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# Investors & Analysts' Briefing

## INVESTOR RELATIONS DEPARTMENT

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## ELECTRA

The Consortium EDP – Energias de Portugal, S.A. ("EDP") / Águas de Portugal, S.A. ("AdP") – 60% EDP and 40% AdP – which holds a 51% stake in Electra, signed yesterday a memorandum of understanding (MoU) with the Cape Verde Government regarding the restructuring of Electra's shareholder structure.

Electra is the concessionary in Cape Verde for electricity transmission and distribution, water transport and distribution and wastewater treatment.

As a result of several factors, mostly related to the rise in fuel prices and an increasing tariff deficit, the financial position of Electra was deteriorated, leading to an unsustainable situation due to the difficulties for the Cape Verde State to restore the financial equilibrium of the concession and to create a tariff regulation proper to the reality of the company.

As such, with the intervention of the Portuguese Government through the Economy and Innovation Minister, the Consortium EDP/AdP made a proposal to the Cape Verde Government in order to provide a solution for the country's energy crisis and to enable the sustainability of Electra. Therefore, an MoU (that will need to be regularised and completed through a final contract on changes in Electra shareholder structure) was signed with the Cape Verde State, which provides for the following:

1. Reduction of Electra's share capital to the minimum allowed by law, for the purpose of covering losses;

2. Subsequent increase of Electra's share capital through capital contributions to be made by the Consortium EDP/AdP, by means of the conversion of shareholder loans and other credits, as well as of cash entries in an amount of €1.2 million, amounting to a total of €8.9 million.

After the stabilization of Electra's financial situation, corresponding to the value of the existing share capital at the beginning of the concession, EDP and AdP agreed to sell at least 51% of Electra's share capital to Cape Verde State, remaining as minority shareholders, without any particular obligations.

In addition, the Consortium EDP/AdP will negotiate the acquisition of the financial debt that Electra has with the Portuguese banks in the amount of €70 million, becoming Electra's creditor, and the payment of this debt will be made in a 20-year period, with guarantee of reimbursement by the State of Cape Verde.

In accordance with EDP's by-laws, the definitive agreement is subject to previous approval by EDP's General and Supervisory Board.

EDP had already provisioned €44 million in its 1Q2006 financial statements related to the total financial liabilities that it had with Electra. As such, this operation has no additional impact on EDP's results.

**EDP – Energias de Portugal, S.A.**