

INFORMATION MEMORANDUM



**EDP — ELECTRICIDADE 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)

**€5,000,000,000**

***Programme for the Issuance of Debt Instruments***

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Applications have been made to the Financial Services Authority in its capacity as UK Listing Authority (the "UK Listing Authority") for debt instruments (the "Instruments") issued under the programme (the "Programme") described in this Information Memorandum during the period of twelve months from the date of this Information Memorandum to be admitted to the official list maintained by 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 market for listed securities. This Information Memorandum comprises listing particulars approved by the UK Listing Authority issued in compliance with the listing rules made under Section 142 of the Financial Services Act 1986 for the purpose of giving information with regard to issues of Instruments during the period of twelve months from the date of this Information Memorandum. Copies of the listing particulars have been delivered for registration to the Registrar of Companies in England and Wales in accordance with Section 149 of the Financial Services Act 1986. Instruments may also be issued under the Programme which are not listed on any stock exchange.

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*Arranger for the Programme*

**MORGAN STANLEY DEAN WITTER**

*Dealers*

ABN AMRO

Banco Português de Investimento, S.A.

Barclays Capital

BNP Paribas

Deutsche Bank

Morgan Stanley Dean Witter

Tokyo-Mitsubishi International plc

Banco Espírito Santo Investimento S.A.

Banco Santander Negócios Portugal, S.A.

BCP Investimento—Banco Comercial Português de Investimento, S.A.

Caixa — Banco de Investimento, S.A.

Dresdner Kleinwort Wasserstein

Schroder Salomon Smith Barney

UBS Warburg

March 14, 2001

EDP – Electricidade de Portugal, S.A. (“EDP”) and EDP Finance B.V. (“EDP B.V.”) each accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of EDP and EDP B.V. (which have taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Information Memorandum should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference and, in relation to any Series (as defined herein) of Instruments, should be read and construed together with the relevant Pricing Supplement(s) (as defined herein).

Each of EDP and EDP B.V. has confirmed to the dealers (the “Dealers”) named under “Subscription and Sale” below and Bankers Trust Company Limited (the “Trustee”) that this Information Memorandum 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 Information Memorandum 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 of EDP and EDP B.V. has further confirmed to the Dealers and the Trustee that this Information Memorandum (together with the relevant Pricing Supplement) 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 Information Memorandum 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 EDP, EDP B.V., any of the Dealers or the Trustee.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates or the Trustee, and neither the Dealers nor any of their respective affiliates nor the Trustee makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Information Memorandum. Neither the delivery of this Information Memorandum or any Pricing Supplement nor the offering, sale or delivery of any Instrument shall, in any circumstances, create any implication that the information contained in this Information Memorandum is true subsequent to the date hereof or the date upon which this Information Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial situation of EDP and/or EDP B.V. since the date hereof or, if later, the date upon which this Information Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Information Memorandum and any Pricing Supplement and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Pricing Supplement comes are required by EDP and EDP B.V., the Dealers and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of this Information Memorandum or any Pricing Supplement and other offering material relating to the Instruments, see “Subscription and Sale”. In particular, Instruments have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may include Instruments in bearer form which 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. In addition, neither EDP nor EDP B.V. has authorised any offer of Instruments to the public in the United Kingdom within the meaning of the Financial Services Act 1986 or the Public Offers of Securities Regulations 1995 as amended (the “Regulations”). Instruments may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United

Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

Neither this Information Memorandum nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by EDP, EDP B.V., the Dealers or the Trustee or any of them that any recipient of this Information Memorandum or any Pricing Supplement should subscribe for or purchase any Instruments. Each recipient of this Information Memorandum or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of EDP or, as the case may be, EDP B.V.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (1) the most recently published audited consolidated annual financial statements, and any consolidated interim semi-annual financial statements (whether audited or unaudited) published subsequently to such annual financial statements, of EDP and EDP B.V. from time to time; and
- (2) all amendments and supplements to this Information Memorandum prepared by EDP and EDP B.V. from time to time,

save that (i) any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement provided that any modifying or superseding statement does not form part of the listing particulars as contained in this Information Memorandum given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986 and (ii) any documents incorporated by reference do not form part of the listing particulars as contained in this Information Memorandum given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE (AS DEFINED HEREIN) OF INSTRUMENTS UNDER THE PROGRAMME, THE DEALER (IF ANY) WHO IS SPECIFIED IN THE RELEVANT PRICING SUPPLEMENT AS THE STABILISING MANAGER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE INSTRUMENTS OF THE SERIES OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

## SUMMARY OF THE PROGRAMME

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

Issuers:	EDP – Electricidade de Portugal, S.A. (“EDP”) EDP Finance B.V. (“EDP B.V.”)
Keep Well Provider:	Instruments issued by EDP B.V. will benefit from a Keep Well Agreement provided by EDP. See “Relationship of EDP B.V. with EDP”.
Arranger:	Morgan Stanley & Co. International Limited.
Dealers:	ABN AMRO Bank N.V., Banco Português de Investimento, S.A., Banco Espírito Santo Investimento, S.A., Banco Santander de Negócios Portugal, S.A., Barclays Bank PLC, BNP Paribas, BCP Investimento-Banco Comercial Português de Investimento, S.A., Caixa – Banco de Investimento, S.A., Deutsche Bank AG London, Dresdner Bank Aktiengesellschaft, Morgan Stanley & Co. International Limited, Salomon Brothers International Limited*, Tokyo-Mitsubishi International plc and UBS AG, acting through its business group UBS Warburg and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Instruments.
Issue and Paying Agent:	Deutsche Bank AG London
Paying Agent:	Deutsche Bank Luxembourg S.A.
Registrar:	Deutsche Bank Luxembourg S.A.
London Listing Agent:	Morgan Stanley & Co. International Limited.
Trustee:	Bankers Trust Company Limited
Initial Programme Amount:	€5,000,000,000 (and, for this purpose, any Instruments denominated in another currency shall be translated into euro at the date of the agreement to issue such Instruments using the spot rate of exchange for the purchase of such currency against payment of euro being quoted by the Issue and Paying Agent on the date on which the relevant agreement in respect of the relevant Tranche was made or such other rate as the relevant Issuer and the relevant Dealer may agree) in aggregate principal amount of Instruments outstanding at any one time. The maximum aggregate principal amount of Instruments which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under “Subscription and Sale”. <sup>1</sup>

**Issuance in Series:**

Instruments will be issued in series (each, a “Series”). Each Series may comprise one or more tranches (“Tranches” and each, a “Tranche”) issued on different issue dates. The Instruments of each Series will all be subject to identical terms, except that the issue date, issue price and the amount of the first payment of interest may be different in respect of different Tranches. The Instruments of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Instruments of different denominations.

**Form of Instruments:**

Instruments may be issued in bearer form or in registered form. In respect of each Tranche of Instruments issued in bearer form, the relevant Issuer will deliver a temporary global Instrument (a “Temporary Global Instrument”) or (if so specified in the relevant Pricing Supplement in respect of Instruments to which U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the “TEFRA C Rules”) applies (as so specified in such Pricing Supplement)) a permanent global instrument (a “Permanent Global Instrument”). Such global Instrument will be deposited on or before the relevant issue date therefor with a depositary or a common depositary for Euroclear S.A./N.V. as operator of the Euroclear System (“Euroclear Bank”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) and/or any other relevant clearing system. Each Temporary Global Instrument will be exchangeable for a Permanent Global Instrument or, if so specified in the relevant Pricing Supplement, for Instruments in definitive bearer form (“Definitive Instruments”) and/or (if so specified in the relevant Pricing Supplement) registered form in accordance with its terms (“Registered Instruments”) upon certification as to non-U.S. beneficial ownership as required by United States Treasury regulations. Each Permanent Global Instrument will be exchangeable for Definitive Instruments and/or (if so specified in the relevant Pricing Supplement) Registered Instruments in accordance with its terms. (See further under “Provisions Relating to the Instruments while in Global Form” below). Definitive Instruments will, if interest-bearing, either have interest coupons (“Coupons”) attached and, if appropriate, a talon (“Talon”) for further Coupons and will, if the principal thereof is repayable by instalments, have payment receipts (“Receipts”) attached. Each Instrument issued in registered form shall represent the entire holding of Registered Instruments by the same holder. A Registered Instrument may be registered in the name of a nominee for one or more clearing system and such an Instrument is referred to herein as a “Global Registered Instrument”. Instruments in registered form may not be exchanged for Instruments in bearer form.

**Currencies:**

Instruments may be denominated in euro, U.S. dollars, Yen or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Instruments may, subject to compliance as aforesaid, be made in, and/or linked to, any currency or currencies other than the currency in which such Instruments are denominated.

Status of the Instruments:	The Instruments will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer from time to time outstanding.
Issue Price:	Instruments may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement.
Maturities:	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption:	Instruments may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement.
Early Redemption:	Early redemption will be permitted for taxation reasons as mentioned in "Terms and Conditions of the Instruments – Early Redemption for Taxation Reasons", but will otherwise be permitted only to the extent specified in the relevant Pricing Supplement.
Interest:	Instruments may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.
Denominations:	Instruments will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Taxation:	Payments in respect of Instruments will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands (where the Issuer is EDP B.V.) and Portugal (where the Issuer is EDP) or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, (subject to customary exceptions) such additional amounts will be paid as will result in the holders of Instruments or Coupons receiving such amounts as they would have received in respect of such Instruments or Coupons had no such withholding or deduction been required.
Governing Law:	The Instruments and all related contractual documentation will be governed by, and construed in accordance with, English law.



Listing:	Applications have been made to list Instruments to be issued under the Programme on the Official List and to admit them to trading on the London Stock Exchange plc's market for listed securities. The Instruments may also be listed, traded and/or quoted on such other or further listing authority or authorities, stock exchange or exchanges and/or quotation system or systems as may be agreed between the relevant Issuer and the relevant Dealer and specified in the relevant Pricing Supplement or may be unlisted.
Terms and Conditions:	A Pricing Supplement will be prepared in respect of each Tranche of Instruments a copy of which will, in the case of Instruments to be listed on the Official List and admitted to trading on the London Stock Exchange plc's market for listed securities be delivered to the London Stock Exchange on or before the date of issue of such Instruments. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Instruments" as supplemented, modified or replaced by the relevant Pricing Supplement.
Clearing Systems:	Euroclear Bank, Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Pricing Supplement or as may otherwise be approved by the relevant Issuer, the Issue and Paying Agent and the Trustee.
Ratings:	The Programme is, as of March 14, 2001, rated Aa3 in respect of Instruments with a maturity of more than one year by Moody's Investors Service Limited ("Moody's") and AA in respect of Instruments with a maturity of more than one year by Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies Inc. ("Standard & Poor's"). Instruments issued under the Programme may be rated or unrated. Where an issue of Instruments is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material in the United States of America, Portugal, The Netherlands and the United Kingdom. See under "Subscription and Sale".

## TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following are the Terms and Conditions of the Instruments which as supplemented, modified or replaced in relation to any Instruments by the relevant Pricing Supplement, 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 Pricing Supplement (as defined below), either EDP – Electricidade de Portugal, S.A. ("EDP") or EDP Finance B.V. ("EDP B.V.") and constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated March 14, 2001 made between EDP, EDP B.V. and Bankers Trust Company Limited (the "Trustee", which expression shall include any successor as Trustee).

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

The Instruments, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Issue and Paying Agency Agreement (such Amended and Restated Issue and Paying Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated March 14, 2001 and made between EDP, EDP B.V., Deutsche Bank AG London 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.

The Pricing Supplement for this Instrument (or the relevant provisions thereof) is attached to or endorsed on this Instrument and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Instrument. References to the "Pricing Supplement" are to the Pricing Supplement (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 March 14, 2001 between EDP and EDP B.V.

The Trustee acts for the benefit of the Holders (as defined below) for the time being of the Instruments (the "Holders", which expression shall, in relation to any Instruments represented by a Global Instrument, be construed as provided below), of the Receipts (as defined below) and of the Coupons (as defined below) (which expression shall, unless the context otherwise requires, include the holders of the Talons (as defined below)), all in accordance with the provisions of the Trust Deed.

Copies of the Trust Deed, the Agency Agreement 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 March 14, 2001 at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the Paying Agents. Copies of the Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Instrument is an unlisted Instrument of any Series, the Pricing Supplement will only be obtainable by Holders holding one or more unlisted Instruments of that Series and such Holders must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Instruments and identity. The Holders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Keep Well Agreement and the Pricing Supplement which are applicable to them.

The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the the Trust Deed.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the Pricing Supplement 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 Pricing Supplement, the Pricing Supplement will prevail.

## **1. Form and Denomination**

**1.1 Form:** Instruments are issued in bearer form ("Bearer Instruments") or in registered form ("Registered Instruments"), as specified in the Pricing Supplement 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 Pricing Supplement, such Instruments have attached thereto, at the time of their initial delivery, a talon ("Talon") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.

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

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

**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 Pricing Supplement. 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 Pricing Supplement or integral multiples thereof.

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

## **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 Pricing Supplement, 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.

### 3. Status of the Instruments

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

### 4. Negative Pledge

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

For the purposes of these Terms and Conditions:

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

"Permitted Security" means:

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

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

## **5. Interest**

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

Each Fixed Rate Instrument bears interest on its outstanding nominal amount (or, if it is a Partly Paid Instrument, the amount paid up) 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.

Except as provided in the Pricing Supplement, 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 Pricing Supplement, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, 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.

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

- (i) if “Actual/Actual (ISMA)” is specified in the Pricing Supplement:
  - (a) in the case of Instruments where the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (b) in the case of Instruments where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) 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 Pricing Supplement, 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 Pricing Supplement, 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 Terms and Conditions:

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

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

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

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

**5B.1 Interest Payment Dates:** Each Floating Rate Instrument and Index Linked Interest Instrument bears interest on its outstanding nominal amount (or, if it is a Partly Paid Instrument, the amount paid up) 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 Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the Pricing Supplement, each date (each an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the Pricing Supplement 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 Terms and 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 London and any Additional Business Centre specified in the Pricing Supplement; 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 (if other than London and any Additional Business Centre) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the "TARGET System") is open.

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

**5B.3 ISDA Determination for Floating Rate Instruments:** Where ISDA Determination is specified in the Pricing Supplement 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 Pricing Supplement) 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 2000 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 Pricing Supplement;
- (2) the Designated Maturity is a period specified in the Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the Pricing Supplement.

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 Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

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

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

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



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

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

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

The Issue and Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Instruments or Index Linked Interest Instruments in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, 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.

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

- (i) if "Actual/365" or "Actual/Actual (ISDA)" is specified in the Pricing Supplement, 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 Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the Pricing Supplement, 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 Pricing Supplement, 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 Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if "30E/360" or "Eurobond Basis" is specified in the Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or

last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

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

**5B.8 Determination or calculation by Trustee:** If for any reason at any time the Issue and Paying Agent or, as the case may be, the Calculation Agent defaults in its obligations to determine the Rate of Interest or the Issue and Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with the provisions of Conditions 5B.3 or 5B.4 above or as otherwise specified in the Pricing Supplement, 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 Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent or the Calculation Agent, as applicable.

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

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

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

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

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

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

Each Instrument (or, in the case of the redemption of part only of a Instrument, that part only of such Instrument) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, 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 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 (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) 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 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 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, its territories, its possessions and other areas subject to its jurisdiction)).

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

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

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

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

thereon provided that such Instrument shall cease to be a Long Maturity Instrument on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Instrument.

If the due date for redemption of any Bearer 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.

**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 – Electricidade 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 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 London, any additional Financial Centre specified in the Pricing Supplement and, if presentation is required for payment, in the relevant place of presentation; 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, London and any Additional Financial Centre) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

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

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed;

- (ii) the Final Redemption Amount of the Instruments;
- (iii) the Early Redemption Amount of the Instruments;
- (iv) the Optional Redemption Amount(s) (if any) of the Instruments;
- (v) in relation to Instruments redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Instruments, the Amortised Face Amount (as defined in Condition 7.5); and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Instruments.

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

## **7. Redemption and Purchase**

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

**7.2 Redemption for tax reasons:** The Instruments may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Instrument is neither a Floating Rate Instrument nor an Index Linked Interest Instrument) or on any Interest Payment Date (if this Instrument is either a Floating Rate Instrument or an Index Linked Interest Instrument), on giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

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

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

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

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

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

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

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Instruments then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Pricing Supplement together, if appropriate, with interest accrued to but excluding the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Higher Redemption Amount, in each case as may be specified in the Pricing Supplement. In the case of a partial redemption of 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"). 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.

**7.4 Redemption at the option of the Holders (Investor Put):** If Investor Put is specified in the Pricing Supplement, upon the holder of any Instrument giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the Pricing Supplement, 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 at 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 (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.

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

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

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

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

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

**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. If purchases are made by tender, tenders must be available to all Holders alike. 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). 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 and cannot be reissued or resold.

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

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

## **8. Taxation**

All payments of principal and interest in respect of the Instruments, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Instruments, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Instruments, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Instrument, Receipt or Coupon:

- (i) presented for payment by or on behalf of a holder 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 any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive or law; or
- (v) presented for payment by or on behalf of a holder who would be 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.

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; and
- (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.

#### **9. Prescription**

The Instruments (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment 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**

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), give written notice to the Issuer that the Instruments are, and they shall accordingly thereupon immediately become, due and repayable at the Early Redemption Amount (as described in Condition 7.5), together with accrued interest (if any) as provided in the Trust Deed, 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 and (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 no such event shall constitute an Event of Default if the Trustee is satisfied that it is being contested in good faith by appropriate means by EDP B.V. (if EDP B.V. is the Issuer), EDP or the relevant Material Subsidiary, as the case may be, and EDP or such Material Subsidiary or EDP B.V., as the case may be, has been advised by recognised independent legal advisers of good repute that it is reasonable to do so; or
- (v) save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Holders, EDP B.V. (if EDP B.V. is the Issuer), EDP or any Material Subsidiary or EDP and the Material Subsidiaries (which for this purpose shall include EDP B.V. whether or not it is a Material Subsidiary at the relevant time) taken as a whole cease or threaten to cease to carry on the whole or a major part of the business conducted by it or them at the date on which agreement is reached to issue the first Tranche of the Instruments; or
- (vi) any authorisation, approval, consent, licence, decree, registration, publication, notarisation or other requirement of any governmental or public body or authority necessary to enable or permit EDP B.V. or EDP to comply with its obligations under the Instruments, the Trust Deed or the Keep Well Agreement or, if required for the validity or enforceability of any such obligations, is revoked, withdrawn or withheld or otherwise fails to remain in full force and effect or any law, decree or directive of any competent authority of or in The Netherlands or Portugal is enacted or issued which materially impairs the ability or right of EDP B.V. or EDP to perform such obligations; or
- (vii) EDP shall cease to own directly or indirectly more than 50 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership in any Material Subsidiary or 100 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership in EDP B.V. (if EDP B.V. is the Issuer) or EDP shall cease to have direct or indirect control of any Material Subsidiary or EDP B.V.; or
- (viii) the Keep Well Agreement is terminated or any provision of the Keep Well Agreement is amended or waived in circumstances where such amendment or waiver would have, in the opinion of the Trustee, an adverse effect on the interests of the Holders or is not enforced in a timely manner by EDP B.V. or is breached by EDP provided that in the case of such non-enforcement or breach this has, in the opinion of the Trustee, an adverse effect on the interests of the Holders,

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.

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 Auditors (as defined in the Trust Deed), that in their opinion a Subsidiary is or is not or 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; 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**

The Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Instruments and any relative Receipts or Coupons or the obligations of EDP under the Keep Well Agreement, but it shall not be bound to take any such proceedings or any other action unless (a) it shall have been so directed by an Extraordinary Resolution of the Holders or so requested in writing by the Holders of at least one-quarter in nominal amount of the Instruments outstanding and (b) it shall have been indemnified to its satisfaction. No Holder 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.

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

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

#### **13. Paying Agents**

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

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

- (a) there will at all times be an Issue and Paying Agent and, in respect of Registered Instruments, a Registrar;

- (b) so long as the Instruments are listed, traded and/or quoted by or on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system; and
- (c) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to such Directive is introduced, the Issuer will ensure that it maintains a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to any such Directive or law.

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 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.

**15.4 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.

**15.5 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 and Waiver**

The Trust Deed contains 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 or 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 or determination), 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.

#### **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 contains 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 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.

**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 and that accordingly any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with 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 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 Trust Corporation p.l.c. at its registered office for the time being (being at March 14, 2001 at Fifth Floor, 100 Wood Street, London EC2V 7EX) as its agent for service of process, and undertaken 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. 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. have 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.

## **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.

## PROVISIONS RELATING TO THE 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 Pricing Supplement 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 Pricing Supplement specifies otherwise and the TEFRA C Rules apply.

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

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 Pricing Supplement, definitive Instruments in bearer form ("Definitive Instruments") and/or (if so specified in the Pricing Supplement) 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 Pricing Supplement) and (unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments) provided certification as to the 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 Pricing Supplement, in each case, without any requirement for certification.

