and Supervisory Board on February 2012. He is 73 years old. He obtained a degree in Electronics and Machinery Engineering from Instituto Industrial do Porto with a final grade of 16 in 1964. Grã-Cruz Order of Merit Honorary member of the Industrial Order of Merit. Honorary member of AIP (Associação Industrial Portuense) and a member of the Ordens Honoríficas Portuguesas from 1996 to 1999. He was granted Gold Medal and Honorary Citizen award by the city of Vale de Cambra in 1999, Gold Medal and University Benefactor award by Universidade Católica Portuguesa in 2002 and Golden Badge by the Portuguese Association of Voluntary Firemen in 2002. Between 1986 and 1991 he was a non-executive member of the Board of Directors of ICEP in representation of the National Industry. He was President of the City Hall Council of Vale de Cambra, between 1979 and 1983 and President of the City Hall Assembly of Vale de Cambra, between 1993 and 1997. Member of the Administrative Committee of Universidade Católica Portuguesa – Oporto, University Counsel of Universidade de Aveiro, Senate Member of Universidade do Porto and a member of the board of several business associations. Member of the Board of Directors of METALPACK GmbH from 1985 to 1994 and Member of the Trilateral Commission between 1988 and 1996. He was founder and Chairman of the Board of Directors of COLEP PORTUGAL, S.A., COLEP ESPAÑA, SA, COLEP/VULCANO, S.A., COLEP/INDÚSTRIAS, S.A., CMB/COLEP-Embalagens, S.A., COLEP/TRADING, Lda, COLEPINOVA-Sociedade de Capital de Risco, S.A., NACIONALGÁS-Empresa de Transporte e Distribuição de Gás, S.A., LUSITÂNIAGÁS-Companhia de Gás do Centro, S.A., EGA-Empresa de Gás de Aveiro, EGL-Empresa de Gás de Leiria, S.A., EMPORGÁS-Empresa Portuguesa de Gás, Lda, EDISOFT-Empresa de Desenvolvimento de Software, S.A. (in association with TAP), TRANSINSULAR-Transportes Marítimos Insulares, S.A., MEGASIS-Sociedade de Serviços e Engenharia Informática, S.A. (in association with PHILIPS and TAP). He was founder and member of the Board of Directors of several Portuguese financial institutions and a non-executive member of the Board of Directors of Banco Espírito Santo, S.A.. Shareholder of CEM – Companhia de Electricidade de Macau, SARL. Founder and Chairman of the Board of Directors of the companies of Ilídio Pinho Group. Chairman of the Board of Directors of ASIAINVEST-Investimentos e Participações, SARL and PORTULAND-Investimentos Imobiliários, S.A.. Chairman of the Strategy Committee of FOMENTINVEST-S.G.P.S., S.A.. Founder and Chairman of the Board of Directors and of the Board of Trustees of FUNDAÇÃO ILÍDIO PINHO.

**Jorge Braga de Macedo** was appointed to EDP’s General and Supervisory Board on February 2012. He was born on 1 December 1946. He has a law degree from Universidade de Lisboa (1971). At Yale University, he completed an M.A. in International Relations (1973) and also has PhD in Economics (1979). He graduated from the Faculty of Economics from Universidade de Lisboa in 1982. From 1999 to 2004 he belonged to the Organization for Economic Cooperation and Development and the European Commission in Brussels between 1988 and 1991. At a national level, he was President of the Parliamentary Commission for European Affairs from 1994 to 1995 and Minister of Finance from 1991 to 1993. He has taught at the Centre Européen d’Education Permanente in Fontainebleau, at the Catholic University of Lisbon and at Princeton University, among others. He has been a consultant at the European Bank for Reconstruction and Development, the United Nations, the World Bank and the International Monetary Fund. Currently, he is a Professor of Economics



at Universidade Nova de Lisboa, teaches at the Institut d'Etudes Politiques (SciencesPo) in Paris, is Director of the Center Globalization and Governance at the Nova School of Business and Economics from the Universidade Nova de Lisboa, President of Institute of Tropical Research and Member of the Board of Governors of the International Centre for International Governance Innovation in Waterloo, Canada.

**Manuel Fernando Macedo Alves Monteiro** was appointed to EDP's General and Supervisory Board in 2006 and was last reappointed on February 2012. 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 (Ibero-American Federation of Stock Exchanges, Committee of Options and Futures Exchanges, International Finance and Commodities Institute (Committee Founder), 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 Portuguese Association for the Development of the Capital Market, Vice-President of the board of directors of Company Administrators Forum, council member of the National Capital Market (chaired by the Finance Minister) and a member of the advisory committee of 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.

**Paulo Jorge de Assunção Rodrigues Teixeira Pinto** was appointed to EDP's General and Supervisory Board on February 2012. He was born on 10 October 1960. He has a law degree from Universidade de Lisboa (1983) and post-graduate degree in History of Law from Universidad Complutense de Madrid, having also attended a Program for Corporate Strategy at INSEAD in Fontainebleau and a Program for Senior Management Officer from AESE. He served as Secretary of State for the Presidency of the Council of Ministers and was a speaker for the Portuguese Government. He represented the Portuguese Government at the Program of Public Management at the OECD. From 2005 to 2007, he was Chairman of the Board of Directors of Banco Comercial Português, S.A., having also held several roles within the BCP group, and Vice-President of the Portuguese Banking Association. He was also Member of the National Council of the IPC, Chairman of the Audit Centralcer, Vice-President of the General Assembly TagusPark and Advisory Board Member of the Brazilian cement company, Cimentos Liz. From 2006 to 2007 he was a member of the Board of Directors and Supervisory Board of EDP. Currently, he is Chairman of the Board of Directors of BABEL, SGPS, S.A., Vice Chairman of Abreu Advogados, Member of the Board of directors of LENA, SGPS, S.A., Senior Advisor of the Eurogroup Consulting, Vice President of the General Council of the University of Lisbon, member of the Advisory Board of the Faculty of Arts, University of Coimbra and President of the Board of the Portuguese Association of Publishers and Booksellers. He also teaches the disciple of Strategy at Universidade Católica Portuguesa. He is a member of the *Academia de Artes e Letras*, author of several books and articles on law, history, political science, economics, poetry and painting.

