



Strategic Partnership with China Three Gorges

December 23rd, 2011



Key Highlights of the Strategic Partnership with China Three Gorges



CTG as new shareholder

- China Three Gorges (“CTG”) to acquire a 21.35% equity stake in EDP for €3.45 per share (€2.7bn)
- CTG to have an adequate representation at the General and Supervisory Board; commitment to a 4 year lock-up & standstill period

CTG as new partner

- EDP and CTG to combine efforts to become worldwide leaders in renewable energy, through joint development and ownership of selected renewable projects
- In 2012-2015, CTG to invest €2bn in 34-49% equity stakes in operational and ready-to-build projects, representing 1.5 GW (net), from which €800m to be invested in the first 12 months after closing of the deal
- Committed credit facility of up to €2bn provided by a Chinese financial institution to EDP at corporate level for a maturity up to 20 years
- Positive impact on EDP’s credit profile:
 - Stronger financial liquidity: Coverage of financing needs extended from mid-2013 to mid-2015
 - Net debt/EBITDA 2015E < 3.0x
- Partnership EPS enhancing to EDP shareholders from 2012 onwards

Long term partnership enhances visibility of the high quality of EDP’s portfolio of assets

China Three Gorges: Company Overview



- 100% owned and fully supported by Chinese Government (Moody's: Aa3 / S&P: AA-)
- Clean energy development strategy and international development aspiration:
 - Develop hydropower projects
 - New-type clean energy projects
- 50.8 GW capacity under construction of which 48.9 GW of hydro
- 2020 target: 90 GW (70 GW in hydro and 20 GW in wind)
- Credit rating: AAA (Chinese rating)

2010 Financial Figures (€ billion)	
EBITDA	2.5
Net Income	1.2
Net Debt	5.7
Net Debt/EBITDA	2.2x

2010 Operational Figures	
Installed Capacity (GW) (1)	25.4
Hydro	25.2
Wind	0.2
Electricity Generation (TWh)	101

China's largest clean energy group with an ambitious renewable energy expansion plan

(1) Installed capacity consider 3GW from minority shareholding

Criteria for the Establishment of a Strategic Partnership with the Buyer of the Portuguese State's 21.35% equity stake in EDP



Strategic & Corporate Governance

- **Maintenance of EDP's identity:** Iberia, Brazil and Renewable energy as part of EDP's core business
- **Minimize conflicts of interest:** No current overlap and partnership going forward regulated via strategic agreement
- **Reinforced shareholder structure:** stable shareholder structure and transparent corporate governance

Financial

- **Value accretive for EDP's shareholders:** higher growth prospects and lower risk
- **EDP with a stronger credit profile:** EDP's Net Debt/EBITDA <3.0x by 2015E and significant improvement of EDP's liquidity
- **EPS accretive** for EDP from 2012 onwards