- (2) *Limitation on entitlement under a Temporary Global Instrument after Exchange Date:* Holders of interests in any Temporary Global Instrument shall not (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Instruments and/or Registered Instruments, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Instruments represented by such Temporary Global

Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

- (3) *Certification of non-U.S. beneficial ownership:* Unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments and subject to paragraph (2) above, if any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the 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 Pricing Supplement. Payments of amounts due in respect of a Permanent Global Instrument or (subject to paragraph (2) above) a Temporary Global Instrument (if the Pricing Supplement 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 Pricing Supplement) 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 Pricing Supplement. 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 registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank and Clearstream, Luxembourg (or 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 Pricing Supplement. 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 Information Memorandum. The following is a summary of certain of those provisions:

- (1) *Meetings:* The holder of a Permanent Global Instrument or of the Instruments represented by a Global Registered Instrument shall (unless such Permanent Global Instrument or Global Registered Instrument represents only one Instrument) be treated as having one vote in respect of each minimum Specified Denomination of Instruments for which such Global Instrument may be exchanged.
- (2) *Cancellation:* Cancellation of any Instrument represented by a Permanent Global Instrument or Global Registered Instrument that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Instrument or Global Registered Instrument.
- (3) *Purchase:* Instruments represented by a Permanent Global Instrument or Global Registered Instrument may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.
- (4) *Issuer's Options:* Any option of the Issuer provided for in the Conditions of the Instruments while such Instruments are represented by a Permanent Global Instrument or a Global Registered Instrument shall be exercised by the Issuer giving notice to the holders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Instruments drawn in the case of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system in respect of the Instruments will be governed by the standard procedures of Euroclear Bank, Clearstream, Luxembourg or any other clearing system (as the case may be).
- (5) *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.

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

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

## FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Instruments issued under the Programme.

[Date]

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

Issue of

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

**under the €5,000,000,000  
Programme for Issuance of Debt Instruments**

[The Instruments constitute [commercial paper/shorter term debt securities/longer term debt securities]<sup>(1)</sup> issued in accordance with regulations made under section 4 of the Banking Act 1987. The Issuer of the Instruments is not an authorised institution or a European authorised institution (as such terms are defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997). Repayment of the principal and payment of any interest or premium in connection with the Instruments has not been guaranteed.]<sup>(2)</sup>

This document constitutes the Pricing Supplement relating to the issue of Instruments described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated [ ]. This Pricing Supplement is supplemental to and must be read in conjunction with such Information Memorandum.

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

1. Issuer: [EDP – Electricidade de Portugal, S.A./EDP Finance B.V.]
2. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Instruments become fungible)]*
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
– Tranche: [ ]  
– Series: [ ]
5. Issue Price of Tranche: [ ] per cent.
6. Specified Denominations: [ ]  
[ ]
7. [(i)] Issue Date: [ ]

<sup>(1)</sup> Include “commercial paper” if Instruments must be redeemed before their first anniversary. Include “shorter term debt securities” if Instruments may not be redeemed before their first anniversary but must be redeemed before their third anniversary. Include “longer term debt securities” if Instruments may not be redeemed before their third anniversary.

<sup>(2)</sup> Unless otherwise permitted, text to be included for all Instruments (including Instruments denominated in Sterling) in respect of which the issue proceeds are accepted by the Issuer in the United Kingdom.

- (iii) Interest Commencement Date (if [            ]]  
different from the Issue Date):
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest  
Payment Date falling in or nearest to [specify month]]
9. Interest Basis: [[            ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/- [            ] per cent. Floating  
Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[specify other]
11. Change of Interest Basis or Redemption/  
Payment Basis: [Specify details of any provision for change of  
Instruments into another Interest Basis or  
Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. Listing: [London/specify other/None]
14. Method of distribution: [Syndicated/Non-syndicated]

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

15. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs  
of this paragraph)
- (i) Rate[(s)] of Interest: [            ] per cent. per annum [payable [annually/semi-  
annually/quarterly] in arrear]  
(If payable other than annually, consider amending  
Condition 5)
- (ii) Interest Payment Date(s): [            ] in each year
- (iii) Fixed Coupon Amount(s): [            ] per [            ] in nominal amount
- (iv) Broken Amount(s): [Insert particulars of any initial or final broken interest  
amounts which do not correspond with the Fixed  
Coupon Amount]
- (v) Day Count Fraction: [30/360 or Actual/Actual (ISMA) or specify other]  
(NB: if interest is not payable on a regular basis (for  
example, if there are Broken Amounts specified)  
Actual/Actual (ISMA) may not be a suitable Day  
Count Fraction)

- (vi) Determination Date(s): [ ] in each year  
*[Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates]*  
*(NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Instruments: [None/Give details]
16. **Floating Rate Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*[specify other]*]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issue and Paying Agent): [ ]
- (vi) Screen Rate Determination:  
 – Reference Rate: [ ]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*  
 – Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*  
 – Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Telerate 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (vii) ISDA Determination:  
 – Floating Rate Option: [ ]  
 – Designated Maturity: [ ]  
 – Reset Date: [ ]
- (viii) Margin(s): [+/-] [ ] per cent. per annum
- (ix) Minimum Rate of Interest: [ ] per cent. per annum
- (x) Maximum Rate of Interest: [ ] per cent. per annum

- (xi) Day Count Fraction: [Actual/365/Actual/Actual – (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
Other]  
(See Condition 5 for alternatives)
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Instruments, if different from those set out in the Conditions: [ ]
17. **Zero Coupon Instrument Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]  
(Consider applicable day count fraction if euro denominated)
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.5 and 7.10 apply/specify other]
18. **Index Linked Interest Instrument Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due: [ ]
- (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ]
- (iv) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vi) Additional Business Centre(s): [ ]
- (vii) Minimum Rate of Interest: [ ] per cent. per annum
- (viii) Maximum Rate of Interest: [ ] per cent. per annum
- (ix) Day Count Fraction: [ ]
19. **Dual Currency Instrument Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

#### PROVISIONS RELATING TO REDEMPTION

- 20. Issuer Call: [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
  - (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [ ]
    - (b) Higher Redemption Amount: [ ]
  - (iv) Notice period (if other than as set out in the Conditions): [ ]
- 21. Investor Put: [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
  - (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
  - (iii) Notice period (if other than as set out in the Conditions): [ ]
- 22. Final Redemption Amount: [Par/specify other/see Appendix]
- 23. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5): [ ]

## GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

24. 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 (U.S.\$[ ] nominal amount (*specify nominal amount*)) exchangeable for Registered Instruments [on 60 days' notice given at any time/only upon an Exchange Event]]
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/*give details*]  
(*Note that this item relates to the place of payment and not Interest Period end dates to which item 16(iii) relates*)
26. Talons for future Coupons or Receipts to be attached to definitive Bearer Instruments (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
27. Details relating to Partly Paid Instruments: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Instruments and interest due on late payment: [Not Applicable/*give details*. NB: *a new form of Temporary Global Instrument and/or Permanent Global Instrument may be required for Partly Paid issues*]
28. Details relating to Instalment Instruments:
- (i) Instalment Amount(s): [Not Applicable/*give details*]
- (ii) Instalment Date(s): [Not Applicable/*give details*]
29. Redenomination applicable: Redenomination [not] applicable  
[(*if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Pricing Supplement*)]
30. Other terms or special conditions: [Not Applicable/*give details*]



## DISTRIBUTION

31. (i) If syndicated, names of Managers: [Not Applicable/*give names*]  
(ii) Stabilising Manager (if any): [Not Applicable/*give name*]
32. If non-syndicated, name of relevant Dealer: [ ]
33. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
34. Additional selling restrictions: [Not Applicable/*give details*]

## OPERATIONAL INFORMATION

35. Any clearing system(s) other than Euroclear Bank S.A./N.V. as operator of the Euroclear System and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
36. Delivery: Delivery [against/free of] payment
37. Additional Paying Agent(s) (if any): [ ]
- [38. [Instruments in respect of which the issue proceeds are accepted by the Issuer in the United Kingdom and which are to be listed. The text set out below may be deleted if the Issuer is relying on any of Regulations 13(4)(c) to (g)].
- The Issuer confirms that it:
- (a) has complied with its obligations under the relevant rules (as defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997) in relation to the admission to and continuing listing of the Programme and of any previous issues made under it and listed on the same exchanges as the Programme.
  - (b) will have complied with its obligations under the relevant rules in relation to the admission to listing of such Instruments by the time when such Instruments are so admitted; and
  - (c) has not, since the last publication, if any, in compliance with the relevant rules of information about the Programme, any previous issues made under it and listed on the same exchange as the Programme, or the Instruments having made all reasonable enquiries, become aware of any change in circumstances which could reasonably be regarded as significantly and adversely affecting its ability to meet its obligations as Issuer in respect of the Instruments as they fall due.]

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ISIN:	[ ]
Common Code	[ ]

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**[LISTING APPLICATION**

This Pricing Supplement comprises the details required for the Instruments described herein to be admitted to listing on the Official List and to trading on the London Stock Exchange plc's market for listed securities pursuant to the listing of the €5,000,000,000 Programme for the Issuance of Debt Instruments of EDP – Electricidade de Portugal, S.A. and EDP Finance B.V.]

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:.....  
Duly authorised

## RELATIONSHIP OF EDP B.V. WITH EDP

*EDP has entered into a Keep Well Agreement dated March 14, 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 March 14, 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 March 14, 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 December 31, 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.**

### CAPITALISATION OF EDP GROUP

The table below sets forth the unaudited consolidated capitalisation and indebtedness of EDP in accordance with Portuguese GAAP as of June 30, 2000.

	As of June 30, 2000
	<b>PTE</b> (in millions)
Short term debt and current portion of medium and long term debt .....	306,170
<b>Medium and long term debt:</b>	
Bonds .....	394,493
Bank Loans .....	300,231
<b>Total medium and long term debt .....</b>	<b>694,724</b>
<b>Shareholders' equity:</b>	
Authorised and issued share capital (nominal value of shares) .....	601,446
Own shares .....	(1,173)
Currency translation .....	(7,495)
Revaluation reserves .....	394,499
Legal reserves and other .....	149,113
Net income .....	54,833
<b>Total shareholders' equity .....</b>	<b>1,191,223</b>
<b>Total capitalisation .....</b>	<b>2,192,117</b>

- (1) As at June 30, 2000 no undertaking within the EDP Group, either individually or collectively, had any guarantees or other contingent liabilities outside the EDP Group which were material in the context of the EDP Group.
- (2) As at June 30, 2000, the indebtedness of the EDP Group was unsecured, and PTE 55,995,578,268 of the total medium and long term debt of EDP Group was guaranteed.
- (3) Save as disclosed above, there has been no material change to the consolidated capitalisation and indebtedness, contingent liabilities or guarantees of EDP since June 30, 2000.

## EDP GROUP

### Overview

EDP-Electricidade de Portugal, S.A. ("EDP") is a company (sociedade anonima) established in Portugal as a public enterprise by Decree-Law 502/76 of June 30, 1976 and transformed by Decree-Law No. 7/91 of January 8, 1991 and Decree-Law 78-A/97 of April 7, 1997. EDP is a vertically integrated electric utility and the largest generator and distributor of electricity in Portugal.

EDP is currently approximately 30.83 per cent. owned, directly or indirectly, by the Portuguese Republic and was formed in 1976 as a result of the nationalisation and merger by Portugal of the principal companies in the electricity sector in mainland Portugal. In 1991, Portugal reorganised and partially liberalised the electricity industry by allowing private operators to produce electricity.