**Vasco Joaquim Rocha Vieira** was appointed to EDP's General and Supervisory Board on February 2012. Born on 16 August 1939. He has a degree in Civil Engineering from Instituto Superior Técnico of the Universidade Técnica de Lisboa. He took several courses and specialties, including General Course of Staff (1969/1970), Complementary Course of General Staff (1970/1972), Course of Command and Direction for Official General (1982/1983) and the Course of National Defense (1984). In 1984 he was promoted to Brigadier and later, in 1987, he was promoted to General. In 1956 he joined the Military College having received the Alcazar of Toledo Award, given to the highest rated finalist of all students from the Military Academy, and the Marechal Hermes Award in Brazil. From 1969 to 1973 he collaborated with Lisbon's City Hall. He taught at the Military Academy and at the Institute for Advanced Military Studies. He was Deputy Secretary for Communications and Public Works of the Macau Government in 1974/75. He joined the original core of officers of the Portuguese Armed Forces, promoting the installation of a democratic regime in Portugal. Attributing great importance to his military career, he was Chief of Staff of the Army and, inherently, member of the Revolution Council between 1976 and 1978, National Military Representative at NATO Supreme Headquarters Allied Powers in Europe, in Belgium, and Honorary Director of Weapons and Engineering. He was Minister of

the Republic for the Azores, between 1986 and 1991, and Governor of Macau, where he served from 1991 until 1999. Currently, he is member of the Board of Engineers, Member of the Academy of Engineering, Vice-President of the Luso-Brazilian Foundation for the development of Portuguese-speaking world and Representative of Portugal in ASEF, Former Chancellor of the Military Orders, Member of the Supreme Council of Associations of the Former Students of the Military College and Member of the Advisory Board of the Nova School of Business and Economics at Universidade Nova de Lisboa.

**Vítor da Conceição Gonçalves** was appointed to EDP's General and Supervisory Board in 2006 and was last reappointed on February 2012. He has been a Full Professor of business administration at Instituto Superior de Economia e Gestão ("ISEG"), Universidade Técnica de Lisboa since 1994. He has been the Dean of ISEG since 2003, President of the executive council of Instituto para o Desenvolvimento e Estudos Económicos, Financeiros e Empresariais since 2003, and the President of the general meeting of 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 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.

**Rui Eduardo Ferreira Rodrigues Pena** was appointed to EDP's General and Supervisory Board in 2007 and he was last reappointed on February 2012. 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).

#### **SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD**

Without prejudice to the maintenance of its responsibility for the carrying out of its competencies as a corporate body, the internal regulation of the General and Supervisory Board sets out the possibility of establishing permanent and temporary specialised committees composed of some of its members, whenever it considers necessary, in which the board can delegate the exercise of certain specific functions.

Both the permanent and temporary committees have as their main mission the specific and permanent monitoring of the matters entrusted to them to ensure processes of decision-making informed by the General and Supervisory Board or information about certain subjects.

The committees' activities are coordinated by the Chairman of the General and Supervisory Board, who ensures an adequate coordination of such activities with that of the Board, through their respective Chairmen, who shall keep him informed, namely by disclosing to him the convening of their meetings and their respective minutes.

The current specialised committees of the General and Supervisory Board were set up at the meetings of 21 February and 18 April 2012.

The General and Supervisory Board considers that its specialised committees are relevant to the regular functioning of the company as they allow the delegation of the carrying out of certain activities, including the

monitoring of the company financial information, the reflection on the governance system it has adopted, the assessment of the performance of the company directors as well as that of the company's overall performance.

#### **COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE**

The Committee on Financial Matters/Audit Committee consists of at least three independent members with the appropriate qualifications and experience, including at least one member with a higher education degree in the area of the committee's functions and with specific knowledge of auditing and accounting.

Currently, the Committee on Financial Matters/Audit Committee comprises the following members:

- Eduardo de Almeida Catroga (Chairman)
- Vítor Fernando da Conceição Gonçalves (Vice-Chairman)
- António Sarmento Gomes Mota
- Manuel Fernando de Macedo Alves Monteiro
- Maria Celeste Ferreira Lopes Cardona

In accordance with the EDP Articles of Association and by means of a delegation from the General and Supervisory Board, the Committee on Financial Matters/Audit Committee has the following responsibilities:

- To issue an opinion on the annual report and accounts;
- To oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, to issue an opinion on its respective election or appointment, removal from office, conditions of independence and other relations with the company;
- To oversee, on a permanent basis, and evaluate internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- To monitor, when and how it deems appropriate, the bookkeeping, accounts and supporting documents, as well as the situation in relation to any assets or securities held by the company; and
- To exercise any other powers that may be conferred upon it by law.

As a specialised committee of the General and Supervisory Board, the Committee on Financial Matters/Audit Committee supports the former in the process of selecting and replacing the external auditor.

The work of the Committee on Financial Matters/Audit Committee is governed by an internal regulation approved by the General and Supervisory Board.

The members of the Committee on Financial Matters/Audit Committee meet the legal requirements in terms of independence and qualification for holding their office, given that they have no work relationship or contractual bond with EDP and its subsidiaries, shareholders with a stake of 2 per cent. or more in the company or entities in a group or control relationship with such shareholders and their spouses, relatives and kin in a direct line to the third degree.

The General and Supervisory Board carries out an annual assessment of the compliance with the above mentioned requirements.

The composition, competence and functioning of the Committee on Financial Matters/Audit Committee are in line with the European Commission Recommendation of 15 February 2005.

#### **REMUNERATION COMMITTEE**

Pursuant to Article 27 of the EDP Articles of Association, the Remuneration Committee designated by the General and Supervisory Board is the body that determines the remuneration of the members of the Executive Board of Directors, as well as other benefits such as old age or invalidity pensions.

In accordance with the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit to the annual General Meeting for consultation a statement on the remuneration policy for the members of the Executive Board of Directors which it has adopted, at least in years during which such policy is implemented or altered. Taking into account the publication of Law 28/2009 of 19 June, the work of the Remuneration Committee shall abide by the applicable legal rules.

The work of the Remuneration Committee is governed by an internal regulation approved by the General and Supervisory Board.

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, the majority of whom are independent of the members of the Executive Board of Directors. A member of this committee is always present at the Annual General meetings. Currently the Remuneration Committee of the General and Supervisory Board is composed of:

- Alberto João Coraceiro de Castro (Chairman)
- José Maria Espírito Santo Silva Ricciardi
- Ilídio da Costa Leite de Pinho
- Guojon Lu
- Paulo Jorge de Assunção Rodrigues Teixeira Pinto

In the Annual General Meeting held on 17 April 2012 in accordance with Law no. 28/2009 of 19 June 2009 and EDP's by-laws, the Chairman of this Committee attended the meeting and submitted for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the current three-year period term and was approved by shareholders.

#### **CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE**

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to monitor and supervise, on a permanent basis, all matters related with the following:

- Corporate governance;
- Strategic sustainability;
- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Defining appropriate criteria and competences to serve as standards for the EDP structures and internal bodies and their impact on the composition thereof; and
- Drawing up succession plans.

In the scope of its responsibilities, the Corporate Governance and Sustainability Committee supports the activity of the General and Supervisory Board in the continuous assessment of the management, as well as of the performance of the General and Supervisory Board itself. Based on the work of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually carries out the above mentioned assessments, which are the object of a report. The conclusions of these assessments are included in the annual report of the General and Supervisory Board and presented to the shareholders in the annual General Meeting.

Another two very important activities carried out by the Corporate Governance and Sustainability Committee are the monitoring of the corporate governance practices adopted by the Company and the human resources and succession plans management.