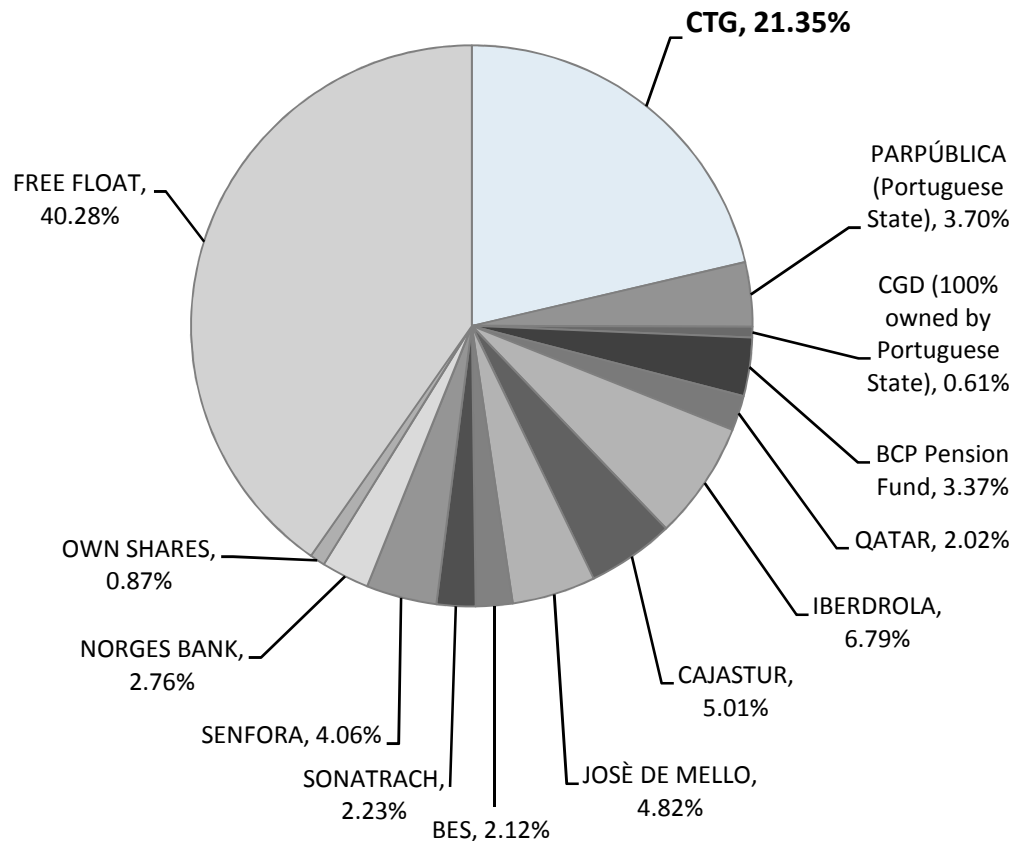
Clear criteria and transparent process in the best interest of EDP's shareholders

EDP Corporate Governance



EDP New Shareholder Structure (Proforma)

(Considering EDP shareholder structure as of 14-Sep-2011 as starting point)



- **Commitment to a 4-year lock-up and standstill period**, promoting shareholder stability
- **Limitation on voting rights to be increased to 25.0%⁽¹⁾**
- **CTG not to be considered as competitor** as long as strategic partnership remains in place⁽¹⁾
- **Appropriate representation of CTG in General and Supervisory Board⁽¹⁾**

Alignment of CTG's and other EDP shareholders' interests

(1) Proposal to be presented by EDP Shareholders represented in the General and Supervisory Board, and still subject to approval by EDP General Shareholders' Meeting

EDP-CTG Strategic Partnership: Key Principles



	<u>Key Markets</u>	<u>Investments identified by EDP</u>	<u>Investments identified by CTG</u>
EDP's Leadership Markets	<ul style="list-style-type: none"> • Europe ⁽¹⁾ • US and Canada • Selected South America assets 	<ul style="list-style-type: none"> • EDP allowed to invest on wholly owned basis • If EDP wishes to invite 3rd party - CTG Preferred Partner 	<ul style="list-style-type: none"> • If EDP wishes to co-invest, JV • If EDP does not seek investment and direct competition applies, waiver required
CTG's Leadership Markets	<ul style="list-style-type: none"> • Asia ⁽²⁾ 	<ul style="list-style-type: none"> • If CTG wishes to co-invest, JV • If CTG does not seek investment and direct competition applies, waiver required 	<ul style="list-style-type: none"> • CTG allowed to invest on wholly owned basis • If CTG wishes to invite 3rd party - EDP Preferred Partner
Other Markets	<ul style="list-style-type: none"> • Other South American Markets • Africa: focused primarily in South Africa, Angola and Mozambique 	<ul style="list-style-type: none"> • Right of First Offer • Proposal for Partnership Committee • If EDP wishes to invite 3rd party - CTG Preferred Partner 	<ul style="list-style-type: none"> • Right of First Offer • Proposal for Partnership Committee • If CTG wishes to invite 3rd party - EDP Preferred Partner

Partnership Committee: Consultation committee to discuss potential co-investment opportunities in renewable technologies, with equal representation and annual rotation of chairman