EDP underwent a restructuring in 1994, at which time EDP formed subsidiaries to operate in the areas of electricity generation, transmission and distribution. Today, EDP's two principal subsidiaries are its electrical generation company, CPPE – Companhia Portuguesa de Produção de Electricidade, S.A. ("CPPE"), and its distribution company, EDPD – EDP Distribuição Energia, S.A. ("EDPD"), which was formed in early 2000 by the merger of EDP's four wholly owned distribution companies. These two wholly owned subsidiaries carry out EDP's electricity generation and distribution activities in Portugal. On November 23, 2000, and following the fourth phase of privatisation of the company, EDP reduced to 30 per cent. its shareholding of REN – Rede Eléctrica Nacional, S.A. by selling 70 per cent. to the Portuguese Government. The terms of this transaction were referred to June 30, 2000. REN is the sole concessionaire of the transmission grid in Portugal.

EDP's strategy has focused on developing selectively in new sectors and countries. In early 2000, EDP decided to pursue telecommunications as a second core business. Additionally EDP has pursued international investments, particularly in Latin America and in the electricity sector, as well as other strategic investments in complementary businesses in Portugal. A number of EDP's subsidiaries also provide various services to EDP and third parties.

In 1995, Portugal established the National Electricity System, which is divided into the Public Electricity System, or the Binding Sector, and the Independent Electricity System. The Independent Electricity System includes the Non-Binding Sector and other independent electricity producers, see "The Portuguese Electricity Market". The EDP Group operates in a highly regulated environment and its operating results can be affected by changes in EU and Portuguese government policy and regulation.

The primary factors affecting the EDP Group's operating performance are (i) the level of demand for electricity in Portugal, (ii) the tariffs that the EDP Group is permitted to charge for electricity, which are governed by regulation, and (iii) the level of operating costs, which consist primarily of depreciation and amortisation, fuel costs and costs of purchased electricity, and wages and salaries.

The level of demand for electricity in Portugal is directly related to the general level of economic activity in the country. During the last decade, Portugal has experienced a stronger rate of economic growth than many other EU member states. From 1988 to 1999, Portugal's real gross domestic product grew at an average annual rate of 2.8 per cent., as compared with an average of 2.1 per cent. for all EU member states. Portugal, like other European countries, was affected by recession from 1992 through 1994. Since 1996, however, the Portuguese economy has recovered and GDP growth in Portugal has exceeded the EU average. The structure of the economy had been undergoing significant changes, as higher value-added sectors (such as manufacturing and services) have gained in relative importance compared to lower value-added sectors (such as agriculture).

In the 1990s, the policy of successive governments has been to remove barriers to trade, privatise state-owned companies and liberalise key economic sectors (such as telecommunications, transportation and energy and power). Prior to 1988, EDP had a nearly complete monopoly of the electricity generation, transmission and distribution business in Portugal. Since 1988, however, competition has increased in the generation business and is expected to continue to do so during the next few years as the EU competition policy is implemented. In 1999, the regulator implemented measures to encourage competition in the distribution of electricity in Portugal.

For each of 1996, 1997 and 1998, tariffs were fixed annually by convention, negotiated between the EDP Group and the Direcção Geral do Comércio e da Concorrência (“DGCC”). Tariffs were based on total estimated costs for the relevant year assuming average hydrological conditions. Such tariffs were not specifically linked to an inflation-indexed formula. From 1995 to 1997, tariffs decreased in nominal terms by 2.8 per cent. and in real terms, adjusted for inflation, by 7.8 per cent. On September 15, 1998, the new tariff regime which became effective from 1999 onward was adopted by the regulator, Entidade Reguladora do Sector Eléctrico which on December 4, 1998 announced a new policy for the years 1999, 2000 and 2001. Under this regime, tariffs are set by the regulator pursuant to a periodic registration of regulatory parameters. In 1999, high, medium and low voltage tariffs declined in real terms by 12.8 per cent., 12.8 per cent. and 7.5 per cent. respectively, from 1998 levels. For 2000, in nominal terms, tariffs for all voltage levels declined by 0.6 per cent. from the 1999 levels. At the end of 2000, new tariffs were established by the regulator for the year 2001, which increased 1.2 per cent. in nominal terms.

### **The Portuguese Electricity Market**

Total electricity demand in Portugal experienced an average growth rate of 5.6 per cent. per annum during the period from 1994 to 1999. This demand growth occurred despite a recession in Portugal in the early 1990s, resulting in an average GDP growth rate of just over 3.5 per cent. per annum between 1994 and 1999 in real terms. During the period from 1994 to 1999, consumption in the Public Electricity System experienced an average growth of 1.8 per cent. above growth in Portugal’s GDP. The Portuguese Government enacted legislation creating the National Electricity System. The new system is intended to improve transparency in the costs associated with the supply of electricity and to prepare for a more market-based and competitive electricity supply system in Portugal. The National Electricity system consists of the “Public Electricity System” (or the “Binding Sector”) and the “Independent Electricity System”. The Public Electricity System is responsible for ensuring the security of electricity supply within Portugal and is obliged to supply electricity to any consumer who requests the service. Within the Independent Electricity System is the “Non-Binding Sector”, as well as other independent producers. The Non-Binding Sector is a market-based system which allows “Qualifying Consumers” (ones that consume more than 9 GWh annually until 2001) to choose their suppliers of electricity. The Independent Electricity System is also comprised of other independent producers. These producers include auto-producers (entities that generate electricity for their own use), co-generators, small hydroelectric producers and producers using renewable energy sources. REN is required by law to purchase the excess electricity produced by such independent producers.

EDP in its domestic electricity business faces increasing competition, arising from the liberalisation of the electricity market in Portugal and throughout the EU, and increasing pressure on operating margins due to this competition and the regulation of tariffs in the Public Electricity System.

In response to these challenges EDP’s strategy is to:

- continue efforts to enhance earnings by capitalising on EDP’s competitive position and on anticipated growth in demand in the Portuguese electricity market;
- continue to increase the efficiency of EDP’s core electricity operations and to reduce related costs; and
- benefit from increasing convergence across our business divisions.
- develop the telecommunications sector as a second core business;
- pursue strategic international investments, particularly in the electricity sector; and
- selectively pursue opportunities in complementary businesses, including pursuing a multi-utility strategy.



### **Maintenance of leading market share in core electricity business**

EDP's primary objective is to maintain EDP's leading market share of generation and distribution in the liberalised and growing Portuguese electricity market, while also capitalising on growth opportunities created by increasing liberalisation within the EU. In pursuing this objective, EDP intends to:

- pursue effective marketing to both new and existing customers, particularly those that are, or will be, subject to competitive alternatives in the Non-Binding Sector; and
- continue to provide high quality, cost-effective service.

### **Development of telecommunications as a second core business**

EDP plans to build on its existing operations to pursue a leadership role in the telecommunications sector in Portugal, which it regards as an attractive market of suitable size with high growth potential. EDP based its decision to enter and develop this sector as a second core business on its ability to capitalise on its existing infrastructure, including access to an extensive fibre optic backbone, to leverage its existing resources, including a large base of customers and suppliers, and to use its existing telecommunications and information technology operations as a foundation for expanded activities, including data, Internet and e-commerce services.

### **Pursuit of international initiatives**

In international investments, EDP has looked particularly toward the Iberian Peninsula, South America and North Africa, where EDP believes it can play an active role in managing the business and where potential returns may be attractive. EDP intends to pursue opportunities in generation abroad, particularly in Brazil, to complement our existing international activities in distribution. For a more detailed discussion of our international initiatives, you should read "Business – International activities and strategic investments"

### **Development of complementary business activities/other utilities**

Consistent with a multi-utility strategy, EDP is selectively evaluating growth opportunities that are complementary to its core business, including gas and water. EDP believes that by leveraging its customer base and its existing asset base, EDP can pursue these opportunities, which management expects can generate additional shareholder value.

### **Business operations**

#### *Electricity*

Historically, electricity has been EDP's core business. As the largest producer and distributor of electricity in Portugal, the EDP Group currently holds the leading position in the Portuguese domestic electricity market. In 1999, the EDP Group accounted for approximately 84 per cent. of the installed generation capacity, which includes EDP's installed capacity in the Independent Electricity System, 30 per cent. of the transmission and 99 per cent. of the distribution of the Public Electricity System in Portugal.

EDP Group's 1999 operating revenues were derived principally from electricity sales and amounted to PTE 615,883 million (US\$ 2,578 million), yielding operating income of PTE 181,701 million (US\$ 760 million). In 1999, the EDP Group distributed electricity to its customers in Portugal and exported electricity to the foreign market (Spain), resulting in sales of PTE 594,592 million (US\$ 2,489 million). At December 31, 1999, the EDP Group's total assets were PTE 2,748,521 million (US\$ 11,504 million), and shareholders' equity was PTE 1,214,897 million (US\$ 5,085 million). Net fixed assets owned by the generation and distribution companies in Portugal accounted for approximately 36 per cent. and 37 per cent., respectively, of the EDP Group's net assets as of December 31, 1999.

The EDP Group had 13,883 employees as at December 31, 1999.

## **Generation**

In its generation function, the EDP Group creates power for consumption in both the Public Electricity System and the Independent Electricity System. In 1999, the EDP Group's generating facilities had a total installed capacity of 7,488 megawatts, approximately 52.8 per cent. of which was represented by hydroelectric facilities, 25.6 per cent. by fuel oil/natural gas facilities, 16.8 per cent. by coal-fired facilities, 4.4 per cent. by gas oil facilities and 0.4 per cent. by wind-driven and biomass facilities. The EDP Group does not own or operate any nuclear-powered facilities. Earnings before interest, income tax, depreciation and amortisation of CPPE, the primary generating company of the EDP Group, totalled approximately PTE 140,231 million in 1999.

## *Transmission*

In its transmission function, REN operates the national grid for transmission of electricity throughout mainland Portugal on an exclusive basis pursuant to Portuguese law. The national transmission grid consists of 16,652 MVA installed transforming capacity and 5,990 km of high voltage and very high voltage lines as of December 31, 1999. REN also manages the system dispatch and the interconnections with Spain. REN, acting as the single buyer for the Binding Sector, purchases electricity from all of the generators in the Public Electricity System, from producers in the Independent Electricity System and from Spain. REN supplies electricity to EDPD and sells electricity to Spain. Earnings before interest, income tax, depreciation and amortisation of REN totalled approximately PTE 32,322 million in 1999.

As referred above, until November 23, 2000, REN was a wholly owned subsidiary of the EDP Group. For the year 2000 EDP will fully consolidate the accounts of REN for the first semester while for the second semester it will apply the equity method.

## *Distribution*

In its distribution function, EDPD carries out Portugal's local electricity distribution almost exclusively. EDPD provided more than five million customers with 32,280 GWh of electricity in 1999. Under the terms of binding licenses, EDPD must supply electricity to all customers in the Public Electricity System. EDPD also must provide access to the distribution network to producers in the Independent Electricity System. Earnings before interest, income tax, depreciation and amortisation of the EDP Group's distribution subsidiary totalled approximately PTE 118,844 million in 1999.

## *Telecommunications*

In March 2000, the EDP Group announced a strategic decision to pursue telecommunications as a second core business. This decision provides the EDP Group with an opportunity to leverage its existing resources and expertise and to build on its recent initiatives in the telecommunications and information technology businesses.