The functioning of the Corporate Governance and Sustainability Committee is governed by an internal regulation approved by the General and Supervisory Board.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience.

The committee currently consists of the following members:

- Carlos Jorge Ramalho dos Santos Ferreira (Chairman)
- Ilídio da Costa Leite de Pinho
- Joaquim José de Oliveira Reis
- Manuel Fernando de Macedo Alves Monteiro
- Maria Celeste Ferreira Lopes Cardona

- Vasco Joaquim Rocha Vieira
- Shengliang Wu

#### **STRATEGY COMMITTEE**

The Strategy Committee is a specialised committee of the General and Supervisory Board with powers defined in terms of strategy, particularly in terms of investment, financing and strategic partnerships. The work of the Strategy Committee is governed by an internal regulation approved by the General and Supervisory Board. The committee currently consists of the following members:

- Eduardo de Almeida Catroga (Chairman)
- Zhang Dingming (Vice-Chairman)
- Felipe Fernández Fernández
- Harkat Abderezak
- Jorge Braga de Macedo
- José Maria Espírito Santo Silva Ricciardi
- Mohamed Ali Al-Fahim

#### **PERFORMANCE AND COMPETITIVENESS REVIEW COMMITTEE**

The Performance and Competitiveness Review Committee is a specialised committee of the General and Supervisory Board with powers defined in the analysis of performance and competitiveness of EDP in the context of markets where it operates. The work of the Performance and Competitiveness Review Committee is governed by an internal regulation approved by the General and Supervisory Board. The committee currently consists of the following members:

- Luís Filipe da Conceição Pereira (Chairman)
- Yang Ya (Vice-Chairman)
- Alberto João Coraceiro de Castro
- António Sarmento Gomes Mota
- Fernando Masaveu Herrero

#### **EXECUTIVE OFFICERS**

EDP has 22 executive officers in charge of various business and administrative departments at the holding company level of EDP (Corporate Centre) which report directly to the Executive Board of Directors. Selected information for the executive officers in charge of EDP's principal business activities is set forth below:

Name	Year of Birth	Year of Appointment	Position
<b>SUPPORT TO GOVERNANCE AREA</b>			
Maria Teresa Pereira	1965	2005	Company Secretary and Head of Legal Department
Pedro Collares Vasconcelos	1982	2011	Chief of Staff of the Chairman of the Executive Board
Azucena Viñuela Hernández	1965	2006	Head of Internal Audit Department
<b>STRATEGIC AREA</b>			
Pedro Neves Ferreira	1975	2007	Head of Energy Planning Department
Duarte Castro Bello	1979	2011	Head of Mergers and Acquisitions Department
José Allen Lima	1947	2006	Head of Risk Management Department
Joana Simões	1961	2004	Head of Regulation and Competition Department
<b>FINANCIAL AREA</b>			
Paula Cristina Santos Guerra	1973	2008	Head of Financial Management Department

Nuno Miguel Chung	1976	2007	Head of Planning and Control Department
Miguel Ribeiro Ferreira	1967	2004	Head of Consolidation, Accounting and Tax Department
Miguel Henriques Viana	1972	2006	Head of Investor Relations Department
<b>SYSTEMS AND ORGANISATIONAL AREA</b>			
José Filipe Esteves Saraiva Santos	1967	2012	Head of Organisational Development Department
Vergílio Domingues Rocha	1952	2010	Head of Information Systems Department
<b>HUMAN RESOURCES AREA</b>			
Maria João Martins	1963	2009	Head of Human Resources Department
Eugénio Purificação Carvalho	1954	2007	Head of Labour Relations Coordination Office
Vasco Coucello	1951	2011	EDP University
<b>MARKETING AND COMMUNICATION AREA</b>			
Maria Inês Lima	1972	2008	Head of Customer Relations and Marketing Department
Paulo Campos Costa	1965	2006/2012	Head of Brand and Communication Department (since 2006) and Head of Global Coordination of the Trademark and Communication Area (since 2012)
Miguel Coutinho	1965	2012	Head of Institutional Relations and Stakeholders Management Department
<b>SUSTAINABILITY, ENVIRONMENT AND ETHICS AREA</b>			
António Neves de Carvalho	1950	2004	Head of Sustainability and Environment Department
Carlos Alberto Loureiro	1946	2009	Ethics Ombudsman
<b>BUSINESS UNITS</b>			
Carlos Manuel Sola Pereira da Mata	1963	2012	Head of Energy Management 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 and each member of the Specialised Committees of the General Supervisory Board described above is Avenida José Malhoa, Lote A-13, 1070-157 Lisbon, Portugal.

#### **CONFLICTS OF INTEREST**

The members of the Executive Board of Directors, the General and Supervisory Board, the Specialised Committees of the General Supervisory Board described above and the executive officers 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 2010 and 31 December 2011, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and from the unaudited consolidated financial statements of EDP as at 30 June 2011 and 30 June 2012, prepared in accordance with recognition and measurement requirements of International Financial Reporting Standards as adopted by the European Union (EU).

In respect of the unaudited financial information for the six months ended 30 June 2012, that appears in the Consolidated Income Statement, comparative financial information has been provided in the form of unaudited restated financial information extracted from the unaudited interim financial statements of EDP for the six months ended 30 June 2011 and adjusted in order to reflect the change in accounting policy referred to in the fourth paragraph below.

In respect of the Consolidated Statement of Financial Position for the six months ended 30 June 2012, comparative financial information has been provided in the form of unaudited restated financial information extracted from the audited financial statements of EDP for the year ended 31 December 2011 and adjusted in order to reflect the change referred to in the final paragraph below.

In accordance with the accounting treatment permitted by IAS 19 for employee benefits, during the second half of 2011, EDP decided to change its accounting policy and, consequently, restated the comparative financial information for the period ended 30 June 2011, as included in the unaudited consolidated financial statements of EDP for the period ended 30 June 2012, and the comparative financial information for the year ended 31 December 2010 as included in the audited consolidated financial statements of EDP for the year ended 31 December 2011, as incorporated by reference in this Prospectus.

Additionally, during the second half of 2011, EDP changed the presentation of specific demand deposits of institutional partnership in USA, previously presented under *“Other debtors and other assets - Current”*, and presented those deposits as *“Cash and cash equivalents”*. For comparative purposes, EDP restated the comparative financial information for the year ended 31 December 2010, as included in the audited consolidated financial statements for the year ended 31 December 2011 and the comparative financial information for the period ended 30 June 2011, as included in the unaudited consolidated financial statements of EDP for the period ended 30 June 2012, as incorporated by reference in this Prospectus.

During the first half of 2012, EDP changed the presentation of deferred tax equity costs, previously disclosed under *“Other debtors and other assets - Non-current”*, and presented those costs as reduction of *“Institutional partnerships in USA wind farms”*. For comparative purposes, EDP restated the comparative financial information for the year ended 31 December 2011, as included in the unaudited consolidated financial statements of EDP for the period ended 30 June 2012, as incorporated by reference in this Prospectus.