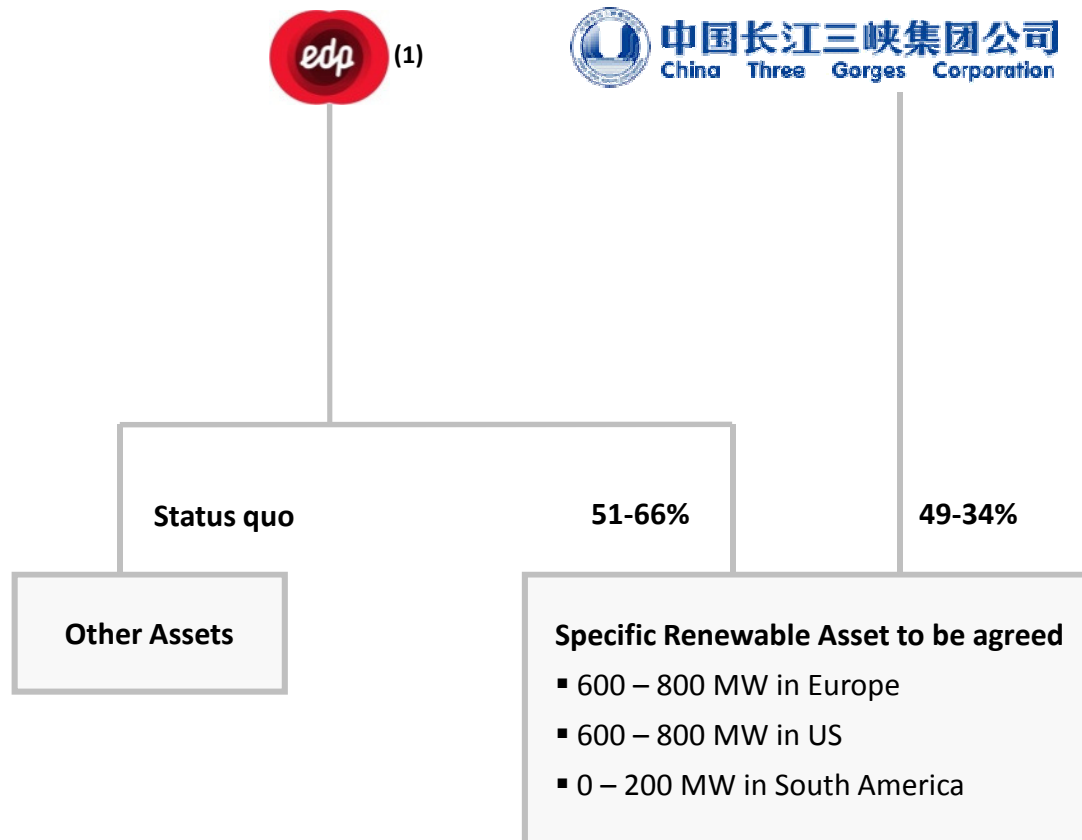
Worldwide leadership through diversification of growth opportunities and shared access to new markets

(1) Countries where EDP is present (2) Countries where CTG is present and/or it has technological or industrial advantages

Partnership in Existing and Future Renewable Projects



Transaction Structure for Minority Investments



- CTG to invest €2bn until 2015 (including co-funding capex) from which €800m in the first 12 months after closing:
 - Stakes between 34% - 49% in projects equivalent to c.1.5GW (net), including 900MW (net) in operation and 600MW (net) of ready-to-build projects
 - Full consolidation and operation by EDP
- Joint development and ownership of selected renewable projects
- Key valuation/investment criteria pre-agreed