The EDP Group's current telecommunications and information technology operations include:

- providing fixed-line voice and data services through its subsidiary, ONI, which commenced operations on January 1, 2000 and which also operates as an internet service provider;
- entering in the development of 3rd Generation Mobile Operations by the end of November 2001. In December 2000, ONIWAY (55 per cent. owned by ONI, SGPS) was awarded by the Portuguese State, one of the four available UMTS licences;
- holding a 25 per cent. stake in OPTIMUS, which commenced operations in late 1998 as the third mobile phone operator in Portugal; and
- developing, operating and marketing software and systems through its subsidiary, EDINFOR, which is one of the largest software developers in Portugal and which provides systems integration services through a base of more than 200 dedicated consultants.

#### *International investments*

EDP has made a number of international investments in the electricity and water sectors in Brazil, Cabo Verde, Chile, Guatemala, Macau and Morocco. EDP has actively sought opportunities outside of Portugal in which it could capitalise on its existing strengths. EDP expects that its international investments will continue to be focused on Latin America, particularly Brazil. Principal changes to EDP's portfolio of international investments in 2000 included:

- in August 2000 EDP decreased its shareholding in CERJ-Electricidade do Rio de Janeiro to 19 per cent. (previously 21 per cent.). EDP retains 30 per cent. of the management control group; and
- in October 2000, Enerpaulo (a Brazilian subsidiary of EDP and CPFL) launched a tender offer for 100 per cent. of Bandeirante, an electric utility operating in the State of São Paulo – Brazil. Currently, EDP holds 53.8 per cent. of the shares, representing 54.8 per cent. of the voting rights.

#### *Complementary businesses/other utilities*

EDP also has investments in activities that it regards as complementary to its two core businesses, including in gas and water utilities.

In October 1993, EDP and other Portuguese companies invested in Transgás, which was formed to transport and supply natural gas throughout Portugal. EDP owned a 29.7 per cent. interest in Transgás at the beginning of 1999. Following the Portuguese government's restructuring of the gas and oil sector and the formation of a holding company, GALP – Petróleos e Gás de Portugal, or GALP, to hold interests in Gás de Portugal, S.A., ("GDP"), Transgás and Petrogal, EDP exchanged its interest in Transgás in 1999 for a 3.27 per cent. interest in GALP. In addition, in July 2000 EDP purchased an additional 11 per cent. interest in GALP from an existing shareholder for approximately PTE 63,700 million.

In accordance with its multiutility strategy, EDP is currently in negotiations with IPE – Águas de Portugal, S.A., regarding a participation of 10 per cent. in this company's share capital. Águas de Portugal is the main water company in Portugal.

#### *Recent developments*

- in December 2000, EDINFOR, EDP's IT Company, acquired 60 per cent. of Case – Conceção e Arquitectura de Soluções Informáticas Estruturadas, S.A., an information systems consultancy company for PTE 13,000 million;
- in January 2001 EDP and Iberdrola agreed to terminate the strategic Partnership Agreement which was signed in 1998 as a result of the proposed merger of Iberdrola and Endesa;
- in January 2001, EDP and Cajastur launched a tender offer for 100 per cent. of Hidroeléctrica del Cantábrico; and

Hidroeléctrica del Cantábrico is the fourth vertically integrated utility in Spain with 2,147 MW of generating capacity. Electricity production in 2000 amounted to 13,900 gigawatt-hours (GWh) and represented a 7.7 per cent. market share. It distributes some 10,000 GWh to 529,000 customers in the north of Spain, mainly in Asturias. Its share of the eligible market is estimated at about 7 per cent. The company is also involved in natural gas distribution. In the first nine months of 2000, total revenues amounted to €872 million, EBIT to €164 million, and financial debt to €760 million.

- in January 2001, EDP and Cajastur filed a tender offer for 100 per cent. of Hidroeléctrica del Cantabrico at €24 per share with the CNMV in Madrid. The total value of this transaction, if 100 per cent. successful, would be equal to €2,700,000,000. The offer was filed through a Spanish incorporated special purpose vehicle, which is jointly owned by Cajastur and EDP. Based on the envisaged financial structure of the special purpose vehicle, EDP's maximum equity investment in this special purpose vehicle would be equal to approximately €1,100,000,000. No assurance can be given that the transaction will either be completed or completed on the terms contemplated.

## MANAGEMENT

### Board of Directors

The Board of Directors of EDP manages EDP's affairs and monitors the daily operation of the activities of EDP in accordance with Portuguese law and EDP's Articles of Association. Executive officers are in charge of various administrative departments of EDP and report directly to the Board of Directors of EDP. The operating companies within the EDP Group are managed by their respective Boards of Directors who respond ultimately to the EDP Board.

The members of the Board of Directors of EDP, their principal current and past affiliations and certain other information are set forth below:

Name	Age	Position	Year Originally Elected
*Eng. Francisco de la Fuente Sánchez	58	Chairman	2000
Eng. Jorge Fernando Alves Ferreira Guimarães	50	Vice-Chairman	1994
Dr. Rui Miguel Horta e Costa	39	Director	2000
Dr. Fernando Noronha Leal	54	Director	2000
Eng. António Manuel Barreto Pita de Abreu	50	Director	2000
Eng. Vasco Fernandez Pereira Valente	49	Director	2000
Dr. Manuel de Jesus Martins	57	Director	2000
Eng. Jorge Manuel Jardim Gonçalves	64	Director	2000
Eng. Ignácio Francisco Javier Herrero Sorriqueta	54	Director	1998
Prof. Eng. João Afonso Ramalho Pereira Bento	39	Director	2000
Prof. Dr. Ernâni Rodrigues Lopes	58	Director	2000

\* On September 13, 2000, the Chairman, Dr. Mário Cristina de Sousa, announced his resignation in order to become Minister of the Economy. On September 18, the government, BCP and Iberdrola jointly nominated Eng. Francisco de la Fuente Sánchez to become the new Chairman. On October 3, the board of directors appointed Dr. Manuel de Jesus Martins as a director to fill the vacancy on the board of directors. At a general shareholders meeting held on October 18, the shareholders approved the appointment of the new Chairman and ratified the new director.

*Eng. Francisco de la Fuente Sánchez* has served on the board of directors since January 1997. In addition, Eng. Sánchez is currently Chairman of the board of directors of EDP Águas, EDP Cogeração and a member of the boards of directors of EDP Internacional, CERJ and EDP Brasil. Eng. Sánchez served as member of the boards of directors of LTE and Hidrotejo from 1994 to 1996. He was General Manager of one of the distribution divisions from 1990 to 1994 and Central Commercial Manager of EDP from 1988 to 1989. He was assistant to the board of directors from 1987 to 1988. Eng. Sánchez holds a degree in electrotechnical engineering from Instituto Superior Técnico de Lisboa.

*Eng. Jorge Fernando Alves Ferreira Guimarães* is Vice-Chairman of the board of directors and has been on our board of directors since August 1994. Eng. Guimarães served as President of the Authority for Civil Aviation in Macau from 1991 to 1994. In the EDP Group, he has served as Chairman of LTE from 1994 to 1996 and, since 1997, as Chairman of EDINFOR, LABELEC, as Director of DESREAL and MRH and as a Manager of EDALPRO. Eng. Guimarães was Deputy General Manager of Portuguese Airports from 1986 to 1988, as well as Director of Lisbon Airport from 1982 to 1986 and Chief of the Statistics and Planning Department of ANA – Aeroportos e Navegação Aérea, EP from 1978 to 1982. He holds an electromechanical engineering degree from Instituto Superior Técnico de Lisboa, as well as an MBA in management from Lisbon's Universidade Nova.

*Dr. Rui Miguel Horta e Costa* was appointed to the board of directors in May 2000. He served as Executive Director of UBS Warburg in London from 1995 to 2000, and before that, from 1990 to 1995, he was a member of the board of directors of Grupo Jorge de Mello. Dr. Horta e Costa was Resident Vice President of Citibank Portugal from 1989 to 1990 and from 1987 to 1989 he served in the positions of Director of Banco Finantia and Assistant of the board of directors for the same bank. From 1986 to 1987, he was Account Manager for MDM-Sociedade de Investimentos. Dr. Horta e Costa holds an economics degree from Universidade Católica Portuguesa as well as an MBA in management from the University of Minnesota.

*Dr. Fernando Noronha Leal* was appointed to the board of directors in May 2000. Dr. Noronha Leal is presently a member of the boards of directors of EDP Internacional, OPTEP and INVESTCO. He is also the Chairman of IVEN, ESCELSA and ENERSUL, and Chairman of the Executive Committee of EDP Internacional. Dr. Noronha Leal was previously a member of the board of directors of EDIFER from 1996 to 1997 and Director General for Portugal of Kaiser Engineers & Constructors from 1995 to 1996. Dr. Noronha Leal served as Chairman for CLC – Companhia Logística de Combustíveis and Petrogal Espanhola from 1994 to 1995. From 1989 to 1995 Dr. Noronha Leal was Director of PETROGAL and also served as head of the Finance and Information Technology Department during 1982 in the same Company. In 1981, Dr. Noronha Leal was Chief of Cabinet of the Minister for European Integration, and during 1980 he was Chief of Cabinet of the Secretary of State for Energy and Mines.

From 1973 to 1979, he was the Head for the Planning and Control of the Sines Project for PETROGAL, and from 1970 to 1973, he served as Accounting Chief and Assistant of the Finance Director at GENERAL ELECTRIC PORTUGUESA. From 1969 to 1970, he was Auditor at Arthur Andersen. Dr. Noronha Leal holds a degree in finance from Instituto Superior de Ciências Económicas e Financeiras.

*Eng. António Manuel Barreto Pita de Abreu* was appointed to the board of directors in May 2000. Eng. Pita de Abreu is presently the Chairman of ONITELECOM, ONI SOLUÇÕES and ONI AÇORES. Between 1997 and 2000 he was Chairman of EDINET, Director of OPTEP and Member of the Orientation Council for the E3G Consortium. Eng. Pita de Abreu also served as Director of REN and as Chairman of the Executive Workgroup for Telecommunications of EDP from 1994 to 1997. He holds an electrotechnical engineering degree from Instituto Superior Técnico de Lisboa.

*Eng. Vasco Fernandes Pereira Valente* was appointed to the board of directors in May 2000. He served as Director for Portucel SGPS from 1998 to 2000 and as Director of the Instituto Nacional de Habitação from 1996 to 1998. From 1994 to 1996, Eng. Pereira Valente was a member of the board of directors of Portgás, and from 1990 to 1996 he served in several areas of the Porto Town-Hall. He held several positions in the Portuguese Administration of the Macau Territory between 1987 and 1990. From 1983 to 1987 Eng. Pereira Valente held several positions in Portuguese Public Organisms. Until 1983 Eng. Pereira Valente worked for some companies and Public Organizations. He holds a civil engineering degree from Universidade do Porto.