## Consolidated Income Statement

	Unaudited				
	Six Months Ended June 30,		Year Ended December 31,		
	2012	2011*	2011	2010*	2010
	(Thousands of Euros)		(Thousands of Euros)		
Turnover	8,213,532	7,542,984	15,120,851	14,170,742	14,170,742
Cost of electricity	-4,172,342	-3,665,848	-7,320,373	-6,808,261	-6,808,261
Cost of gas	-713,096	-634,358	-1,328,068	-945,270	-945,270
Changes in inventories and cost of raw materials and consumables used	-538,852	-455,031	-1,035,935	-1,012,880	-1,012,880
	<u>2,789,242</u>	<u>2,787,747</u>	<u>5,436,475</u>	<u>5,404,331</u>	<u>5,404,331</u>
Revenue from assets assigned to concessions	178,853	195,460	440,546	392,017	-
Expenditure with assets assigned to concessions	-178,853	-195,460	-440,546	-392,017	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other operating income / (expenses)					
Other operating income	154,369	182,599	414,342	320,889	320,889
Supplies and services	-445,589	-421,044	-901,048	-862,256	-862,256
Personnel costs and employee benefits	-330,231	-321,061	-634,900	-643,468	-
Personnel costs	-	-	-	-	-575,408
Employee benefits	-	-	-	-	-153,362
Other operating expenses	-282,683	-282,983	-559,281	-521,384	-521,384
	<u>-904,134</u>	<u>-842,489</u>	<u>-1,680,887</u>	<u>-1,706,219</u>	<u>-1,791,521</u>
	1,885,108	1,945,258	3,755,588	3,698,112	3,612,810
Provisions	-6,751	-20,422	-692	-103,578	-103,578
Depreciation, amortisation expense and impairment	-717,107	-724,122	-1,517,160	-1,469,002	-1,469,002
Compensation of amortisation and depreciation	13,129	19,877	29,654	22,279	22,279
	<u>1,174,379</u>	<u>1,220,591</u>	<u>2,267,390</u>	<u>2,147,811</u>	<u>2,062,509</u>
Gains/(losses) on the sale of financial assets	2,857	10,372	20,877	60,821	60,821
Financial income	366,187	397,183	818,848	820,743	820,743
Financial expenses	-719,228	-708,147	-1,534,235	-1,391,012	-1,305,710
Share of profit in associates	10,464	11,789	19,477	23,470	23,470
Profit before income tax	834,659	931,788	1,592,357	1,661,833	1,661,833
Income tax expense	-158,940	-220,489	-260,378	-427,232	-427,232
<b>Net profit for the period</b>	<u>675,719</u>	<u>711,299</u>	<u>1,331,979</u>	<u>1,234,601</u>	<u>1,234,601</u>
<b>Attributable to:</b>					
Equity holders of EDP	581,768	608,662	1,124,663	1,078,925	1,078,925
Non-Controlling Interests	93,951	102,637	207,316	155,676	155,676
Net profit for the period	<u>675,719</u>	<u>711,299</u>	<u>1,331,979</u>	<u>1,234,601</u>	<u>1,234,601</u>
Earnings per share (Basic and Diluted) - Euros	0.16	0.17	0.31	0.30	0.30

\* Restated financial information for comparative purposes



## Consolidated Statement of Financial Position

	Unaudited		Year ended December 31,		
	Six Months Ended June 30,	Year ended December 31,			
	2012	2011*	2011	2010*	2010
	(Thousands of Euros)		(Thousands of Euros)		
<b>Assets</b>					
Property, plant and equipment	20,673,304	20,708,313	20,708,313	20,323,583	20,323,583
Intangible assets	6,575,196	6,800,478	6,800,478	6,614,139	6,614,139
Goodwill	3,337,546	3,327,257	3,327,257	3,349,179	3,349,179
Investments in associates	162,806	160,306	160,306	146,871	146,871
Available for sale investments	160,865	171,313	171,313	443,965	443,965
Deferred tax assets	386,954	511,414	511,414	515,332	515,332
Trade receivables	94,397	108,610	108,610	117,442	117,442
Debtors and other assets from commercial activities	2,482,138	2,108,393	2,108,393	1,438,199	-
Other debtors and other assets	512,833	402,025	414,973	258,518	-
Debtors and other assets	-	-	-	-	1,696,717
<b>Total Non-Current Assets</b>	<b>34,386,039</b>	<b>34,298,109</b>	<b>34,311,057</b>	<b>33,207,228</b>	<b>33,207,228</b>
Inventories	315,169	346,060	346,060	356,978	356,978
Trade receivables	2,035,350	2,043,671	2,043,671	2,069,676	2,069,676
Debtors and other assets from commercial activities	1,745,741	1,495,616	1,495,616	2,045,017	-
Other debtors and other assets	319,620	505,694	505,694	514,609	-
Debtors and other assets	-	-	-	-	2,636,565
Tax receivable	450,117	644,819	644,819	640,485	640,485
Financial assets at fair value through profit or loss	192	212	212	35,745	35,745
Cash and cash equivalents	1,441,889	1,731,524	1,731,524	1,588,163	1,511,224
Assets classified as held for sale	213,366	201,924	201,924	30,952	30,952
<b>Total Current Assets</b>	<b>6,521,444</b>	<b>6,969,520</b>	<b>6,969,520</b>	<b>7,281,625</b>	<b>7,281,625</b>
<b>Total Assets</b>	<b>40,907,483</b>	<b>41,267,629</b>	<b>41,280,577</b>	<b>40,488,853</b>	<b>40,488,853</b>
<b>Equity</b>					
Share capital	3,656,538	3,656,538	3,656,538	3,656,538	3,656,538
Treasury stock	-106,467	-111,430	-111,430	-115,731	-115,731
Share premium	503,923	503,923	503,923	503,923	503,923
Reserves and retained earnings	3,291,159	2,935,840	2,935,840	2,730,903	2,730,903
Consolidated net profit attributable to equity holders of EDP	581,768	1,124,663	1,124,663	1,078,925	1,078,925
<b>Total Equity attributable to equity holders of EDP</b>	<b>7,926,921</b>	<b>8,109,534</b>	<b>8,109,534</b>	<b>7,854,558</b>	<b>7,854,558</b>
Non-Controlling Interests	3,180,095	3,277,245	3,277,245	2,930,401	2,930,401
<b>Total Equity</b>	<b>11,107,016</b>	<b>11,386,779</b>	<b>11,386,779</b>	<b>10,784,959</b>	<b>10,784,959</b>
<b>Liabilities</b>					
Financial debt	16,122,398	15,786,411	15,786,411	14,887,195	14,887,195
Employee benefits	1,759,213	1,823,158	1,823,158	1,904,879	1,904,879
Provisions	379,143	415,149	415,149	431,194	431,194
Hydrological correction account	62,885	69,142	69,142	75,098	75,098
Deferred tax liabilities	897,815	954,002	954,002	856,072	856,072
Institutional partnerships in USA wind farms	1,792,163	1,783,861	1,796,809	1,644,048	-
Trade and other payables from commercial activities	1,366,145	1,289,436	1,289,436	1,416,047	-
Other liabilities and other payables	344,179	361,101	361,101	759,722	-
Trade and other payables	-	-	-	-	3,819,817
<b>Total Non-Current Liabilities</b>	<b>22,723,941</b>	<b>22,482,260</b>	<b>22,495,208</b>	<b>21,974,255</b>	<b>21,974,255</b>
Financial debt	3,466,693	2,998,698	2,998,698	3,004,451	3,004,451
Trade and other payables from commercial activities	2,663,658	3,296,680	3,296,680	3,489,294	-
Other liabilities and other payables	464,102	535,077	535,077	683,538	-
Trade and other payables	-	-	-	-	4,172,832
Tax payable	458,342	546,806	546,806	552,356	552,356