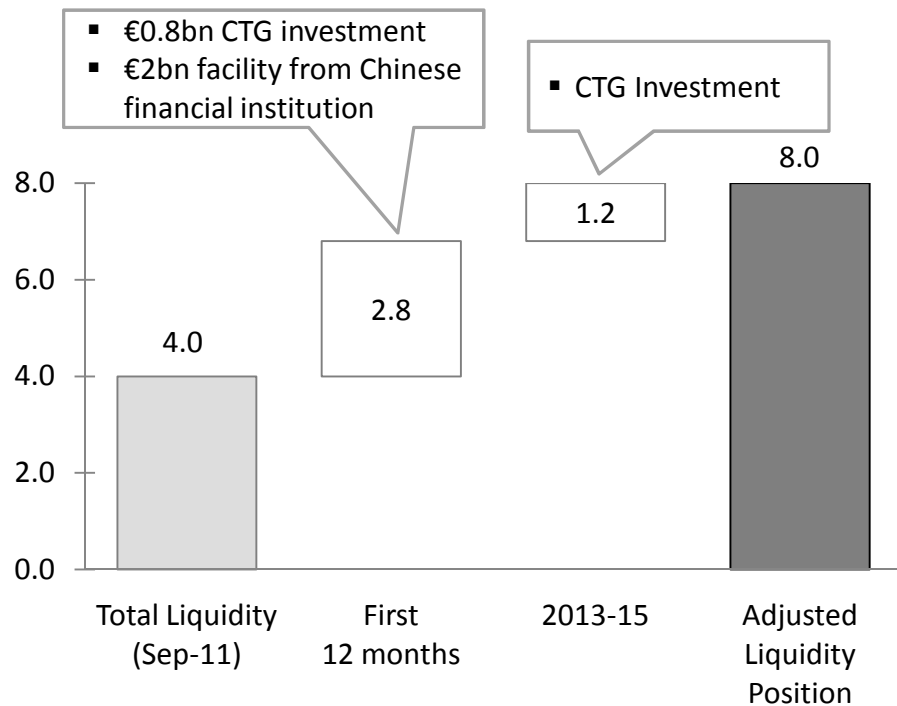
Partnership to maximize value extraction from worldwide growth platform in renewables

(1) EDP or its subsidiaries to maintain a minimum of 51-66% shareholding in specific renewable asset to be agreed

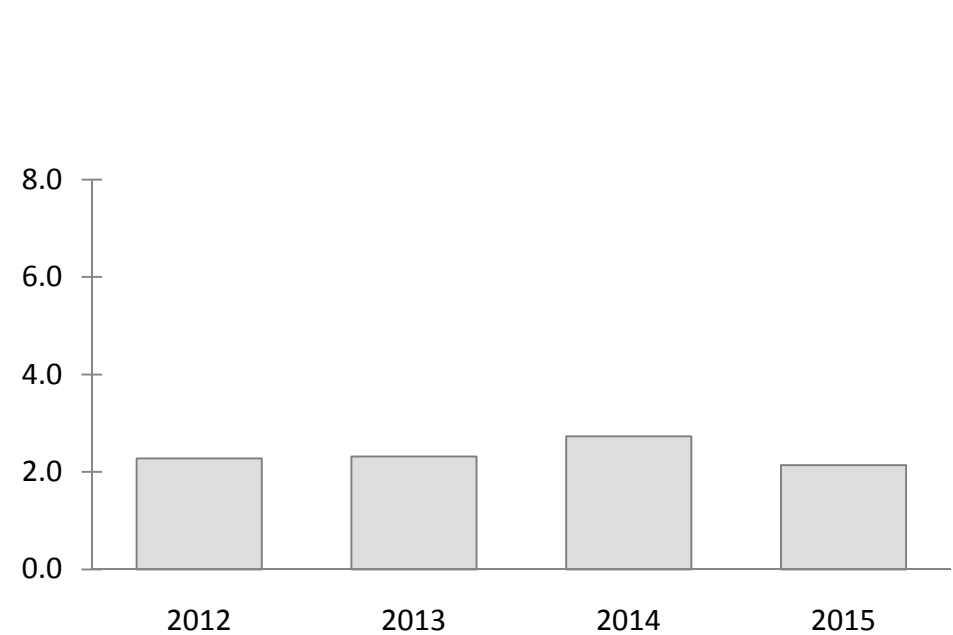
CTG adds Financial and Liquidity Strength to EDP



Expected Impact on EDP's Financial Liquidity (€bn)



EDP debt maturity profile 2012-15 (€bn)