*Dr. Manuel de Jesus Martins* was appointed to the board of directors in October 2000. From 1999 to 2000, he acted as a member of the board of directors of INH – Instituto Nacional de Habitação. From 1997 to 1999, he was a member of the board of directors of TAP – Air Portugal and chairman of the board of directors of UCS – Unidade de Cuidados de Saúde, S.A. From 1994 to 1997, he acted as chairman of the shareholders' meeting of LTE – Electricidade de Lisboa e Vale do Tejo, S.A., and during 1997 he acted in the same capacity for SLE-Electricidade do Sul, S.A. Dr. Martins holds an economics degree from Instituto Superior de Ciências Económicas e Financeiras.

*Eng. Jorge Manuel Jardim Gonçalves* was appointed to the board of directors in March 2000. Eng. Jardim Gonçalves is presently Chairman of Banco Comercial Português, Banco de Investimento Imobiliário, Fundação Banco Comercial Português, BCP Investimento, CrédiBanco-Banco de Crédito Pessoal, Banco Português do Atlântico, Banco Comercial de Macau, SPASA-Sociedade de Participações Atlântico, ServiBanca-Empresa de Prestação de Serviços, Banco Expresso Atlântico, Banco Mello, Banco Mello de Investimentos, Banco Mello Imobiliário, InterBanco, Banco Pinto & Sotto Mayor and Banco Pinto & Sotto Mayor Investimentos. He is also a member of the Board of Management of Seguros e Pensões Internacional, and Member of the Supervisory Boards of EUREKO, Big Bank GDANSKI and Achmea Holding. Eng. Jardim Gonçalves serves as Manager for the following organizations: BCP IF-Sociedade Unipessoal, BCP Empresas, BPA Internacional and BCP Internacional II. He also is the Executive Vice-President of the Portuguese Banks Association. Eng. Jardim Gonçalves holds a degree in civil engineering from Faculdade de Engenharia do Porto.

*Eng. Ignácio Francisco Javier Herrero Sorriqueta* has been a member of the board of directors since November 1998. Eng. Herrero is presently the Chief Executive Officer of Iberdrola and is a member of the Executive Committee of the board of directors of Iberdrola. Eng. Herrero has been a member of the board of directors of Iberdrola since May 1993. Prior to his appointment as CEO, Eng. Herrero

served as General Manager of Iberdrola from 1993 to 1998, and Planning, Regulation and Investment Manager of Iberdrola from 1991 to 1993. From 1970 to 1991, Eng. Herrero held several positions in Iberduero, a predecessor to Iberdrola. Eng. Herrero holds a degree in industrial engineering from the School of Industrial Engineers, University of Basque, Bilbao and has completed post-graduate studies at Stanford University and the Alfred P. Sloan School of Business Management at the Massachusetts Institute of Technology.

*Eng. João Afonso Ramalho Sopas Pereira Bento* was appointed to the board of directors in May 2000. He also is Director of the Colégio de Engenharia Civil da Ordem dos Engenheiros, member of the Consultative Board of Laboratório Nacional de Engenharia Civil, Chairman of the general meeting Committee for SABEL and member of the board of directors of BRISATEL. He was until recently, Executive Manager for DECivil. Eng. João Bento was one of the founders of LOGISER, the first national software house and one of its Executive Board members between 1985 and 1995. Before 1985, Eng. João Bento worked as consultant for several national organizations and has always been connected to teaching activities. Eng. João Bento holds a degree in civil engineering from Instituto Superior Técnico, a Master in Structures Engineering from Instituto Superior Técnico and a PhD in Intelligent CAD Systems by the Imperial College, London.

*Dr. Ernâni Rodrigues Lopes* was appointed to the board of directors in May 2000. Since 1997, Dr. Ernâni Lopes has been a member of the Consultative Boards of Banco de Portugal and Instituto de Gestão de Crédito Público and is the Portuguese Delegate for the Portugal-Brasil Congress. From 1985 to 1989, Dr. Ernâni Lopes worked as consultant for Banco de Portugal and from 1983 to 1985, was Minister of Finance; he also represented Portugal as Ambassador in Brussels from 1979 to 1983 and in Bonn from 1975 to 1979. Before this he was Head of the Statistics Department for Banco de Portugal from 1974 to 1975 and Technical Assistant of the same department from 1967 to 1974. Dr. Ernâni Lopes holds an economics degree from Instituto Superior de Ciências Económicas e Financeiras and a graduate degree in economics from Universidade Católica Portuguesa.

#### **Executive Officers**

EDP has 16 executive officers who are in charge of various business and administrative departments at the holding company level of EDP and report directly to the Board of Directors. Certain information is set forth for the executive officers in charge of a principal business function.

Name	Age	Year of appointment	Position
Manuel Jorge Pombo Cruchinho	61	2000	General Secretariat of EDP S.A.
Paula Pinto da Fonseca	39	2000	Head of Public Relations Department
João José Saraiva Torres	42	1998	Head of Human Resources
António Manuel Neves Carvalho	50	2000	Head of Environmental Department
António Pacheco de Castro	41	1994	Head of Strategic Planning
Bernardo de Sá Braamcamp Sottomayor	27	2000	Head of Mergers and Acquisitions Department
António Pedro Alfaia de Carvalho	52	1998	Head of Legal Affairs
Carlos Manuel Carvalho	39	1997	Head of Central Accounting
Pedro Pires João	30	2000	Head of Investor Relations
Vitor Manuel Silva Leitão	47	2000	Head of Audit Department
António Marrachinho Soares	39	1998	Head of the Secretariat of the Board of Directors
António Raimundo Madeira Lau	59	1998	Head of Large Client Accounts
Maria Ester Carvalho Ferreira	45	1998	Head of Operational Services
Magda Abdool Magid Vakil	37	1998	Head of Financing Department
José Abreu Aguiar	53	2000	Head of Information Technology
Joana Simões	39	2000	Head of Regulation and Tariffs Department

The business address of each member of the Board of Directors and each executive officer is Avenida José Malhoa, Lt. A-13, 1070 Lisbon.

## FINANCIAL STATEMENTS OF THE EDP GROUP

The following audited financial information is extracted without material adjustment from the consolidated statements of income of EDP as at December 31, 1997, 1998 and 1999 and unaudited accounts for the six months of and as at June 30, 2000 and the consolidated balance sheets of EDP as at December 31, 1998 and 1999 and unaudited accounts for the six months of and as at June 30, 2000.

### EDP GROUP CONSOLIDATED STATEMENTS OF INCOME

*(Amounts stated in thousands of Portuguese Escudos – PTE except per share amounts)*

	Year Ended December 31,			6 months ended June 30, 2000
	1997 (audited)	1998 (audited)	1999 (audited)	(unaudited)
Revenues	571,450,635	603,476,007	615,883,223	332,613,505
Operating costs and expenses:				
Raw materials and consumables	134,960,501	143,062,312	180,622,923	105,879,802
Personnel costs	83,792,521	86,301,030	92,832,534	44,343,965
Depreciation and amortisation	123,618,548	122,510,047	123,465,624	63,298,588
Other external suppliers and services	45,035,721	45,432,943	57,560,874	32,754,584
Own work capitalised	(38,115,831)	(38,883,148)	(42,869,636)	(20,421,693)
Concession and power-generation rental costs	23,433,359	24,701,955	25,799,881	13,293,431
Provisions	9,365,033	8,150,208	8,311,049	4,628,410
Taxes other than income taxes	1,161,305	1,557,208	2,150,250	678,978
Hydrological correction	7,305,431	(19,499)	(11,929,632)	(7,098,800)
Other operating income net	(1,306,373)	(2,023,233)	(1,762,220)	(688,491)
Total operating costs and expenses	389,250,215	390,789,823	434,181,647	236,668,774
Operating income	182,200,420	212,686,184	181,701,576	95,944,731
Other Expenses (income):				
Interest and related expenses	65,297,286	63,139,454	44,686,511	24,074,943
Interest and related income	(23,364,024)	(22,210,394)	(16,526,534)	(8,104,428)
Other non-operating expenses (income), net	(20,366,870)	(11,507,710)	(11,154,784)	(10,323,938)
Total other expenses	21,566,392	29,421,350	17,005,193	5,646,577
Income before Income Taxes	160,634,028	183,264,834	164,696,383	90,298,154
Provision for Income Taxes	(67,641,586)	(79,151,538)	(61,749,236)	(35,643,204)
Net income before minority interest	92,992,442	104,113,296	102,947,147	54,654,950
Minority interest	27,027	695,622	87,778	177,870
Net income for the year	93,019,469	104,808,918	103,034,925	54,832,820
Net income per share	31	35	34	18

**EDP GROUP**  
**CONSOLIDATED BALANCE SHEETS**  
*(Amounts stated in thousands of Portuguese Escudos – PTE)*

	December 31, 1998 (audited)	December 31, 1999 (audited)	6 months ended June 30, 2000 (unaudited)
	PTE	PTE	PTE
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	106,881	3,271,181	17,149,244
Accounts receivable – trade, net	79,482,726	68,756,498	71,041,329
Accounts receivable, other, net	22,735,472	50,264,636	64,650,483
Inventories	13,458,483	21,949,374	21,334,007
Prepaid expenses and other current assets	600,075	676,642	720,986
Total current assets	116,383,637	144,918,331	174,901,049
Long-term receivables	52,768,483	42,221,421	29,543,622
Investments, net	193,305,865	364,402,136	468,433,888
Fixed assets, net	2,115,127,667	2,100,444,295	2,081,704,670
Other assets, net	7,569,003	96,535,353	94,618,609
Total assets	2,485,154,655	2,748,521,536	2,849,201,838
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Short-term debt and current portion of long-term debt	147,761,785	119,960,711	306,170,308
Accounts payable – trade	30,517,420	60,994,186	42,672,708
Accounts payable – other	7,687,141	14,469,200	14,344,555
Accrued expenses	23,432,342	27,563,361	37,796,437
Taxes payable	36,476,763	18,796,612	36,058,429
Deferred income	2,329,149	2,609,139	2,701,671
Total current liabilities	248,204,600	244,393,209	439,744,108
Long-term debt	548,037,502	755,876,584	694,724,214
Accrued pension liabilities	103,940,384	92,224,000	88,265,024
Deferred income	218,456,581	300,368,156	303,362,798
Hydrological correction account	77,688,063	67,985,815	62,037,357
Other liabilities	60,117,743	72,389,262	69,636,085
Total liabilities	1,256,444,873	1,533,237,026	1,657,769,586
Minority interest	294,803	387,057	208,747
Shareholders' equity			
Share capital	600,000,000	601,446,000	601,446,000
Own shares	–	(1,173,168)	(1,173,168)
Currency translation	(2,137,111)	(9,014,405)	(7,494,736)
Revaluation reserves	464,247,128	394,498,545	394,498,545
Legal reserve	28,439,350	33,689,350	38,841,101
Other reserves	13,284,547	13,284,547	15,784,547
Retained earnings	107,614	53,135,800	62,349,497
Equity accounting reserve	3,394,189	(1,123,663)	(2,388,394)
Consolidation reserve	16,270,345	27,119,522	34,527,293
Net income for the year	104,808,918	103,034,925	54,832,820
Shareholders' equity	1,228,414,979	1,214,897,453	1,191,223,505
Total liabilities and shareholders' equity	2,485,154,655	2,748,521,536	2,849,201,838



## EDP FINANCE B.V.

EDP Finance B.V. is a direct wholly-owned subsidiary of EDP-Electricidade de Portugal, S.A. EDP Finance B.V. was incorporated on October 1, 1999 under the laws of The Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) having its statutory seat in Amsterdam, The Netherlands and registered with the Amsterdam Commercial Register under No. 34121496 on October 1, 1999. Its registered office is at Strawinskylaan 3105, 1077ZX, Amsterdam, The Netherlands. EDP Finance B.V.'s principal activity is to act as a finance company for the EDP-Electricidade de Portugal, S.A. group.