	<b>Unaudited</b>				
	<b>Six Months</b>	<b>Year ended</b>	<b>Year ended December 31,</b>		
	<b>Ended June 30,</b>	<b>December 31,</b>			
	<b>2012</b>	<b>2011*</b>	<b>2011</b>	<b>2010*</b>	<b>2010</b>
Liabilities classified as held for sale	23,731	21,329	21,329	-	-
Total Current Liabilities	7,076,526	7,398,590	7,398,590	7,729,639	7,729,639
Total Liabilities	29,800,467	29,880,850	29,893,798	29,703,894	29,703,894
Total Equity and Liabilities	40,907,483	41,267,629	41,280,577	40,488,853	40,488,853

\* Restated financial information for comparative purposes

## Consolidated Statement of Cash Flows

	Unaudited				
	Six Months Ended June 30,		Year Ended December 31,		
	2012	2011*	2011	2010*	2010
<b>Operating activities</b>	<i>(Thousands of Euros)</i>		<i>(Thousands of Euros)</i>		
Cash receipts from customers	7,501,403	7,042,385	14,337,258	13,153,511	13,153,511
Proceeds from tariff adjustments securitization	167,936	358,465	684,651	-	-
Payments to suppliers	-5,913,298	-5,433,656	10,588,153	-9,415,651	-9,415,651
Payments to personnel	-487,917	-434,841	-817,903	-654,063	-654,063
Concession rents paid	-124,020	-118,712	-226,115	-236,440	-236,440
Other receipts / (payments) relating to operating activities	-38,435	167,395	-251,123	-321,258	-321,258
Net cash from operations	<u>1,105,669</u>	<u>1,581,036</u>	<u>3,138,615</u>	<u>2,526,099</u>	<u>2,526,099</u>
Income tax received / (paid)	-33,159	-94,931	-191,810	-683,955	-683,955
<b>Net cash from operating activities</b>	<u>1,072,510</u>	<u>1,486,105</u>	<u>2,946,805</u>	<u>1,842,144</u>	<u>1,842,144</u>
<b>Investing activities</b>					
Cash receipts relating to:					
Financial assets	9,006	27,019	152,822	155,286	169,833
Property, plant and equipment and intangible assets	4,702	40,140	48,964	65,292	65,292
Investment grants	17,421	393	44,881	31,313	31,313
Interest and similar income	45,333	55,799	115,820	127,218	127,218
Dividends	10,712	8,288	19,560	37,387	37,387
	<u>87,174</u>	<u>131,639</u>	<u>382,047</u>	<u>416,496</u>	<u>431,043</u>
Cash payments relating to:					
Financial assets	-51,685	-263,706	-614,704	-283,708	-283,708
Changes in cash resulting from consolidation perimeter variations	5	665	-659	5,440	5,440
Property, plant and equipment and intangible assets	-1,085,796	-1,230,254	-2,311,043	-2,983,595	-2,983,595
	<u>-1,137,476</u>	<u>-1,493,295</u>	<u>-2,926,406</u>	<u>-3,261,863</u>	<u>-3,261,863</u>
<b>Net cash from investing activities</b>	<u>-1,050,302</u>	<u>-1,361,656</u>	<u>-2,544,359</u>	<u>-2,845,367</u>	<u>-2,830,820</u>
<b>Financing activities</b>					
Receipts / (payments) relating to loans	868,727	279,894	732,952	1,104,831	1,104,831
Interest and similar costs including hedge derivatives	-390,475	-314,081	-637,962	-540,095	-540,095
Governmental grants received	3,206	1,574	2,587	169,304	169,304
Share capital increases by non-controlling interests	-	3,720	4,503	2,514	2,514
Receipts / (payments) relating to derivative financial instruments	-934	-16,519	-63,980	-42,670	-42,670
Dividends paid to equity holders of EDP	-670,829	-616,581	-616,581	-561,819	-561,819
Dividends paid to non-controlling interests	-99,641	-91,189	-137,565	-87,274	-87,274
Treasury stock sold / (purchased)	-2,125	2,117	1,077	369	369
Purchase / (sale) of non-controlling interests without loss of control	-	-	356,343	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	-6,670	-7,343	141,111	228,359	228,359
<b>Net cash from financing activities</b>	<u>-298,741</u>	<u>-758,408</u>	<u>-217,515</u>	<u>273,519</u>	<u>273,519</u>
Changes in cash and cash equivalents	-276,533	-633,959	184,931	-729,704	-715,157
Effect of exchange rate fluctuations on cash held	-13,102	-21,919	-41,570	43,557	36,821

Cash and cash equivalents at the beginning of the period	<u>1,731,524</u>	<u>1,588,163</u>	<u>1,588,163</u>	<u>2,274,310</u>	<u>2,189,560</u>
Cash and cash equivalents at the end of the period	<u>1,441,889</u>	<u>932,285</u>	<u>1,731,524</u>	<u>1,588,163</u>	<u>1,511,224</u>
<b>* Restated financial information for comparative purposes</b>					

## EDP B.V.

### EDP FINANCE B.V.

#### INCORPORATION, DURATION AND DOMICILE

EDP Finance B.V. (hereinafter EDP B.V.), a wholly-owned subsidiary of EDP, is incorporated under Dutch law as a private company with limited liability (*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 Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands (telephone number +31 20 575 5600) and its statutory seat is in Amsterdam, The Netherlands, EDP B.V. is registered in the Commercial Register of the Chamber of Commerce for Amsterdam under file number: 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 by 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: EDP, Jacob Cornelis Willem van Burg, TMF Netherlands B.V. and Myrthe Marie Louise Görtzen. Details of the directors of EDP can be found in "Management".