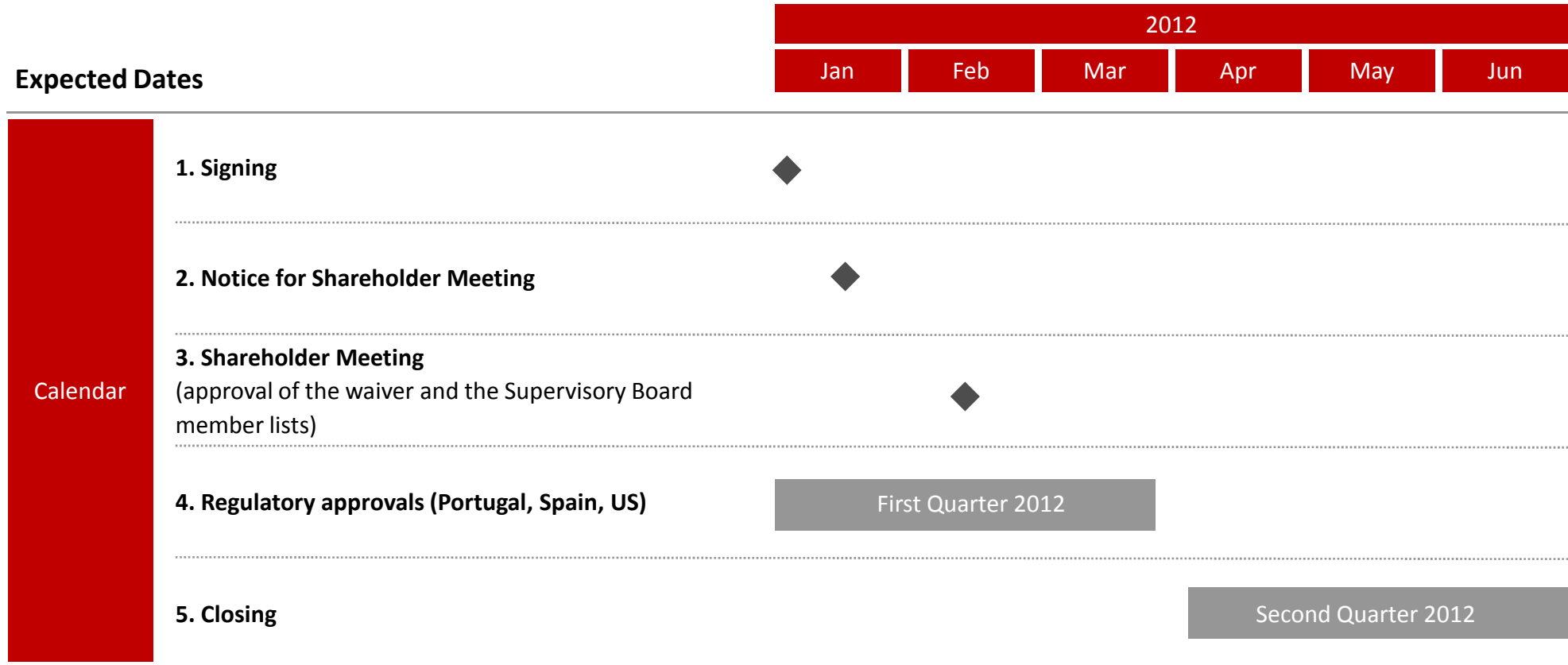


- EPS accretive for EDP from 2012 onwards
- Access to new and competitive long-term funding

Strong improvement of EDP's credit profile:

Financing needs coverage extended from mid-2013 to mid-2015; Net Debt/EBITDA 2015E < 3.0x

Next Steps



Closing expected by second quarter of 2012

Conclusion: A Value Enhancing Partnership



Strategic & Corporate Governance	<ul style="list-style-type: none">▪ Maintenance of EDP's identity: Iberia, Brazil and Renewable as part of EDP's core business ✓▪ Minimize conflicts of interest: No current overlap and eventual future conflicts regulated as part of the Strategic Partnership ✓▪ Reinforced shareholder structure: Committed long-term shareholder with interests aligned with EDP; stable shareholder structure and transparent corporate governance ✓
Financial	<ul style="list-style-type: none">▪ Value accretive for EDP's shareholders: Diversification of growth opportunities; strong financial support and lower risk ✓▪ EDP with a stronger credit profile: Net Debt/EBITDA <3.0x by 2015E and significant improvement of EDP's liquidity ✓▪ EPS accretive for EDP from 2012 onwards ✓

Value creation for shareholders based on additional sustainable growth and stronger credit profile



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Link Results & Presentations:

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Next Events

March 8th – EDP 2011 Results