### Management

The Managing Directors of EDP Finance B.V. at the date of this Information Memorandum are:

Name	Business Address
ABN AMRO Trust Company (Nederland) B.V.	Strawinskylaan 3105, 7th Floor, 1077ZX, Amsterdam, The Netherlands

The Directors of ABN AMRO Trust Company (Nederland) B.V. are D.R. Scheepe and J.R. Baron de Vos van Steenwijk. Their business address is Strawinskylaan 3105, 7th Floor, 1077ZX, Amsterdam, The Netherlands. Their significant outside interests comprise directorships on the boards of numerous finance vehicle companies.

EDP – Electricidade de Portugal, S.A.	Avenida José Malhoa, Lt. A-13, 1070 Lisbon, Portugal
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The Directors of EDP – Electricidade de Portugal, S.A., their business address and their significant outside interests are set out on pages 52 to 54 of the Information Memorandum.

### Capitalisation

The following table sets out the capitalisation and indebtedness of EDP Finance B.V. as at October 1, 1999<sup>(1)</sup> (the date of its incorporation):

	October 1, 1999 (unaudited)
	Euro (€)
Indebtedness . . . . .	Nil
Stockholders' Equity . . . . .	20,000
Total capitalisation . . . . .	20,000

- (1) On October 1, 1999, the authorised share capital of EDP Finance B.V. consisted of 1,000 common shares with a par value of €100, of which 200 shares were issued and fully paid.
- (2) There has been no material change in the capitalisation and indebtedness, contingent liabilities and guarantees of EDP Finance B.V. since October 1, 1999.

**Accountants' report on EDP Finance B.V.**

The following is the text of a report received by the Directors of EDP Finance B.V. prepared by PricewaterhouseCoopers, the auditors of EDP Finance B.V.



To the Board of Directors of EDP Finance B.V.  
Strawinskylaan 3105 (7e etage)  
1077 ZX Amsterdam  
The Netherlands

**PricewaterhouseCoopers N.V.**  
Accountants  
Prins Bernhardplein 200  
1097 JB Amsterdam  
Postbus 94071  
1090 GB Amsterdam  
Telephone (020) 568 66 66  
Facsimile (020) 568 68 88  
[www.pwcglobal.com/nl](http://www.pwcglobal.com/nl)

**EDP Finance B.V. (the "Issuer")**

We report that the Issuer, a subsidiary of EDP – Electricidade de Portugal, S.A., was incorporated under the laws of The Netherlands on October 1, 1999.

The Issuer has not yet commenced business, no accounts have been made up nor have any dividends been declared or paid since the date of incorporation.

Amsterdam, March 14, 2001

PricewaterhouseCoopers N.V.

## **TAXATION**

The following is a general description of certain Netherlands and Portuguese tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective purchasers of Instruments should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Netherlands and/or Portugal of acquiring, holding and disposing of Instruments and receiving payments of interest, principal and/or other amounts under the Instruments. This summary is based upon the law as in effect on the date of this Information Memorandum and is subject to any change in law that may take effect after such date.

### **Portugal**

Unless an exemption has been granted under Article 36 of the Portuguese Tax Benefits Code with regard to payments of interest, payments of interest and other revenues to be made by EDP – Electricidade de Portugal, S.A. on Instruments issued by it to non-resident entities are subject to Portuguese withholding tax at a rate of 20 per cent. which may be reduced in relation to residents of certain jurisdictions pursuant to the provisions of treaties for the avoidance of double taxation entered into by Portugal, as may be in force from time to time.

Payments to be made by EDP Finance B.V. of interest or principal on Instruments issued by it to an individual or legal person non-resident in Portugal for tax purposes, are not subject to Portuguese withholding tax.

### **Netherlands**

#### *General*

The following describes the principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of the Instruments, Receipts and Coupons. This summary solely addresses holders of Instruments, Receipts and Coupons non-resident nor deemed to be resident of the Netherlands. This summary does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant to a decision to acquire, to hold, and to dispose of the Instruments, Receipts and Coupons. Each prospective holder of Instruments, Receipts or Coupons should consult a professional adviser with respect to the tax consequences of an investment in the Instruments, Receipts and Coupons. The discussion of certain Netherlands taxes set forth below is included for general information purposes only.

This summary is based on the tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of this Information Memorandum, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

#### *Withholding Tax*

No Netherlands withholding tax is due upon payments on the Instruments, Receipts and Coupons provided that such income will not depend nor be deemed to depend on profits realised or distributed by the Issuer

#### *Corporate Income Tax and Individual Income Tax*

A holder of Instruments, Receipts or Coupons that is not a resident nor deemed to be a resident of the Netherlands for Netherlands tax purposes is not taxable in respect of income derived from the Instruments, Receipts and Coupons and capital gains realised upon the disposal, transfer or alienation of the Instruments, Receipts and Coupons, unless:

- (i) the holder of Instruments, Receipts or Coupons 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 enterprise the Instruments, Receipts and Coupons are attributable; or
- (ii) the holder of Instruments, Receipts or Coupons is entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands, other than by way of securities or through an employment contract, and to which enterprise the Instruments, Receipts and Coupons are attributable; or

- (iii) in case of an individual holder of Instruments, Receipts or Coupons, such holder of Instruments, Receipts or Coupons is considered to perform activities in the Netherlands with respect to the Instruments, Receipts and Coupons that exceed "regular active portfolio management"; or
- (iv) in case of an individual holder of Instruments, Receipts or Coupons, such Holder of Notes, Receipts, Coupons and Talons, or a related party to the holder of Instruments, Receipts or Coupons has a substantial interest or a deemed substantial interest in EDP B.V., as defined in section 4.3 of the Income Tax Act 2001.

#### *Gift and Inheritance Taxes*

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Instruments, Receipts and Coupons by way of gift by, or as a result of the death of, a holder of Instruments, Receipts or Coupons who is neither a resident nor deemed to be a resident of the Netherlands, unless:

- (i) such holder at the time of the gift has or at the time of his or her death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which Netherlands enterprise or part thereof, as the case may be, the Instruments, Receipts and Coupons are or were attributable; or
- (ii) the Instruments, Receipts and Coupons are or were attributable to the assets of an enterprise that is effectively managed in the Netherlands and the donor is or the deceased was entitled to a share in the profits of that enterprise, at the time of the gift or at the time of his or her death, other than by way of securities or through an employment contract; or
- (iii) in the case of a gift of the Instruments, Receipts and Coupons by an individual who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such individual dies within 180 days after the date of the gift, while at the time of his or her death being a resident or deemed to be a resident of the Netherlands.

#### *Other Taxes and Duties*

No net wealth tax, capital duty, 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 of Instruments, Receipts or Coupons in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Instruments, Receipts and Coupons.

#### **Proposed EU Withholding Tax Directive**

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. According to the most recently available information it is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent within its jurisdiction to an individual resident in that other Member State, subject to the right of certain individual Member States (including Portugal but not including the United Kingdom) to opt instead for a withholding system for a transitional period in relation to such payments, and subject to the proposals not being required to be applied to Notes issued before March 1, 2001. The proposals are not yet final, and they may be subject to further amendment and/or clarification as to points of detail.

Holders of Instruments, Receipts and Coupons who are individuals should note that, if this proposal is adopted in its current form, the provisions relating to additional amounts, referred to in Condition 8 of this Information Memorandum, will not apply in respect of any withholding tax imposed as a result thereof.

#### **SUBSCRIPTION AND SALE**

Instruments may be sold from time to time by the Issuer to any one or more of ABN AMRO Bank N.V., Banco Português de Investimento, S.A., Banco Espírito Santo de Investimento, S.A., Banco Santander de Negócios Portugal, S.A. Barclays Bank PLC, BNP Paribas, BCP Investimento-Banco Comercial Português de Investimento, S.A., Caixa-Banco de Investimento, S.A., Deutsche Bank AG

London, Dresdner Bank Aktiengesellschaft, Morgan Stanley & Co. International Limited, Salomon Brothers International Limited, Tokyo-Mitsubishi International plc and UBS AG, acting through its business group UBS Warburg (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 a dealership agreement dated October 11, 1999, as amended and restated on March 14, 2001 (the "Dealership Agreement") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

**United States of America:** *Regulation S Category 2; TEFRA D, unless TEFRA C is specified as applicable in the relevant Pricing Supplement; Rule 144A Eligible if so specified in the relevant Pricing Supplement.*

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. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Instruments, (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Instruments comprising the relevant Tranche, as certified to the Issue and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Instruments to or through more than one Dealer, by each of such Dealers as to Instruments of such Tranche purchased by or through it, in which case the Issue and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each dealer to which it sells Instruments during the restricted period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to or for the account or benefit of U.S. persons.

In addition, until forty days after the commencement of the offering of Instruments comprising any Tranche, any offer or sale of Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Instruments or Dual Currency Instruments shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Instruments, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

#### **Portugal**

No offering material in relation to the Instruments has been approved by the Comissão do Mercado de Valores Mobiliários (Portuguese Securities Authority). Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and it will not offer or sell any Instruments to residents of Portugal otherwise than as stated in the applicable Pricing Supplement and in accordance with applicable law.