The details of the individual directors of EDP B.V. are as follows:

Name	Age	Position	Elected
Jacob Cornelis Willem van Burg	53	Director	2007
Myrthe Marie Louise Görtzen	37	Director	2012

The details of the directors and proxyholders of TMF Netherlands B.V. are as follows:

Name	Age	Position	Elected
Jacob Cornelis Willem van Burg	53	Director	2005
Robert Willem de Koning	50	Director	2011
Jan Reint Baron de Vos van Steenwijk	57	Director	2011
Franciscus Willem Josephine Johannes Welman	48	Director	2011
Susan Jane Bennion	56	Proxyholder B	2008

Willem Paul Ruoff	57	Proxyholder A	2008
Jozef Cornelis Petrus van Uffelen	54	Proxyholder A	2012
Wolbert Hinrik Kamphuijs	51	Proxyholder A	2008
Johannes Petrus Franciscus Godefridus Sebastiaan Kevenaer	50	Proxyholder A	2012
Dirk Slob	41	Proxyholder A	2012
Paul Jozef Schmitz	61	Proxyholder A	2012
Michiel Merijn Bernardus	36	ProxyholderA	2011
Sandra Johanna Cornelia Maria Rios Vital	42	Proxyholder B	2008
Cornelis Henricus Johannes Clemens de Raaff	60	Proxyholder A	2008
Robert Jan van Hedel	43	Proxyholder B	2010
Dik-Jan Jetses	44	Proxyholder B	2011
Iwan Petrus Leonardus van Munster	36	Proxyholder A	2012
Hubertus Petrus Cornelis Mourits	47	Proxyholder A	2011
Myrthe Marie Louise Görtzen	37	Proxyholder A	2011
Ilaria de Lucia	43	Proxyholder A	2011
Timo Johannus van Rijn	40	Proxyholder A	2011
Petrus Joseph Gerardus de Reus	54	Proxyholder A	2011
Rémi Hermanus Hyacinthus Maria Smits	52	Proxyholder A	2011
Robbert Hendrik van der Werff	39	Proxyholder B	2011
Mireille Nicole Kruijer	34	Proxyholder A	2012
Sandra Reintje Lombert	48	Proxyholder B	2011
Hendrikus Zuidema	36	Proxyholder A	2012
Roland van de Paverd	46	Proxyholder B	2011
Johannes Fredericus Verhaert	57	Proxyholder B	2011
Robertus Hendrikus Lukas de Groot	44	Proxyholder A	2012
Benjamin de Koe	42	Proxyholder A	2012
Lucas Jules Marie Duijsens	45	Proxyholder A	2012
Sebastiaan Jacobus Charles Adrianus Pijnenburg	41	Proxyholder A	2012
Stefanie Joanne van der Duijs	39	Proxyholder A	2012
Saskia Antonia Johanna Engel	44	Proxyholder B	2011

Danny Timmers	43	Proxyholder B	2011
Arthur Weglau	40	Proxyholder A	2012
Caspar Jacobus Horstmanshof	41	Proxyholder B	2011
Ronald Platen	54	Proxyholder B	2011
Paul Zwagerman	44	Proxyholder B	2011
Elena Maria Gonzalez-Sicilia de Ascanio	49	Proxyholder B	2011
Nicolaas Jacobus Petrus Tetteroo	65	Proxyholder B	2011
Steffen Engelbertus Johannes Ruigrok	41	Proxyholder A	2012
Everardus Theodorus Veerman	43	Proxyholder A	2012
Daniël Willem Gustaaf Kwantes	51	Proxyholder A	2012
Moses Tjhin	42	Proxyholder A	2012
Its de Bree	35	Proxyholder A	2012
Robert Michiel Forterie	45	Proxyholder A	2012
Paulus Cornelis Gerhardus van Duuren	41	Proxyholder A	2012
Dennis Beets	44	Proxyholder A	2012
Jogchum Hedde Beetsma	37	Proxyholder A	2012
Mihaela Felicia Fratila	36	Proxyholder A	2012
Yoram Yehuda	46	Proxyholder B	2012
Andriy Yuryevich Selifonov	32	Proxyholder B	2012
Yolanda Bakker-Ortola Martinez	43	Proxyholder B	2012
Stefan de Vries	34	Proxyholder B	2012
Juan Carlos Rubio Imbers	30	Proxyholder B	2012
Beata Barbara Wlodarczak	30	Proxyholder B	2012
Rik van Velzen	33	Proxyholder B	2012
Johann Theodoor van der Linden	50	Proxyholder B	2012
Paul John Adamiak	29	Proxyholder B	2012
Gerard Alexander Rump	48	Proxyholder B	2012
Jarno Beijer	37	Proxyholder B	2012
Joost Marcel van Eerden	30	Proxyholder B	2012
Hester Imhof	31	Proxyholder B	2012

Stephan Jacobus Marceau de Jonge	33	Proxyholder B	2012
Vincent Martin Mahieu	53	Proxyholder B	2012
Amanda Beatrice Lie-Kwie-Nahrwold	35	Proxyholder B	2012
Aly Sarwarzade	36	Proxyholder B	2012
Dirk de Ruijter	50	Proxyholder B	2012
Rolf Wemmi	33	Proxyholder B	2012
Martin Vestergaard	39	Proxyholder B	2012
Lilly Anne van Damme-Verhagen	54	Proxyholder B	2012
Petra Scholastika Terhell	43	Proxyholder B	2012
Carolina Esther Moreno Blanco	37	Proxyholder B	2012
Ricardo John Wolf	32	Proxyholder B	2012
Zohar Emanuel Leuw	43	Proxyholder B	2012
Fred van Dam	41	Proxyholder B	2012
Johannes Antonius Maria van Zwieten	59	Proxyholder B	2012

The contact address for the above directors is (including the individual directors of EDP B.V. ) TMF Netherlands B.V., Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost , The Netherlands (telephone number: +31 020 575 56 00).

EDP B.V. may be legally represented by the entire management board being: EDP, Mr. van Burg, TMF Netherlands B.V. and Mrs. Görtzen, acting jointly, or two members of the management board acting jointly.

#### **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 interest 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 2011.



## 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 in 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 the 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.

The summary below in relation to Instruments issued by EDP B.V. and by EDP 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.

#### 1. Instruments issued by EDP B.V.

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 25 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 49 per cent. for the years of 2012 and 2013. In this case, the tax withheld is deemed a payment on account of the final tax due. Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 30 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply. 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 25 per cent. will apply, unless an option for aggregation is made, subject to the aforementioned progressive tax rates.

Capital gains obtained by Portuguese resident individuals on the transfer of the Instruments are taxed at a rate of 25 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 Corporate Income Tax at a 25 per cent. tax rate, to which may be added a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. of its taxable income. A state

surcharge (“*derrama estadual*”) also applies at 3% on taxable profits in excess of Euro 1,500,000 and until Euro 10,000,000 and at 5% on taxable profits in excess of Euro 10,000,000 for the years of 2012 and 2013.