## The Netherlands

Each Dealer has agreed, and each further Dealer appointed under the Programme Agreement will be required to agree, that Instruments (including rights representing an interest in an Instrument in global form) issued under the Programme that are offered in or from within the Netherlands shall, in order to comply with the Netherlands Securities Market Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*, hereinafter the “WTE”) only be offered:

- (i) in the event that such Instruments have been or are likely to be admitted on the Official Segment of the Stock Market of Euronext Amsterdam N.V.;
- (ii) subject to the proviso stated below, in the event that (a) such Instruments have been admitted to the official listing on a stock exchange or have otherwise been publicly offered in another state which is a party to the Treaty on the European Economic Area (“EEA”) and (b) this Information Memorandum has been approved by, and the applicable Pricing Supplement has been submitted to or approved by, the competent authority as referred to in Article 20 or Article 21 of EC Directive 89/298/EEC and (c) the Securities Board of The Netherlands (*Stichting Toezicht Effectenverkeer*, hereinafter the “STE”) has confirmed, where necessary, the availability of mutual recognition in respect of such documents; or
- (iii) if they are part of a Series or Tranche of Instruments comprising only fully paid Instruments with a denomination of at least NLG 100,000 (or the equivalent in any other currency) or euro 50,000 provided that, if such Instruments are issued:
  - (a) at a discount, such Instruments shall have an issue price of at least such amount;
  - (b) on a partly-paid basis, they shall be paid up by their initial holders to at least such amount; and
  - (c) with a denomination of precisely NLG 100,000 (or equivalent in other currencies), they shall be issued on a fully-paid basis and at par or at a premium; or
- (iv) as part of their initial distribution or at any time thereafter, to individuals or legal entities situated in the Netherlands (in the case of Instruments to be issued by EDP) or anywhere in the world (in the case of Instruments to be issued by EDP B.V.) who or which trade or invest in securities in the conduct of a business or profession (which includes investment banks, banks, credit institutions, brokers, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organisations, other institutional investors and other comparable parties, including treasury departments of large commercial enterprises, which are regularly active in the financial markets in a professional manner), in which case:
  - (a) it must be made clear upon making the offer and in any documents or advertisements in which a forthcoming offering of such Instruments is publicly announced (whether electronically or otherwise) that such offer is exclusively made to the said individuals or legal entities; and
  - (b) a copy of this Information Memorandum and the applicable Pricing Supplement must be submitted to the STE before the Issue Date; or
- (v) (for syndicated Tranches of Instruments) if the following criteria are met:
  - (a) the Instruments are subscribed for and placed by a syndicate of which at least two members are established in different states that are a party to the Treaty on the EEA;
  - (b) 60 per cent. or more of the issue is placed by syndicate members which are established in one or more states other than the country where the Issuer is established; and
  - (c) investors may only acquire Instruments being offered through the intermediary of a credit institution registered with the Dutch Central Bank or other financial institution which in the conduct of a profession or business provides one or more

of the services described in paragraphs 7 and 8 of the Annex to the Banking Coordination Directive 2000/12/EC;

provided that the Issuer and each relevant Dealer has further represented and agreed that it has not publicly promoted and shall not publicly promote (whether electronically or otherwise) the offer or sale of such Instruments by conducting a generalised advertising or cold-calling campaign *anywhere in the world*; or

- (vi) if all Instruments pertaining to any particular Series are purchased by one or more Dealers acting as principals, and such Dealers:
  - (a) are not incorporated in or acting through a branch office in The Netherlands;
  - (b) qualify as professional market parties (as described under (iv) above); and
  - (c) offer all such Instruments exclusively outside The Netherlands;
- (vii) if any other exemption from the prohibition contained in article 3 paragraph 1 of the WTE Securities Act applies or if the STE has granted an (individual) dispensation from the above prohibition and the conditions attached to such exemption or dispensation are fully complied with.

Provided that in the case of (ii) above:

- (a) the Issuer and the relevant Dealer or Dealers procure that any advertisement or document in which a forthcoming offering of Instruments is publicly announced (whether electronically or otherwise) will be submitted to the STE prior to publication thereof and will mention the respective dates on which this Information Memorandum and the relevant Pricing Supplement were published and were made available or (as the case may be) will be published and will be made available for inspection at the registered office of EDP, EDP B.V. and at the office of the Principal Paying Agent; and
- (b) each relevant Dealer severally represents and agrees that prior to the submission of this Information Memorandum (with the approval of the competent authorities) and the relevant Pricing Supplement to the STE and the publication thereof in accordance with (a) above:
  - (i) it has not offered, transferred or sold any Instruments and will not, directly or indirectly, offer, transfer or sell any Instruments except to individuals or legal entities as referred to in (iv) above; and
  - (ii) either it has not distributed and will not distribute any offering or promotional materials in respect of the Instruments or it has complied and will comply with the conditions under (iv) (a) and (b) above,

and each invitation telex and Pricing Supplement in respect of such Instruments will set forth the restrictions under (i) and (ii) above.

In addition and without prejudice to the relevant restrictions set out above, 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 an admitted institution of Euronext Amsterdam N.V. admitted in a function on the one or more markets or systems held or operated by Euronext Amsterdam N.V. (*toegelaten instelling*) in accordance with the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of May 21, 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 February 2, 1987 attached to the Royal Decree of March 11, 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 Note in global form; or (b) the initial issue of

Zero Coupon Instruments in definitive form to the first holders thereof; or (c) a 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 Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Instruments have to be complied with. For the purposes of this paragraph "Zero Coupon Instruments" are Instruments that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

#### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (1) *No offer to public – listed Instruments*: with respect to Instruments which have a maturity of one year or more and are to be listed on the Official List, it has not offered or sold and will not offer or sell any such Instruments to persons in the United Kingdom prior to admission of such Instruments to listing in accordance with Part IV of the Financial Services Act 1986 (the "FSA") except 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 otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSA;
- (2) *No offer to public – unlisted Instruments*: with respect to Instruments with a maturity of one year or more, it has not offered or sold and will not offer or sell any such Instruments to persons in the United Kingdom prior to the expiry of a period of six months from the issue date of such Instruments except 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 otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 as amended;
- (3) *General compliance*: it has complied and will comply with all applicable provisions of the FSA with respect to anything done by it in relation to such Instruments in, from or otherwise involving the United Kingdom; and
- (4) *Investment advertisements*: it has only issued or passed on and will only issue or pass on, in the United Kingdom, any document received by it in connection with the issue of such Instruments to a person who is of a kind described in article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom such document may otherwise lawfully be issued or passed on.

#### **Japan**

The Instruments have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and, accordingly, each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Instruments directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan. No Instruments denominated in Japanese Yen shall be sold without the specific approval of the Japanese Ministry of Finance, except for Instruments which are already permitted by the Japanese Ministry of Finance.



**General**

Other than with respect to the listing of the Instruments on such stock exchange as may be specified in the Pricing Supplement, 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 Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Instruments) or (in any other case) in a supplement to this document.

## GENERAL INFORMATION

1. The listing of the Instruments on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of Instruments which is to be admitted for listing on the Official List and trading on the London Stock Exchange's market for listed securities will be admitted separately as and when issued upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Pricing Supplement and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of a Global Instrument or Instruments initially representing the Instruments of such Tranche. The listing of the Programme in respect of the Instruments is expected to be granted on or about March 16, 2001.

Instruments may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the UK Listing Authority or the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the relevant Issuer and the relevant Dealer(s) may agree.

2. The establishment of the Programme was authorised by the Board of Directors of EDP at a meeting held on September 21, 1999 and by the management board of EDP B.V. at a meeting held on October 8, 1999. The update and increase in the amount of the Programme to €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 March 13, 2001 and by the management board of EDP B.V. at a meeting held on March 8, 2001. EDP and EDP B.V. 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 have been accepted for clearance through Euroclear Bank and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the Pricing Supplement relating thereto. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.
4. Bearer Instruments (other than Temporary Global Instruments) and any Coupon appertaining thereto will bear a legend substantially to the following effect: *"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."*

The sections referred to in such legend provide that a United States person who holds a Bearer Instrument or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Instrument or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

5. So long as Instruments are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of EDP, EDP B.V. and from the specified office of the Issue and Paying Agent for the time being in London (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 December 31, 1999 and December 31, 2000;
  - (iii) the most recently published audited annual financial statements of EDP and EDP B.V. in respect of the financial year ended December 31, 2000 and the most recently published unaudited interim financial statements (if any) of EDP and EDP B.V.;

- (iv) the Dealership Agreement, the Trust Deed, 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 Information Memorandum;
  - (vi) any future information memoranda, prospectuses, offering circulars and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Instrument 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 Information Memorandum and any other documents incorporated herein or therein by reference;
  - (vii) the auditors' report set out on page 58; and
  - (viii) in the case of each issue of listed Instruments subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).
6. Save as disclosed in this Information Memorandum, there has been no significant change in the financial or trading position of EDP, EDP B.V. or the Group since June 30, 2000, and there has been no material adverse change in the financial position or prospects of EDP, EDP B.V. or the Group since December 31, 1999 being the date to which the last annual financial statements have been published.
  7. None of EDP, EDP B.V. and any other member of the Group is or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which EDP or EDP B.V. is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of EDP, EDP B.V. or the Group.
  8. The accounts of EDP were audited, without qualification, by the auditors of EDP, Ernst & Young Limitada, chartered accountants, in accordance with generally accepted auditing standards in Portugal for each of the three financial years ended on December 31, 1998. On July 16, 1999, PricewaterhouseCoopers, chartered accountants, were appointed as auditors of EDP and the accounts of EDP were audited, without qualification, by the auditors of PricewaterhouseCoopers, in accordance with generally accepted auditing standards in Portugal for the financial year ended December 31, 1999. No accounts of EDP B.V. have yet been audited. However, the auditors of EDP B.V., PricewaterhouseCoopers, chartered accountants, have given and not withdrawn their consent to the issue of this Information Memorandum with their report in the form and content in which it is included on page 57 of this Information Memorandum for the purposes of section 152(1)(e) of the Financial Services Act 1986.
  9. The third stage of European economic and monetary union commenced on January 1, 1999 when the value of the euro as against the currencies of the member states participating in the third stage was irrevocably fixed and the euro became a currency in its own right. Each euro is denominated into 100 cents and, for a transitional period of three years, into participating member currencies at the following fixed change rates:

Austrian Schilling	13.7603	Irish punt	0.787564
Belgian franc	40.3399	Italian lira	1936.27
Dutch guilder	2.20371	Luxembourg franc	40.3399
Finnish markka	5.94573	Portuguese escudo	200.482
French franc	6.55957	Spanish peseta	166.386
German mark	1.95583		
  10. **Banking Act 1987 (Exempt Transactions) Regulations 1997**  
**Instruments (including Instruments denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom and which are issued pursuant to an exempt transaction under regulation 13(1) or (3) of the Banking Act 1987 (Exempt Transactions) Regulations 1997 (the "Regulations") will constitute commercial paper, shorter term debt securities or longer term debt securities (in each case as defined in the Regulations), as specified in the applicable Pricing Supplement, in each case issued in accordance with regulations made under section 4 of the Banking Act 1987. The Issuer is not an authorised institution or a European**

authorised institution (as such terms are defined in the Regulations) and repayment of the principal and payment of any interest or premium in connection with such Instruments will not be guaranteed.

In relation to any Instruments which are issued pursuant to an exempt transaction under Regulation 13(3) of the Regulations where such Instruments would fall within Regulation 13(4)(a) of the Regulations, the Issuer confirms that:

- (a) as at the date hereof, it has complied with its obligations under the relevant rules (as defined in the Regulations) in relation to the admission to and continuing listing of Instruments issued under the Programme and of any previous issues made under it and listed by or on the same listing authority or exchange as the Programme;
- (b) it will have complied with its obligations under the relevant rules in relation to the admission to listing of such Instruments by the time when such Instruments are so admitted; and
- (c) as at the date hereof, it has not, since the last publication, if any, in compliance with the relevant rules of information about the Programme, any previous issues made under it and listed by or on the same listing authority or exchange as the Programme, or any Instruments falling within regulation 13(4)(a) of the Regulations, having made all reasonable enquiries, become aware of any change in circumstances which could reasonably be regarded as significant and adversely affecting its ability to meet its obligations as issuer in respect of such Instruments as they fall due.

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