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 Corporate Income Tax at a 25 per cent. tax rate, to which may be added a municipal surcharge (“*derrama municipal*”) of up to 1.5 per cent. of its taxable income. A state surcharge (“*derrama estadual*”) also applies at 3% on taxable profits in excess of Euro 1,500,000 and until Euro 10,000,000 and at 5% on taxable profits in excess of Euro 10,000,000 for the years of 2012 and 2013.

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 a 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 25 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 49 per cent for the years of 2012 and 2013. In this case, the tax withheld is deemed a payment on account of the final tax due.

Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 30 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

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 25 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 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 Corporate Income Tax at a 25 per cent. tax rate, to which may be added a municipal surcharge (“*derrama municipal*”) of up to 1.5 per cent. of its taxable income. A state surcharge (“*derrama estadual*”) also applies at 3% on taxable profits in excess of Euro 1,500,000 and until Euro 10,000,000 and at 5% on taxable profits in excess of Euro 10,000,000 for the years of 2012 and 2013.

Withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due. Financial institutions subject to Portuguese corporate income tax (including branches of foreign financial institutions located in Portugal), and inter alia pension funds, retirement and/or education savings funds, share savings funds and venture capital funds constituted under the laws of Portugal are not subject to withholding tax.

The annual positive difference between the capital gains and capital losses deriving from the sale of Instruments (and other debt securities and shares held for more than 12 months) by an investment fund created and operating under the Portuguese legislation other than mixed or closed-ended investment funds of private subscription is exempt from tax; otherwise tax applies at 21.5 per cent..

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 25 per cent., which is the final tax on that income. The rate is 30% in the case of individuals or legal persons domiciled in a country included in the “tax havens” list approved by Ministerial order no. 150/2004 of 13 February (as amended by Ministerial order no. 292/2011 of 8 November).

Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 30 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

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), 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 concluded 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. of the capital of the Issuer, or is directly held by the Issuer at least 25 per cent. or which is directly held 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 authorised 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, 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*) amended by Ministerial order (Portaria) no. 292/2011 of November 8. If the exemption does not apply, the gains will be subject to personal income tax at a rate of 25 per cent.. However, 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*) amended by Ministerial order (Portaria) no. 292/2011 of November 8. If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent.. However, 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 Corporate Income Tax at a 25 per cent. tax rate, to which may be added a municipal surcharge (“*derrama municipal*”) of up to 1.5 per cent. of its taxable income. A state surcharge (“*derrama estadual*”) also applies at 3% on taxable profits in excess of Euro 1,500,000 and until Euro 10,000,000 and at 5% on taxable profits in excess of Euro 10,000,000 for the years of 2012 and 2013. 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. However, 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, by 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*) amended by Ministerial order (Portaria) no. 292/2011 of November 8, except if they are central banks or 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 to 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 on 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 one of the following documents: (A) 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 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 (1) 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 (2) 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 162 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), 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 166 of this Prospectus corresponds with 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*) available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

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 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 is withheld, a special refund procedure is available under the special regime approved by Decree-law 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 form for these purposes was approved by Order (*Despacho*) no. 4980/2006 (2nd series), published in the Portuguese official gazette, 2nd series, n.o 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 for viewing 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 to the Portuguese tax authorities under the general procedures or through form 22-RFI, approved by Order (*Despacho*) no. 4743-A/2008, of 8 February 2008 (2nd series), as rectified by Rectification no. 427-A/2008, of 29 February 2008, published in the Portuguese official gazette, second series, no. 45, of 29 February 2008, of the Portuguese Minister of Finance and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt) and within the general deadlines.

**CERTIFICATE FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME FROM DEBT SECURITIES  
(PARAGRAPH 1 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 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 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 to 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 12 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 with corresponding nominal position at the payment date...../...../.....; and
2. Hereby declares that he/she/it is not liable to withholding tax, in accordance with 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 were to be 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*), 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 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, available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

## **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. 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 the Issuer and holders of Instruments of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the 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 or is deemed to hold (1) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (2) rights to acquire, directly or indirectly, such interest or (3) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*);
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax; and
- (iv) persons to whom the Instruments and the income from the Instruments are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Netherlands Gift and Inheritance Tax Act (*Successiewet 1956*).

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

### **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%).

If an individual is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual 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%) under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Instruments are attributable or the individual 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 by the individual of activities with respect to the Instruments that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies, an individual that holds the instruments, must determine taxable income with regard to the Instruments 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 is fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Instruments will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%.

### (b) Non-residents of the Netherlands

If a person is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (nor has opted to be taxed as a resident of the Netherlands), such person is not liable for Netherlands income tax in respect of income derived from the Instruments and gains realised upon the settlement, redemption or disposal of the Instruments, unless:

- (i) the person is not an individual and such person (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 permanent representative the Instruments are attributable, or (2) is (other than by way of securities) 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 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%.

- (ii) the person is an individual and such person (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 (other than by way of securities) entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands 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%. 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 behalf of, 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 gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled and is subject to Netherlands gift and inheritance tax if the donor is, or is deemed to be a resident of the Netherlands at that time.

A holder of Netherlands 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 gift 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 gift 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, or on behalf of, 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. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

### **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 payments of interest (or similar income) paid by a person within its jurisdiction to 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 (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).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## 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 plc, 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 13 September 2012 (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. Instruments may be offered by the Issuer or the Dealers to any Investors, subject to the restrictions described below.

### United States of America

Regulation S Category 2; TEFRA D, unless TEFRA C is specified as applicable 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 Treasury regulations promulgated thereunder.

Each Dealer has represented and 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 (1) as part of their distribution at any time or (2) otherwise until 40 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 40 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.

### Portugal

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that 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 registration, filing, approval or recognition procedure with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, "CMVM") 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 other than in compliance with all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation implementing the Prospectus Directive (as amended) 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, (1) 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; (2) it has not distributed, made available or cause to be distributed and will not distribute, make available or cause to be distributed the Prospectus or any other offering material relating to the Instrument to the public in Portugal; and that (3) any such distribution shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

Without prejudice to the above, on 4 May 2012 CMVM launched a public consultation (*consulta pública*) on the preliminary draft of the decree-law that will transpose into the Portuguese legal framework the 2010 PD Amending Directive. Accordingly, rules in respect of public offerings of securities are likely to change in the near future, although it is at this stage uncertain the exact scope of those variations and when will the same enter into force.

On 13 July 2012 CMVM released a generic opinion (*parecer*) on the application of the 2010 PD Amending Directive in Portugal as from 1 July 2012. Although not yet implemented in Portugal, a directive has vertical direct effect after its implementation deadline and therefore some of the provisions of the 2010 PD Amending Directive (to the extent they impose unconditional and clearly expressed duties on the member States) can be applied from 1 July 2012 until the date of implementation of the 2010 PD Amending Directive in Portugal. The above mentioned public consultation documents and the generic opinion may be found at [www.cmvm.pt](http://www.cmvm.pt).

#### **The Netherlands**

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 tenure 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.

## **Kingdom of Spain**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Instruments may not be offered, sold or distributed in the Kingdom of Spain save in accordance with the requirements of Law 24/1988, of 28 July, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) (the "LMV") as amended and restated, and Royal Decree 1310/2005, of 4 November 2005, partially developing Law 24/1988, of 28 July, on the Securities Market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended and restated, and the decrees and regulations made thereunder and by institutions authorised under the LMV and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión y por el que se modifica parcialmente el Reglamento de la Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva, aprobado por el Real Decreto 1309/2005, de 4 de noviembre*) to provide investment services in Spain.

## **Japan**

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act 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 Act (Act 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) if the final terms in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Public Offer"), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the

Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Public Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
  - (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant 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 paragraph (b) to (d) above shall require the relevant 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 amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

#### **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.

## 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 18 September 2012.
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 update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 26 July 2011 and by written resolutions of the management board of EDP B.V. on 12 August 2011. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on 30 July 2012 and by written resolutions of the management board of EDP B.V. on 5 September 2012. 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, 343314100-138 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 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 offices of EDP and 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 2010 and 31 December 2011 and the audited financial statements of EDP B.V. in respect of the financial years ended 31 December 2010 and 31 December 2011, 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, supplements and 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/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

In relation to the documents referred to at (i), (ii) and (iii) above, the Issuers confirm that the translations thereof are true and accurate, however, in case of a discrepancy between the original document and the English translation thereof, the original document will prevail.

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 2012, and there has been no material adverse change in the prospects of EDP, EDP B.V. or the EDP Group since the date of their last published audited financial statements, being 31 December 2011.
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 preceding 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 EDP are KPMG & Associados, SROC, SA, independent certified public accountants, who have audited (i) EDP's accounts for the financial year ended on 31 December 2010, without qualification, in accordance with generally accepted auditing standards in Portugal and (ii) EDP's accounts for the financial year ended on 31 December 2011, without qualification, in accordance with International Financial Reporting Standards, as adopted by the European Union. 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 2010 and for the financial year ended on 31 December 2011. 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. Instruments issued under this Programme will have a minimum denomination of €1,000 (or its equivalent in any other currency).
10. The price and amount of Instruments to be issued under the Programme will be determined by the Issuer and the relevant Dealer on or before the applicable Issue Date of the relevant Series of Instruments in accordance with prevailing market conditions and will be disclosed in the applicable Final Terms. The Issue Price of the Instruments of any Series may be less than, equal to or greater than the par value of the relevant Instruments as at the Issue Date.
11. Interest on Floating Rate Instruments will accrue at a rate linked to either LIBOR, EURIBOR, EONIA or SONIA (each a "FRN Reference Rate"). The relevant FRN Reference Rate (including the relevant reference period and details of where it is published) that will apply to any particular Tranche of Instruments issued under the Programme will be disclosed in the Final Terms.
12. The yield for any particular Series of Instruments will be calculated on the basis of the average annual rate of return if the relevant Instruments were to be purchased at the Issue Price on the Issue Date and held to maturity. The yield specified in the applicable Final Terms in respect of a Series of Instruments will not be an indication of future yield.
13. The Issuers do not intend to provide any post-issuance information in relation to any issues of Instruments.
14. 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. They have received, or may in the future receive, customary fees and commissions for these transactions.
15. The ratings of the Issuers are set out at page 1 of this Prospectus. The applicable ratings of each of the relevant credit rating agencies have the following meanings:

(i) Moody's – Ba1

Moody's issuer ratings are opinions of the ability of entities to honor senior unsecured financial obligations and contracts. Obligations issued by issuers rated Ba1 are judged to have speculative elements and are subject to substantial credit risk. The modifier 1 indicates that the obligation ranks in the higher end of this generic rating category.

(ii) Standard and Poor's – BB+

A Standard & Poor's issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness in order to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments. The addition of the plus (+) sign shows the obligor's relative standing within the major rating category BB.

(ii) Fitch – BBB-

In aggregate, Fitch's issuer credit ratings provide an ordinal ranking of issuers based on Fitch's view of their relative vulnerability to default on financial obligations. BBB ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity. The modifier "-" denotes relative status within the major rating category BBB.

16. The information at paragraph 15(i), (ii) and (iii) above has has been extracted from the websites of Moody's (in the case of paragraph (i)), Standard & Poor's (in the case of paragraph (ii)) and Fitch (in the case of paragraph (iii)). The Issuers confirm that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Moody's, Standard & Poor's and Fitch respectively, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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**EDP — ENERGIAS DE PORTUGAL, S.A.**

*(incorporated with limited liability in the Portuguese Republic)*

and

**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**

This Supplement (the "**Supplement**") is supplemental to, forms part of and must be read and construed in conjunction with, the prospectus dated 14 September 2012 (the "**Base Prospectus**") prepared by EDP — Energias de Portugal, S.A. ("**EDP**") and EDP Finance B.V. ("**EDP B.V.**") in connection with their Programme for the Issuance of Debt Instruments (the "**Programme**") for the issuance of up to €12,500,000,000 in aggregate principal amount of instruments ("**Instruments**"). Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the United Kingdom Financial Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus supplement issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom.

The purpose of this Supplement is to incorporate by reference in the Base Prospectus the third quarter unaudited consolidated interim financial statements of EDP for the three months ended 31 September 2012 appearing on pages 18 – 87 of the Third Quarter 2012 Report of EDP (the "**Third Quarter Consolidated Interim Financial Statements**").

## IMPORTANT NOTICES

EDP accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new fact, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Instruments issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

Investors should be aware of their rights under Section 87Q(4) of Financial Services and Markets Act 2000 (the "**FSMA**").

In accordance with Section 87Q(4) of the FSMA, investors who have agreed to purchase or subscribe for any Instruments before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

## SUPPLEMENTS TO THE BASE PROSPECTUS

With effect from the date of this Supplement, the information appearing in, or incorporated by reference into, the Base Prospectus shall be amended and/or supplemented in the manner described below.

### **Documents incorporated by reference**

A copy of the Third Quarter Consolidated Interim Financial Statements has been filed with the FSA and shall be deemed to be incorporated by reference in, and form part of, this Supplement and the Base Prospectus.

Any information contained in the Third Quarter 2012 Report of EDP referred to above which is not incorporated by reference in this Supplement is either not relevant to investors or is covered elsewhere in the Base Prospectus as supplemented by this Supplement.

To the extent that the Third Quarter Consolidated Interim Financial Statements themselves incorporate by reference any information or other documents by reference, either expressly or implicitly, such information is not incorporated by reference in and shall not form part of this Supplement for the purposes of the Prospectus Directive.

A copy of the Third Quarter Consolidated Interim Financial Statements has been submitted to the National Storage Mechanism and is available for inspection at <http://www.hemscott.com/nsm.do> and can be obtained, free of charge, from the registered offices of EDP and the specified office of the Paying Agent for the time being in London (Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB).

